

Sava Insurance Group

1Q 2020 results

1 June 2020



Presenting:



Mrs. Polona Pirš
Zupančič,
Member of the
Management
Board

Q&A part:



Mrs. Polona Pirš
Zupančič,
Member of the
Management
Board



Mrs. Mateja
Živec,
Head of Asset
Management

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- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- Plan 2020 and assessed impact of COVID-19

Highlights of 1Q 2020

Growth in GPW of **15.1%**

Growth in operating revenue of **16.2%**

Net profit of **€10.3 million** (cca. 23% of the lower limit planned for 2020)

ROE of **10.6%**

Net combined ratio (excl. FX) of **93.3%** in line with target

Completed acquisition of Diagnostic Centre Bled through ZTSR joint venture in March 2020

Impact of Covid-19 pandemic: assessment posted on the Sava Re website and that of the Ljubljana stock exchange (Seonet) on 17 April 2020

Closing of transaction with NLB Vita announced on 29 May 2020

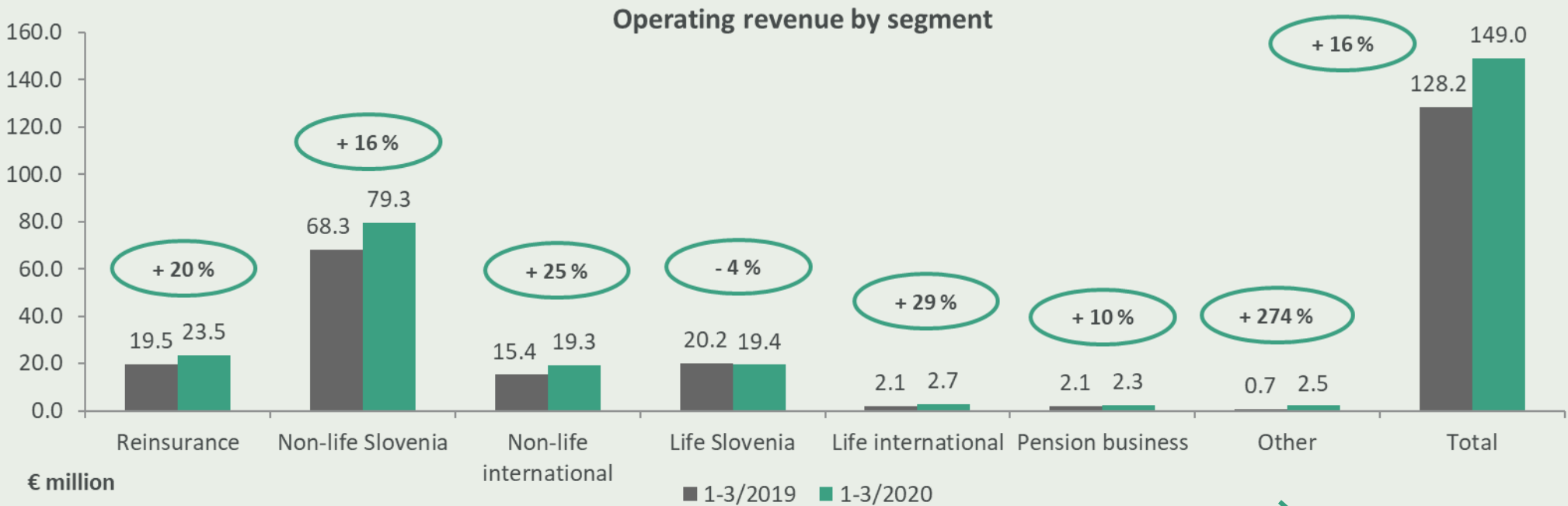
Key figures – Sava Insurance Group

€ million	1-3/2019	1-3/2020	Plan 2020	Change 2020/2019
Group				
Operating revenues	128.2	149.0	> 610	16.2%
Gross premiums written	171.6	197.5	> 620	15.1%
Net expense ratio*	31.9%	30.4%	33–34%	-1.5 p.p.
Return on financial portfolio*	1.8%	1.4%	1.3%	-0.4 p.p.
Net profit/loss	10.9	10.3	> 45	-5.6%
Annualized return on equity	12.2%	10.6%	> 11%	-1.6 p.p.
Reinsurance and non-life insurance				
Net combined ratio** (excl. FX)	93.0%	93.3%	< 94%	+0.3 p.p.
	31/12/2019	31/3/2020	P 31/12/2020	
Shareholders' equity	384.8	377.5		-1.9%
Total assets of the investment portfolio	1,157.8	1,137.9		-1.7%
Assets held for the benefit of policyholders who bear the inv. risk	231.3	200.0		-13.5%
Assets in pension company savings funds	743.0	718.6		-3.3%
AUM at Sava Infond	376.6	317.2		-15.8%

* Impact of exchange rate differences excluded. The return on financial portfolio does not include the cost of subordinated debt.

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

Breakdown of consolidated revenue

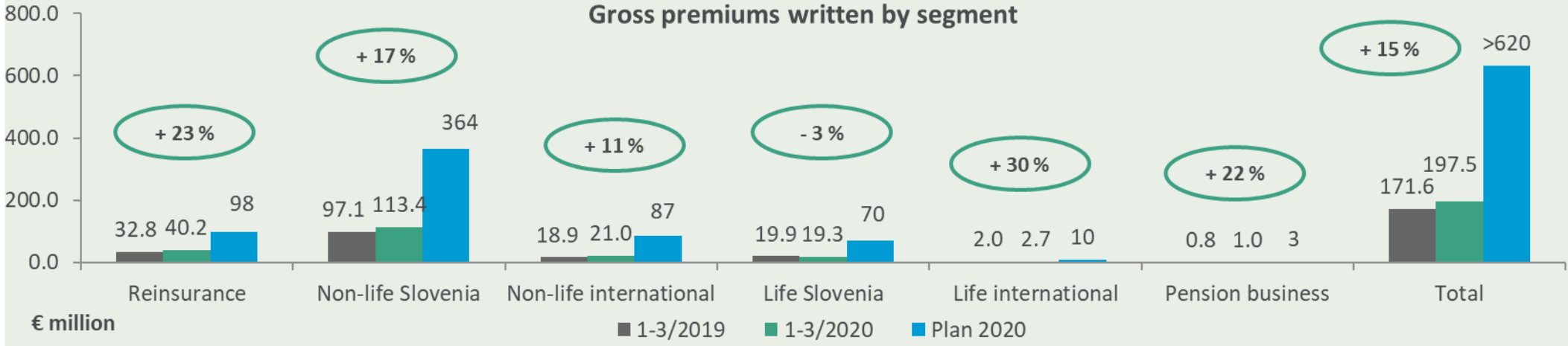


- Earned premiums
- Other technical income
- Other income
- In life business, also income from asset management of life insurance funds

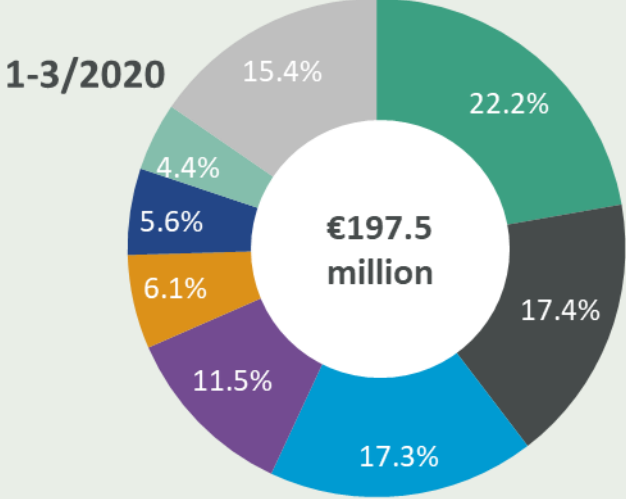
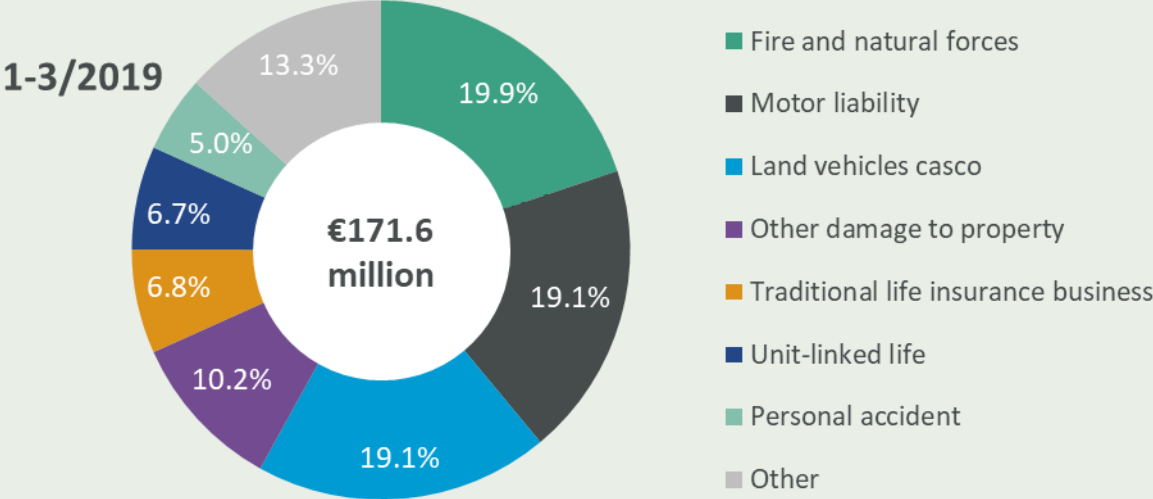
- Premiums from annuities
- Income from managing pension funds

- Revenue from resolving TBS Team 24 assistance cases
- Revenue from managing funds of Sava Infond

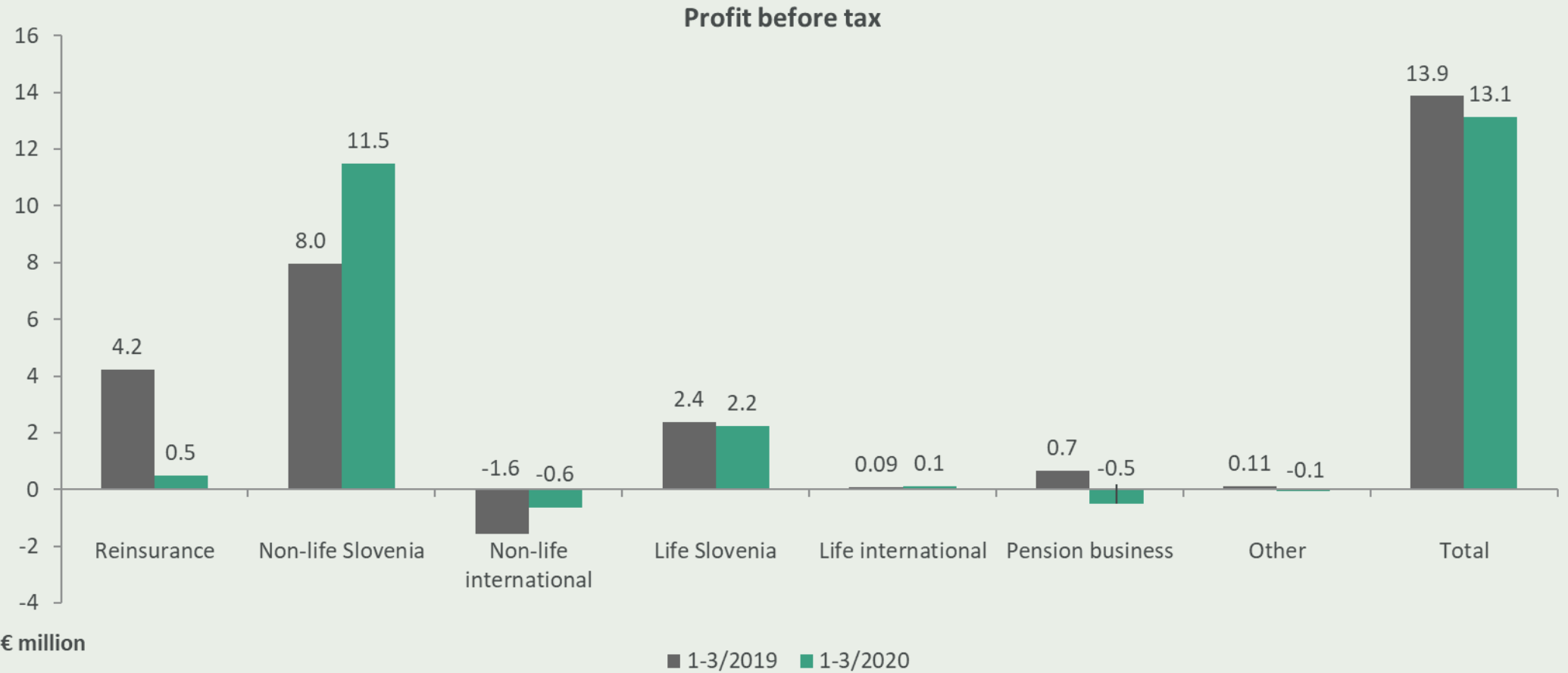
Breakdown of consolidated GPW



Consolidated gross premiums written by class of insurance



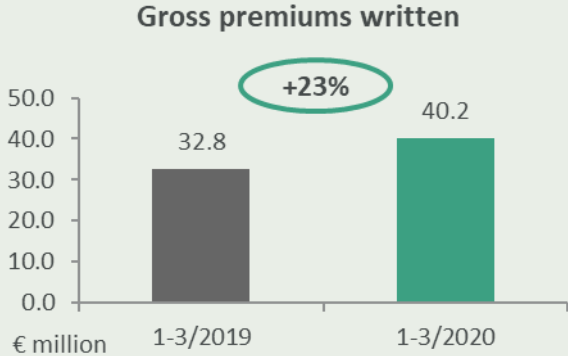
Consolidated profit before tax by segment



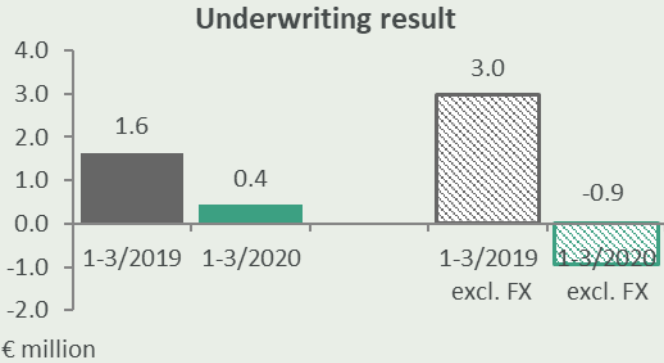
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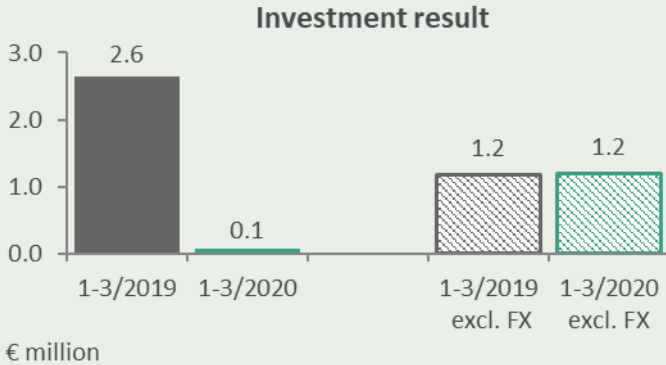
Results by operating segment – reinsurance



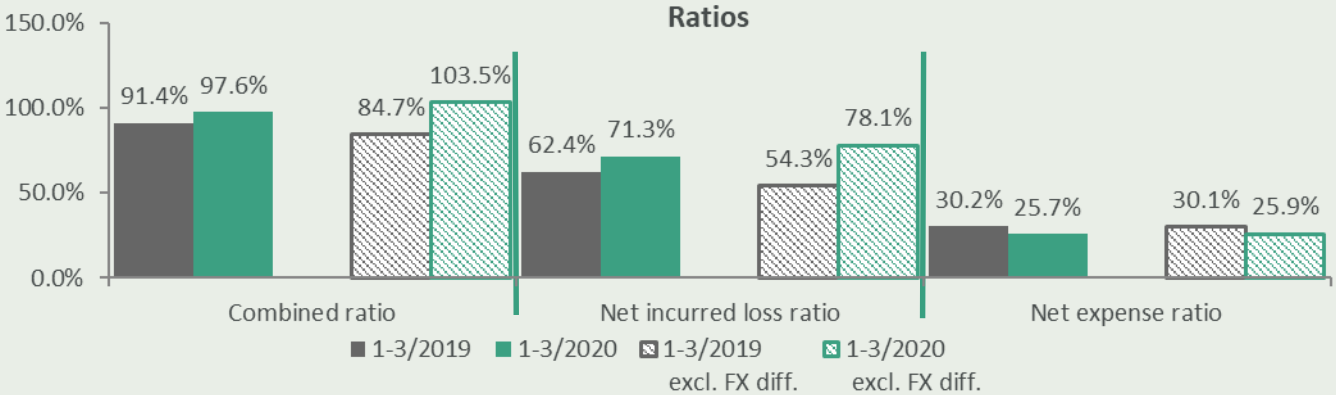
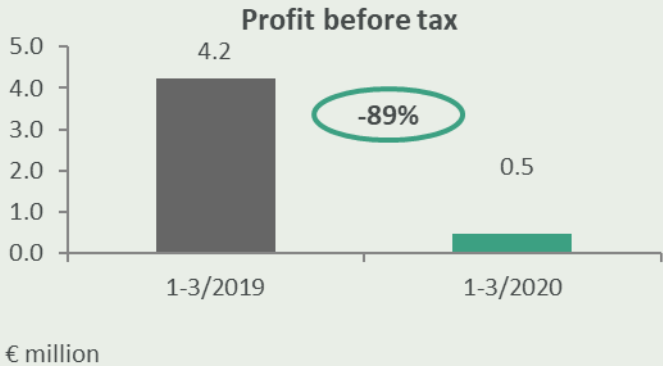
- Growth in non-proportional and proportional reinsurance premiums mainly on Asian markets (organic business growth)



- Deterioration in underwriting result due to increased claims burden from business growth, development of previous contract years and one major fire claim



- Investment result excluding FX differences similar as in the same period last year

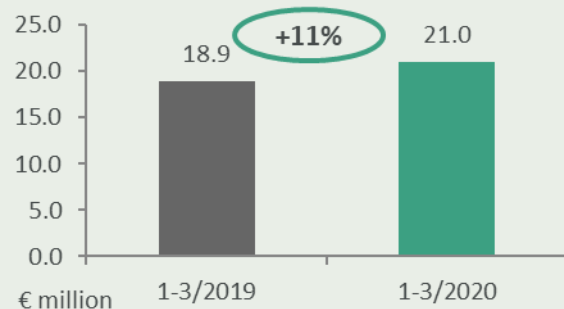


Results by operating segment – non-life Slovenia



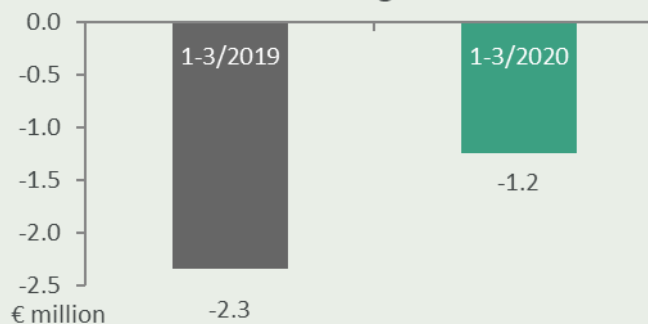
Results by operating segment – non-life international

Gross premiums written



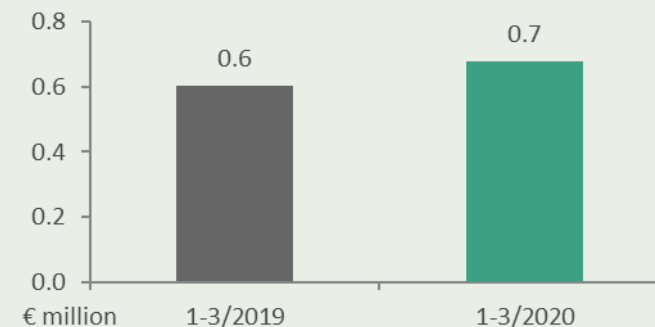
- Increase in motor insurance premiums in Croatia, which is solely due to the acquisition of ERGO Osiguranje (included in the Group on 31 March 2019), otherwise cleaning of the portfolio
- Growth in other non-life insurance premiums due to the acquisition of new policyholders in Serbia
- Growth in health insurance in Kosovo as well

Underwriting result



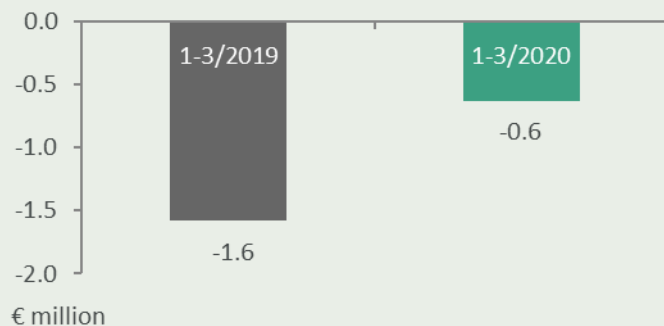
- Stronger technical result mainly due to higher premiums

Investment result

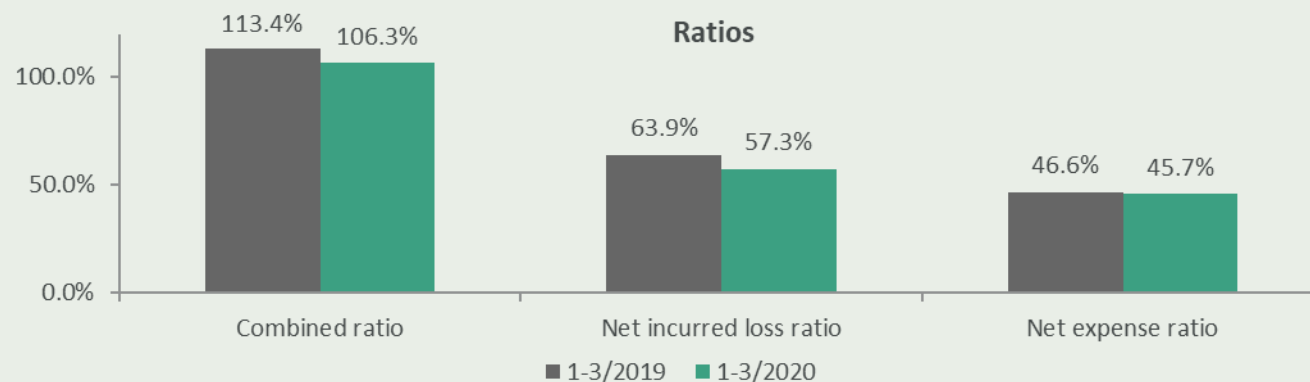


- Investment result flat year on year

Profit before tax

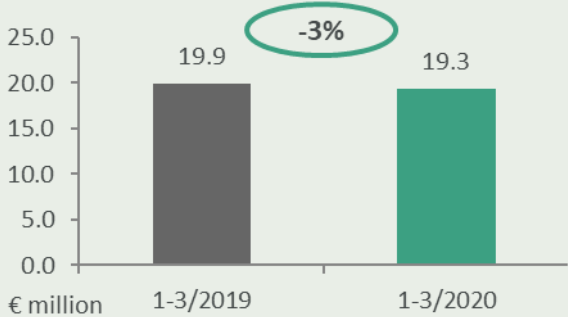


Ratios



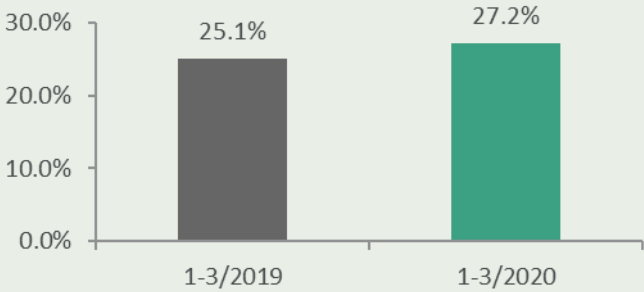
Results by operating segment – life Slovenia

Gross premiums written



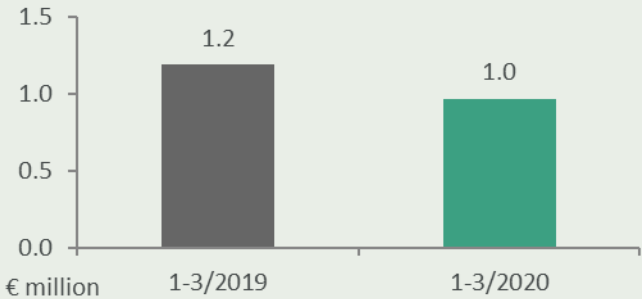
- Premiums from new business insufficient to fully offset lost premiums relating to maturing life policies
- 20% growth in new yearly premium

Net expense ratio



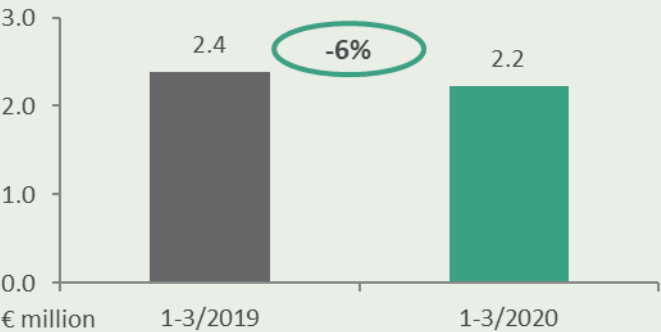
- Net expense ratio up 1.9 p.p. due to growth in operating costs with premiums being lower as previous year

Investment result



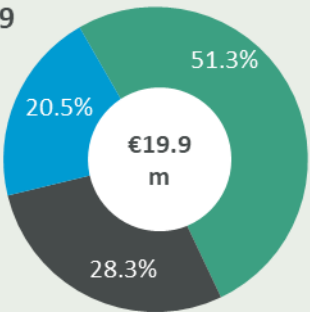
- Higher expenses from change in fair value and loss on disposal of investments in the FVTPL group (up €0.3 million) and lower interest income (up €0.3 million)

Profit before tax



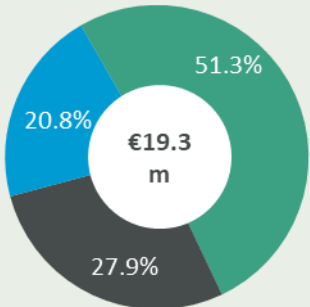
Gross premiums written by class of insurance

1-3/2019



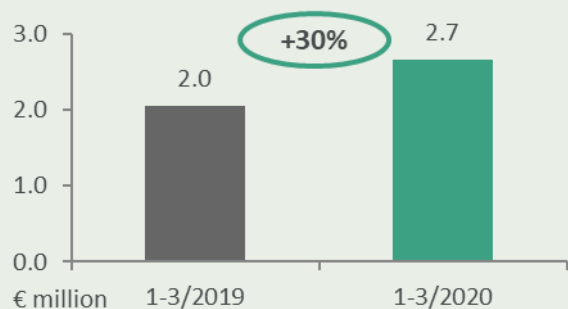
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-3/2020

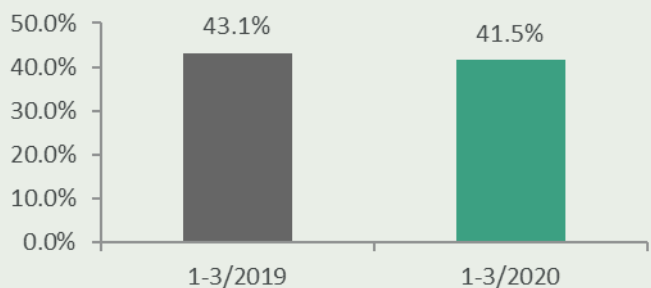


Results by operating segment – life international

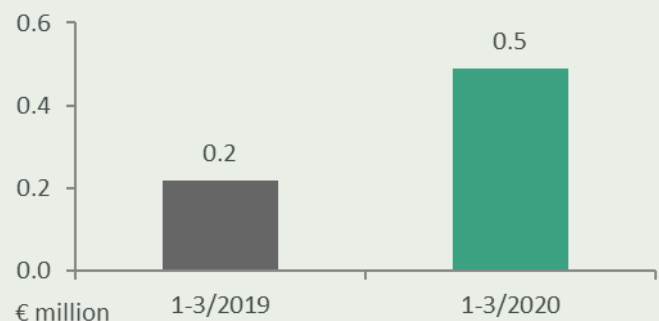
Gross premiums written



Net expense ratio

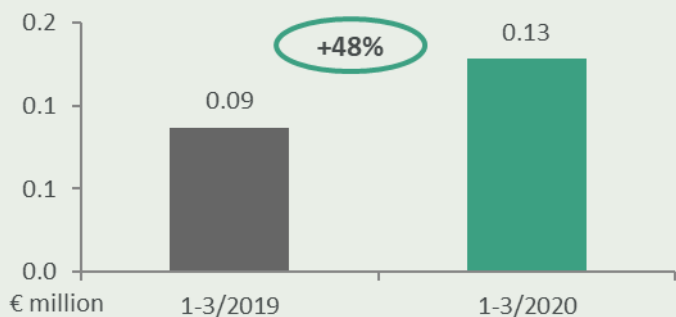


Investment result



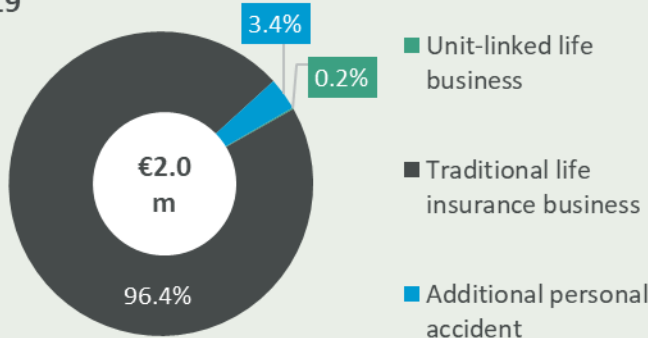
- High growth in Croatia (partially from inclusion of ERGO Životno Osiguranje in the Group as of 31 March 2020) and in Serbia resulting from increased efficiency of own sales network
- Significantly improved expense ratio as a result of high premium growth, which exceeded growth in operating costs
- Increase mainly due to other investment income of Croatian branch

Profit before tax

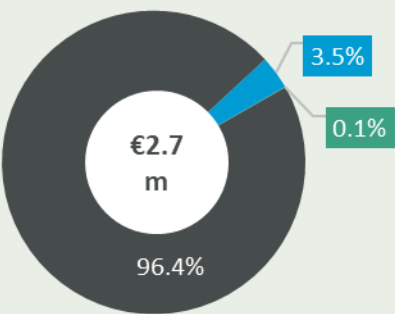


Gross premiums written by class of insurance

1-3/2019

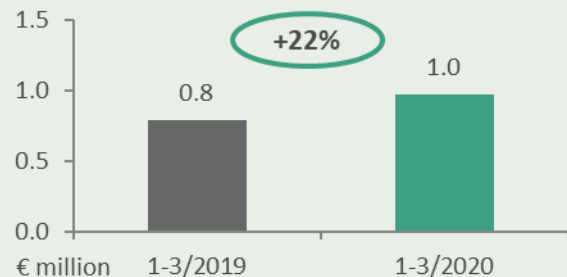


1-3/2020



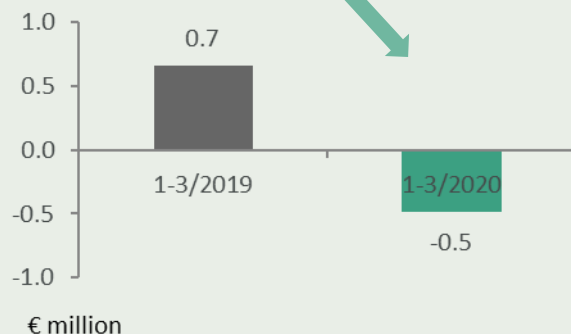
Results by operating segment – pension business

Gross premiums written
(annuities)

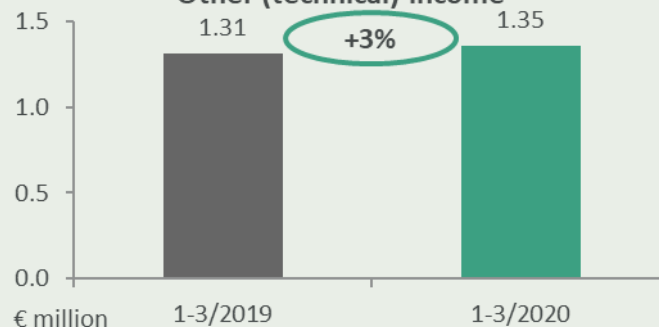


- More policyholders opting for pension annuities upon retirement
- Loss due to significantly unfavorable developments in the financial markets (and the consequent situation at the end of March 2020) and setting of provisions for failure to achieve the guaranteed return of a Slovenian pension company

Profit before tax

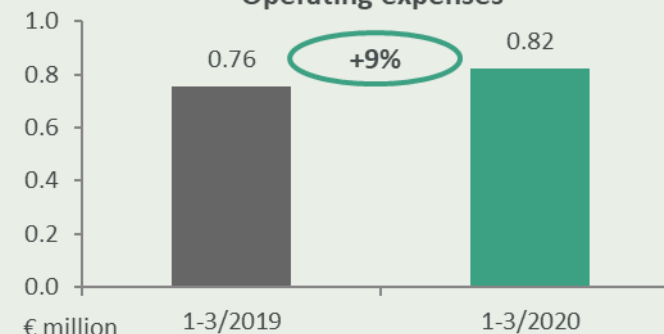


Other (technical) income



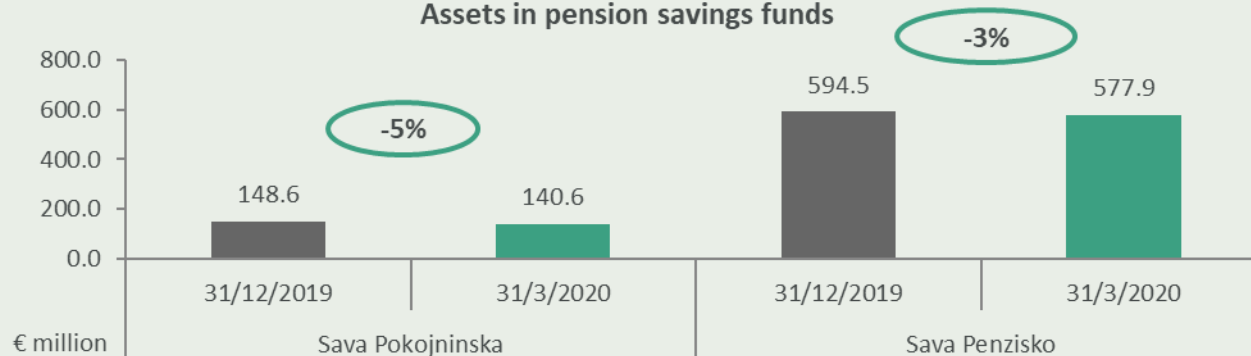
- Growth in other (technical) income despite lower assets in pension savings funds

Operating expenses

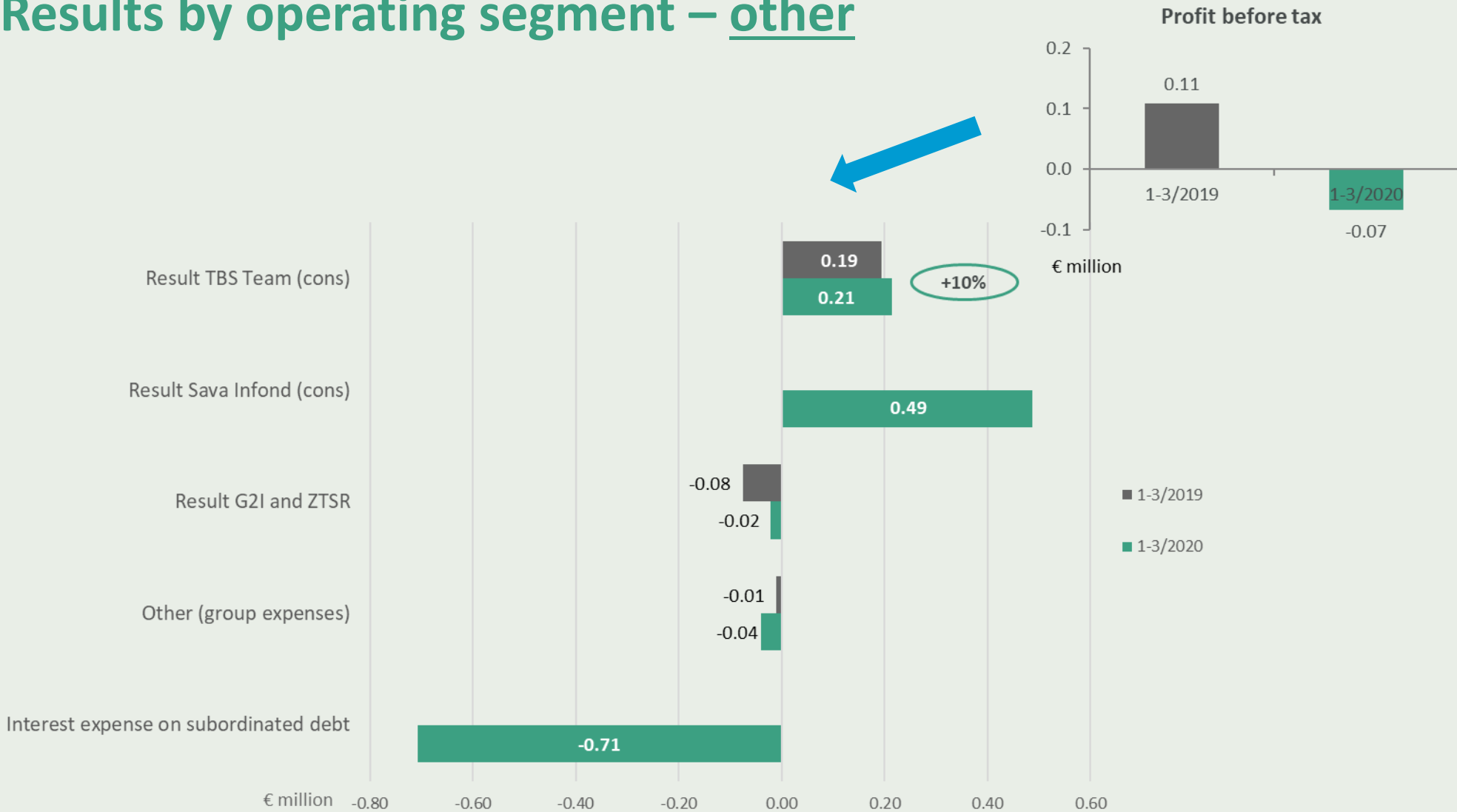


- Increase in operating costs entirely due to amortisation of a list of customers, which was formed as an intangible asset of the group after Sava Penzisko joined the group

Assets in pension savings funds



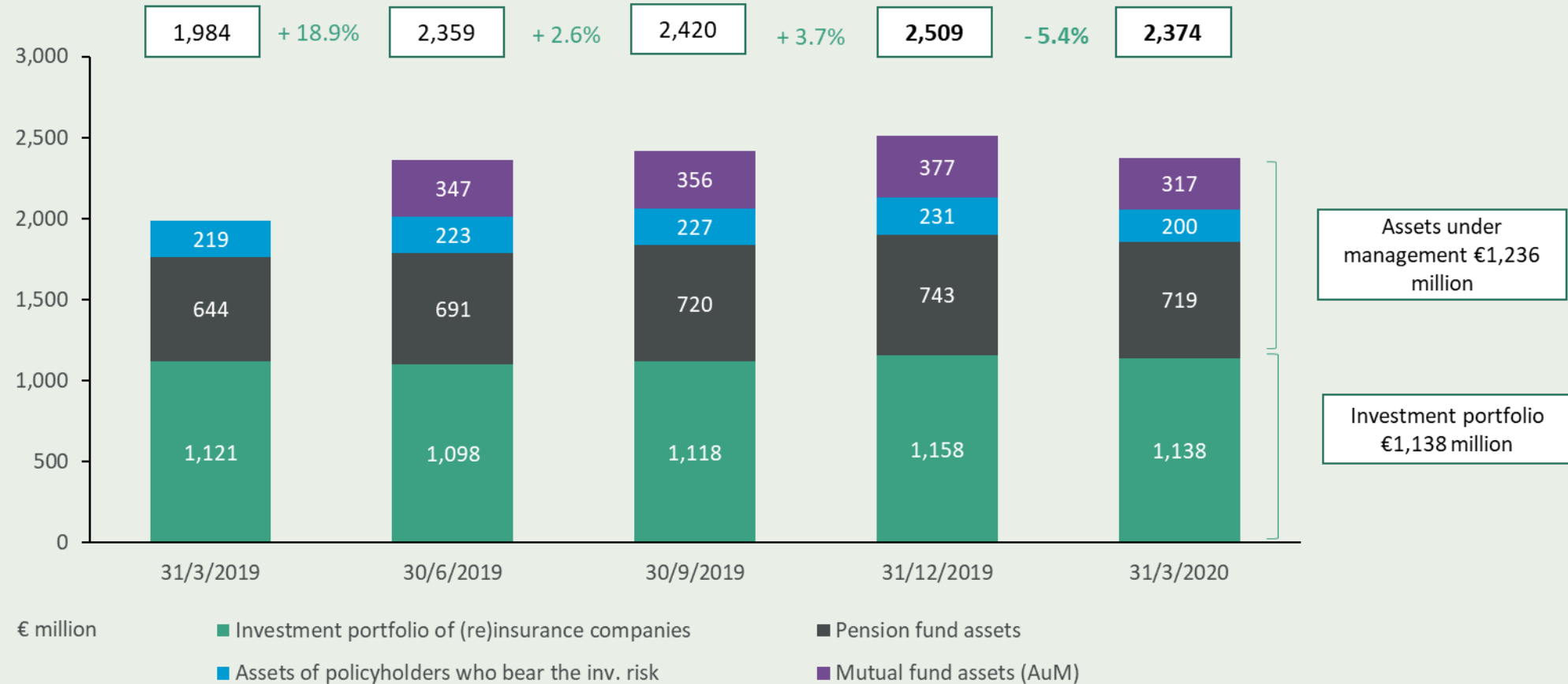
Results by operating segment – other



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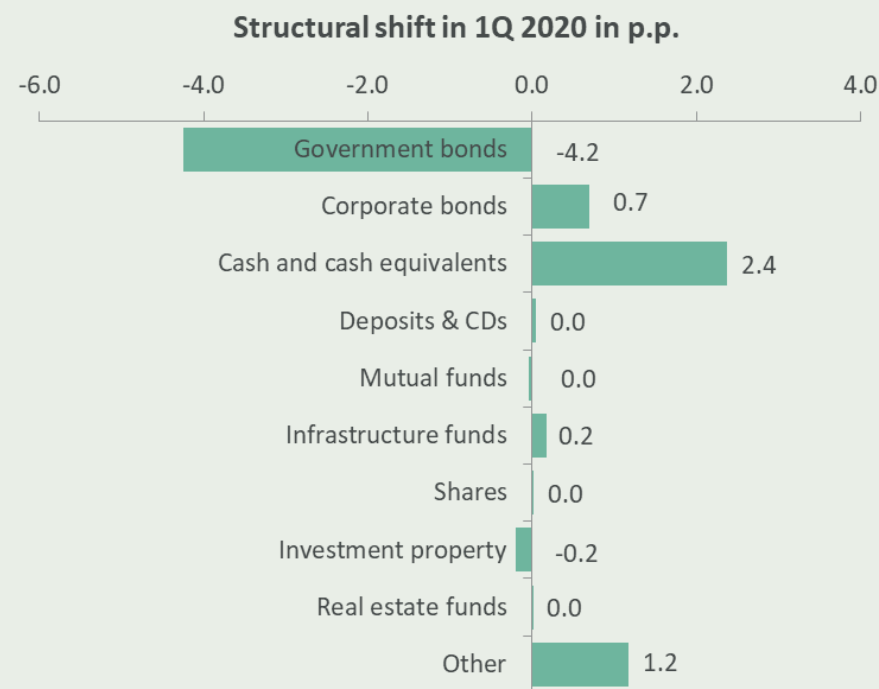
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Investment portfolio and AuM



Structure of the investment portfolio

	31/12/2019	31/3/2020
Investment portfolio (€ million)	1,157.8	1,137.9
Government bonds	46.6%	42.3%
Corporate bonds	34.1%	34.8%
Cash and cash equivalents	6.5%	8.9%
Deposits & CDs	4.0%	4.1%
Mutual funds	3.0%	2.9%
Infrastructure funds	1.7%	1.9%
Shares	1.4%	1.5%
Investment property	1.5%	1.3%
Real estate funds	0.3%	0.3%
Other	0.8%	1.9%
Total investment portfolio	100.0%	100.0%

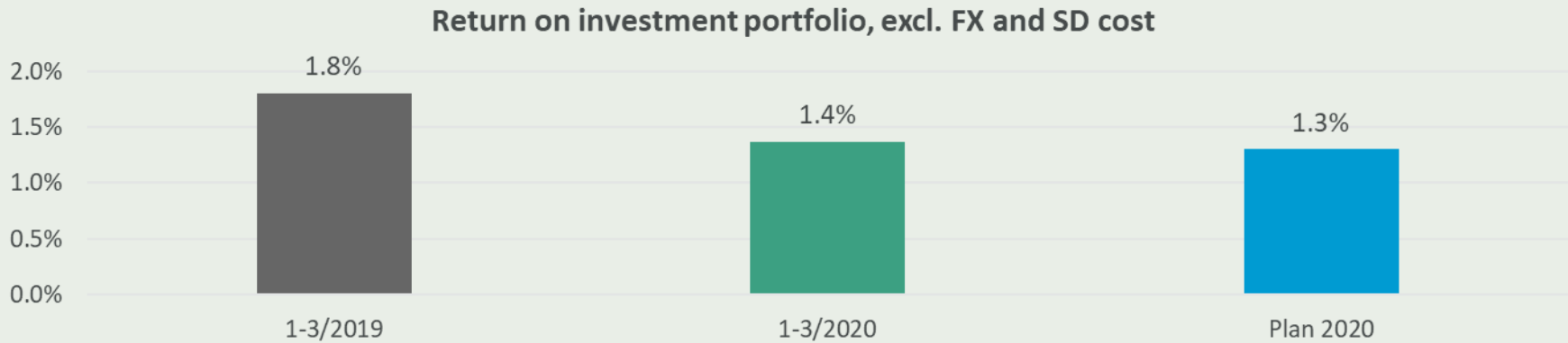


- **Decrease in the percentage of government bonds of 4.2 p.p.** as a result of maturing of AAA and AA-rated government bonds
- **Increase in the percentage of cash and cash equivalents of 2.4 p.p.** due to planned strategic investments in 2020
- **Increase in the percentage of other of 1.2 p.p.** as a result of investing in financial investments in associated companies

Net inv. income of and return on the investment portfolio

€ million	1-3/2019	1-3/2020	Difference 20 - 19
Net investment income relating to the investment portfolio	6.4	2.2	-4.3
Net inv. income of the investment portfolio, excl. FX	5.0	3.2	-1.8
Return on the investment portfolio, excl. FX and SD cost	1.8%	1.4%	-0.4 p.p.

FX = Foreign exchange
SD = Subordinated debt



Return on the investment portfolio, excluding FX differences, amounted to €3.2 million in 1-3/2020, down €1.8 million compared to the same period last year, and represents a 1.4% return on the investment portfolio, excluding FX and subordinated debt expenses.

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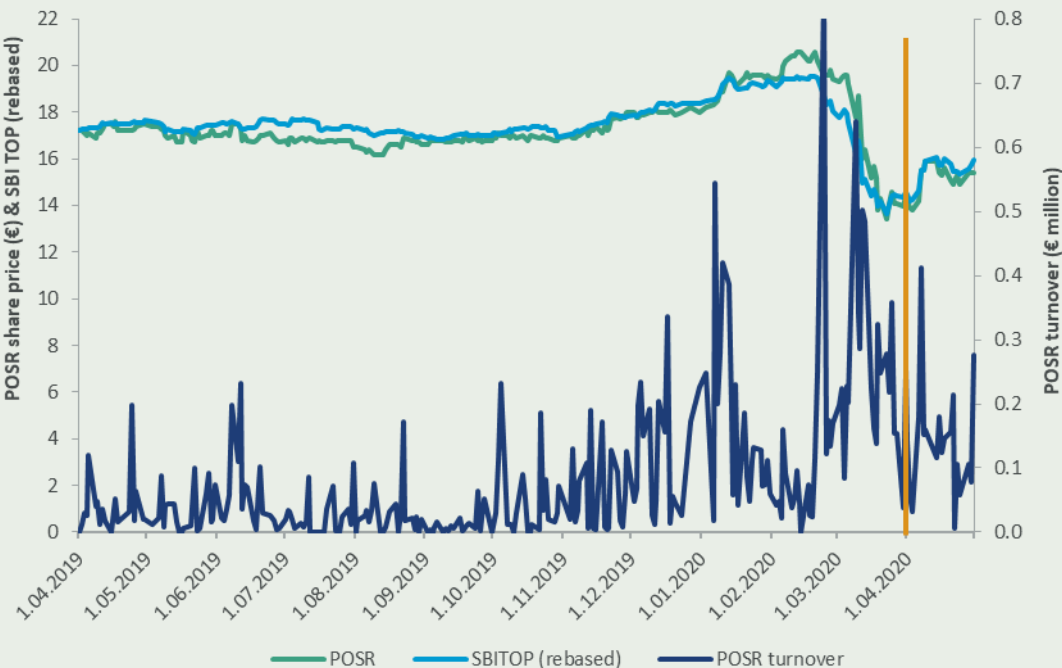
Shareholders and share trading

Book value per share

€24.36

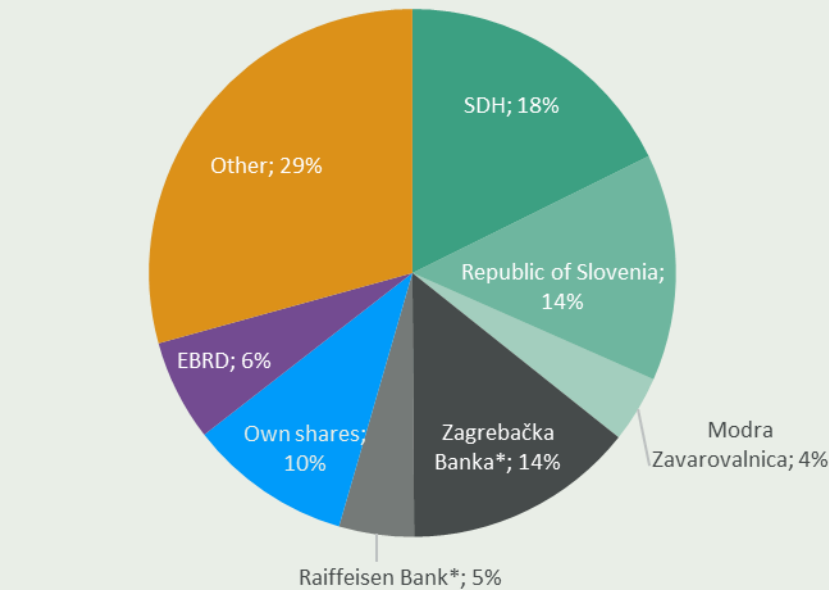
31 Mar 20 / 31 Dec 2019: -1,9%

Sava Re share price performance vs SBI TOP benchmark



31 March 2020	
Share capital (€ million)	71.9
Market capitalisation (€ million)	248.0
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,104

Shareholders as at 31 March 2020

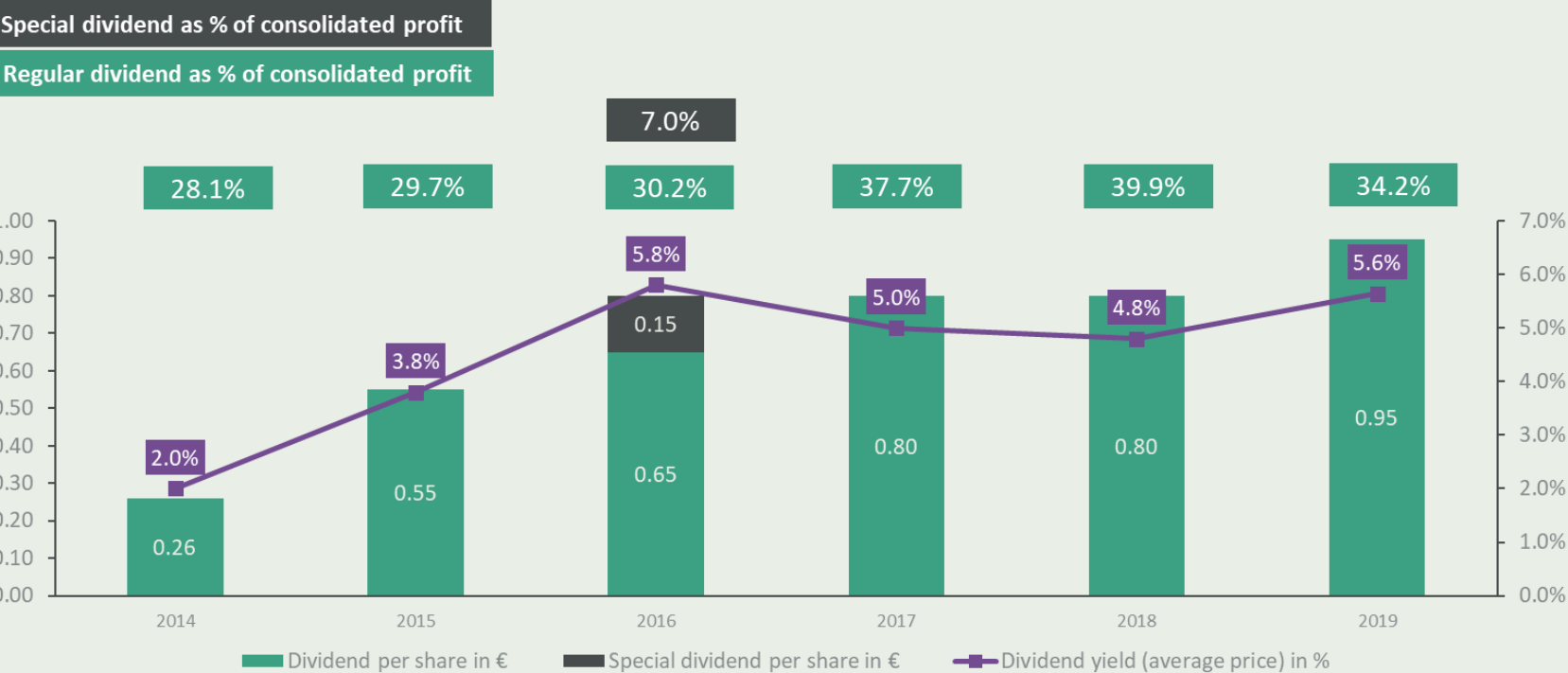


* Custody account.

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.

On 31 March 2020, Sava Re received a letter from the Slovenian Insurance Supervision Agency calling on insurance, reinsurance and pension companies to temporarily suspend dividend payments and refrain from making any irrevocable commitments to pay dividends.



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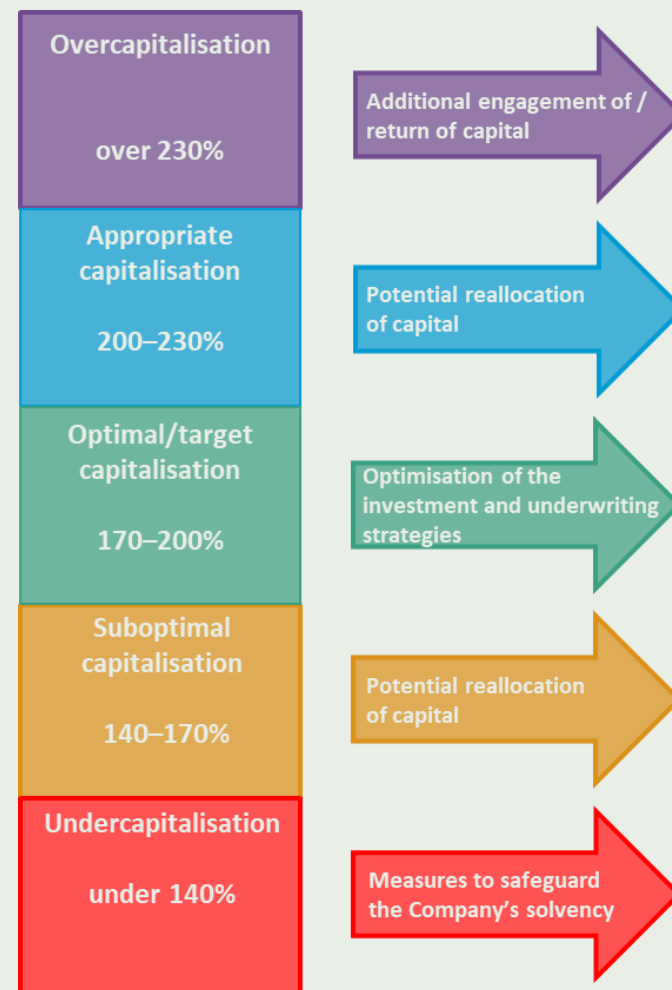
Capital adequacy

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

€ million	31 Dec 2019 (audited)
Eligible own funds	522.0
Solvency capital requirement (SCR)	237.7
Solvency ratio	220%

The Sava Insurance Group's Solvency and financial condition report 2019 (Group SFCR) was posted on the Sava Re website and that of the Ljubljana stock exchange (Seonet) on 19 May 2020.

Strategy 2017 - 2019

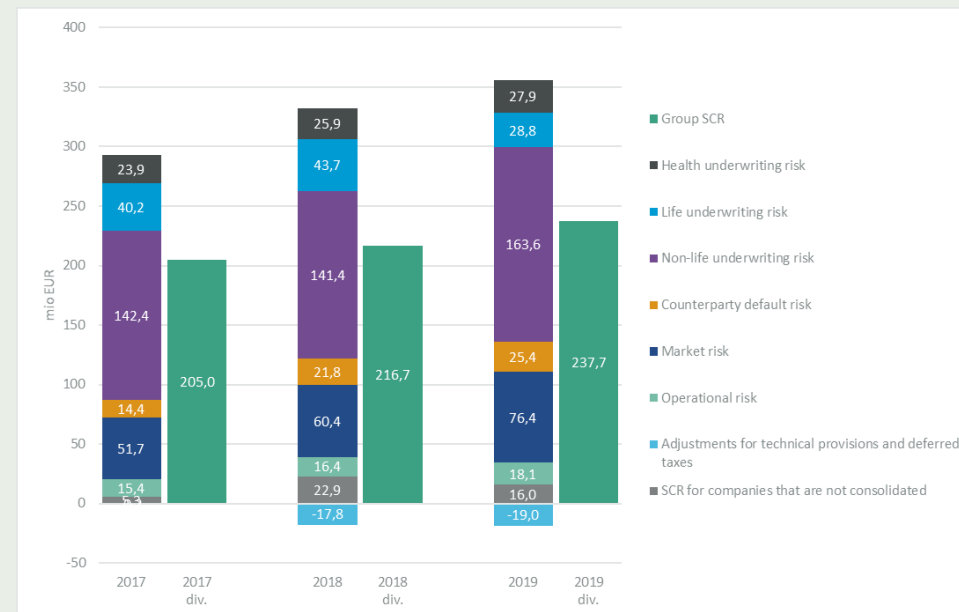


Solvency position and capital management



RISK PROFILE 31 DEC 2019

- 9.7 p.p. growth in solvency capital requirement (SCR) in 2019
- Main risks at 31 Dec 2019 are still non-life insurance and market risk:
 - Non-life risk increased during 2019 due to premium growth
 - Market risk increased due to portfolio growth and structural changes



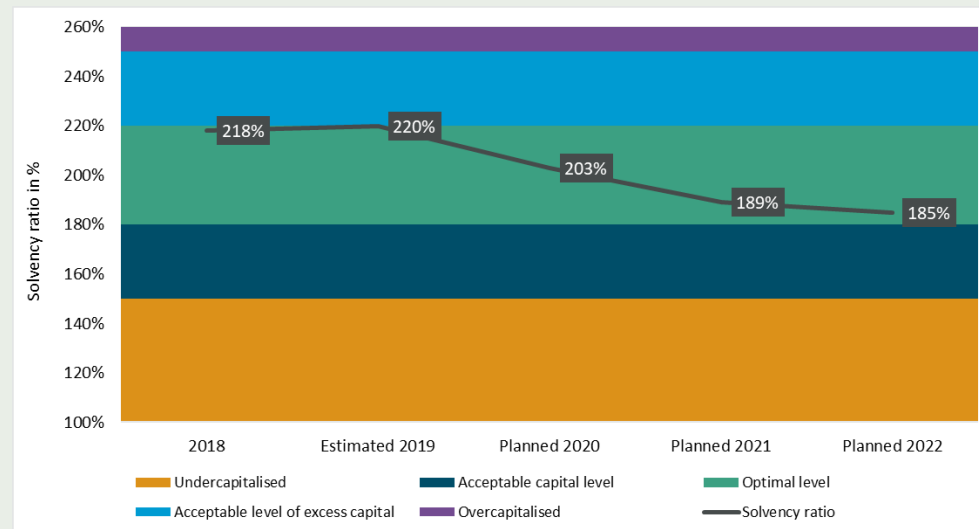
SOLVENCY POSITION AT 31 DEC 2019

- Solvency ratio 2019 at 220% (similar level as 2018)
- Increase in own funds due to subordinated debt issue (tier 2)

Solvency position and capital management

- Optimal Group solvency range for 2020–2022 (as per risk strategy) is 180–220%
- Originally planned solvency ratio for 2020 at 203%, including expected risk profile changes:
 - Moderate increase in market risk
 - Increased non-life risk (related to premium growth)
- Additional expected effects in 2020 (not included in original plan):
 - Change in risk profile due to acquisition of life insurer NLB Vita
 - Effects of Covid-19
- Expected effects to be published with revised strategic plan on 20 August 2020.

Originally planned solvency projection



Simulation of possible effects of Covid-19 (resulting from unstable financial markets), published on Seonet on 17 April 2020:

Assuming that the financial markets at the end of 2020 will be similar to 23 March 2020, a drop in the solvency ratio between 10–15 p.p. is expected compared to the originally planned (203%).

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2020 targets (consolidated)

	Actual 2018	Actual 2019	2020 plan
Group			
Operating revenues	€536.8 million	€584.2 million	> €610 million
Profit or loss, net of tax	€43.0 million	50.2 million	> €45 million
Return on equity (ROE)	13.1%	13.8%	> 11%
Investment return*	1.7%	1.9%	1.3%
(Re)insurance part			
Gross premiums written	€544.1 million	€598.5 million	> €620 million
Net incurred loss ratio (reins. + non-life)*	57.0%	61.7%	59–60%
Net combined ratio (reins. + non-life)*	92.9%	93.8%	< 94%

* Impact of exchange rate differences excluded. The return on financial portfolio does not include the cost of subordinated debt.

Assessed impact of COVID-19 on 2020 performance reflects high Group resilience

Basic assumptions of the assessment:

- 6- to 8-percent drop in GDP 2020 (UMAR prediction)
- The period until the end of May: direct impact on insurance underwriting and contacts with customers but with a lighter claims burden
- The period from June to the end of the year: indirect impact on operations due to lower GDP than originally forecast
- Assessed impact on financial investments based on circumstances in financial markets

	Basic plan 2020	Assessed impact of COVID-19
Planning category		
Operating revenue	> €610 million	Drop of between 5% and 7%
Net profit for the period	> €45 million	Drop of between 15% and 20%
Solvency ratio as at 31 December	203%	Drop of between 10 and 15 p.p.

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 expectations, plans and goals set out in this document; therefore, persons should not rely on forward-looking statements.

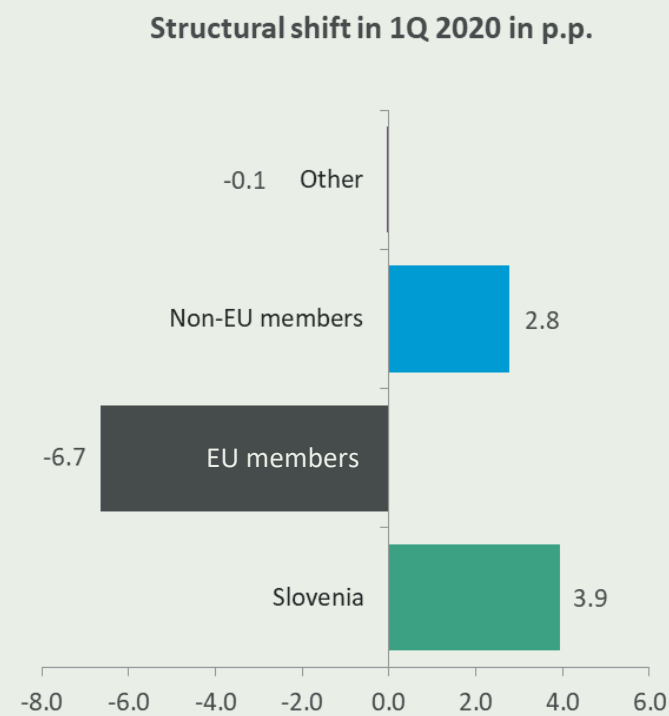
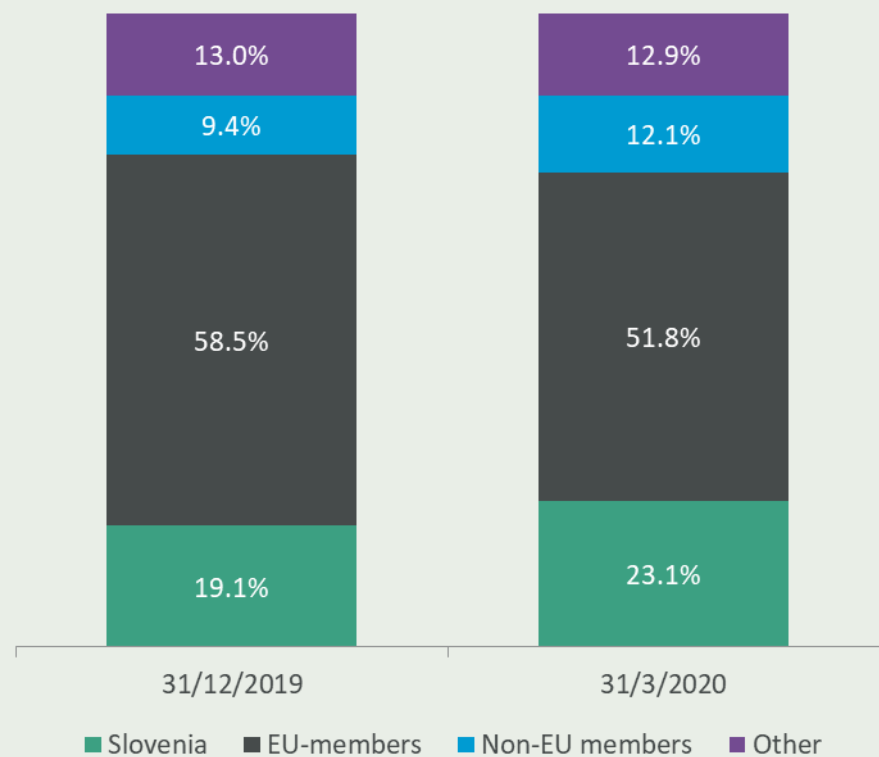
Duty to update

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

Appendix

Group exposure by region

Higher exposure to Slovenia in 1Q 2020 due to higher cash and cash equivalents, however still in line with investment policy.
Lower exposure to EU member states as the result of Brexit. On the other hand, larger exposure to non-EU members.



Group exposure to Slovenia

€ million	31/12/2019		31/3/2020		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Deposits	28.9	2.3%	28.0	2.3%	0.0
Government bonds	95.9	7.6%	91.2	7.5%	-0.1
Corporate bonds	32.1	2.5%	32.4	2.7%	0.1
Shares	16.9	1.3%	14.4	1.2%	-0.1
Mutal funds	2.8	0.2%	1.9	0.2%	-0.1
Cash and cash equivalents	52.0	4.1%	98.0	8.1%	4.0
Infrastructural funds	0.2	0.0%	0.2	0.0%	0.0
Total	241.5	19.1%	278.7	23.1%	3.9

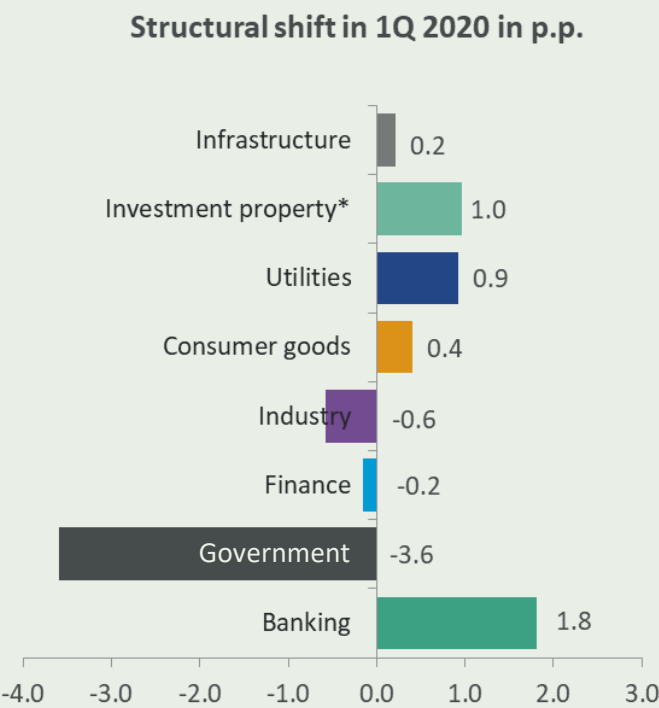
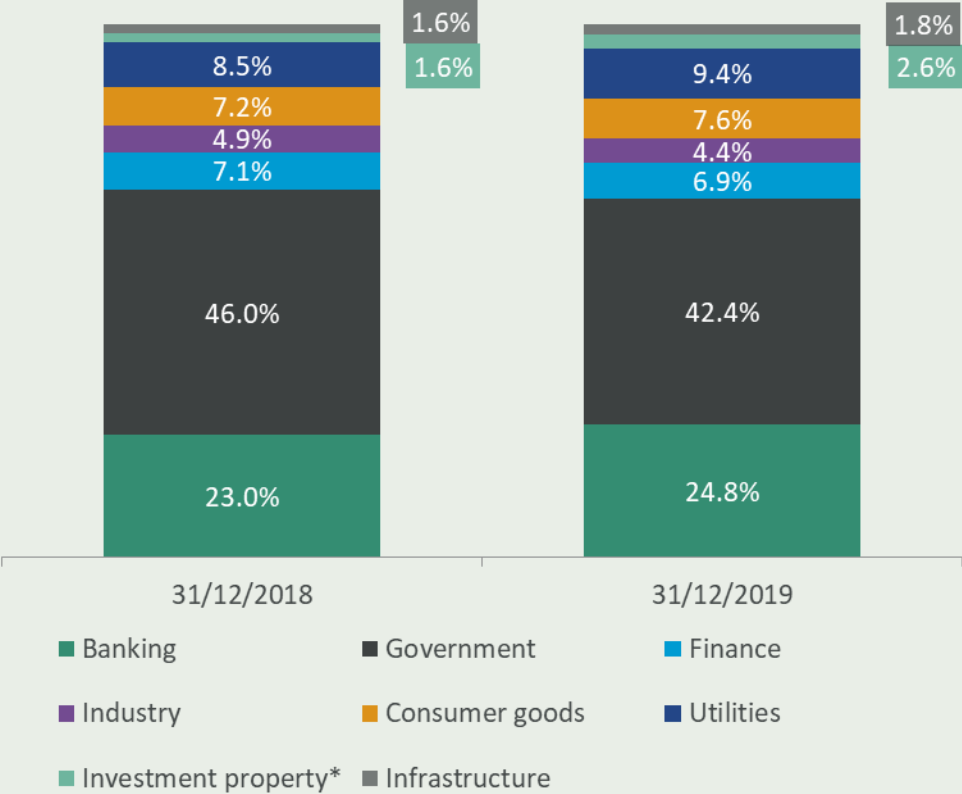
Exposure to Slovenia increased by 3.9 p.p. in 1Q 2020.

The largest contribution to increased exposure to Slovenia was an increase in cash and cash equivalents due to planned strategic investments in 2020.

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 in 2019. 60% of received funds have been invested in short-term investments (cash, cash equivalents and deposits) due to planned strategic investments in 2020.



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

Maintaining a good rating profile in 1Q 2020 despite Covid-19 impacts

Investment grade assets represent 75.4% of fixed income investments which is 2.9 p.p. lower than at the end of 2019.

The share of AAA and AA-rated categories declined reflecting maturities of government bonds and the downgrading of ratings due to Covid-19 impacts. As a result, the share of BBB and BB-rated categories increased.

