

# Sava Insurance Group

## 2019 unaudited results

Slovenian Listed Companies Online - 23 March 2020



**Contingency measures due to COVID-19**

**2019 unaudited results**

**Investment portfolio & stress results 30.9.2019**

**Contingency measures due to COVID-19**

***Protecting people and assets is at the core of Sava Insurance Group mission, and that begins with ensuring the health and well-being of our employees, their families, our business partners, investors and communities throughout the world.***

- contingency plan led by its business continuity team, reporting directly to the management board
- the business processes are mostly performed remote – in Slovenia branch offices are closed; sales & claims via emails, telephone, chat etc
- necessary measures to ensure uninterrupted operation of all critical business functions and processes
- the same applies to all Sava Insurance Group companies
- more information about the measures taken by individual companies can be found on their websites

Currently it is impossible to evaluate the effects to Sava Insurance Group performance in 2020 and beyond.

Sava Insurance Group is committed to being there when our policyholders need us the most. This means paying all valid claims promptly whilst fulfilling all obligations linked to insurance and reinsurance contracts and other contractual liabilities.

**2019 unaudited results**

# Highlights of 2019

Growth in GPW of **9.7%**, growth in operating revenues of **10.1%**

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

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

**First consolidation** of new companies:

- **Ergo** NL and **Ergo** L on 31 March 2019 (both portfolios transferred to Croatian branch of Sava Insurance Co Slovenia in December 2019) and
- **Sava Infond** on 30 June 2019

Issue of 20NC10 **subordinated bonds** worth €75 m with first call date in 2029

**Signed deals** to acquire **Bled Diagnostic Centre (closed 19th March 2020)** and **NLB Vita**

Unaudited data

# Achievement of the 2019 plan

	2018	2019 plan	2019 actual*
<b>Group</b>			
Operating revenues	€531.3 m	> €535 m	€584.9 m
Profit or loss, net of tax	€43.0 m	> €43 m	€50.2 m
Return on equity	13.1%	> 12%	13.8%
Investment return**	1.7%	1.7%	1.9%
<b>(Re)insurance part (+ annuities)</b>			
Gross premiums written	€546.3 m	> €555 m	€599.3 m
Net expense ratio** (reins. + non-life)	33.1%	32.4–33.0%	31.7%
Net combined ratio** (reins. + non-life)	92.9%	93.6–94.1%	93.8%

\* Unaudited data.

\*\* Excluding the effect of exchange differences. The investment return does not include the expenses of subordinated debt.



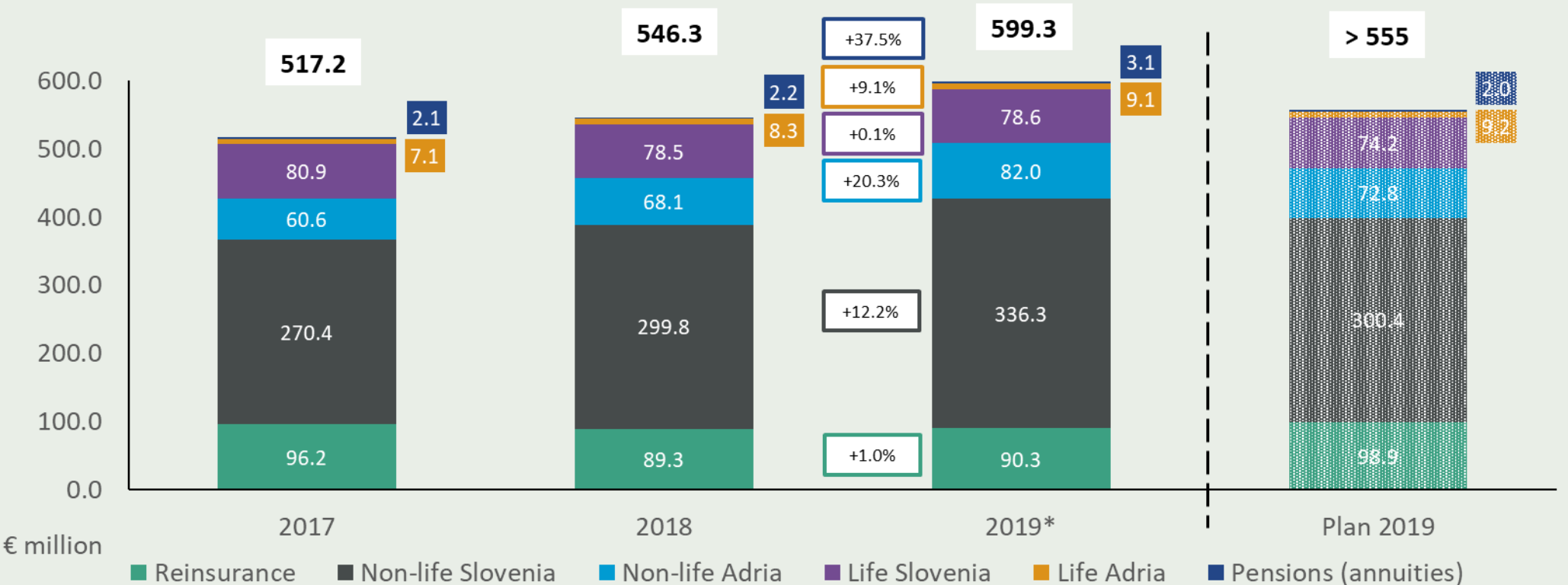
# Development of consolidated gross premiums written

Consolidated gross premiums written

€599.3 m

2019/18: 9.7% growth

Plan achieved

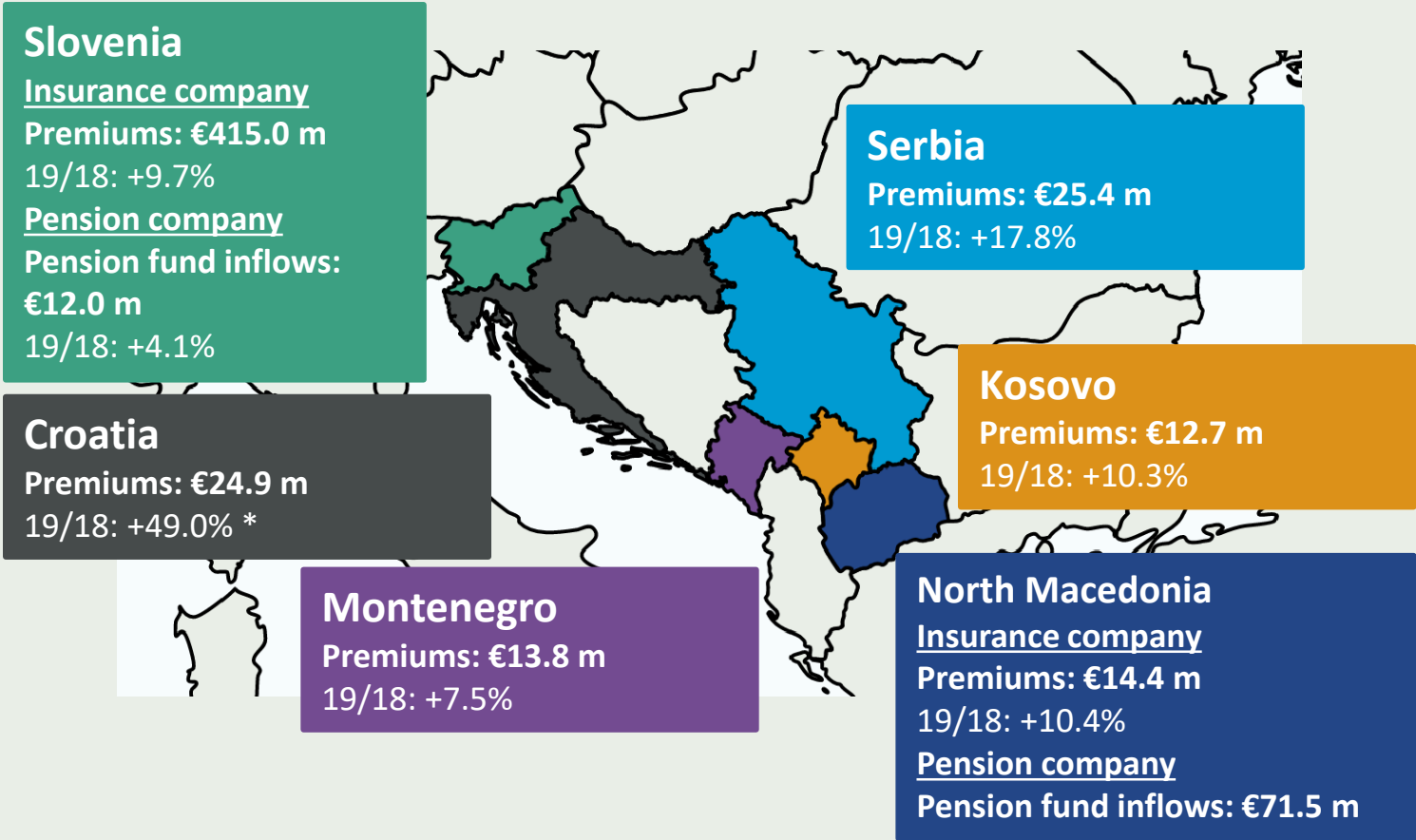


Unaudited data.



# Strong growth in GPW in all insurance markets in 2019

## Insurance and pension companies



## Reinsurance company



**Global markets – Sava Re reinsurance business**  
Non-Group premiums: €90.3 m  
19/18: +1.0%

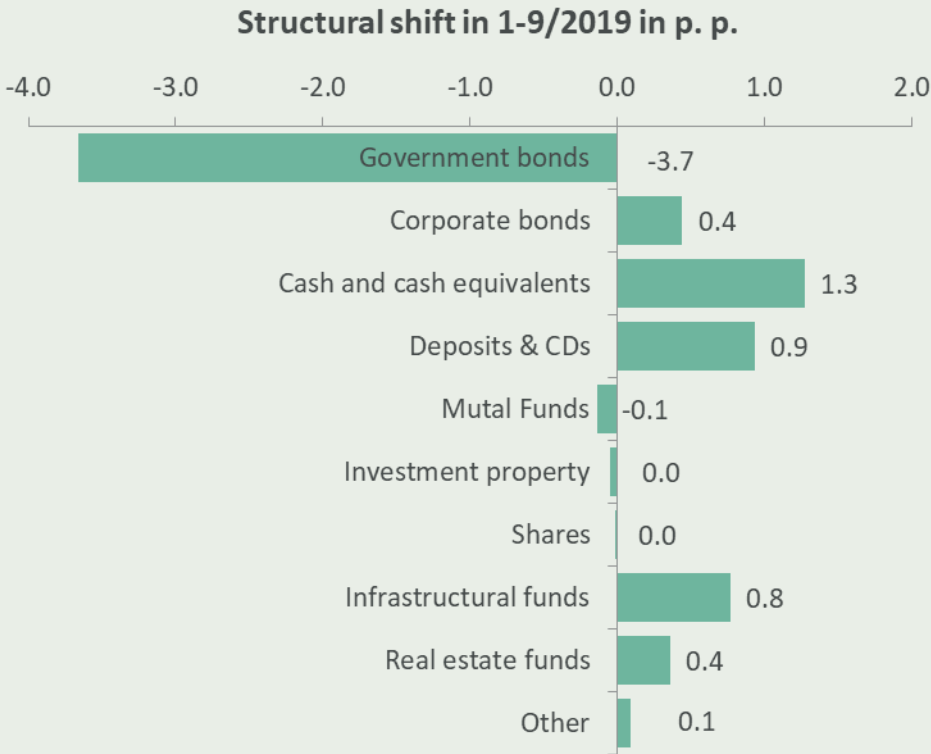
\* Inclusion of Ergo companies.

Unaudited data.

# **Investment portfolio & stress results 30.9.2019**

# Structure of the investment portfolio

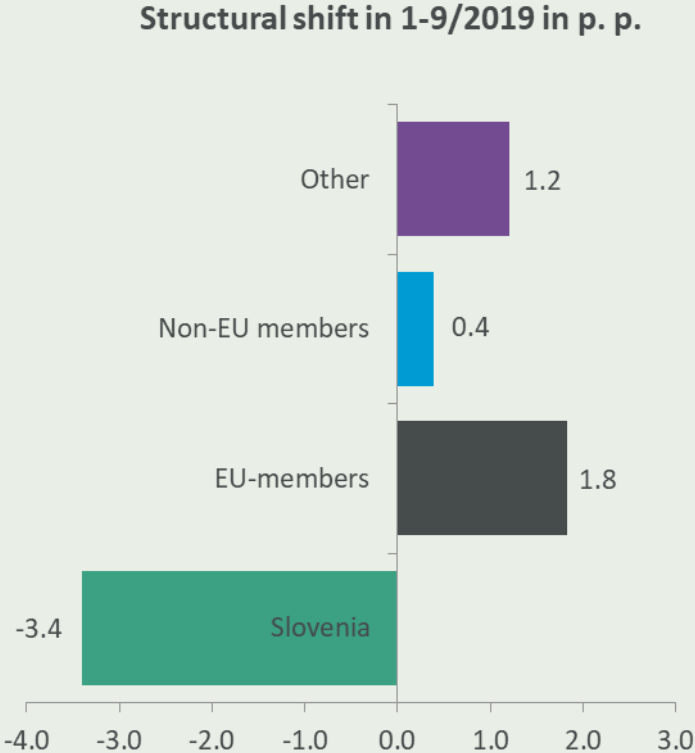
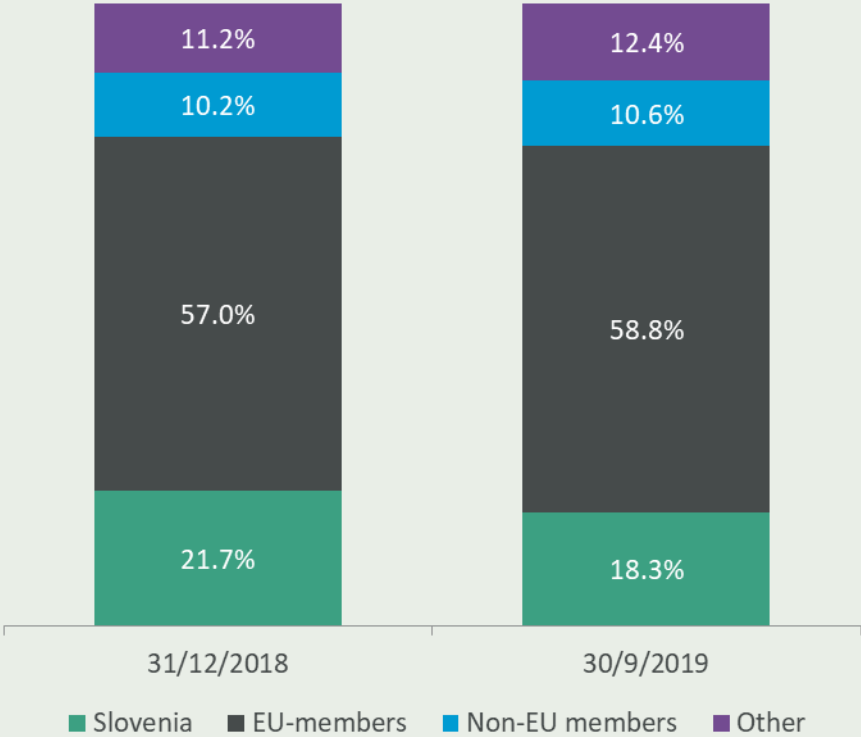
	31/12/2018	30/9/2019
Investment portfolio (€ million)	1,082.8	1,117.6
Government bonds	50.9%	47.2%
Corporate bonds	34.1%	34.5%
Cash and cash equivalents	4.9%	6.2%
Deposits & CDs	2.6%	3.5%
Mutal Funds	3.0%	2.8%
Investment property	1.9%	1.9%
Shares	1.4%	1.4%
Infrastructural funds	0.5%	1.3%
Real estate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



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

# Group exposure by region

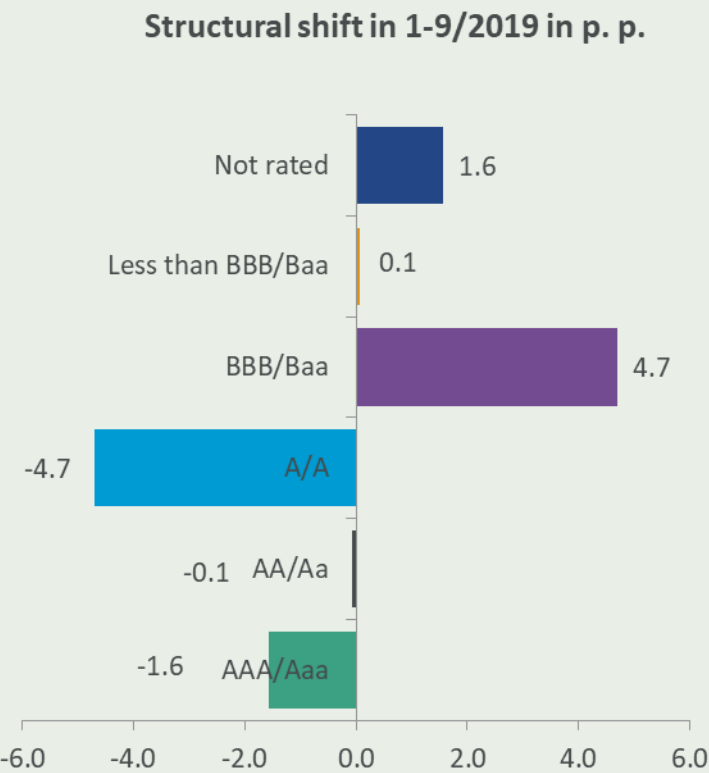
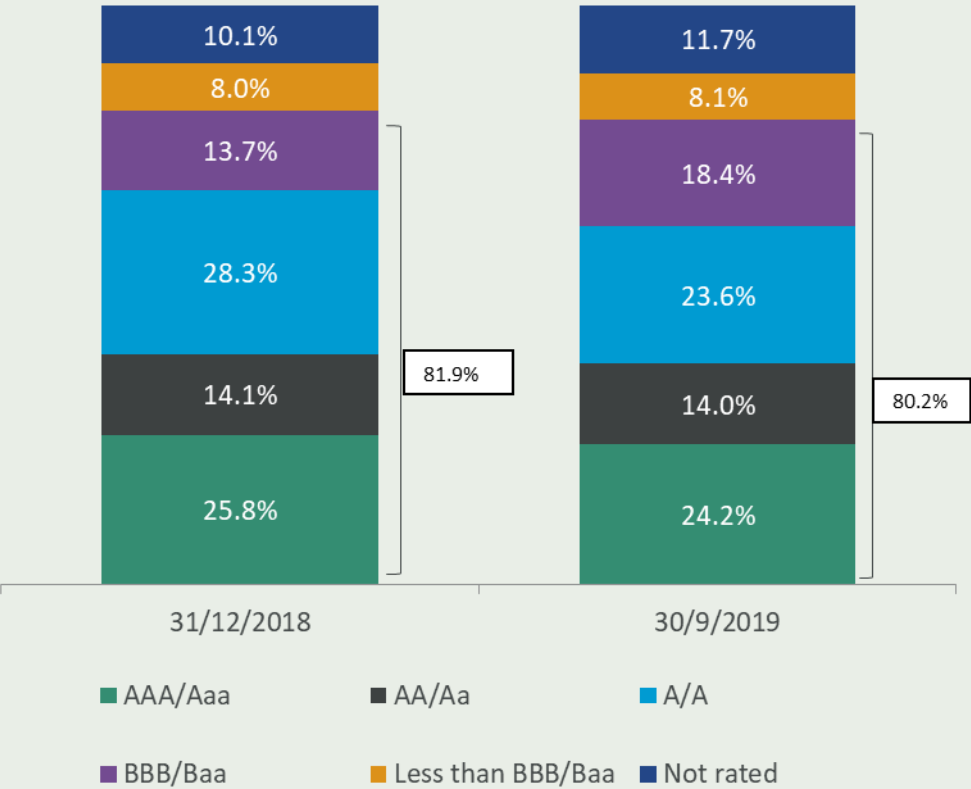
Lower exposure to Slovenia in 1-9/2019 in line with investment policy; larger exposure to EU member states.



# Group rating profile

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

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



# Interest rate risk - MEDIUM

## Simulation on 31.12.2018 Non life & Reinsurance:

(EUR)	31/12/2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	315,922,774	305,211,493	-10,711,281	315,922,774	327,436,436	11,513,662
Corporate bonds	248,471,884	242,158,692	-6,313,193	248,471,884	255,377,864	6,905,979
Bond mutual funds	15,910,682	15,430,750	-479,932	15,910,682	16,429,945	519,263
<b>Total</b>	<b>580,305,341</b>	<b>562,800,935</b>	<b>-17,504,405</b>	<b>580,305,341</b>	<b>599,244,245</b>	<b>18,938,904</b>
Effect on equity	-17,094,791			18,489,948		
Effect on the income statement	-409,615			448,957		

# Interest rate risk - LOW

Simulation on 31.12.2018 Life:

## Assets:

(EUR)	31/12/2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	190,893,375	183,449,947	-7,443,428	190,893,375	198,958,041	8,064,666
Corporate bonds	145,942,873	141,414,017	-4,528,856	145,942,873	150,780,351	4,837,478
Bond, convertible and mixed mutual funds	13,845,718	13,353,595	-492,123	13,845,718	14,376,063	530,345
Total	350,681,967	338,217,558	-12,464,407	350,681,967	364,114,455	13,432,489
Effect on equity	-12,360,887			13,323,787		
Effect on the income statement	-103,520			108,701		

## Liabilities:

31/12/2018 (€)					
+ 100 bp			- 100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
252,717,622	244,098,550	-8,619,072	252,717,622	264,526,969	11,809,347

3,8 m eur net effect



## Equity risk - LOW

Exposure: EUR 18.4 million as at 30 September 2019

Assumption: a 10% drop in equity prices

Result of stress: a decline of EUR 1.8 million

(effect to balance sheet, only effects the P&L when the drop goes beyond 40%)

## Alternative investment risk - LOW

Exposure EUR 34.0 million as at 30 September 2019

comprising infrastructure fund investments, investment property and real-estate funds

Assumptions:

A drop of 25%\* for investment property and real-estate funds

A drop of 49%\* for infrastructure funds

\* SII assumption for SCR calculation

Result: absolute decrease of EUR 11.9 million in total

(effect to balance sheet, only effects the P&L when the drop goes beyond 40%)

## Other Important Risks

**Liquidity Risk: LOW (liquidity scored as exceptional by S&P)**

Source: <https://www.sava-re.si/media/store/Sava-Full-Report-2019.PDF>

**Solvency Risk: LOW (est 2019 at 220%)**

source: Strategic plan presentation 2020-2022

**Audited Annual Report 2019: 26th March 2020**

**Thank you for your attention.**

**Plan 2020**

# Core business metrics of the 2020 Group business plan

€m	2018	2019 plan	Achievement of 2019 plan	2020 plan
<b>Sava Insurance Group</b>				
Operating revenues	€536.8 m	> €535 m	✓	> €610 m
Profit or loss, net of tax	€43.0 m	> €43 m	✓	> €45 m
Return on equity (ROE)	13.1%	> 12%	✓	> 11%
Return on revenue (ROR)*	8.1%	n/a		> 7%
Net expense ratio	32.5%	n/a		33–34%**
Investment return*	1.7%	1.7%	✓	1.3%
<b>(Re)insurance part</b>				
Gross premiums written	€544.1 m	> €555 m	✓	> €620 m
Net incurred loss ratio (reins. + non-life)*	57.0%	59.2–59.7%	✗	59–60%
Net combined ratio (reins. + non-life)*	92.9%	93.6–94.1%	✓	< 94%



= unaudited results 2019 – achievement of the plan in individual metrics.

# Consolidated gross premiums written / operating revenues by segment

