



Sava Insurance Group

1–9/2020 results

20 November 2020



Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2020 plan

Highlights 1–9/2020

Growth in operating revenue of **16.4%**

Net profit of **€47.6 million**, including €7.0 million positive effect of difference between fair value of net assets acquired and the cost of Vita

ROE of **14.8%**

Net combined ratio (excluding FX differences) of **92.4%** in line with target

Emergency situation due to **Covid-19** pandemic with large impacts on lives and global capital markets and subsequent publication of revised plan for 2020–2022 in August 2020

Completed acquisition of NLB **Vita** in May 2020, later renamed Vita

Standard & Poor's and AM Best's **"A" rating**, stable outlook, affirmed

Review of Covid-19 related business interruption exposure in international markets

Assessment of exposure to increased Covid-19–related risks

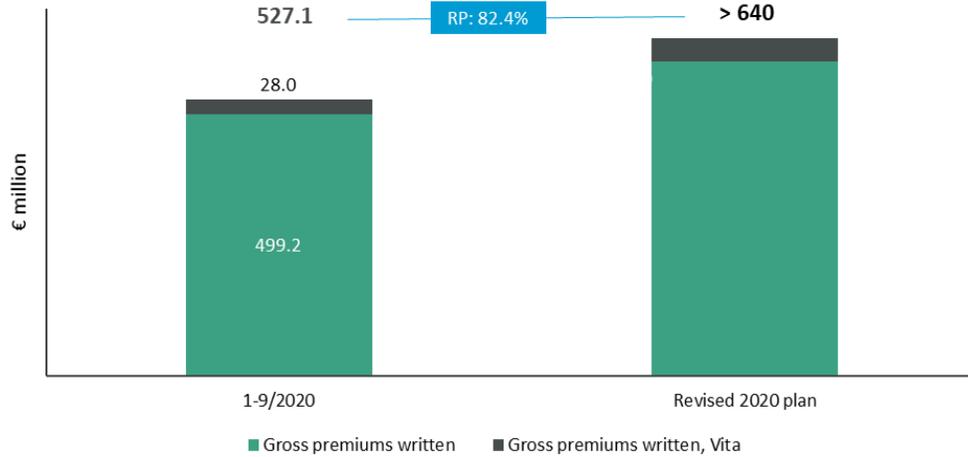
After the reporting date, Sava Re was informed of new circumstances that had arisen in certain EU insurance markets and in the United Kingdom related to potential additional adverse effects of the Covid-19 pandemic on the operations of Zavarovalnica Sava and Sava Re, which primarily pertain to Covid-19–related claims on policies written in the Republic of Ireland (under freedom of services rules) and reinsurance contracts written in the United Kingdom for business interruption coverage as part of property policies.

Based on current detailed analyses of its insurance exposure, the Group has concluded that Covid-related business interruption claims are not covered under its policies written directly under freedom of services rules in the European Union. Regarding its exposure under reinsurance contracts, there may be coverage in some cases.

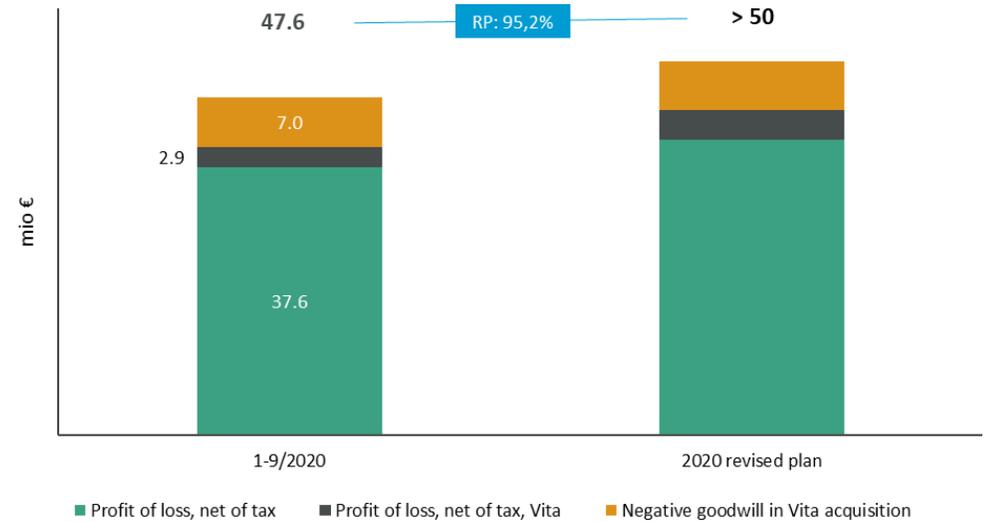
In the last quarter of 2020, the Group will set provisions up to €10 million for potential expenses and claims in this regard.

Inclusion of Vita into the Group on 31 May 2020

Gross premiums written, (re)insurance part



Profit or loss, net of tax



Key figures – Sava Insurance Group

€ million, except %	1–9/2019	1–9/2020	2020 revised plan	Change 2020/2019
Group				
Operating revenue	420.4	489.5	> 640	16.4%
Gross premiums written, (re)insurance part	468.5	527.1	> 640	12.5%
Net expense ratio, including operating revenue*	30.7%	29.1%	32–33%	-1.6 p.p.
Return on the investment portfolio*	2.1%	1.7%	1.4%	-0.4 p.p.
Profit, net of tax	37.7	47.6	> 50	26.4%
Return on equity	13.6%	14.8%	> 12%	+1.2 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX	93.3%	92.4%	< 94%	-0.9 p.p.
	31/12/2019	30/9/2020		
Shareholders' equity	384.8	438.3		13.9%
Total assets of the investment portfolio	1,157.8	1,527.1		31.9%
Assets for the benefit of policyholders who bear the inv. risk	231.3	383.8		65.9%
Assets in pension company savings funds	743.0	791.8		6.6%
Sava Infond AUM	376.6	374.0		-0.7%

* Impact of exchange rate differences excluded. The return on the investment portfolio does not include subordinated debt expenses. The net expense ratio for the Group 1–9/2020 does not include the positive difference between the fair value of net assets acquired and the purchase price of the investment in Vita.

** Figures for the Group 1–9/2020 without Vita:

- Operating revenue: €447.0 million
- Gross premiums written, (re)insurance part: €499.2 million
- Net expense ratio: 29.8%

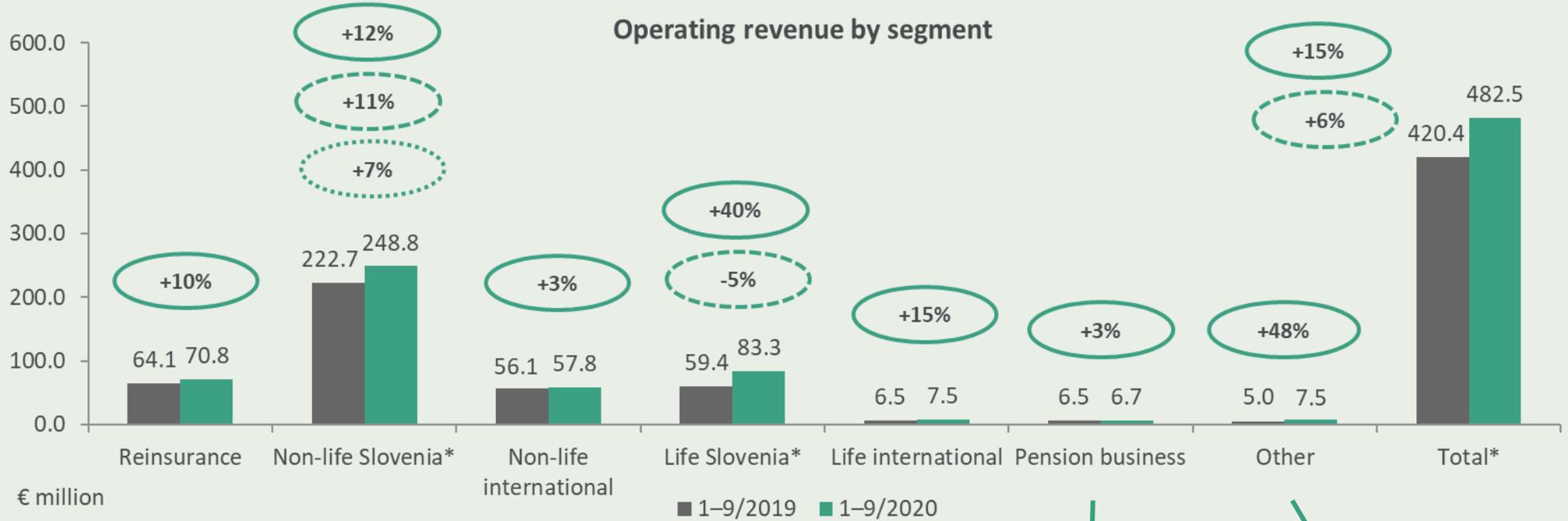
Breakdown of consolidated revenue

Growth/decline compared to the previous year

Without Vita

Without FOS and Vita

Operating revenue by segment



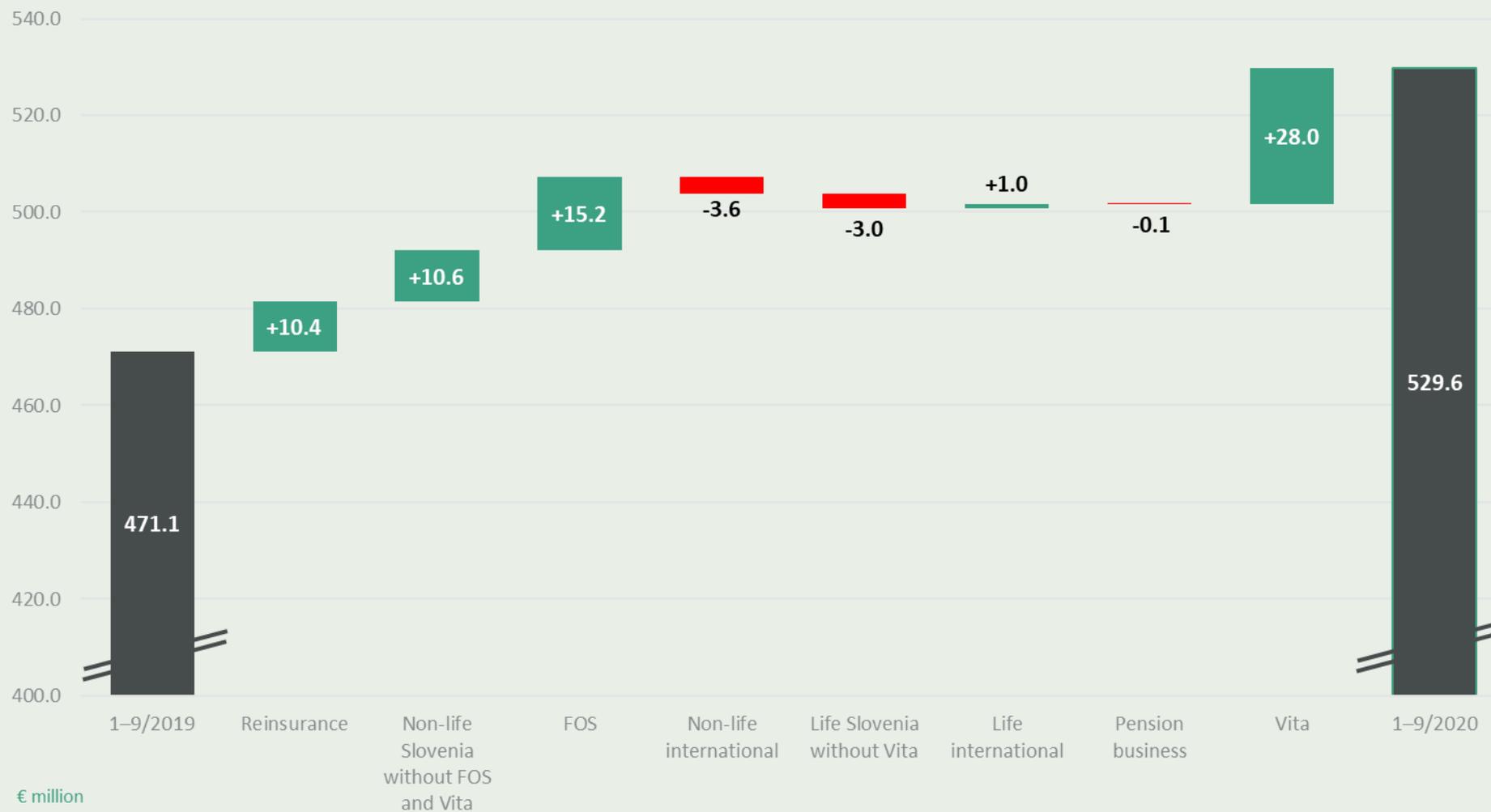
- Earned premiums
- Other technical income
- Other income
- In life business, also income from asset management of life insurance funds

- Premiums from annuities
- Income from managing pension company's funds

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

* Without one-off positive effect of Vita.

Growth in consolidated GPW of 12.4%



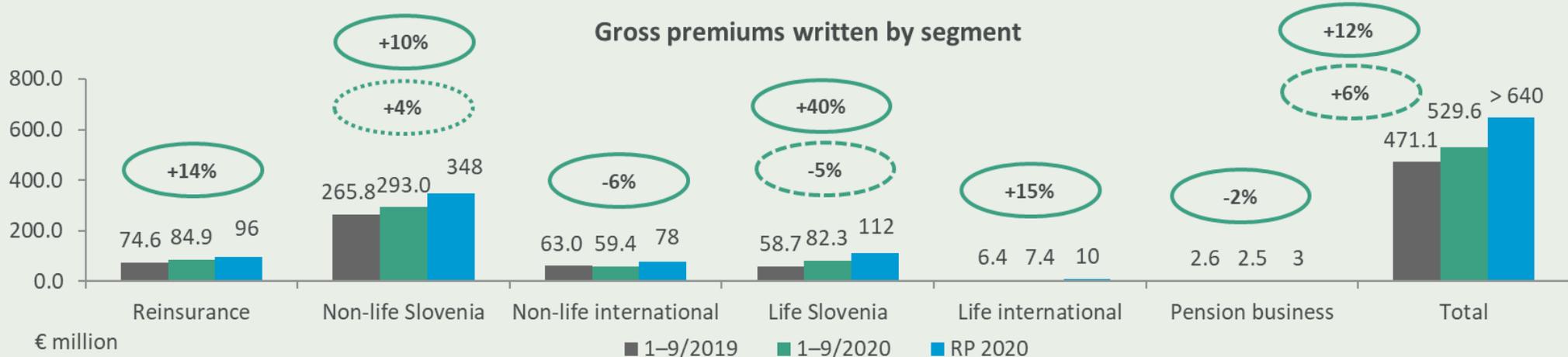
Breakdown of consolidated GPW

Growth/ decline compared to the previous year

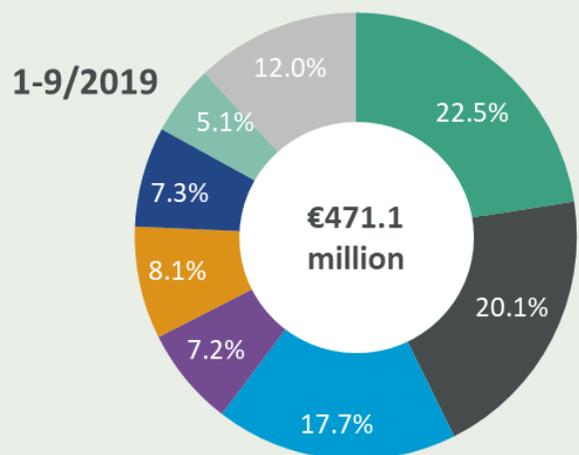
Without Vita

Without FOS and Vita

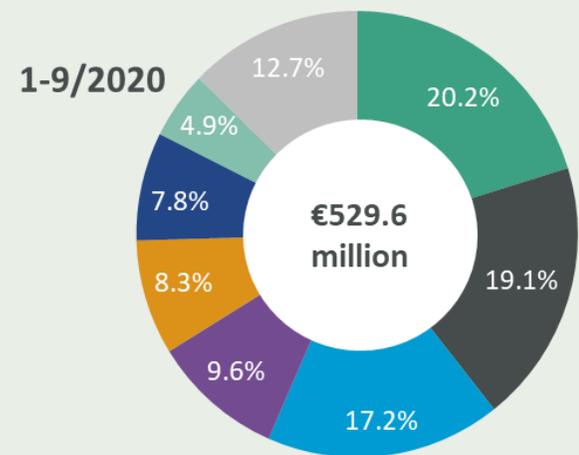
Gross premiums written by segment



Consolidated gross premiums written by class of insurance



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



Growth in profit before tax of 19.7%



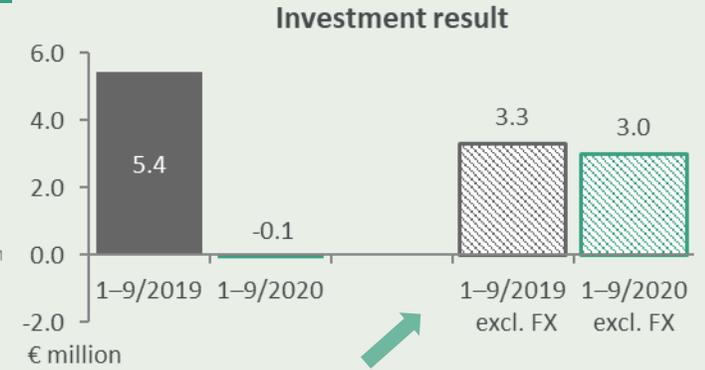
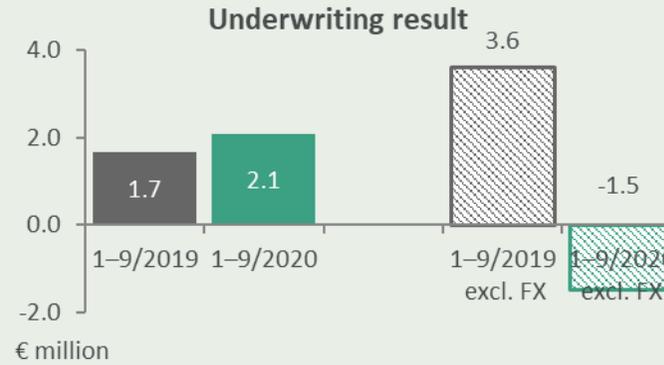
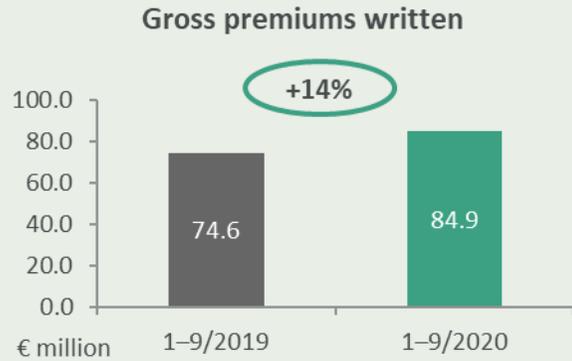
Consolidated profit before tax by segment



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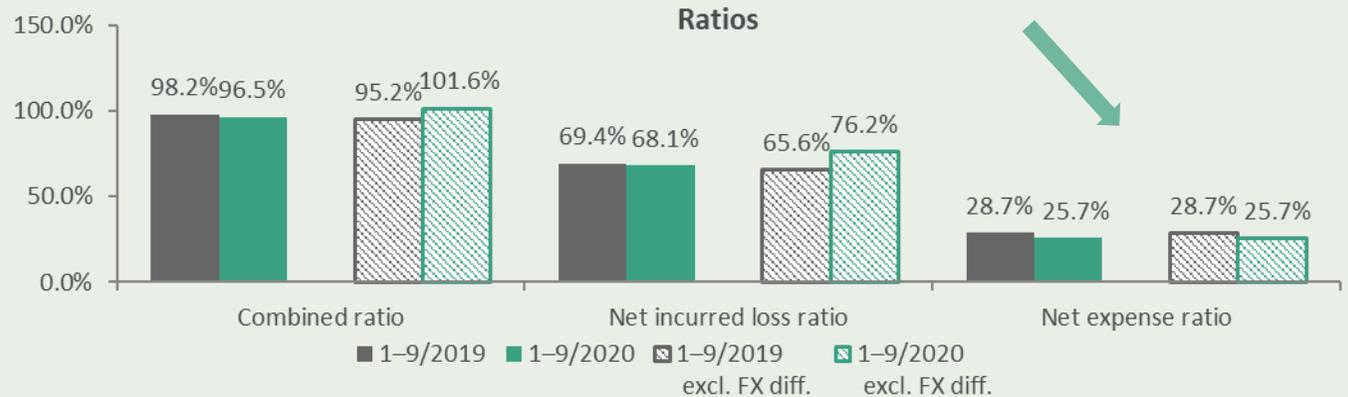
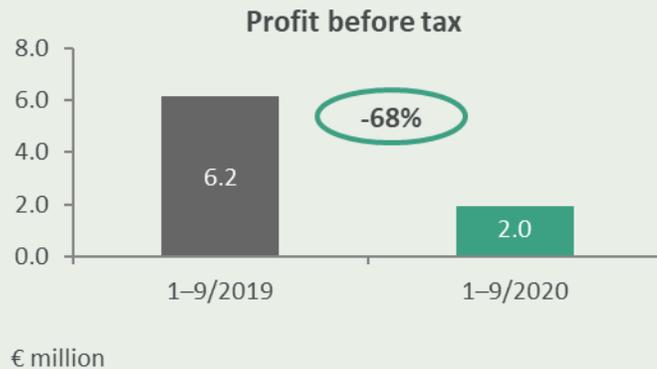
Results by operating segment – reinsurance



- Growth in non-proportional and proportional reinsurance premiums mainly in Asian markets (organic business growth and new contracts)
- Premiums for UW year 2020 higher by 9.6% (€6.9 million); mainly due to increase in prices
- Premiums for previous UW years also higher (by €3.6 million)

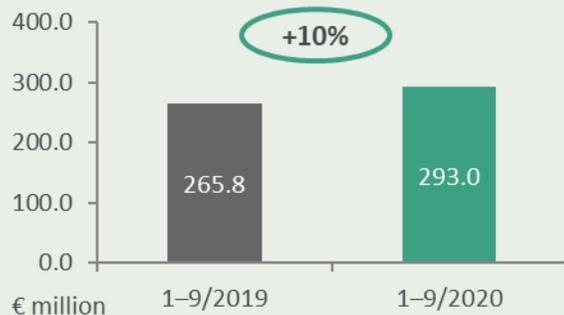
- Deterioration in underwriting result due to increased claims burden from more larger claims (Covid-19 related claims of €2.5 million cumulatively and two larger foreign claims)

- Investment result excluding FX differences similar as in the same period last year
- Improved net expense ratio mainly due to increase in net premiums earned and cost optimisation from adjustments to Covid-19 related circumstances



Results by operating segment – non-life Slovenia

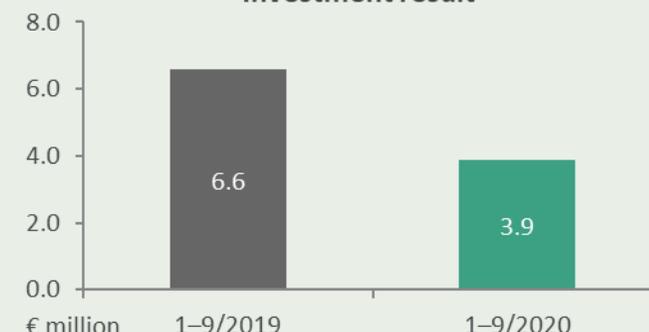
Gross premiums written



Underwriting result



Investment result

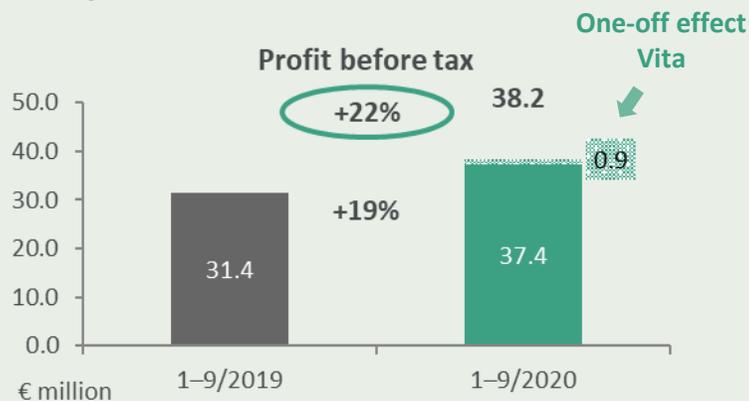


- Larger volume of FOS business (up €15.1 million)
- Larger volume of non-FOS business (up €10.6 million) mainly in motor vehicle insurance of private sector as a result of more policies sold and higher average premium; GPW Vita €1.4 million

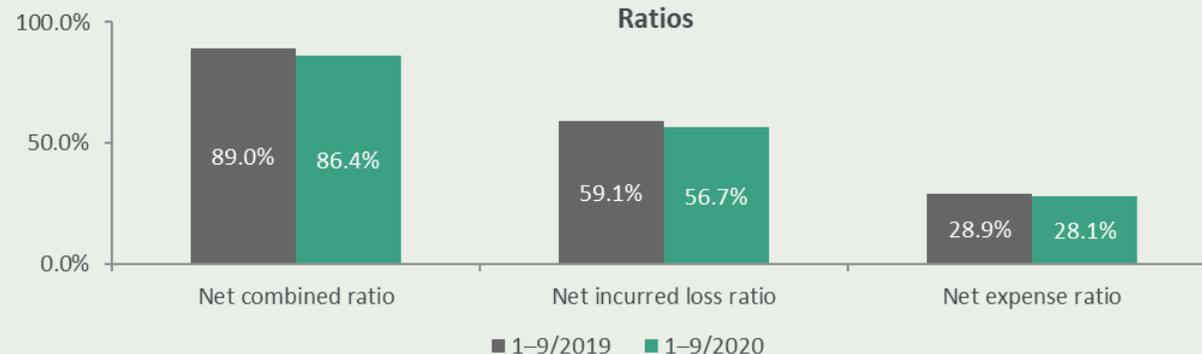
- Stronger technical result mainly due to high growth in net premiums earned and favourable claims burden

- In 2019 one-off positive effect from the revaluation of the investment in Sava Infond in the amount of €2.7 million

Profit before tax



Ratios



Results by operating segment – non-life international

Gross premiums written



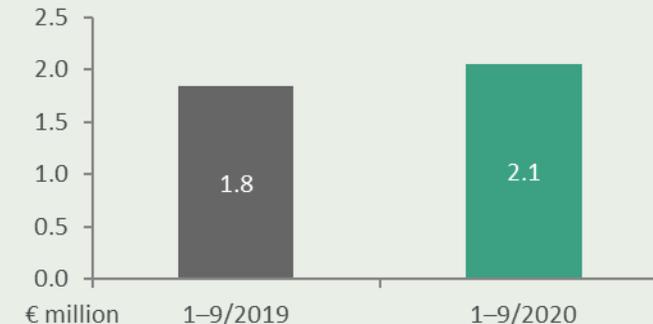
- Decrease as a result of measures taken to curb the Covid-19 pandemic in assistance business, motor and property insurance sales

Underwriting result



- Stronger technical result mainly due to higher net premiums earned and favorable claims burden; without Croatia, improvement of €3.2 million; in Croatia deterioration of €2.3 million due to higher non-pecuniary claims based on local Supreme Court decision

Investment result

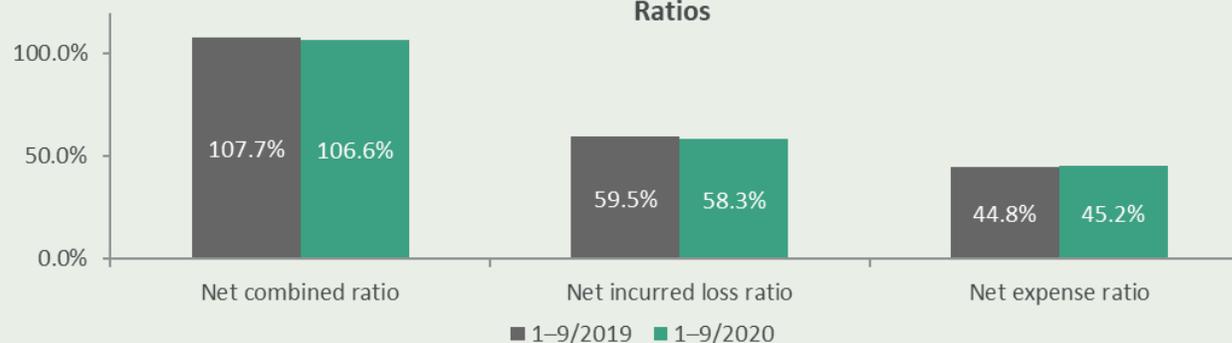


- Higher investment result due to changes in fair value and gains on disposals of investments

Profit before tax

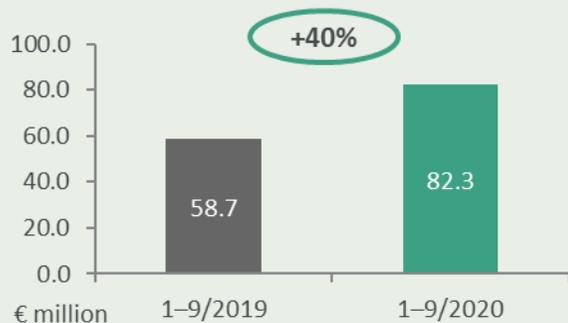


Ratios

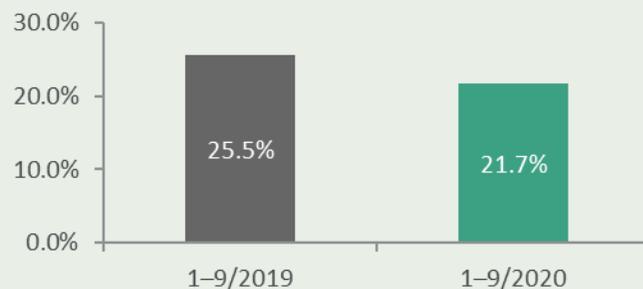


Results by operating segment – life Slovenia

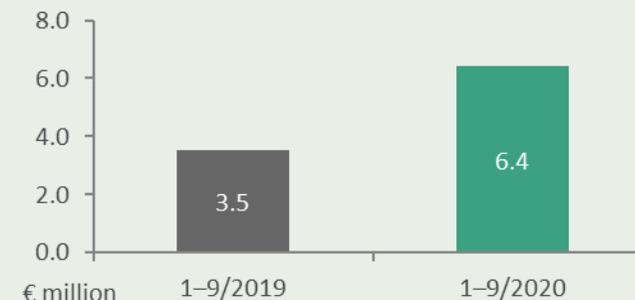
Gross premiums written



Net expense ratio



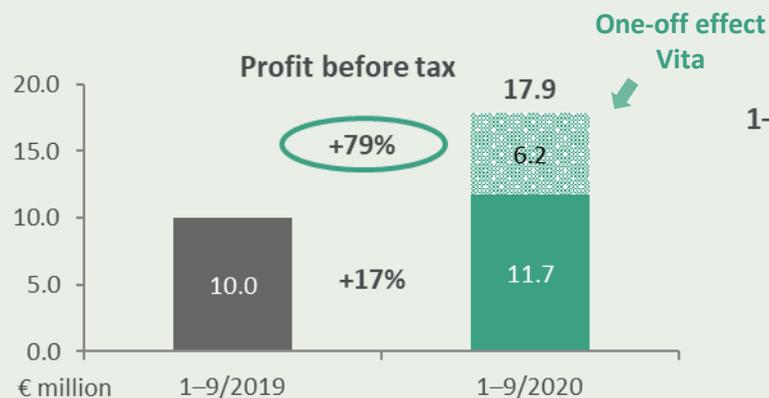
Investment result



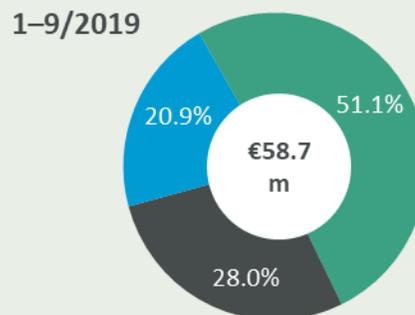
- Inclusion of Vita in the Group as at 31 May 2020 (€26.6 million in GPW), excluding Vita reduction in GPW of 5%
- 9% decline in annual premiums (excluding Vita) due to the Covid-19 pandemic

- Net expense ratio down due to the inclusion of Vita

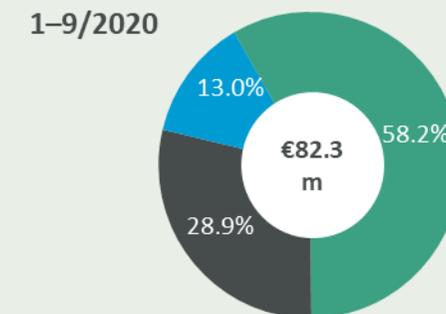
- Higher return influenced by the inclusion of Vita



Gross premiums written by class of insurance



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



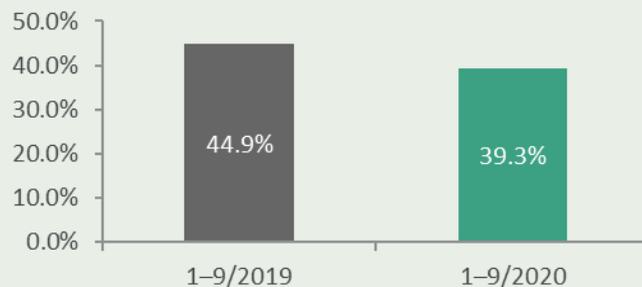
Results by operating segment – life international

Gross premiums written



- High growth, mostly in Serbia resulting from improved efficiency of own sales network and sales channel diversification
- 11% growth in annual premiums despite the Covid-19 pandemic

Net expense ratio



- Significantly improved expense ratio as a result of high premium growth and flat operating costs

Investment result



- Increase mainly due to portfolio growth and other investment income of Croatian branch (positive FX)

Profit/loss before tax



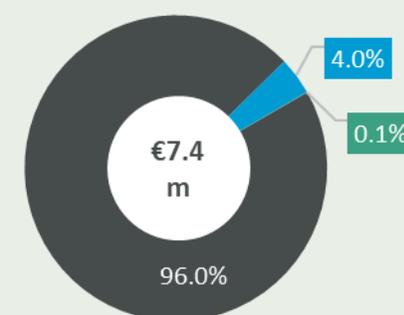
Gross premiums written by class of insurance

1-9/2019

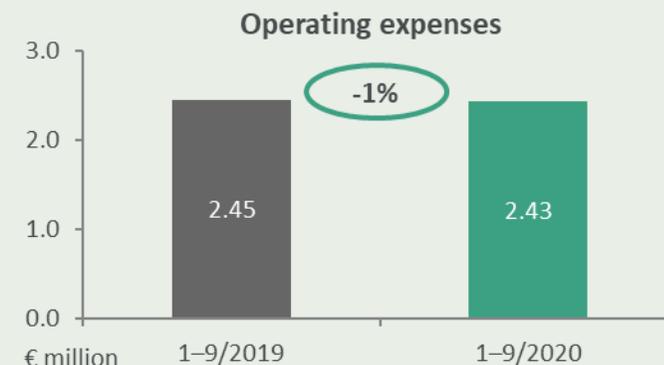
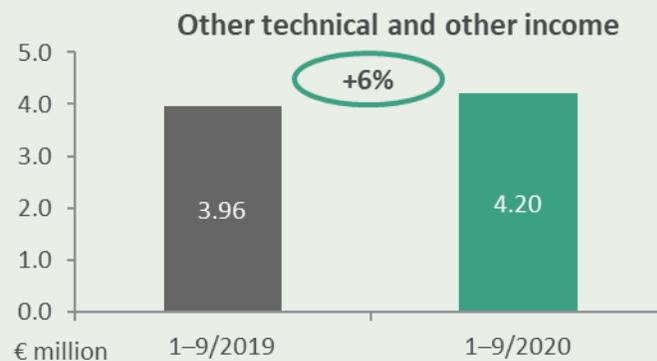
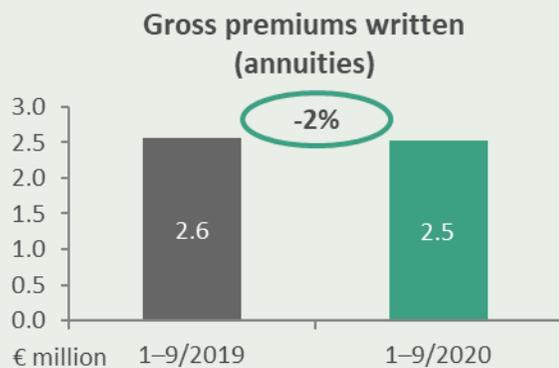


- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-9/2020

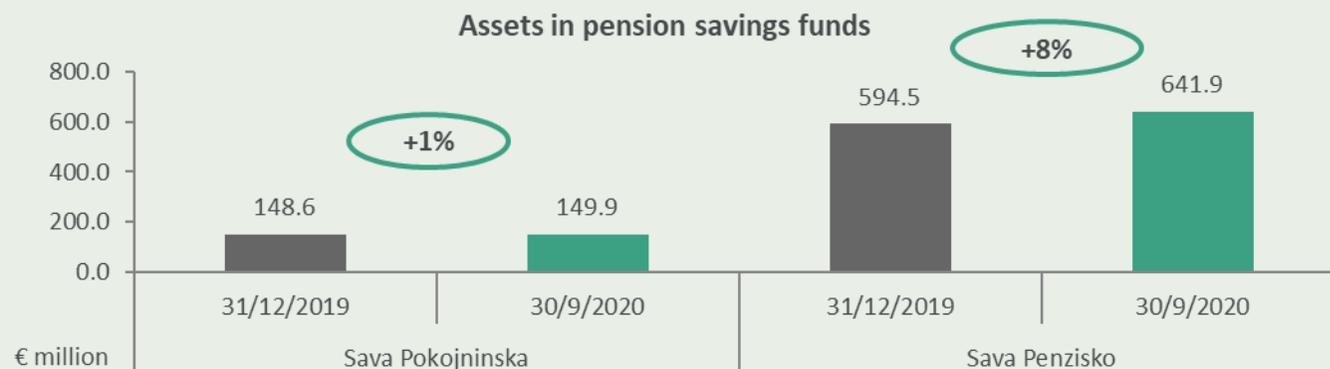


Results by operating segment – pension business

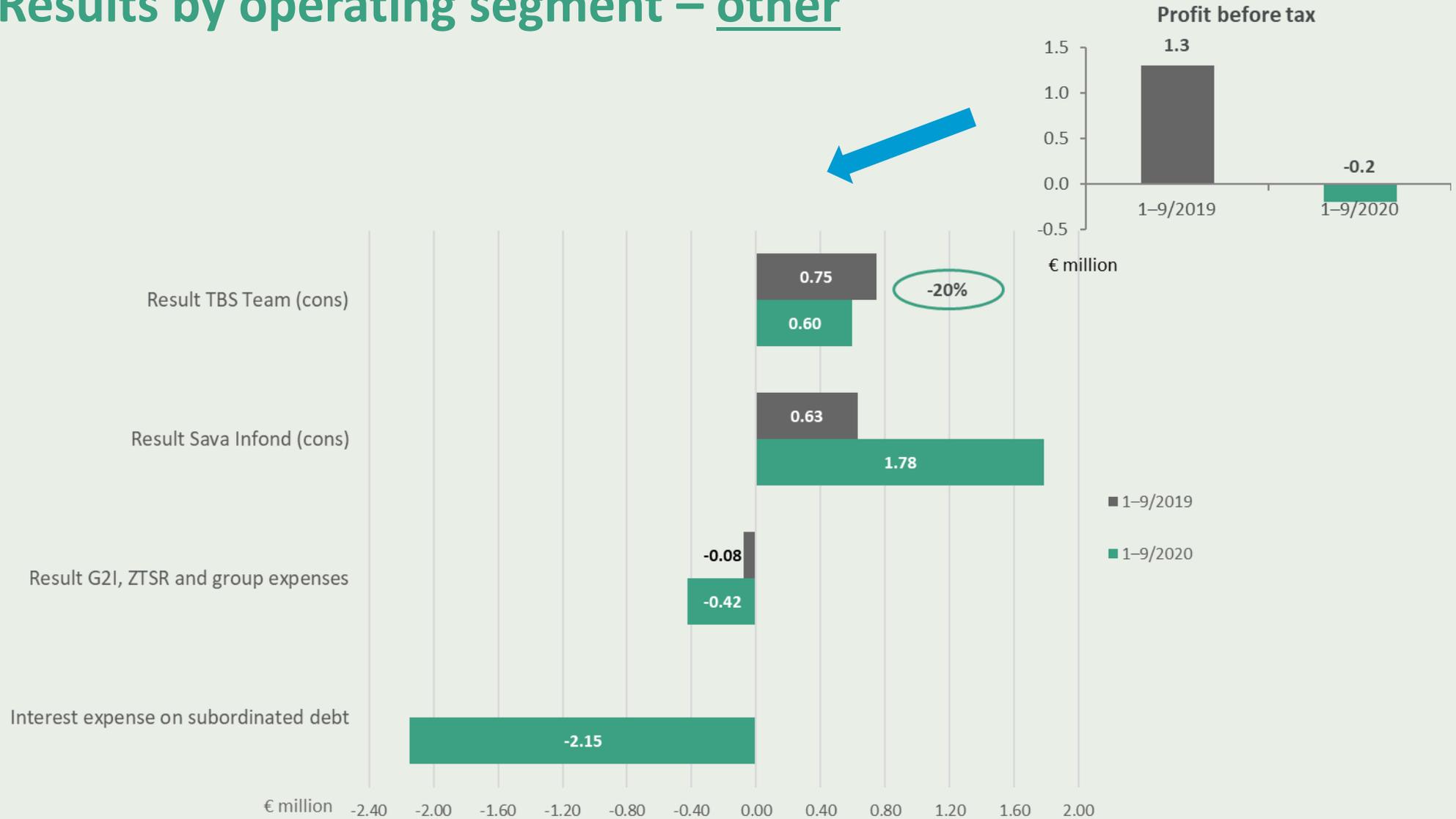


- Loss due to goodwill impairment and setting of provisions for failure to achieve the guaranteed return by the Slovenian pension company

- Growth in other technical and other income of the North Macedonian pension company (more assets in pension savings funds)



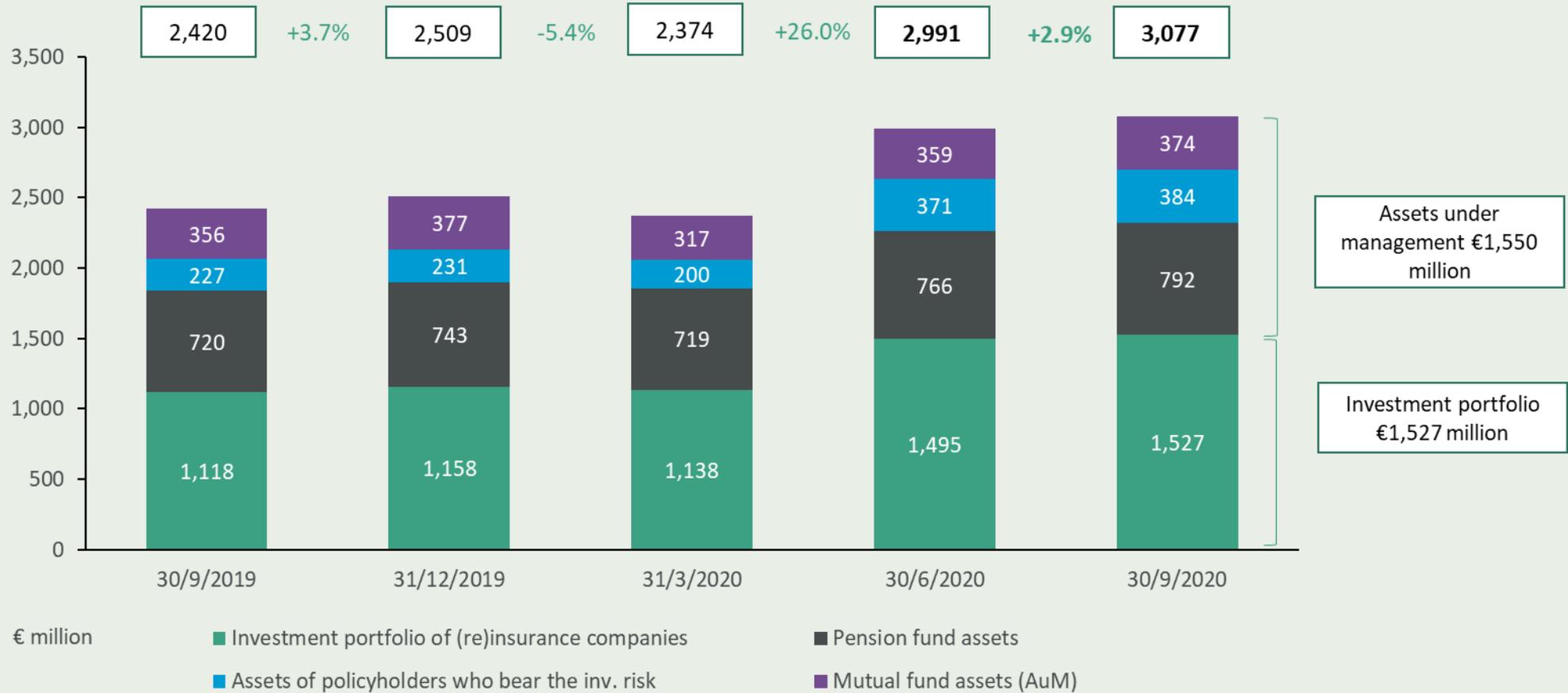
Results by operating segment – other



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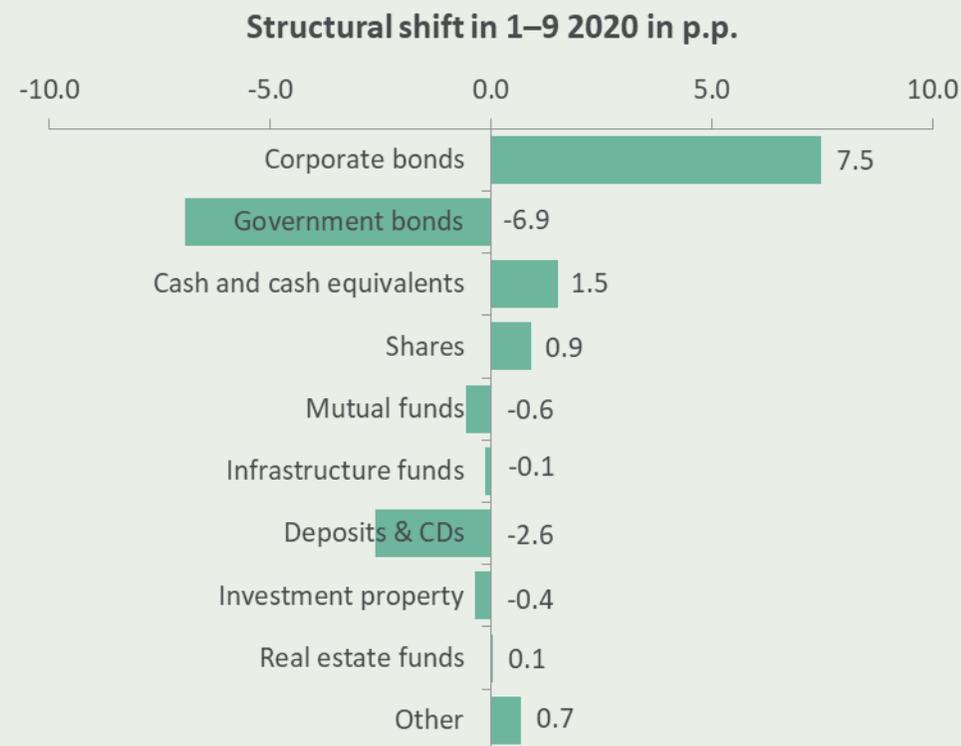
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Investment portfolio and AuM



Structure of the investment portfolio

	31/12/2019	30/9/2020
Investment portfolio (€ million)	1,157.8	1,527.1
Corporate bonds	34.1%	41.6%
Government bonds	46.6%	39.7%
Cash and cash equivalents	6.5%	8.1%
Shares	1.5%	2.4%
Mutual funds	3.0%	2.4%
Infrastructure funds	1.7%	1.6%
Deposits & CDs	4.0%	1.4%
Investment property	1.4%	1.1%
Real estate funds	0.3%	0.4%
Other	0.8%	1.5%
Total investment portfolio	100.0%	100.0%



- **Increase in the percentage of corporate bonds of 7.5 p.p. and shares of 0.9 p.p.** as a result of inclusion of Vita portfolio (in May 2020)
- Decrease in the percentage of government bonds of 6.9 p.p. (increase in absolute terms)
- **Decrease in the percentage of deposits of 2.6 p.p.** due to the acquisition of Vita
- **Increase in the percentage of other of 0.7 p.p.** as a result of investing in financial investment in associated company

Net inv. income of and return on the investment portfolio

€ million	1–9/2019	1–9/2020	Difference
Net investment income relating to the investment portfolio	16.3	11.8	-4.5
Net inv. income of the investment portfolio, excl. FX	14.3	15.0	0.7
Return on investment portfolio, excl. FX and SD cost	1.8%	1.7%	-0.1 p.p.

Data for 1–9/2019 do not include €2.7 million of revenues from the revaluation of the 15% share in Sava Infond held by Zavarovalnica Sava, recognised at first consolidation.

FX = Foreign exchange

SD = Subordinated debt



Return on the investment portfolio, excluding FX differences, amounted to €15.0 million in 1–9/2020, up €0.7 million compared to the same period last year, and represents a 1.7% return on the investment portfolio, excluding FX and subordinated debt expenses.

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Shareholders and share trading

Book value per share

€28.28

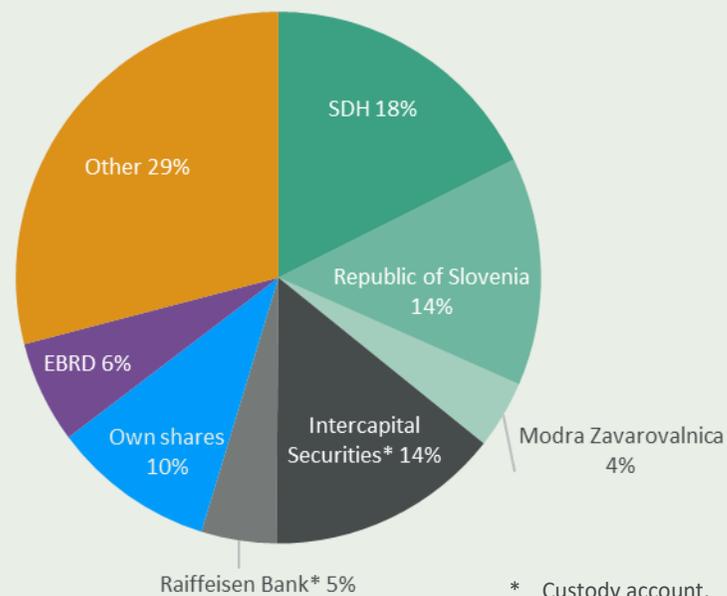
30 Sep 20 / 31 Dec 19: **+13.9%**

Sava Re share price performance vs SBI TOP benchmark



30/9/2020	
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	4,248

Shareholders as at 30 Sep 2020



* Custody account.

Dividend policy

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit



Dividend policy:
Increasing dividend by an average of **10%** per year; distributing from 35% to 45% of the net profit of the Sava Insurance Group.

- In August Slovenian Insurance Supervision Agency called upon insurance, reinsurance and pension companies to temporarily suspend dividend payments at least until the 2020 accounts are audited with the option for dividend payment under certain conditions.
- In line with the Insurance Supervision Agency's guidance, the Company again reviewed its technical bases for paying out dividends for the financial year 2019 and, based on its findings, called a general meeting to decide on the proposed appropriation of profits. After the general meeting had been called, Sava Re was informed of and faced with new circumstances that had arisen in certain EU insurance markets and in the United Kingdom related to potential additional adverse effects of the Covid-19 pandemic on the operations of Zavarovalnica Sava and Sava Re with regard to the coverage of business interruption claims, which under new court and regulatory practices may potentially have an adverse effect on the Group's business result and solvency position. Therefore, the general meeting was cancelled.
- Sava Re will take a position on dividend payments when publishing audited financial statements for 2020

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Capital adequacy

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

€ million	30 Jun 2020 (unaudited)
Eligible own funds	538.9
Solvency capital requirement (SCR)	273.9
Solvency ratio	197%

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.



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2020 targets (consolidated)

	Actual 2018	Actual 2019	Revised 2020 plan
Group			
Operating revenue	€536.8 million	€584.2 million	> €640 million
Profit or loss, net of tax	€43.0 million	€50.2 million	> €50 million
Return on equity (ROE)	13.1%	13.8%	> 12%
Investment return*	1.7%	1.9%	1.4%
(Re)insurance part			
Gross premiums written	€544.1 million	€596.2 million	> €640 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 expenses on subordinated debt.

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.

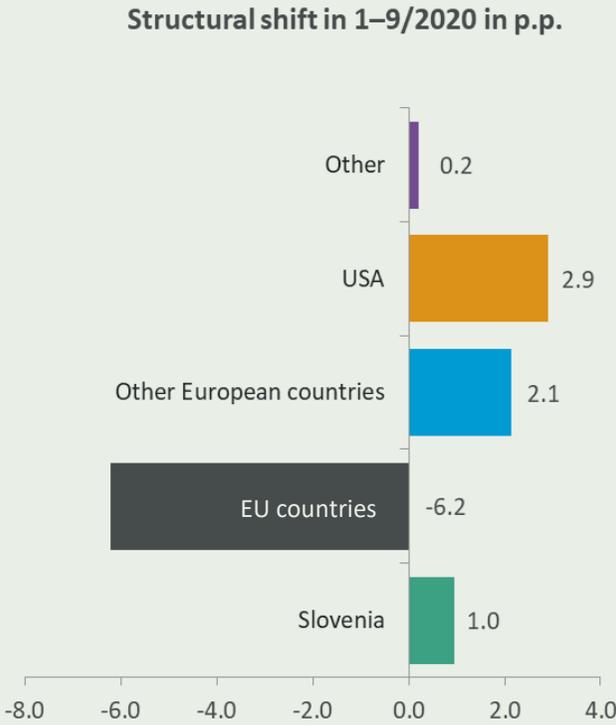
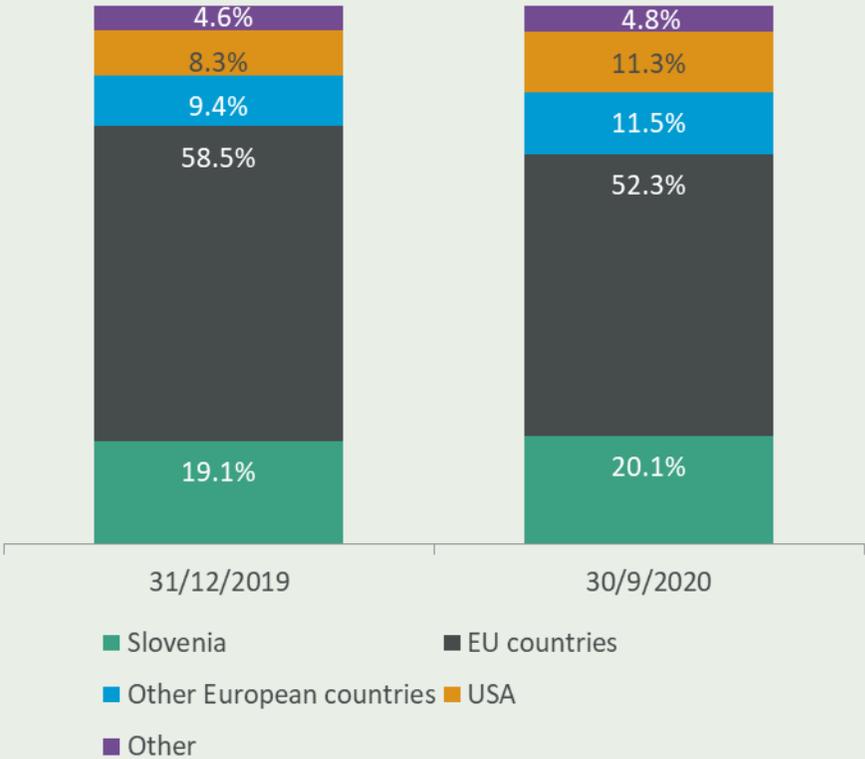
Duty to update

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 1–9/2020 due to the acquisition of Vita (portfolio), however still in line with investment policy.
 Lower exposure to EU member states as a result of Brexit. On the other hand, larger exposure to non-EU members.
 Higher exposure to USA resulting from financial investments of Vita.



Group exposure to Slovenia

€ million	31/12/2019		30/9/2020		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Deposits	28.9	2.3%	4.0	0.2%	-2.0
Government bonds	95.9	7.6%	152.2	9.5%	1.9
Corporate bonds	32.1	2.5%	20.7	1.3%	-1.3
Shares	16.9	1.3%	16.9	1.1%	-0.3
Mutal funds	2.8	0.2%	2.0	0.1%	-0.1
Cash and cash equivalents	52.0	4.1%	114.3	7.1%	3.0
Infrastructural funds	0.2	0.0%	0.3	0.0%	0.0
Total	241.5	19.1%	323.1	20.1%	1.0

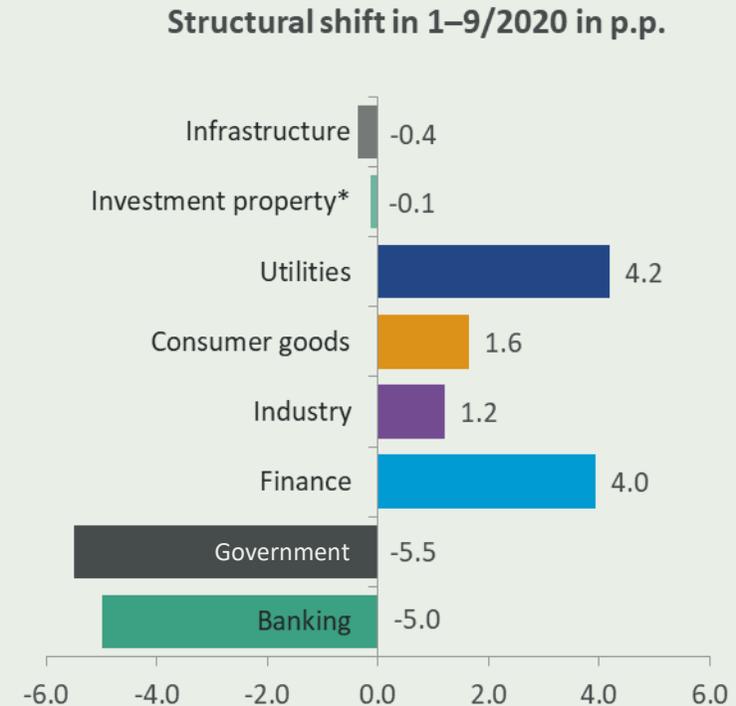
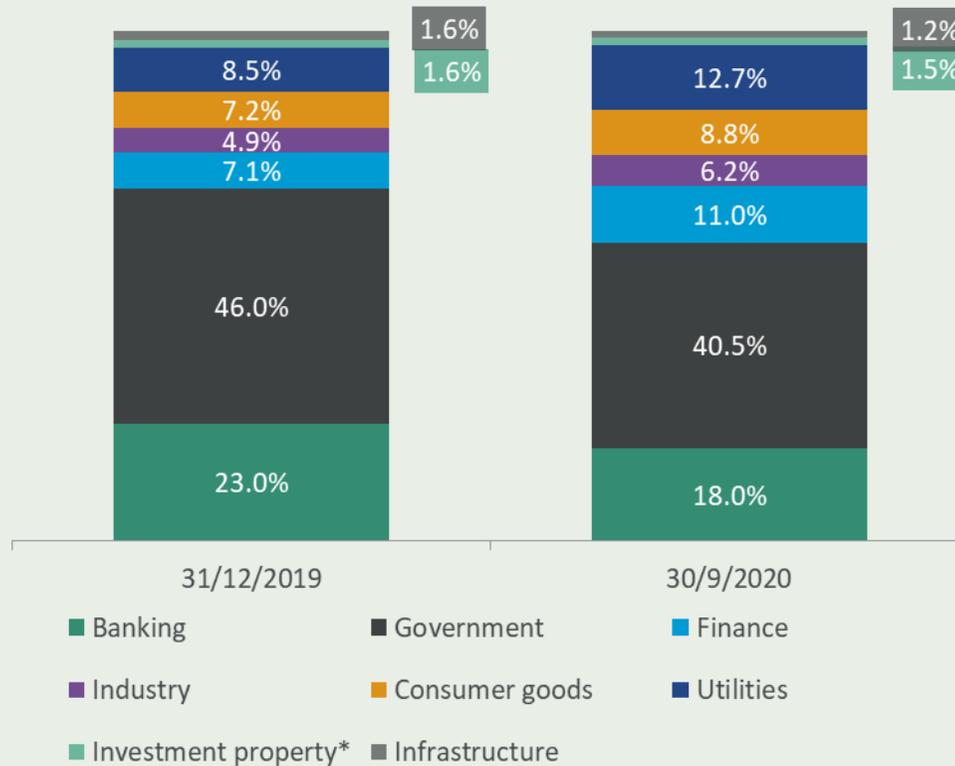
Exposure to Slovenia increased by 1.0 p.p. in 1–9/2020.

The largest contribution to increased exposure to Slovenia was the inclusion of the investment portfolio of Vita in the Group.

Group exposure by industry

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

Lower exposure to banking sector resulting from change in portfolio structure due to the acquisition of Vita (short-term invested deposits decreased).



* Includes direct investments in real-estate and property funds. Also included are corporate bonds with GICS classification real-estate industry.

Maintaining a good rating profile despite Covid-19 developments

Investment grade assets represent 80.4% of fixed income investments, which is 2.1 p.p. higher than at the end of 2019.

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

Decreased share of Not rated category as a result of a decrease in short-term deposits earmarked for strategic investments.

