

# Sava Insurance Group

## 1–3/2021 results

28 May 2021



### 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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- Solvency position
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# Highlights 1–3/2021

Growth in operating revenue of **18.2%**

Net profit of **€23.5 million**, which represents **44.3%** of planned net profit for the whole year 2021

Net combined ratio (excluding FX differences) of **83.3%**

Improved results in most segments, especially in non-life Slovenia and reinsurance due to favourable claims developments; no material negative effects of Covid-19 on operations, either on the technical or on the financial part

# Key Figures - Sava Insurance Group

€ million, except %	1–3/2020	1–3/2021	2021 plan	Change 2021/2020
<b>Group</b>				
Operating revenue	150.5	177.9	> 685	18.2%
Gross premiums written, (re)insurance part	196.5	214.2	> 685	9.0%
Net expense ratio, including operating revenue*	30.4%	27.4%	32–33%	-3.0 p.p.
Return on the investment portfolio*	1.4%	1.4%	1.5%	-0.0 p.p.
Profit, net of tax	10.3	23.5	> 53	127.9%
Return on equity	10.6%	18.9%	>= 11,5%	+8.3 p.p.
<b>Reinsurance and non-life insurance</b>				
Net combined ratio, excl. FX**	93.3%	83.3%	< 94%	-10.0 p.p.
	<b>31/12/2020</b>	<b>31/3/2021</b>		
Shareholders' equity	460.2	476.9		3.6%
Total assets of the investment portfolio	1,535.3	1,557.4		1.4%
Assets for the benefit of policyholders who bear the inv. risk	420.7	459.2		9.1%
Assets in pension company savings funds	831.8	867.8		4.3%
Sava Infond AUM	409.2	447.9		9.5%

\* Impact of exchange rate differences excluded. The return on the investment portfolio does not include subordinated debt expenses. Net expense ratio does not include amortisation of client list.

\*\* Net combined ratio calculated for the non-life and reinsurance segments.

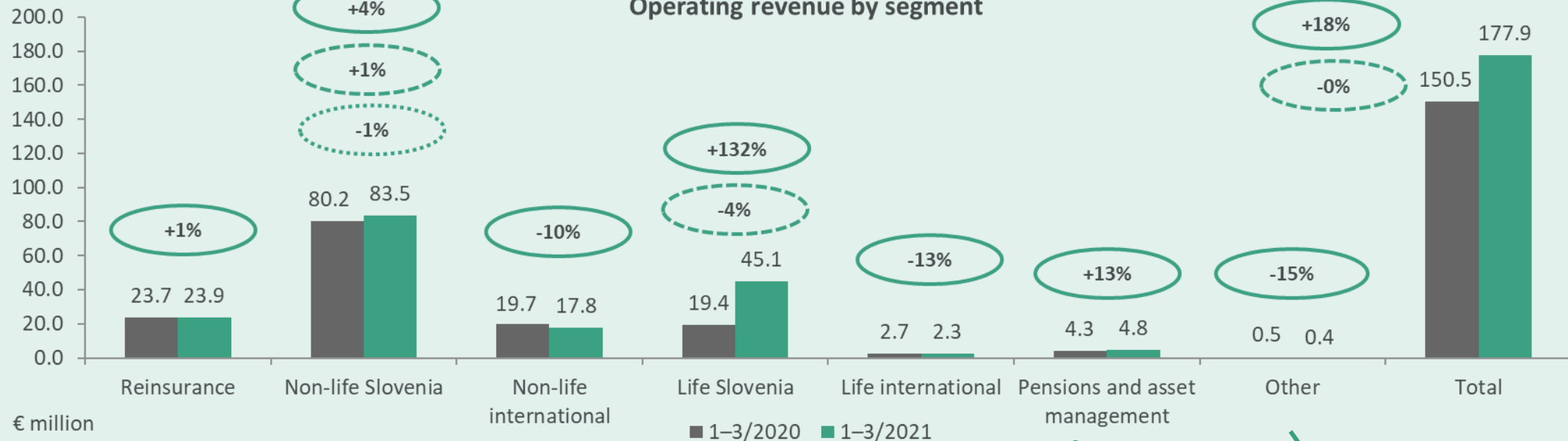
# Breakdown of consolidated revenue

Growth/decline  
compared to the  
previous year

Without  
Vita

Without  
FOS and Vita

Operating revenue by segment



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

- Premiums from annuities
- Income from managing pension company's funds
- Income from managing funds of Sava Infond

- Income from resolving TBS Team assistance cases

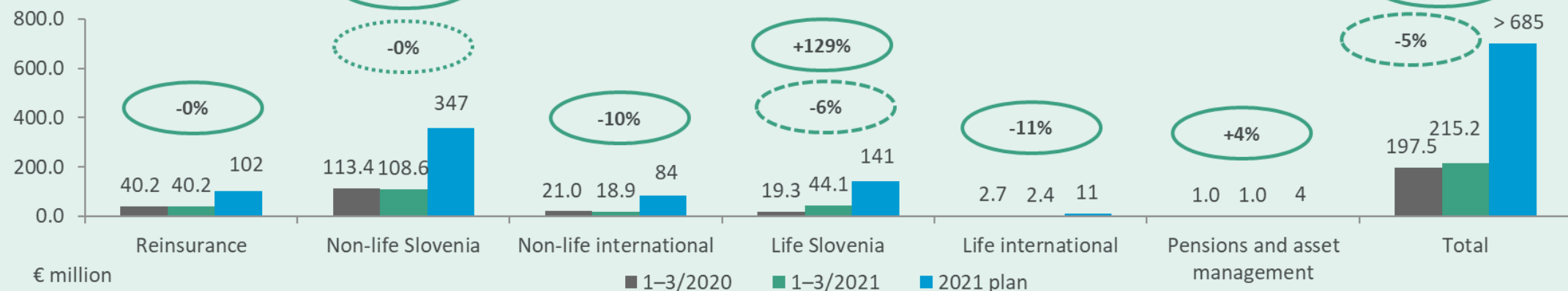
# Growth in consolidated GPW of 9.0%



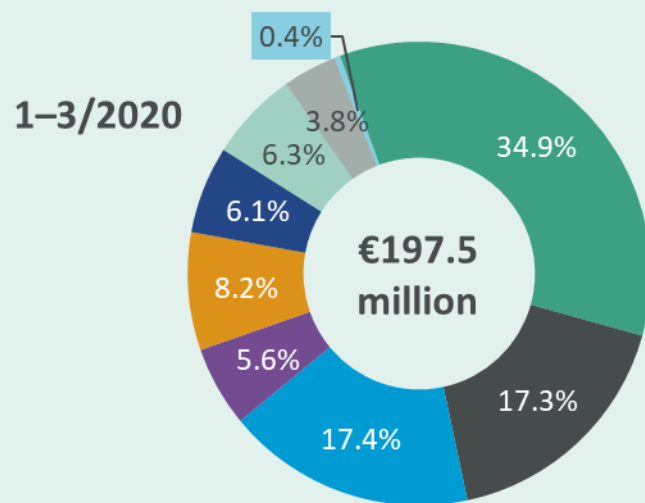
# Breakdown of consolidated GPW

Without Vita  
Without FOS and Vita  
Growth/decline compared to the previous year

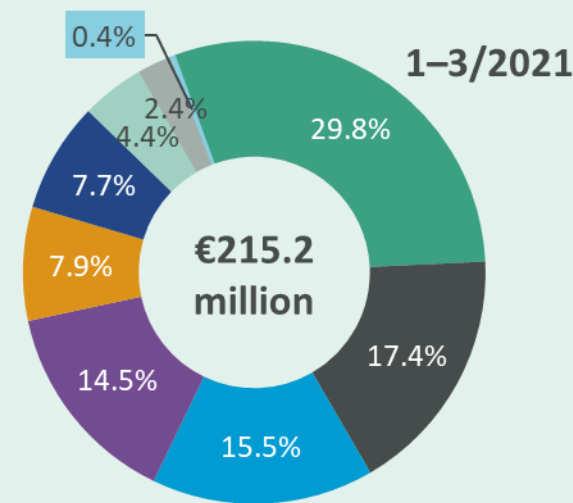
## Gross premiums written by segment



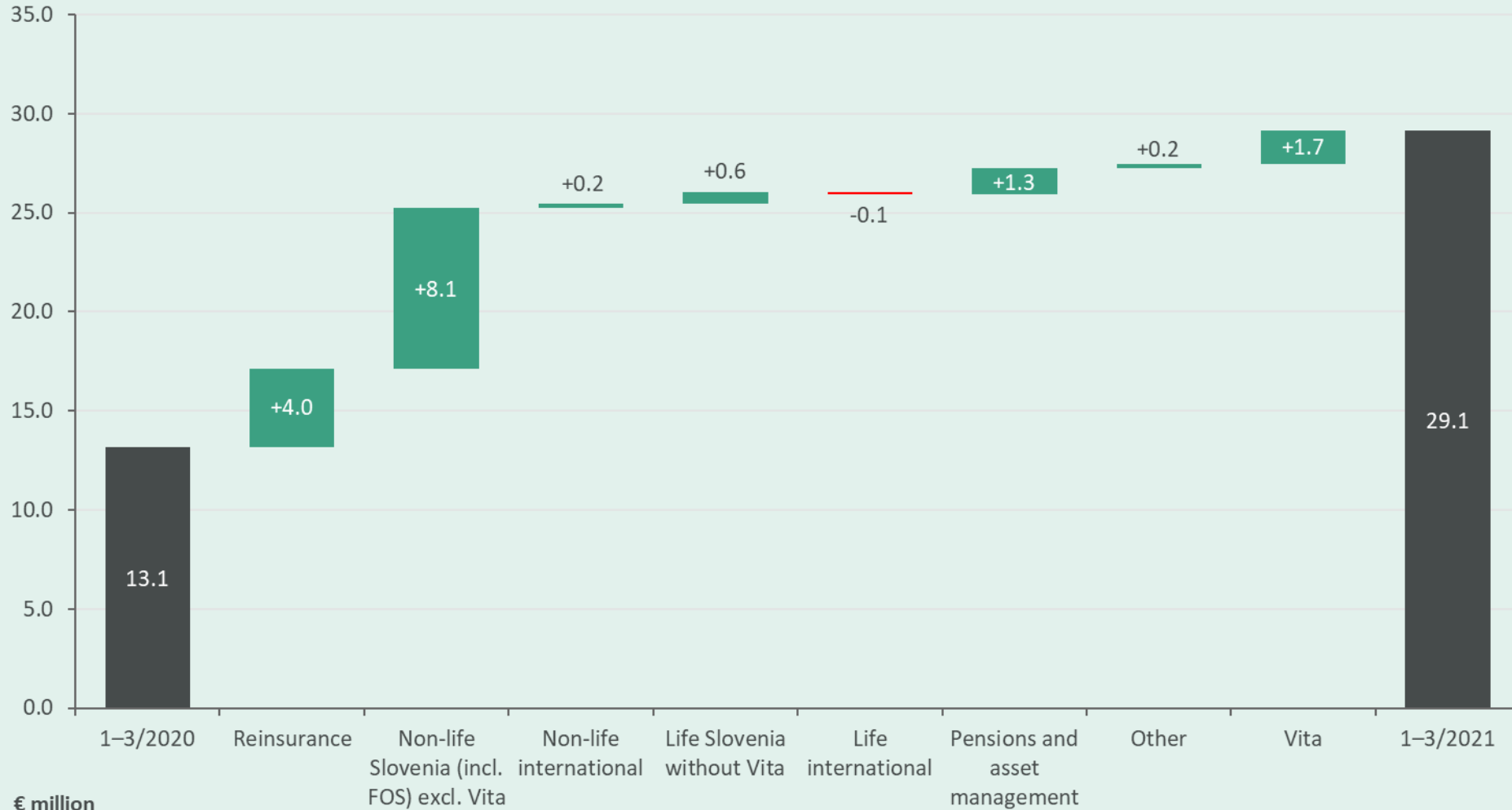
## Consolidated gross premiums written by class of insurance



- Property
- Land motor vehicles
- Motor vehicle liability
- Unit-linked life
- Accident, health and assistance
- Traditional life
- General liability
- Marine, suretyship and goods in transit
- Other insurance



# Growth in profit before tax of 121.6%



# Consolidated profit before tax by segment

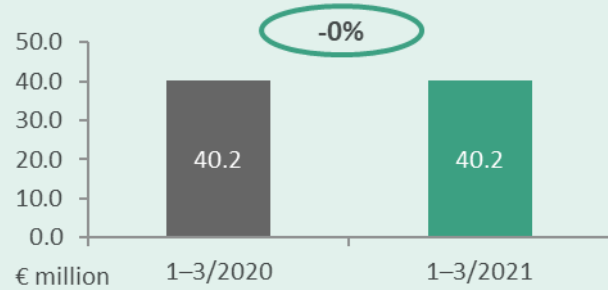


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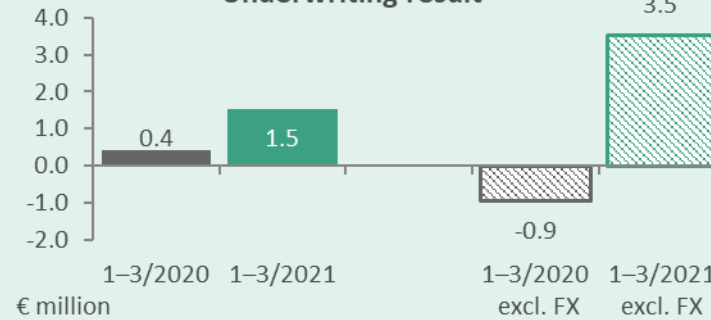
# Segment reporting – reinsurance

Gross premiums written



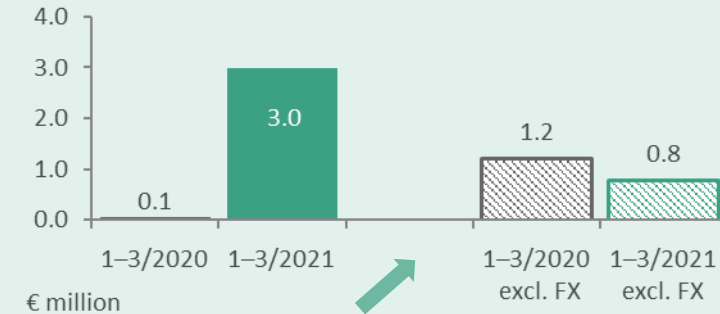
- GPW on same level, with larger share of non-proportional business
- 2021 UWY premiums down 5.9% (€2.0 million), whereas premiums for 2020 up €2.4 million

Underwriting result



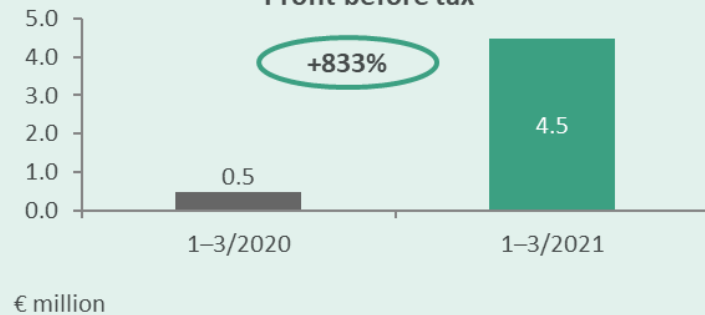
- Improvement in UW result mainly due to favourable development of older UWYs
- No major impacts of Covid-19 claims in Q1 2021; increase in claims provisions due to Covid-19 of €0.4 million had no material negative effect on segment (or Group) result

Investment result

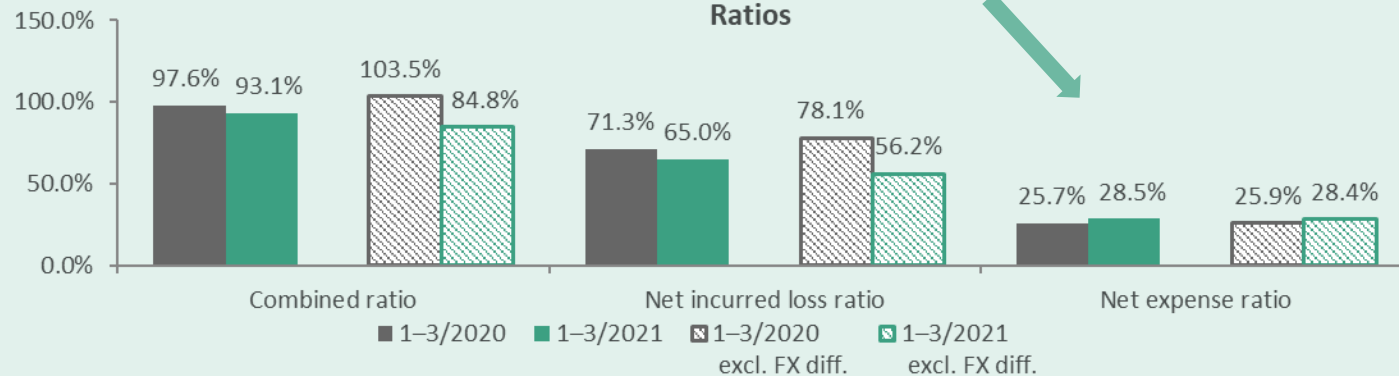


- Investment result, excl. FX differences, somewhat lower, chiefly due to lower interest income and gains on sale of investments
- Higher net expense ratio due to higher growth in acquisition costs, whereas other operating expenses fell

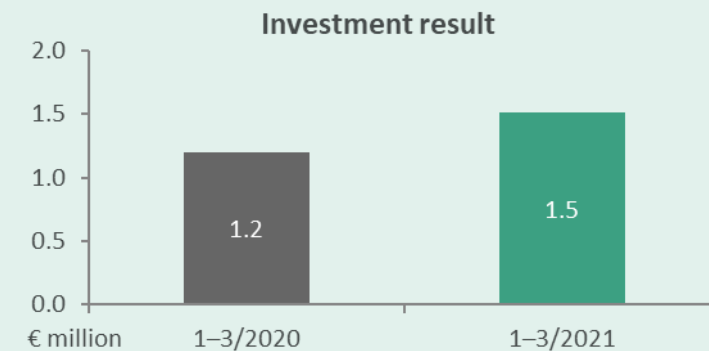
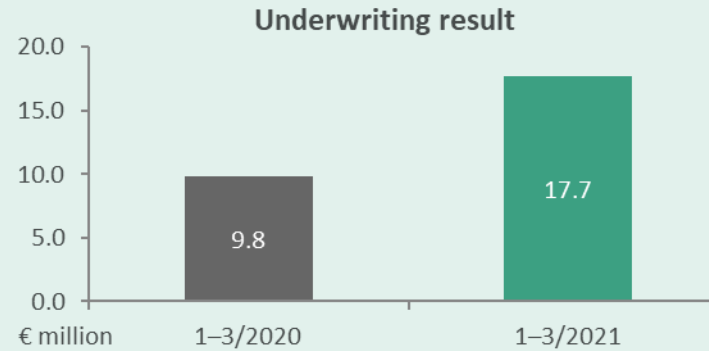
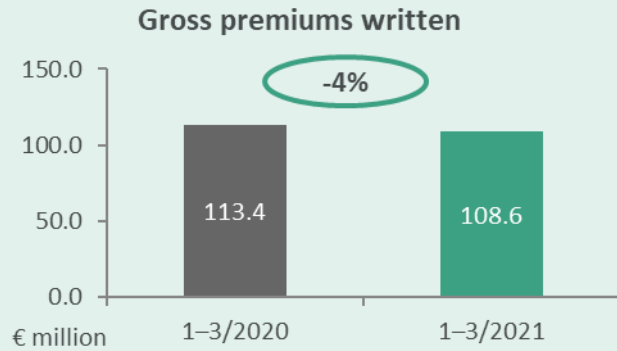
Profit before tax



Ratios



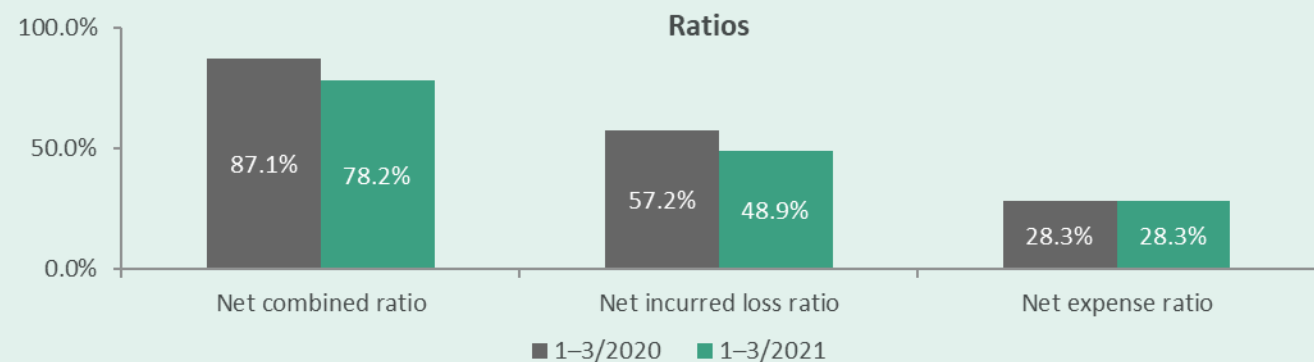
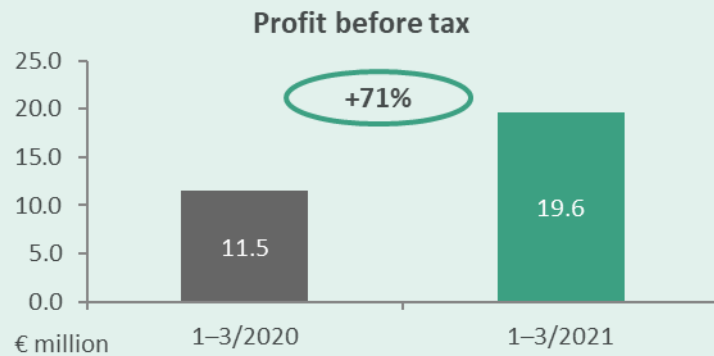
# Segment reporting – non-life Slovenia



- FoS business down €5.6 million
- Non-FoS business up €0.9 million, excl. Vita decline of €0.1 million; growth in motor vehicle business, especially personal lines, as the result of more policies sold and higher average premium; decline in property business due to changed timing of premiums of major policyholders

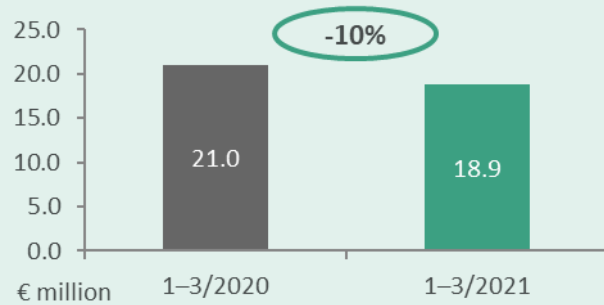
- Stronger underwriting result of Slovenian part thanks to lower claims frequency due to pandemic
- Improved underwriting result of FoS business due to measures taken: cancelled business of partners with poor technical results

- Better investment result because of lower investment expenses; Q1 increase in expenses affected by negative FX differences and expenses from change in fair value of FVTPL assets due to onset of pandemic



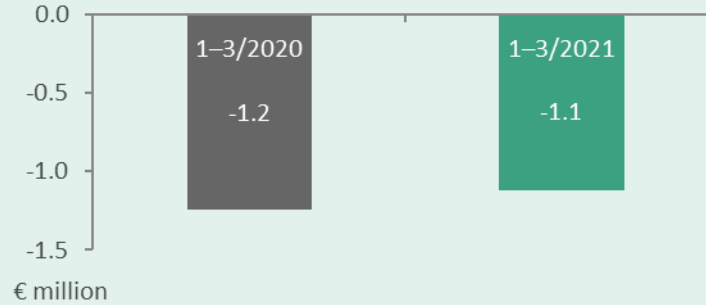
# Segment reporting – non-life international

Gross premiums written



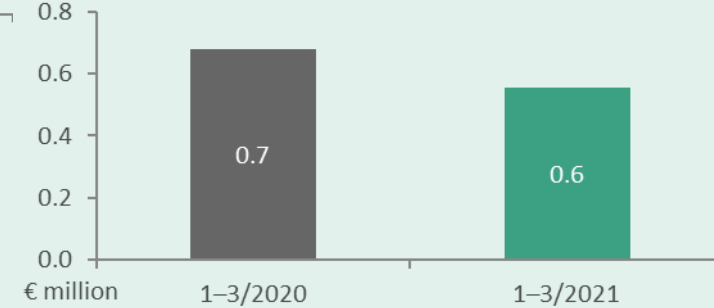
- Decline in GPW, especially in motor liability in Croatia and Serbia

Underwriting result



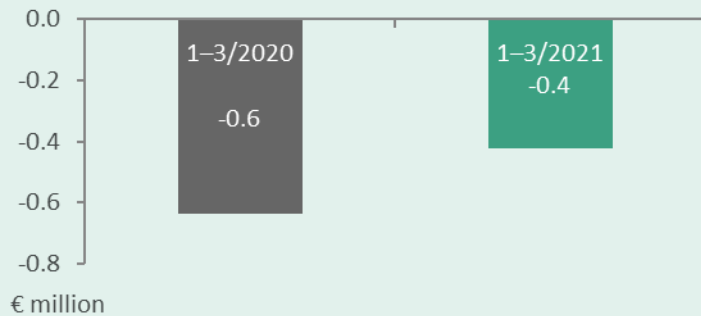
- Due to seasonal trends, negative underwriting result in early 2021; although claims dropped in line with premium income, there is no substantial improvement in underwriting result

Investment result

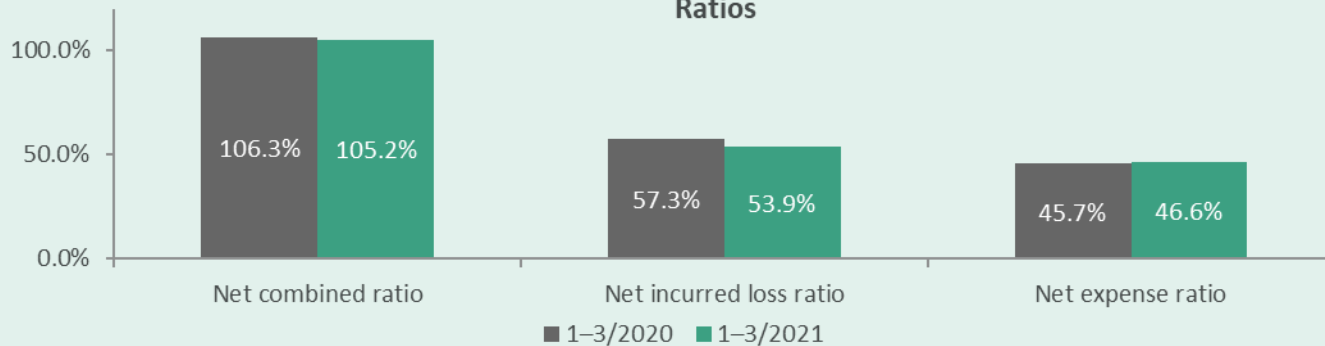


- Lower investment result due to lower interest income

Profit before tax

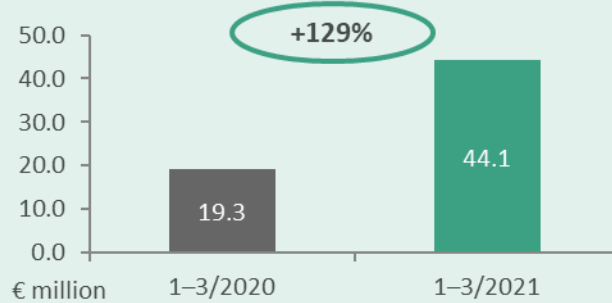


Ratios

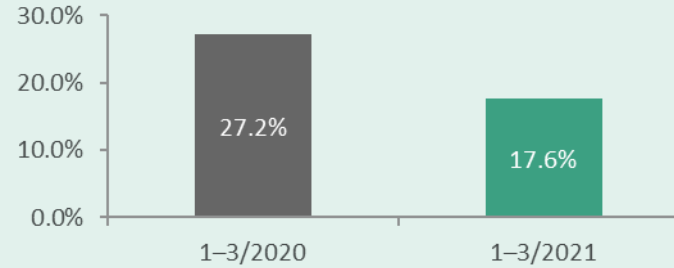


# Segment reporting – life Slovenia

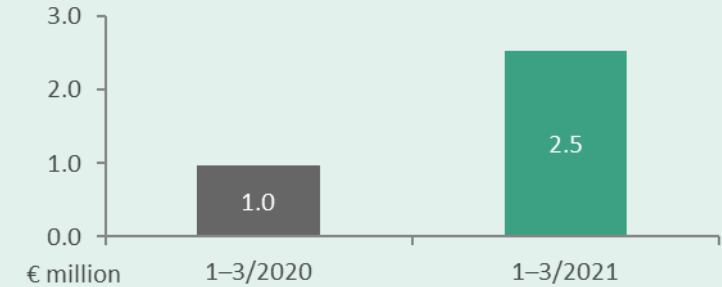
Gross premiums written



Net expense ratio



Investment result

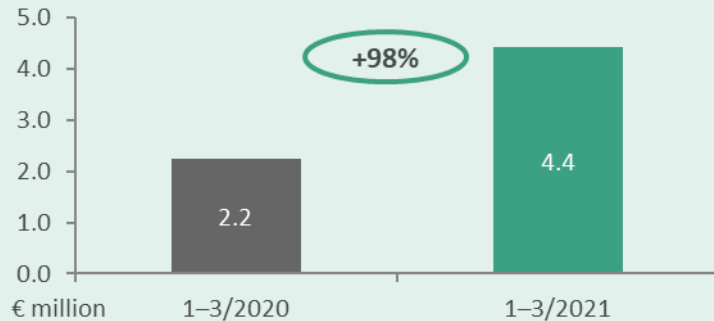


- Vita, which was not part of the Group in Q1 2020, generated €25.9 million in GPW in Q1 2021. If Vita is excluded, GPW are down 5.6%.
- If Vita is excluded, 27.7% decline in new annual premiums due to Covid-19 pandemic

- Net expense ratio down due to inclusion of Vita, which operates at a lower expense ratio

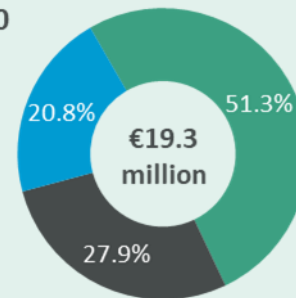
- Higher return thanks to inclusion of Vita

Profit before tax



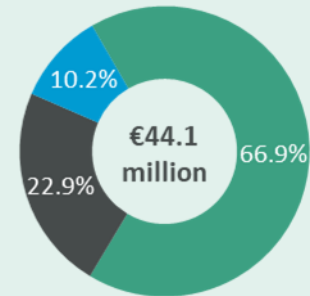
Gross premiums written by class of insurance

1-3/2020



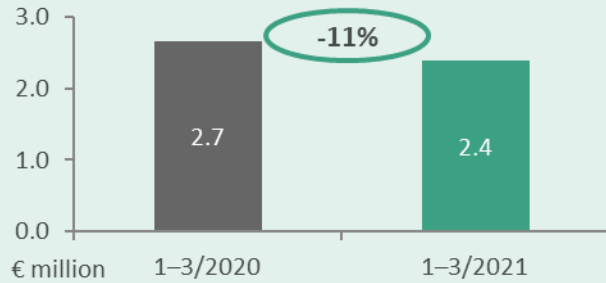
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-3/2021



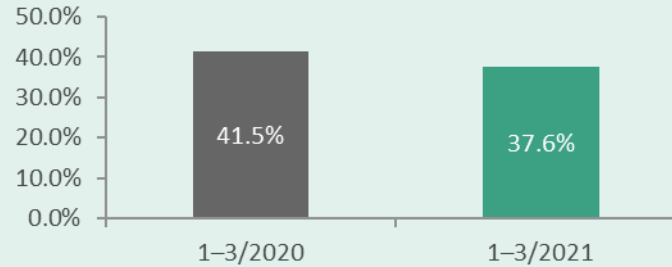
# Segment reporting – life international

Gross premiums written



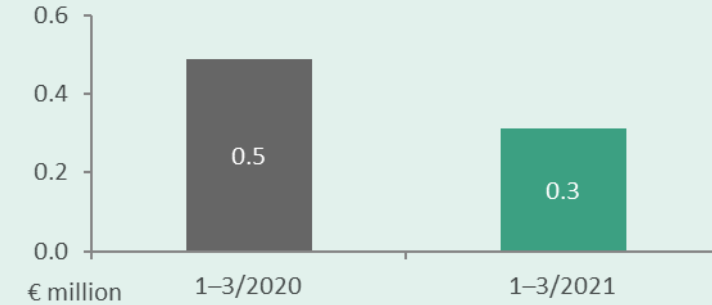
- High decline in GPW at Croatian part of Zavarovalnica Sava due to portfolio optimisation
- 19% decline in new annual premiums because of lower sales in Croatia

Net expense ratio



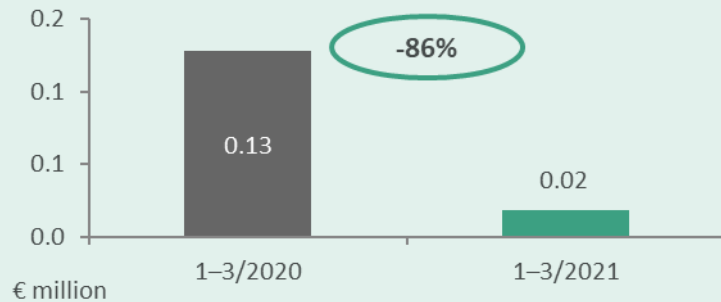
- Lower expense ratio due to costs savings, both on acquisition costs due to lower sales in Croatia and savings on other operating expenses
- Decrease in profit before tax reflecting slightly weaker results in most companies – more claims (especially in Serbian company increased mortality due to Covid-19) and lower investment result

Investment result



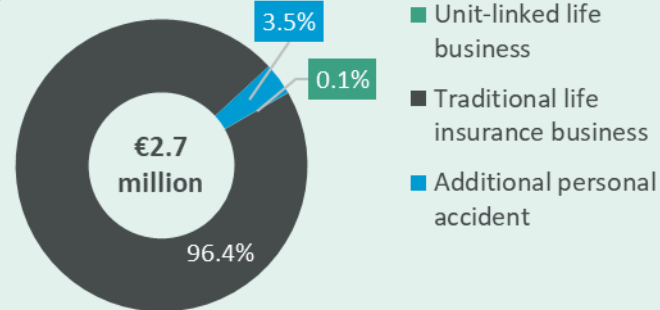
- Investment result declined because of lower net income from FX differences of Zavarovalnica Sava in Croatia

Profit before tax

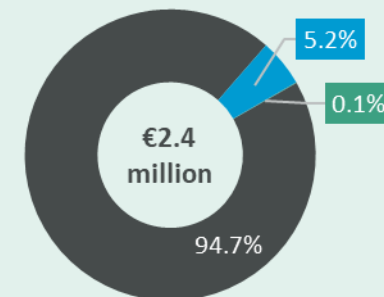


Gross premiums written by class of insurance

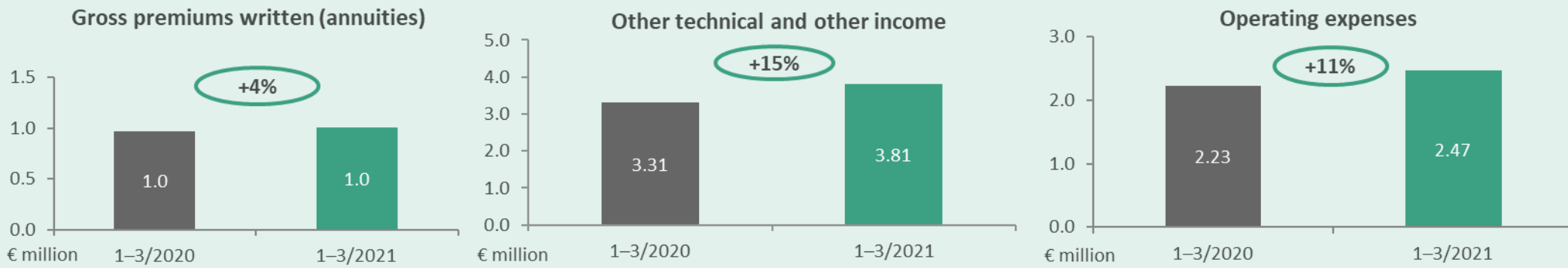
1-3/2020



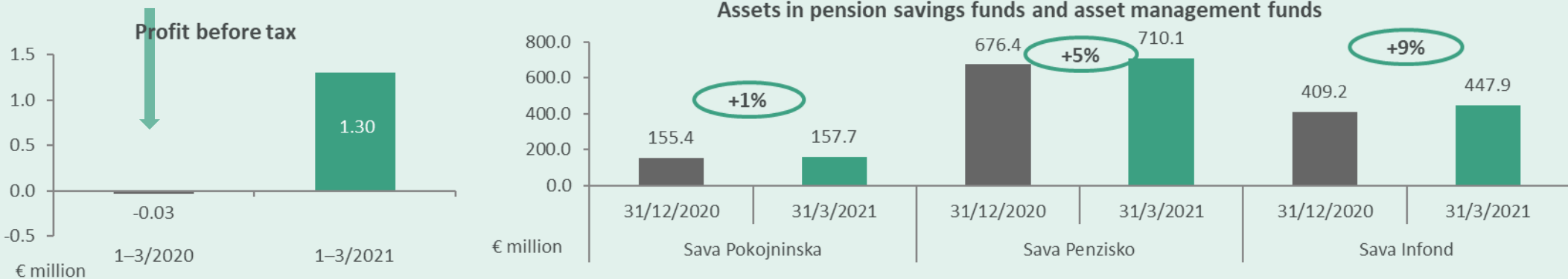
1-3/2021



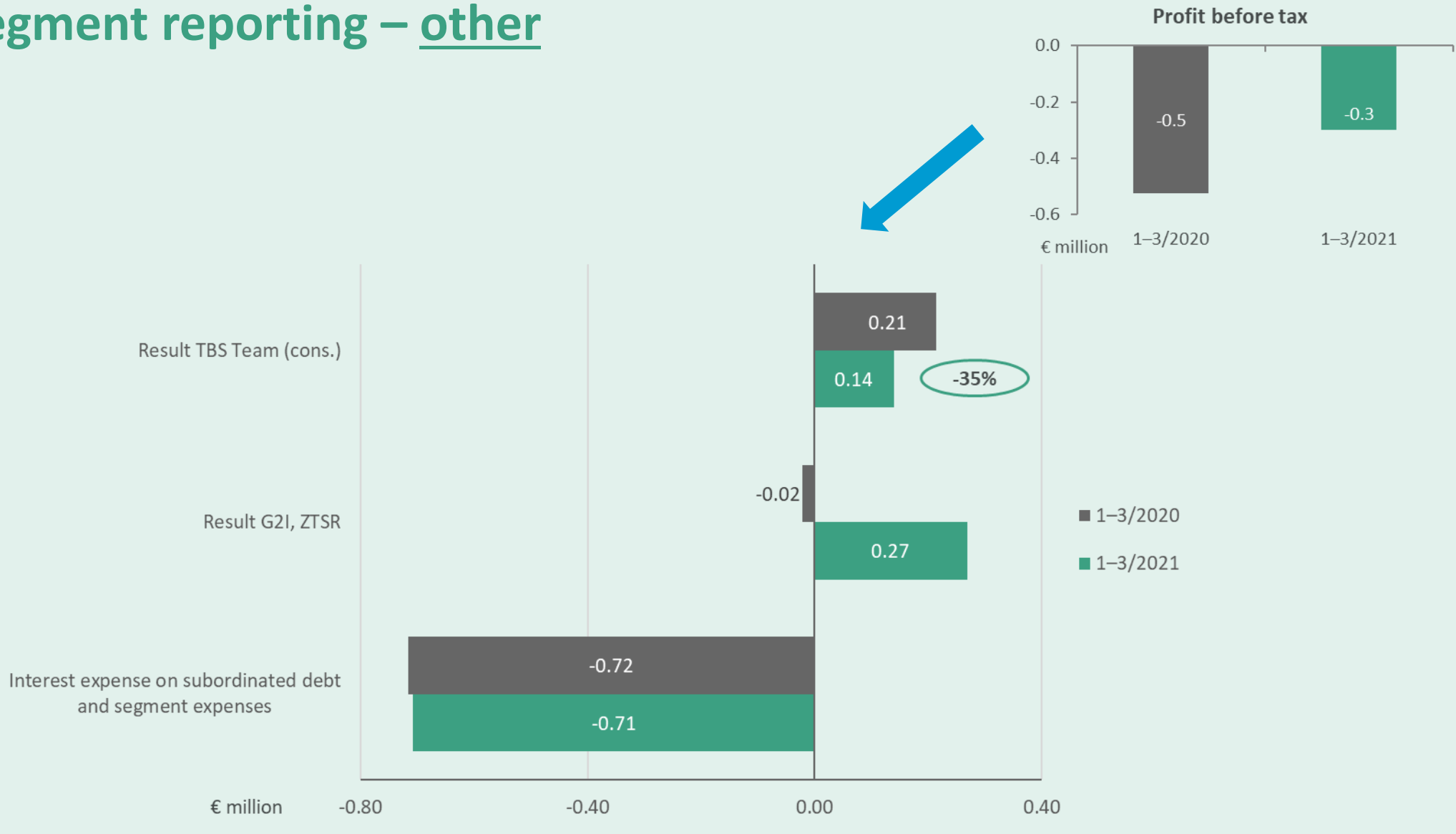
# Segment reporting – pensions and asset management



- Slightly more policyholders opting for pension annuities upon retirement
  - Poor Q1 2020 result due to unfavourable developments in financial markets related to Covid-19 and Slovenian pension company's setting of provisions for not achieving guaranteed returns
- Growth due to increase in assets under management, especially at Sava Infond
- Increase in operating expenses, chiefly due to depreciation of client list at Sava Infond - depreciation not yet accounted for in Q1 2020



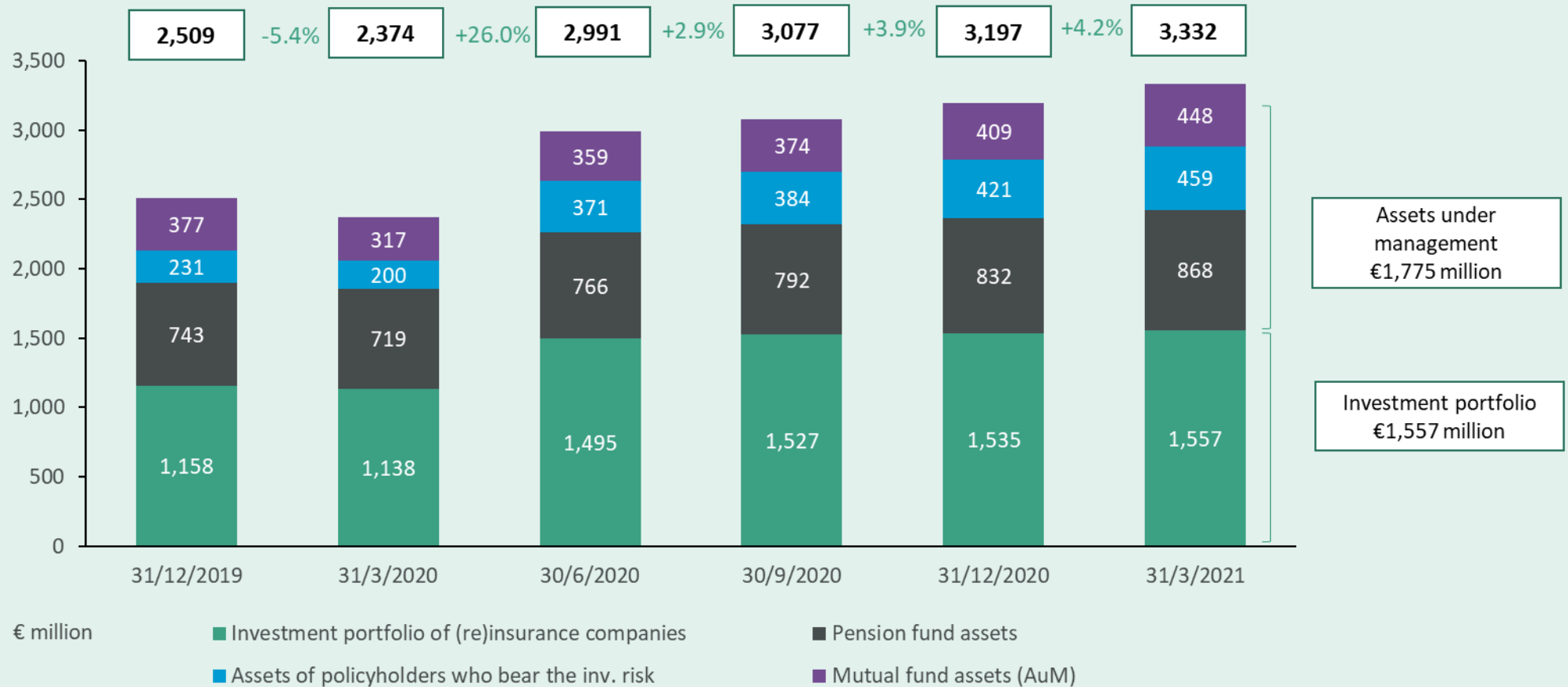
# Segment reporting – other



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# Investment portfolio and AuM



# Structure of the investment portfolio

	31/12/2020	31/3/2021
<b>Investment portfolio (€ million)</b>	<b>1,535.3</b>	<b>1,557.4</b>
Government bonds	43.0%	43.3%
Corporate bonds	40.3%	38.8%
Cash and cash equivalents	4.8%	5.8%
Investment property	2.5%	2.6%
Mutual funds	2.5%	2.3%
Infrastructure funds	1.8%	2.0%
Shares	1.5%	1.4%
Deposits & CDs	1.1%	1.0%
Real estate funds	0.9%	0.9%
Other	1.6%	1.8%
<b>Total investment portfolio</b>	<b>100.0%</b>	<b>100.0%</b>



**The share of investments in business bonds dropped by 1.5 p.p.** due to maturities and sales, which led to an increase in the share of cash and cash equivalents. **The increase in the share of other investments** is due to financial investments in associates.

# Net inv. income of and return on the investment portfolio

€ million	1–3/2020	1–3/2021	Absolute change 2021 - 2020
Net investment income relating to the investment portfolio	2.2	7.6	5.5
Net investment income of the investment portfolio, excluding FX differences	3.2	4.7	1.6
Return on the investment portfolio, excluding FX differences and subordinated debt expense	1.4%	1.4%	0.0 p.p.

Net investment income relating to the investment portfolio consists of net investment income relating to financial investments, investments in associates and investment property.

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# Shareholders and share trading

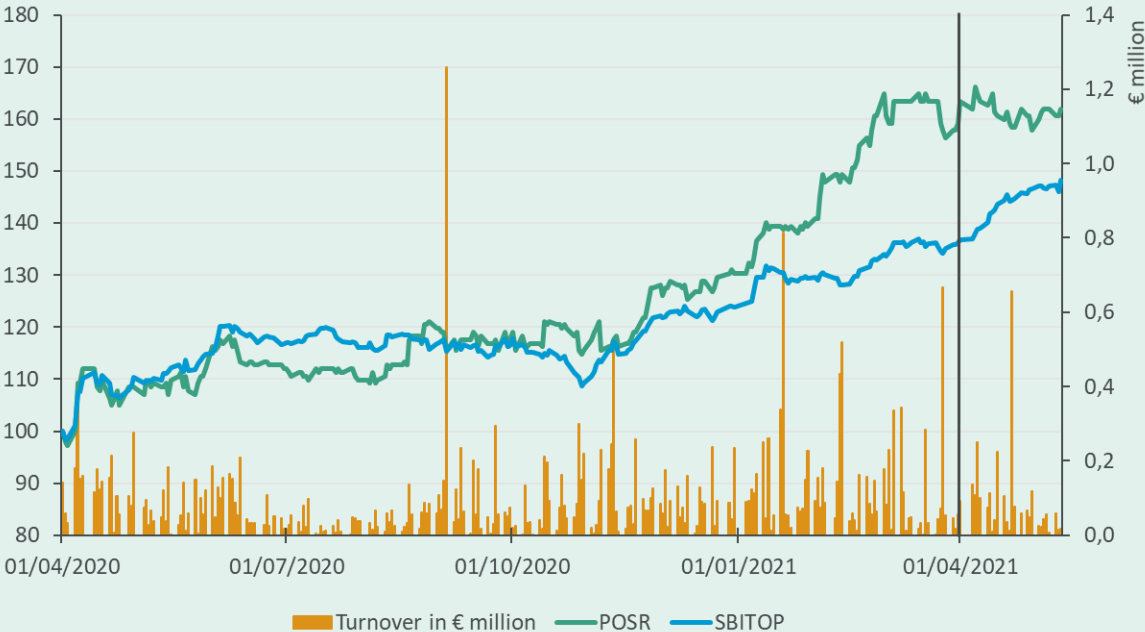
Book value per share

€30.77

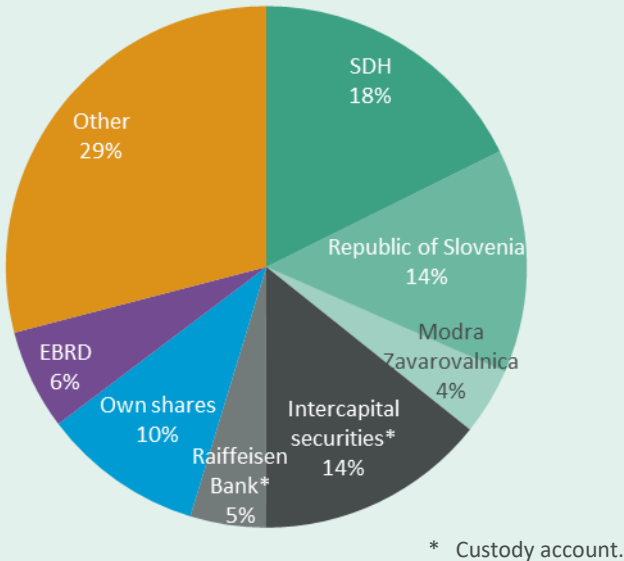
31 Mar 21 / 31 Dec 20: +3.6%

31/3/2021	
Share capital (€ million)	71.9
Market capitalisation (€ million)	389.2
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,229

Performance and turnover (01/04/2020 = 100)

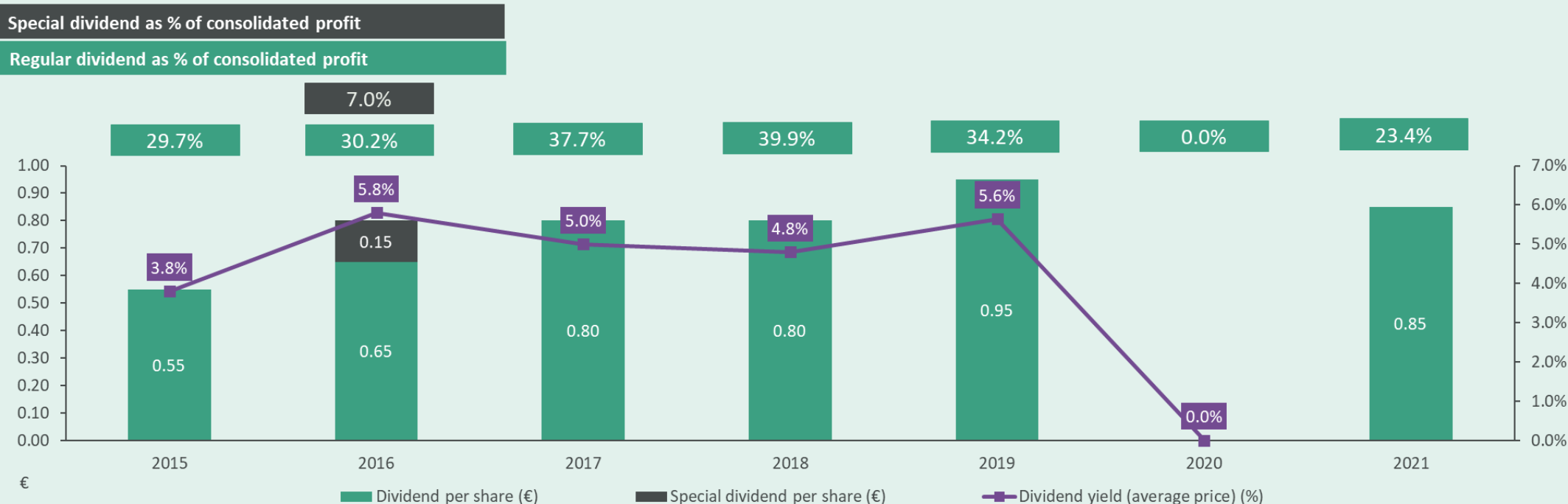


Shareholders as at 31 March 2021



\* Custody account.

# Dividend policy



- **Dividend policy:** 10% average increase in dividend per year; distribution of between 35% and 45% of the net profit of the Sava Insurance Group.
- Sava Re did not pay any dividends in 2020 because of increased Covid-19-related risks identified and due to special caution in response to recommendations by the Insurance Supervision Agency.
- At general meeting on 25 May 2021, the shareholders adopted the proposal of the management and supervisory boards to use EUR 13,173,041.60 of the profits for dividends. The dividend is **EUR 0.85** gross per share and will be paid out on 10 June 2021 to the shareholders entered in the shareholders' register as at 9 June 2021.
- Sava Re has submitted to the Insurance Supervision Agency a report demonstrating its ability to pay dividends, which in addition to all other criteria (solvency, liquidity and financial strength) takes into consideration the special business model of the Company (as reinsurer and parent). The Sava Re management board believes that a dividend of EUR 0.85 per share will not compromise the Company's solvency, liquidity or financial stability.

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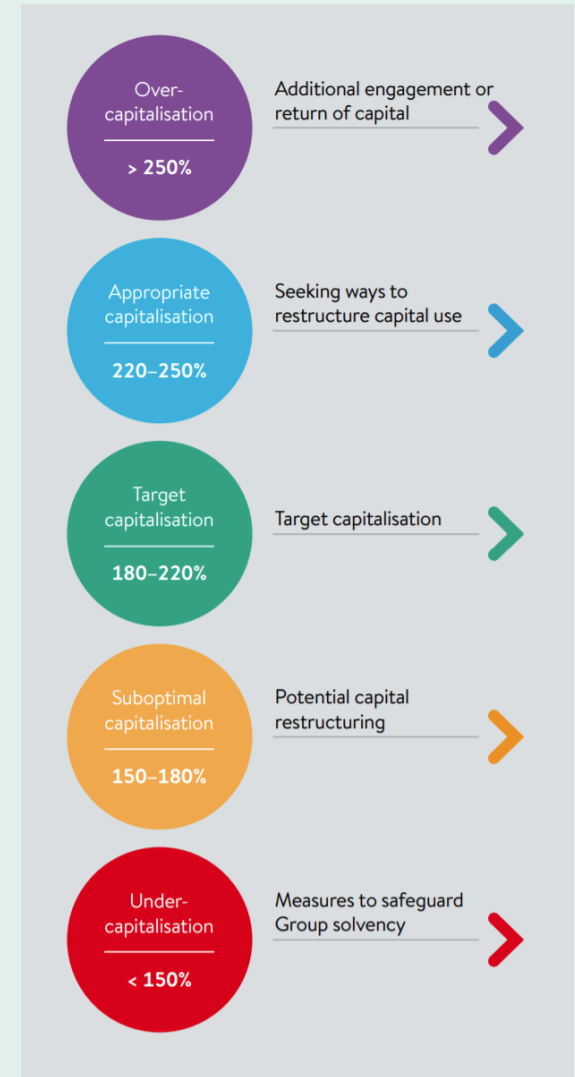
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# Capital adequacy

€ million	31/12/2020
Eligible own funds	567.8
Solvency capital requirement	287.4
<b>Solvency ratio</b>	<b>198%</b>

€ million	31/12/2019
Eligible own funds	522.0
Solvency capital requirement	237.7
<b>Solvency ratio</b>	<b>220%</b>

The Sava Insurance Group's Solvency and financial condition report 2020 was posted on the Sava Re website and that of the Ljubljana stock exchange (SEONet) on 20 May 2021.



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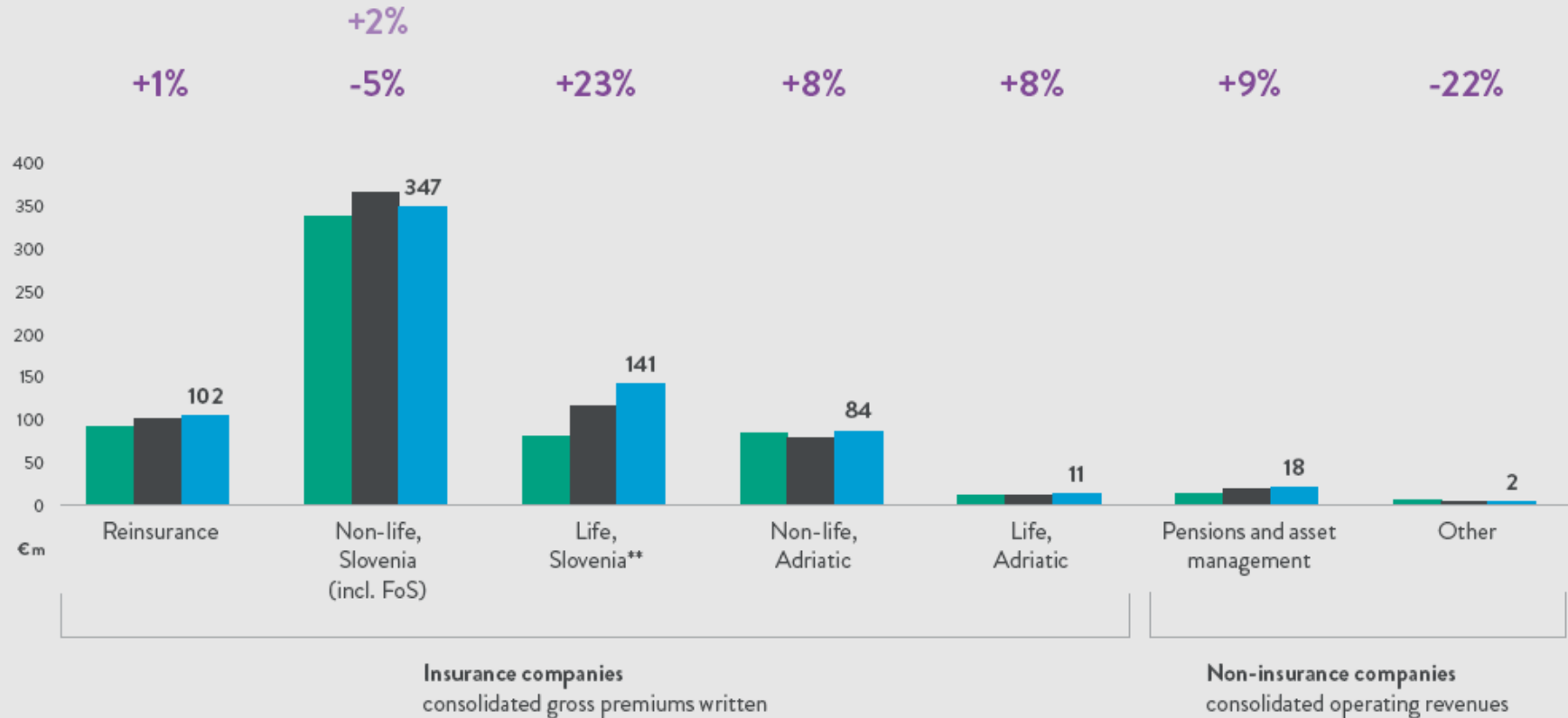
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# Key group performance metrics

€	2019 actual	2020 actual	2021 plan
<b>Group</b>			
Operating revenue	€588.5 m	€680.8 m	> €685 m
Profit or loss, net of tax	€50.2 m	€56.4 m	> €53 m
Return on equity	13.8%	13.3%	>= 11.5%
Net expense ratio*	31.6%	29.5%	32–33%
Investment return*	1.9%	1.6%	1.5%
<b>(Re)insurance part</b>			
Gross premiums written	€596.2 m	€676.5 m	> €685 m
Net incurred loss ratio* (reins. + non-life)	61.7%	61.6%	59–60%
Net combined ratio* (reins. + non-life)	93.8%	93.9%	< 94%

\* Excluded effect of exchange differences. The investment return does not include subordinated debt expenses. The net expense ratio does not include any gains on acquisitions (2019: ERGO, 2020: Vita) or amortisation of customer lists.

# Consolidated GPW / operating revenue by segment

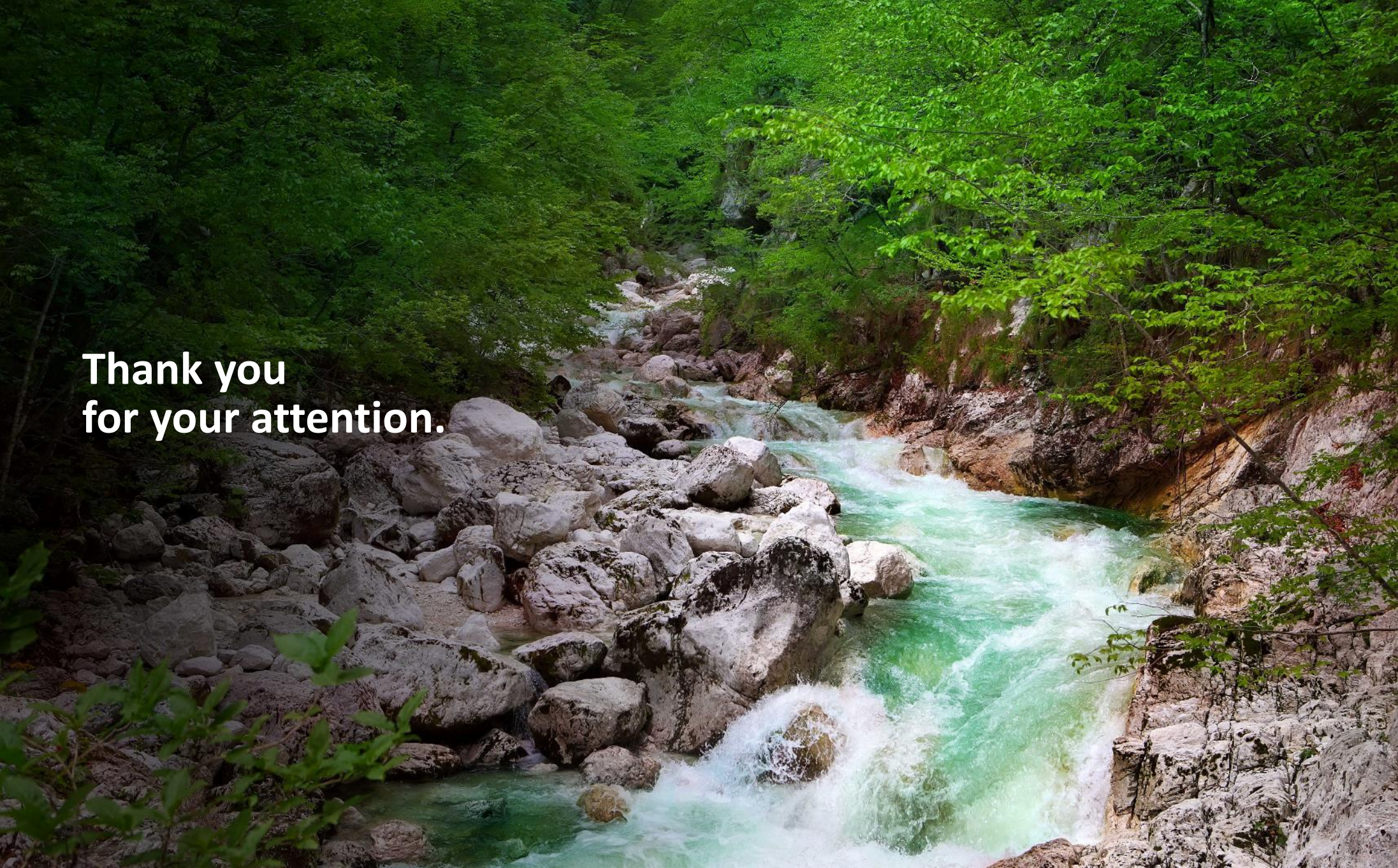


• 2019 • 2020 estimate • 2021 plan • Planned change in 2021 vs. 2020 • Planned change in 2021 in segment non-life, Slovenia, excluding FoS

\* FoS business. Freedom of Services business. Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.

\*\* Vita included as from 31 May 2020.

**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.

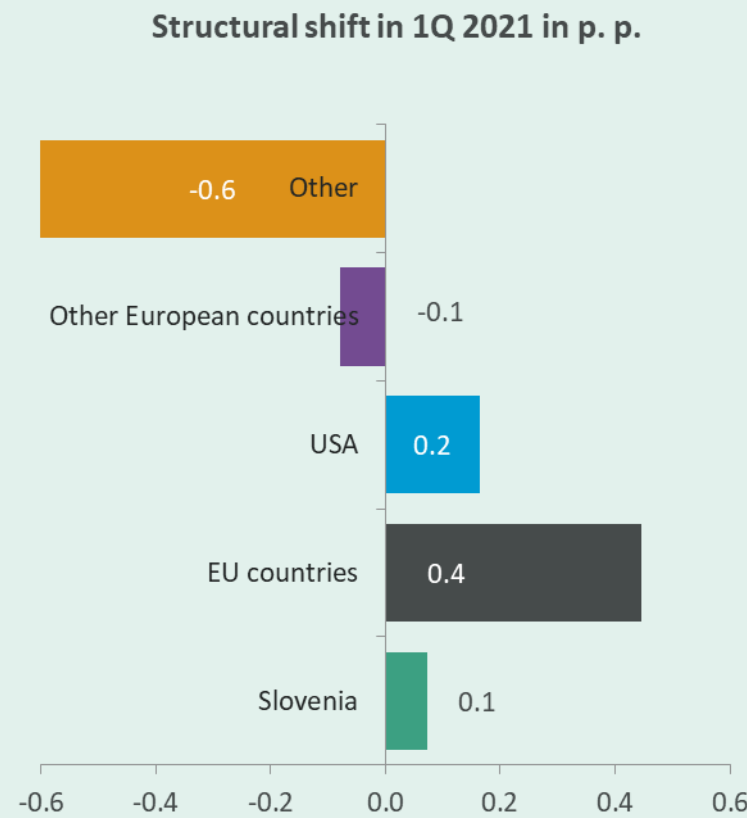
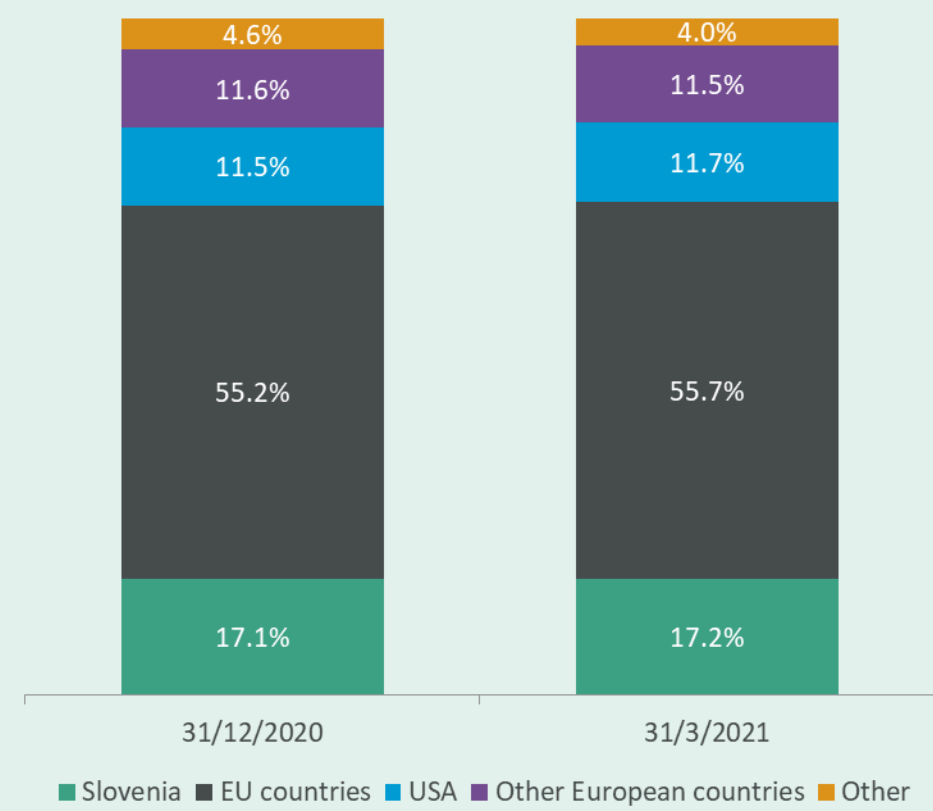
## Duty to update

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

Exposure to individual regions did not change significantly in the period under review compared to year-end 2020.



# Group exposure to Slovenia

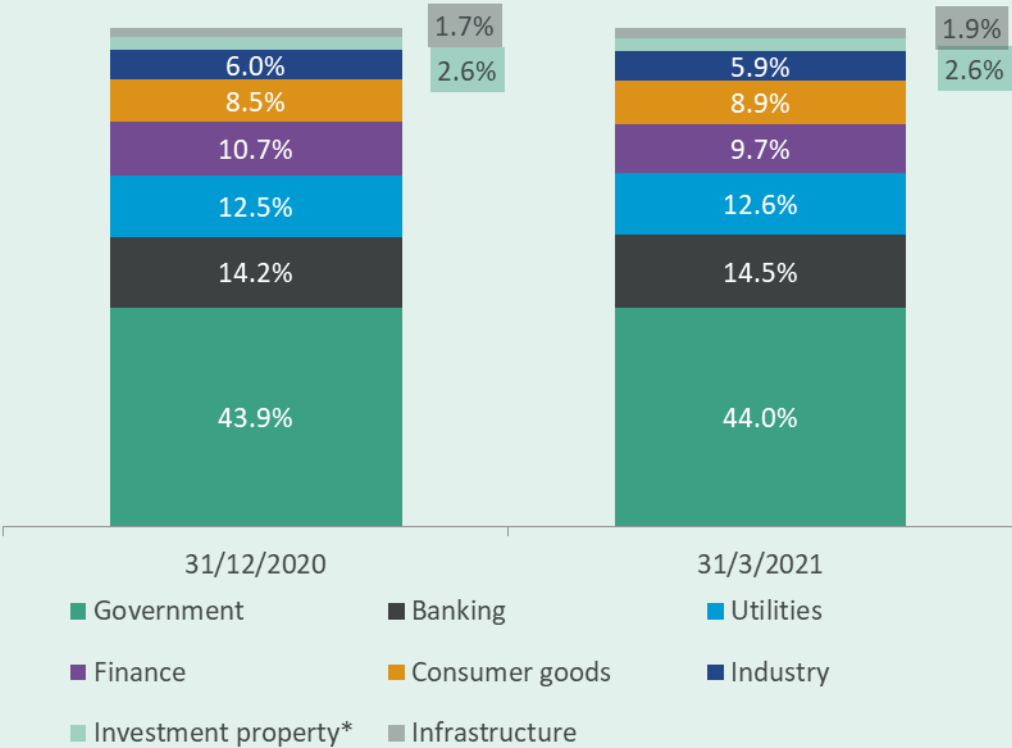
€ million	31/12/2020		31/3/2021		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Government bonds	148.5	9.2%	133.7	8.2%	-1.0
Cash and cash equivalents	69.2	4.3%	88.5	5.4%	1.1
Corporate bonds	20.5	1.3%	20.8	1.3%	0.0
Shares	18.4	1.1%	19.2	1.2%	0.0
Investment property	11.8	0.7%	11.6	0.7%	0.0
Deposits	4.0	0.2%	2.0	0.1%	-0.1
Loans given	1.7	0.1%	1.6	0.1%	0.0
Mutual funds	2.2	0.1%	2.5	0.2%	0.0
Infrastructural funds	0.5	0.0%	0.6	0.0%	0.0
<b>Total</b>	<b>276.7</b>	<b>17.1%</b>	<b>280.5</b>	<b>17.2%</b>	<b>0.1</b>

Exposure to Slovenia increased minimally compared to the end of 2020.

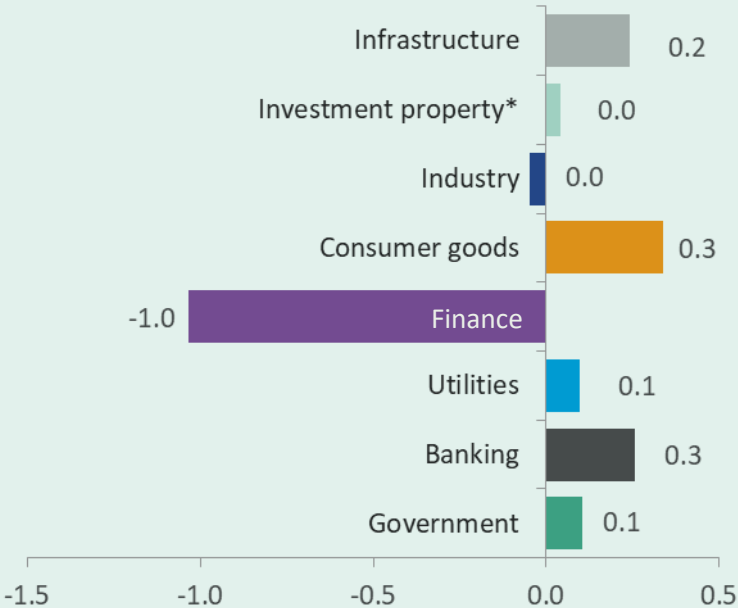
Compared to the year end, the share of government bonds maturing in the period under review decreased, while the share of cash and cash equivalents increased.

# Group exposure by industry

The decrease in exposure to the finance and insurance industry is due to the maturity of ordinary corporate bonds.



Structural shift in 1Q 2021 in p. p.



\* Includes direct investments in real estate and property funds. Also included are corporate bonds classified as real estate under GICS.

# Solid rating profile maintained despite Covid-19

**Investment grade assets account for 85.3% of fixed-rate investments and increased by 2.4 p.p.** compared to the year end.

The decline in A-grades is due to the maturity of government bonds and the downgrading of credit ratings due to the Covid-19 situation; the decrease in the BB rating class is due to the improvement in the credit ratings of some Slovenian banks to BBB; as a result, the BBB rating class increased.

The unrated class increased by 1.5 p.p. compared to the end of the year due to the higher share of cash in the structure of the investment portfolio and is of a short-term nature.

