



Sava Insurance Group

1H 2020 results

20 August 2020



Contents

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

Highlights 1H 2020

Growth in operating revenue of **16.6%**

Net profit of **€32.2 million**, including €6.8 million positive effect of difference between fair value of net assets acquired and the cost of Vita

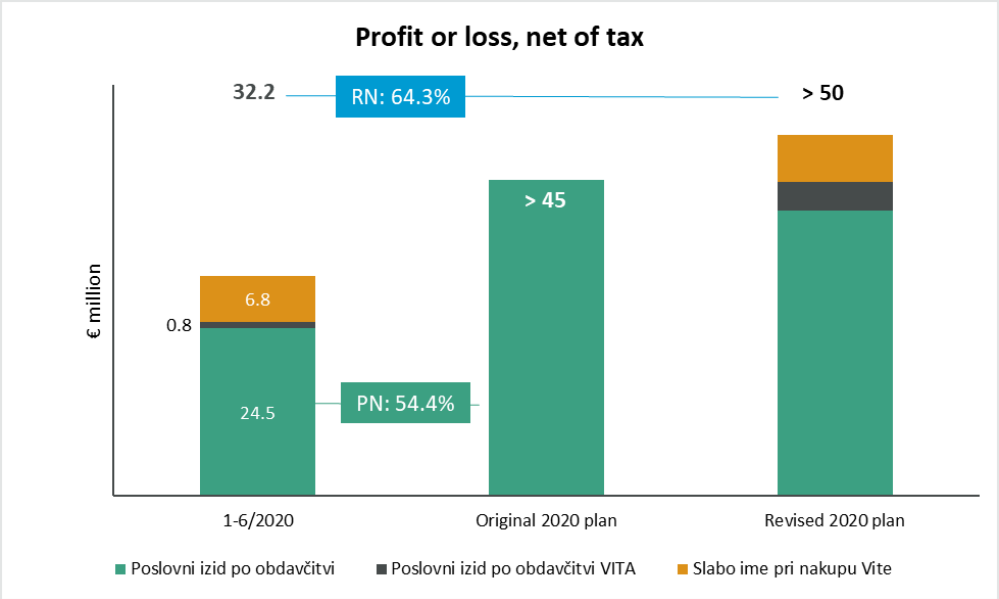
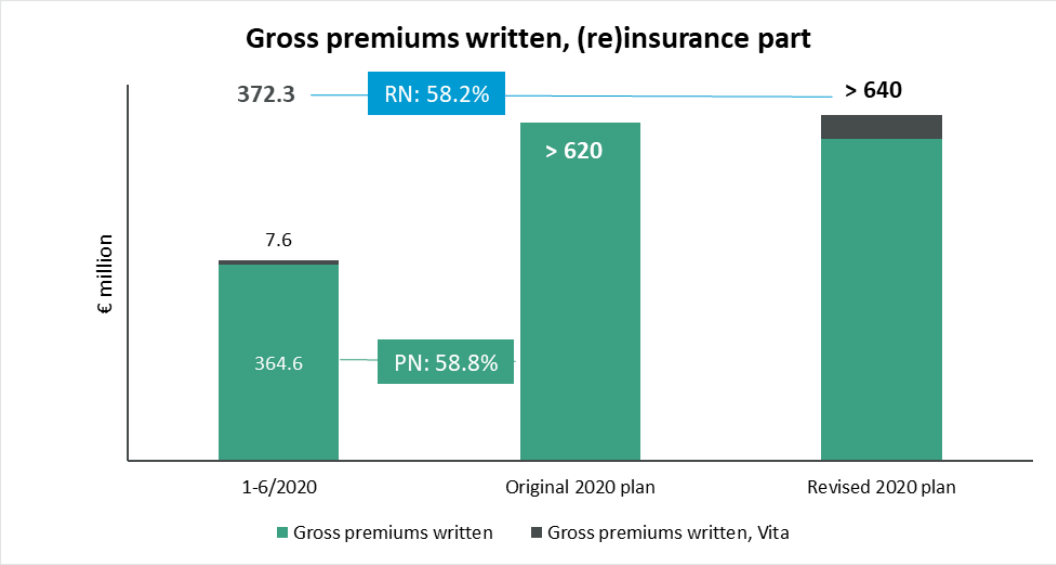
ROE of **14.3%**

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

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

Standard & Poor's "A" rating, stable outlook, affirmed in August

Inclusion of Vita into the Group on 31 May 2020



Key figures – Sava Insurance Group

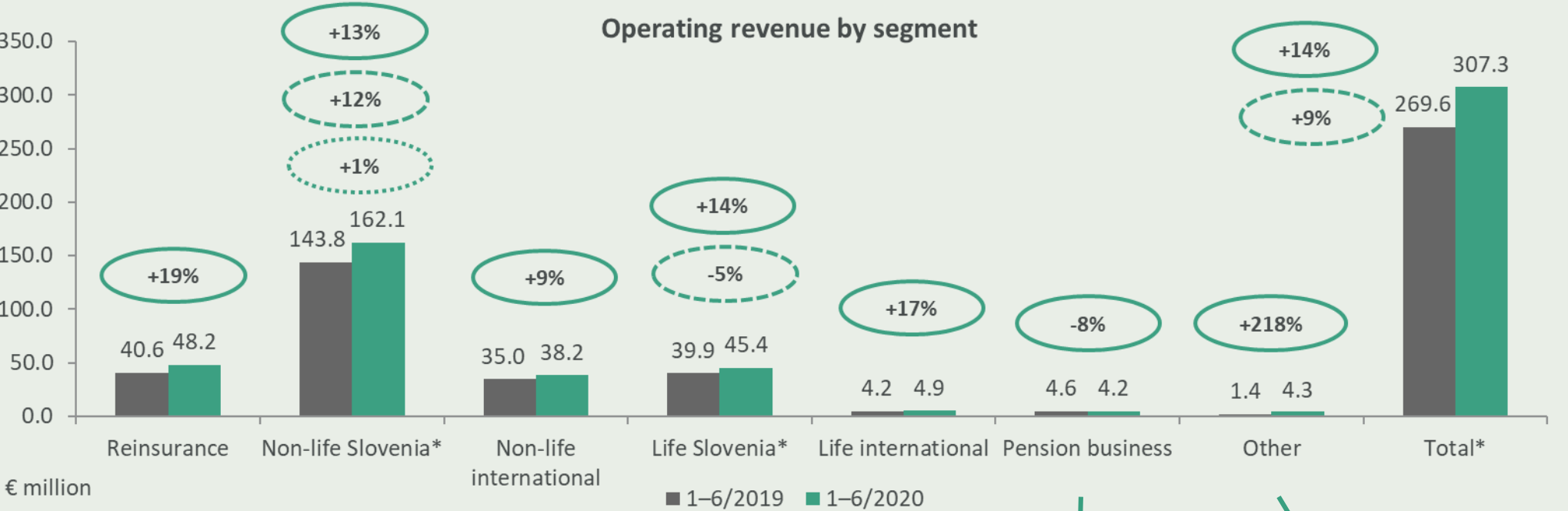
€ million	1–6/2019	1–6/2020**	Original 2020 plan	Change 2020/2019
Group				
Operating revenue	269.6	314.2	> 610	16.6%
Gross premiums written, (re)insurance part	334.9	372.3	> 620	11.2%
Net expense ratio, including operating revenue*	31.0%	30.0%	33–34%	-1.0 p.p.
Return on the investment portfolio*	2.3%	1.5%	1.3%	-0.8 p.p.
Profit, net of tax	22.6	32.2	> 45	42.5%
Return on equity	12.5%	14.3%	> 11%	+1.8 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX	94.6%	91.7%	< 94%	-2.8 p.p.
	31/12/2019	30/6/2020	P 31/12/2020	
Shareholders' equity	384.8	414.5		7.7%
Total assets of the investment portfolio	1,157.8	1,495.1		29.1%
Funds for the benefit of policyholders who bear the invest.risk	231.3	371.1		60.4%
Assets in pension company savings funds	743.0	765.7		3.0%
Sava Infond AUM	376.6	358.7		-4.7%

* 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 1–6/2020 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 1–6/2020 without Vita:

- Operating revenues: €229.5 million
- Gross premiums written, (re)insurance part: €364.6 million
- Net expense ratio: 30.5%

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 company's funds

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

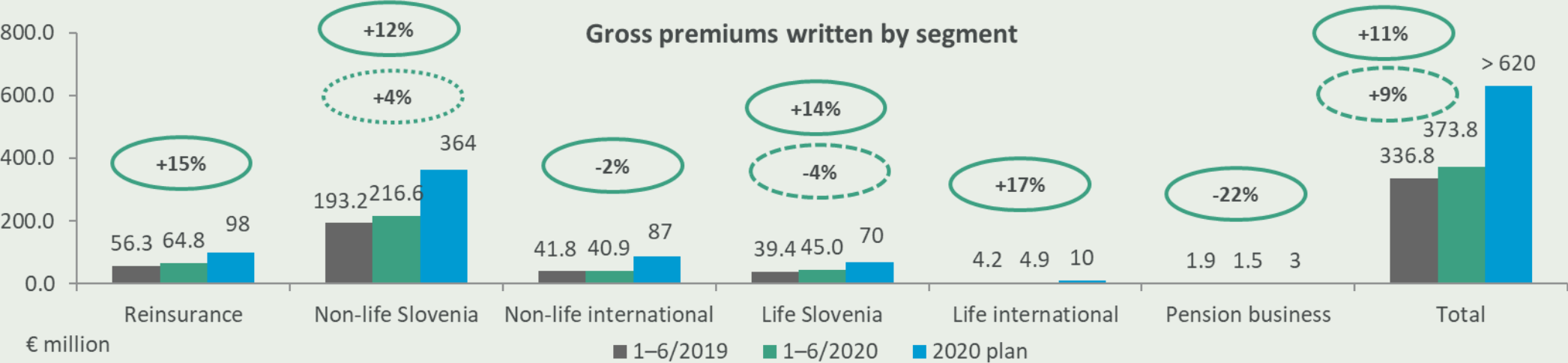
* Without one-off positive effect of Vita

Breakdown of consolidated GPW

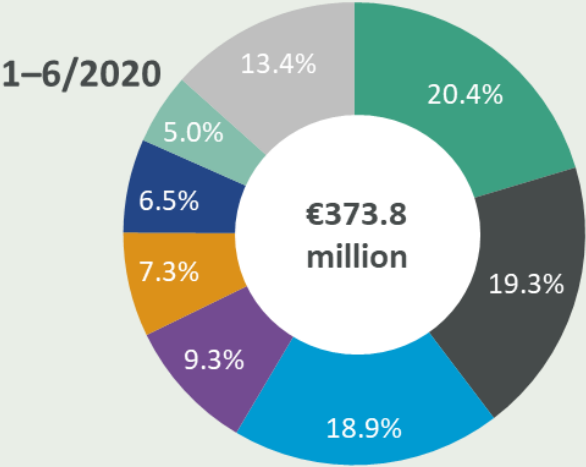
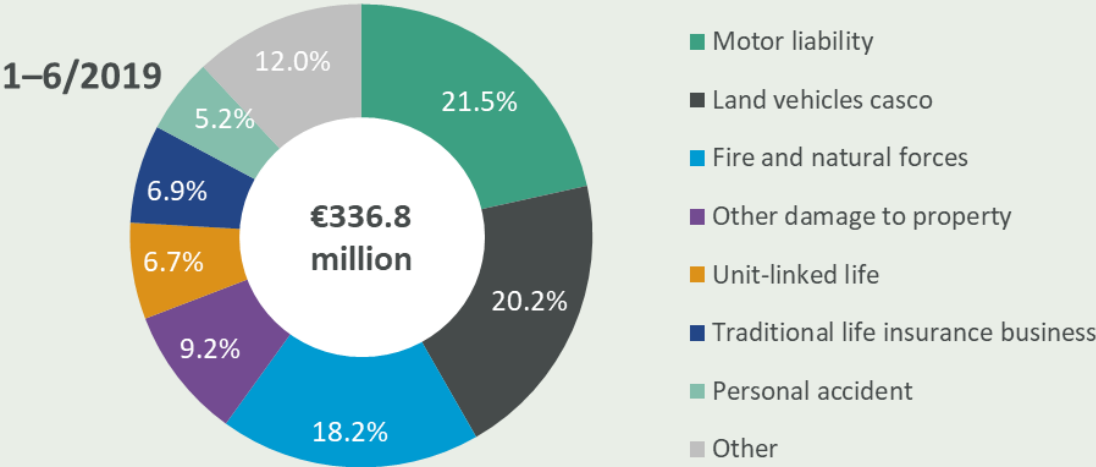
Growth/ decline compared to the previous year

Without Vita

Without FOS and Vita



Consolidated gross premiums written by class of insurance



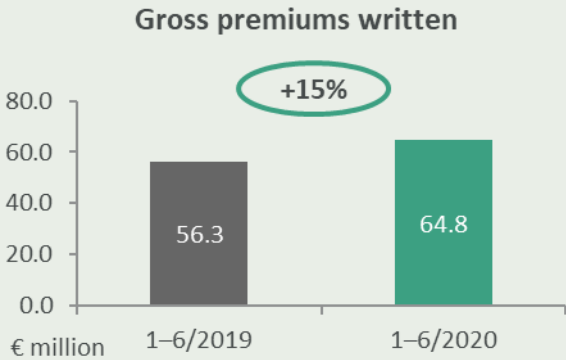
Consolidated profit before tax by segment



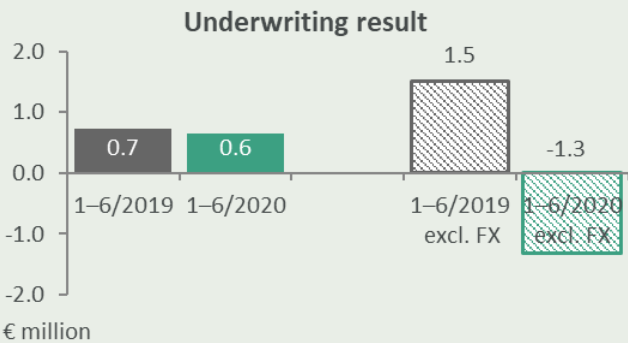
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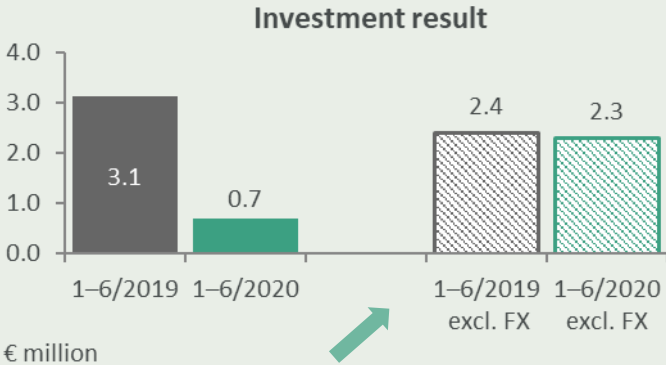
Results by operating segment – reinsurance



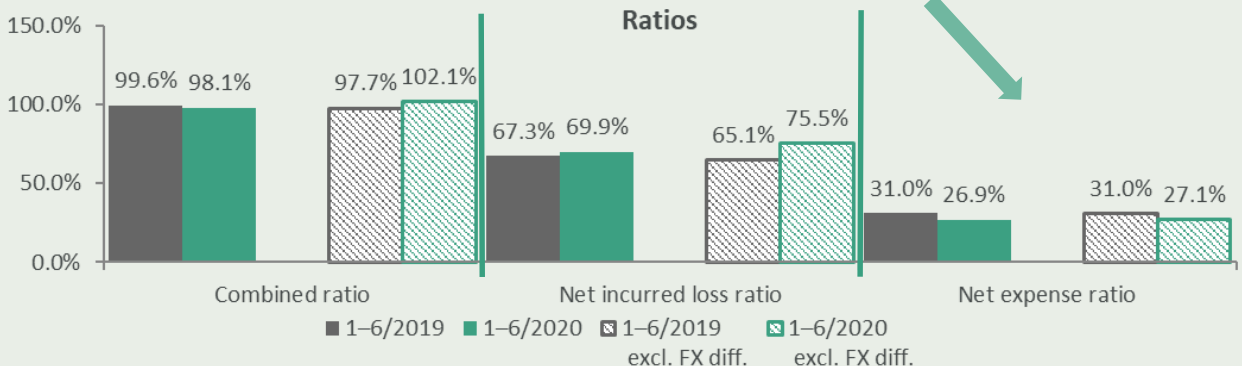
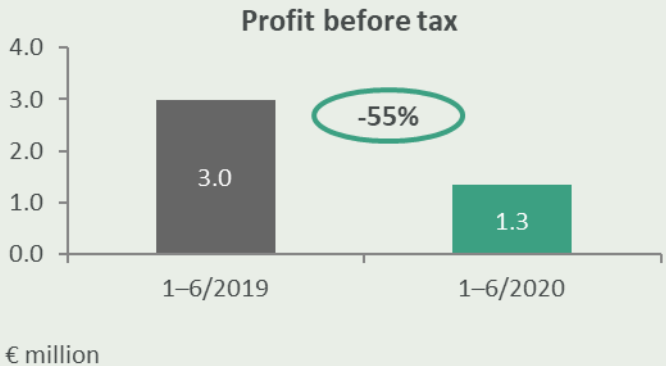
- Growth in non-proportional and proportional reinsurance premiums mainly on Asian markets (organic business growth and new contracts)
- Premium for contractual year 2020 higher by 7.1% (€3.7 million; mainly due to growth of non-proportional business)
- Premium for previous contractual years also higher (by €4.8 million)



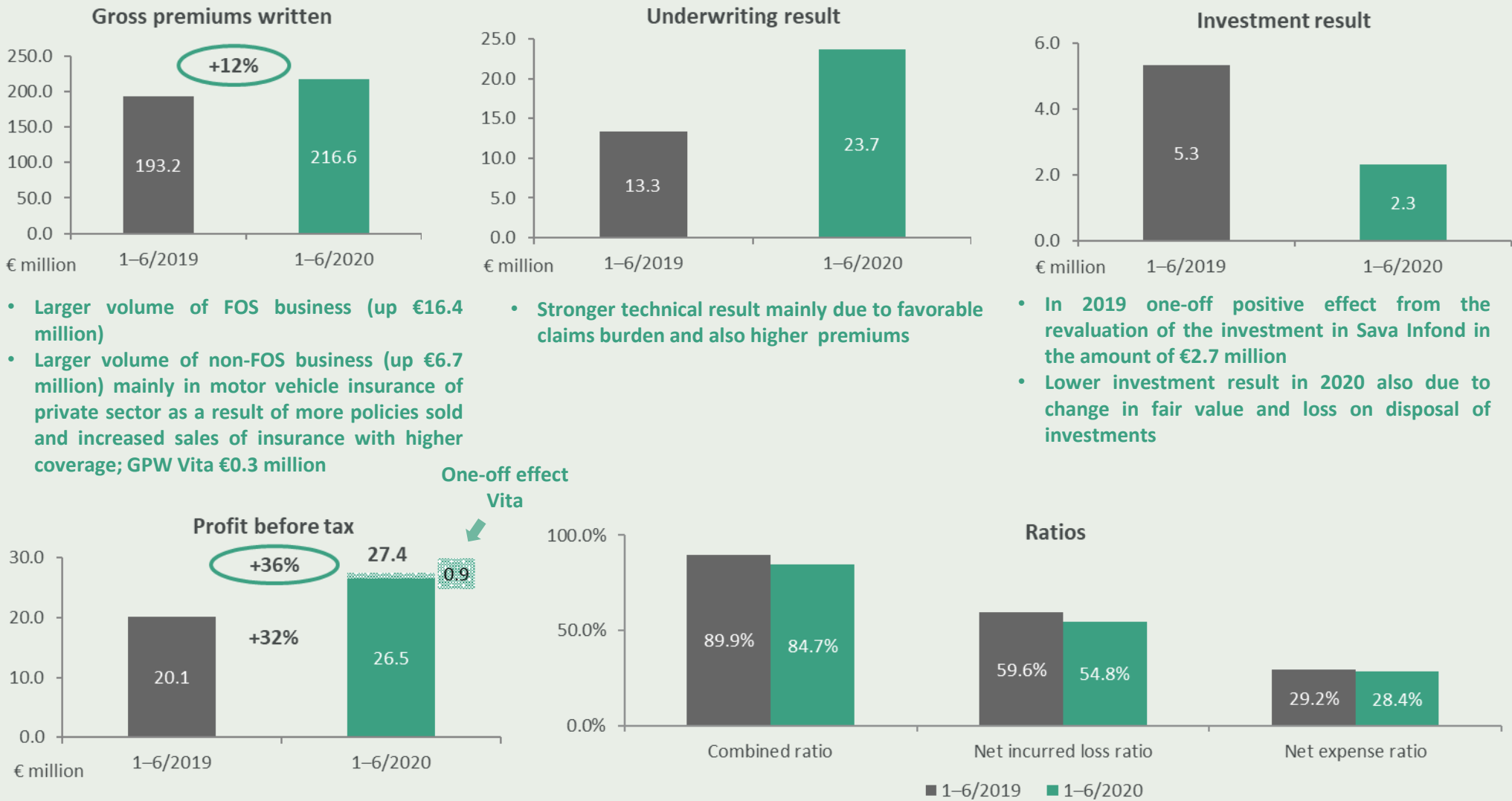
- Deterioration in underwriting result due to increased claims burden from more larger claims (explosion at a facility in South Korea, claims from Covid-19 pandemic €1.6 million altogether, sunk Korean vessel in Brazil)



- Investment result excluding FX differences similar as in the same period last year
- Improved net expense ratio mainly due to increase in the share of non-proportional business, which has lower commission costs than proportional business, and cost optimization from adjustments to Covid-19 related circumstances

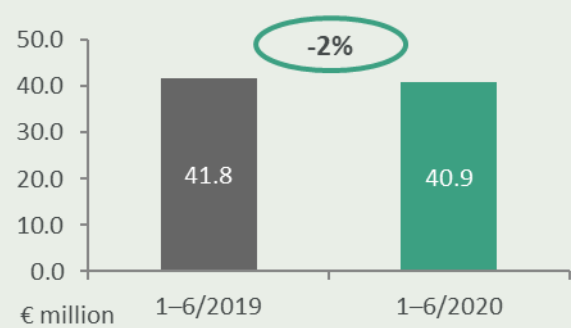


Results by operating segment – non-life Slovenia

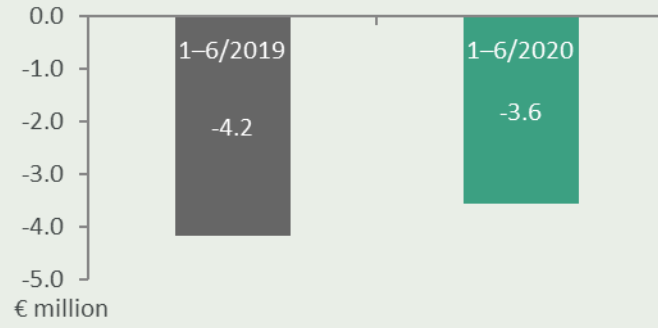


Results by operating segment – non-life international

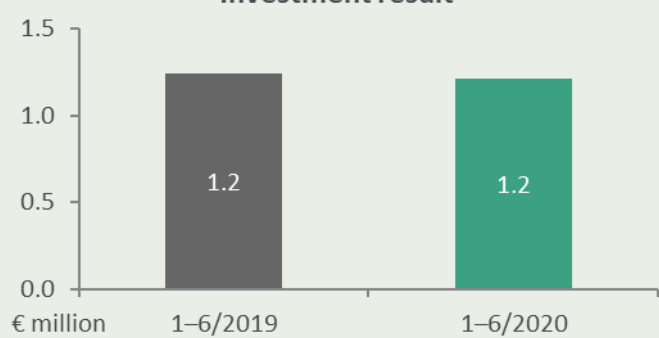
Gross premiums written



Underwriting result



Investment result

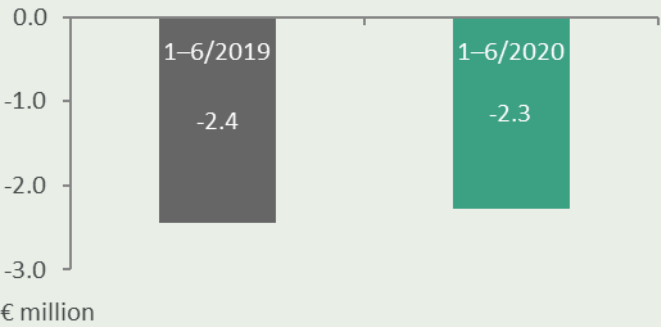


- Decrease in assistance business due to drastic drop in sales of travel insurance as a result of measures taken to curb the Covid-19 pandemic
- Decline in motor vehicle insurance sales due to Covid-19 pandemic

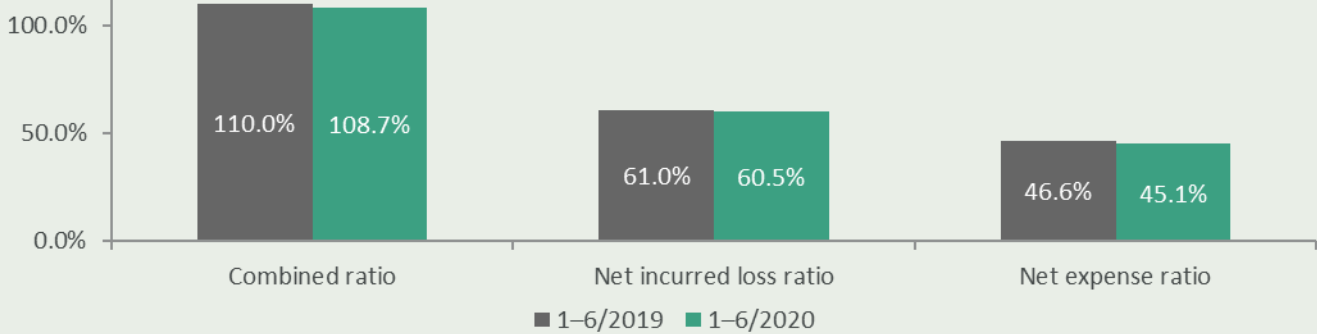
- Stronger technical result mainly due to lower claims frequency on motor insurance; €3.5 million negative effect due to higher non-pecuniary claims in Croatia based on the decision of the local Supreme Court

- Investment result flat year on year

Profit before tax

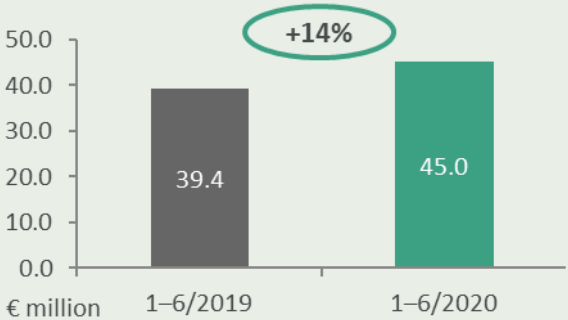


Ratios

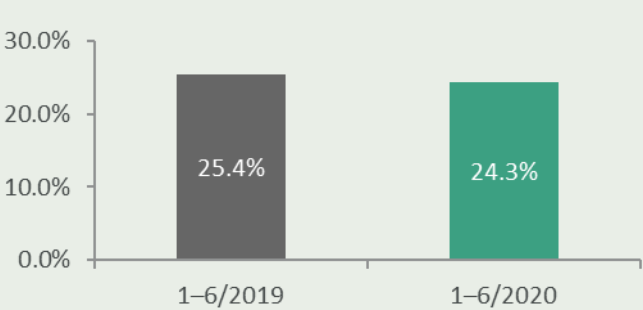


Results by operating segment – life Slovenia

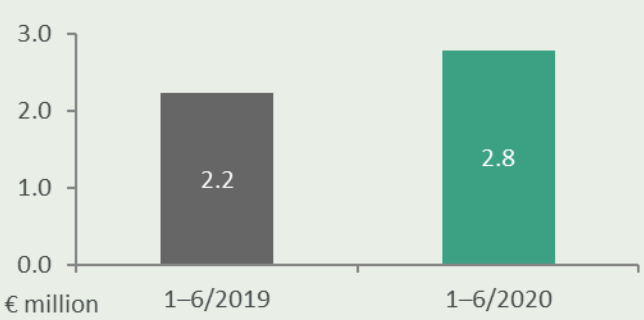
Gross premiums written



Net expense ratio



Investment result

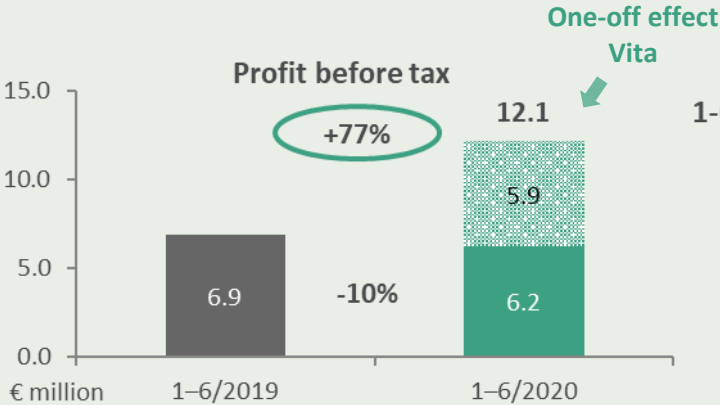


- Inclusion of Vita in the group as at 31 May 2020 (€7.3 million in GPW), excluding Vita reduction in GPW by 4%
- Almost 25% decline in annual premiums (excluding Vita) due to the Covid-19 pandemic

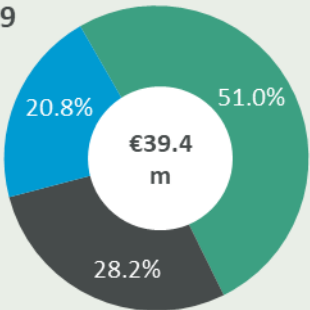
- Net expense ratio down due to the inclusion of Vita which operates at a lower expense ratio

- Higher return influenced by the inclusion of Vita (higher interest income and higher gains on disposal of investments)

Profit before tax

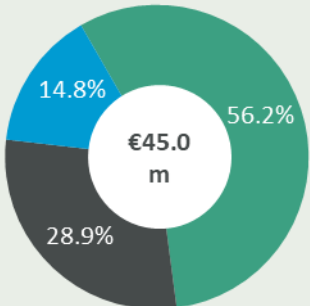


Gross premiums written by class of insurance



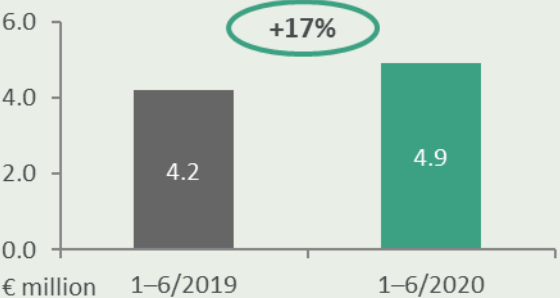
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-6/2020

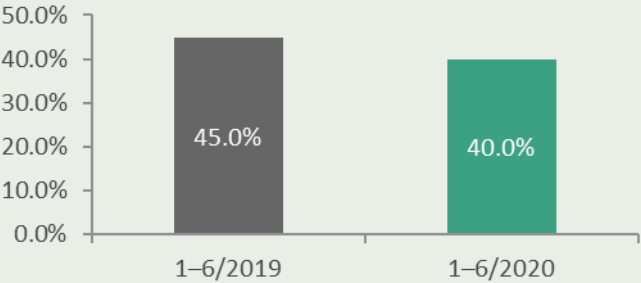


Results by operating segment – life international

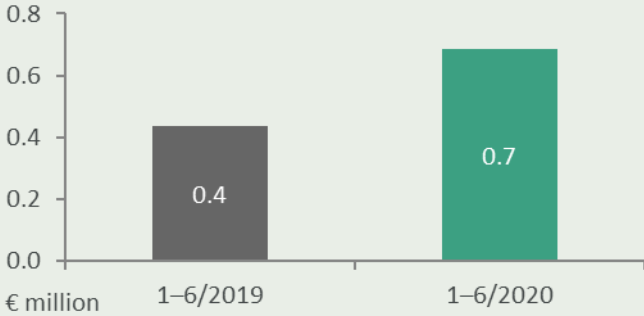
Gross premiums written



Net expense ratio

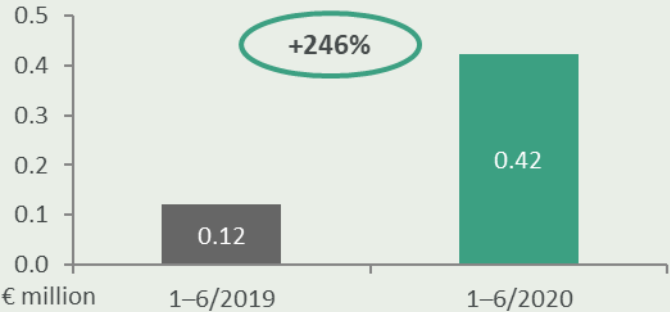


Investment result



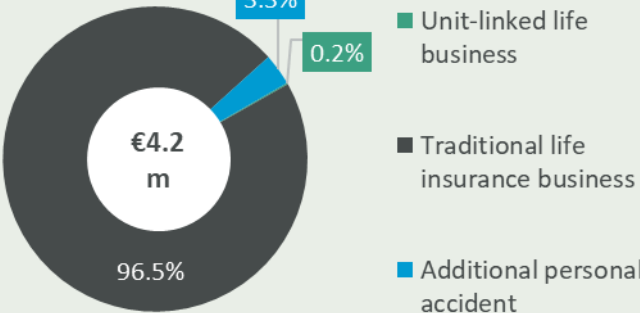
- High growth, mostly in Serbia resulting from improved efficiency of own sales network
- 5% growth in annual premiums despite the Covid-19 pandemic
- Significantly improved expense ratio as a result of high premium growth, which exceeded growth in operating costs
- Increase mainly due to other investment income of Croatian branch (positive FX)

Profit before tax

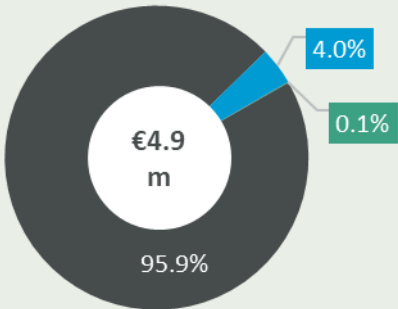


Gross premiums written by class of insurance

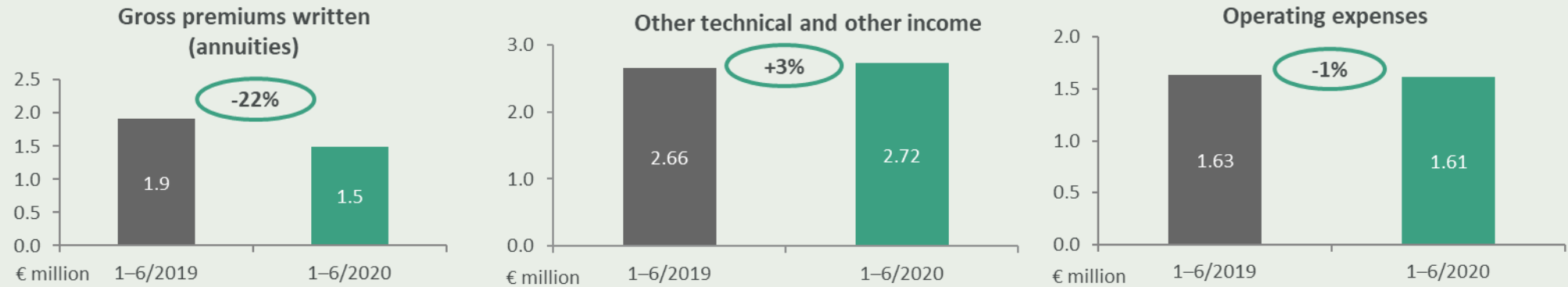
1-6/2019



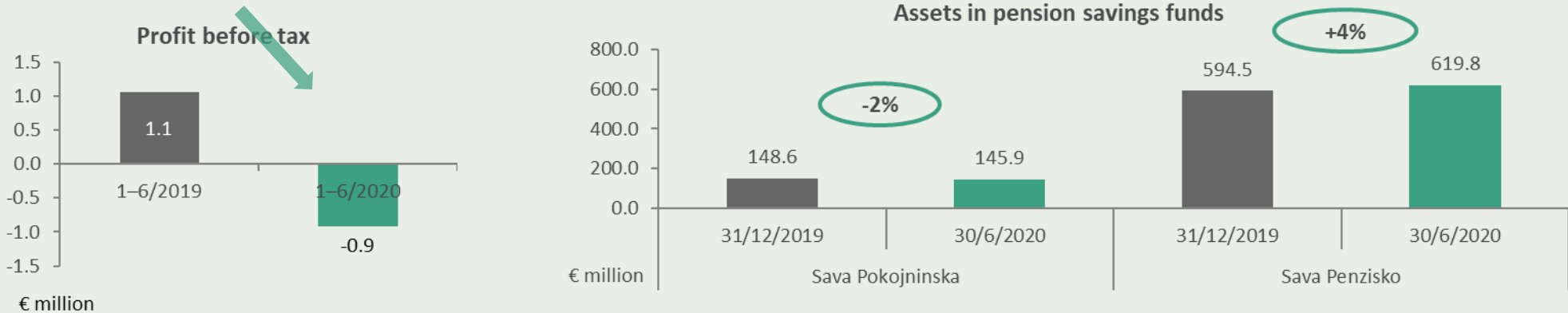
1-6/2020



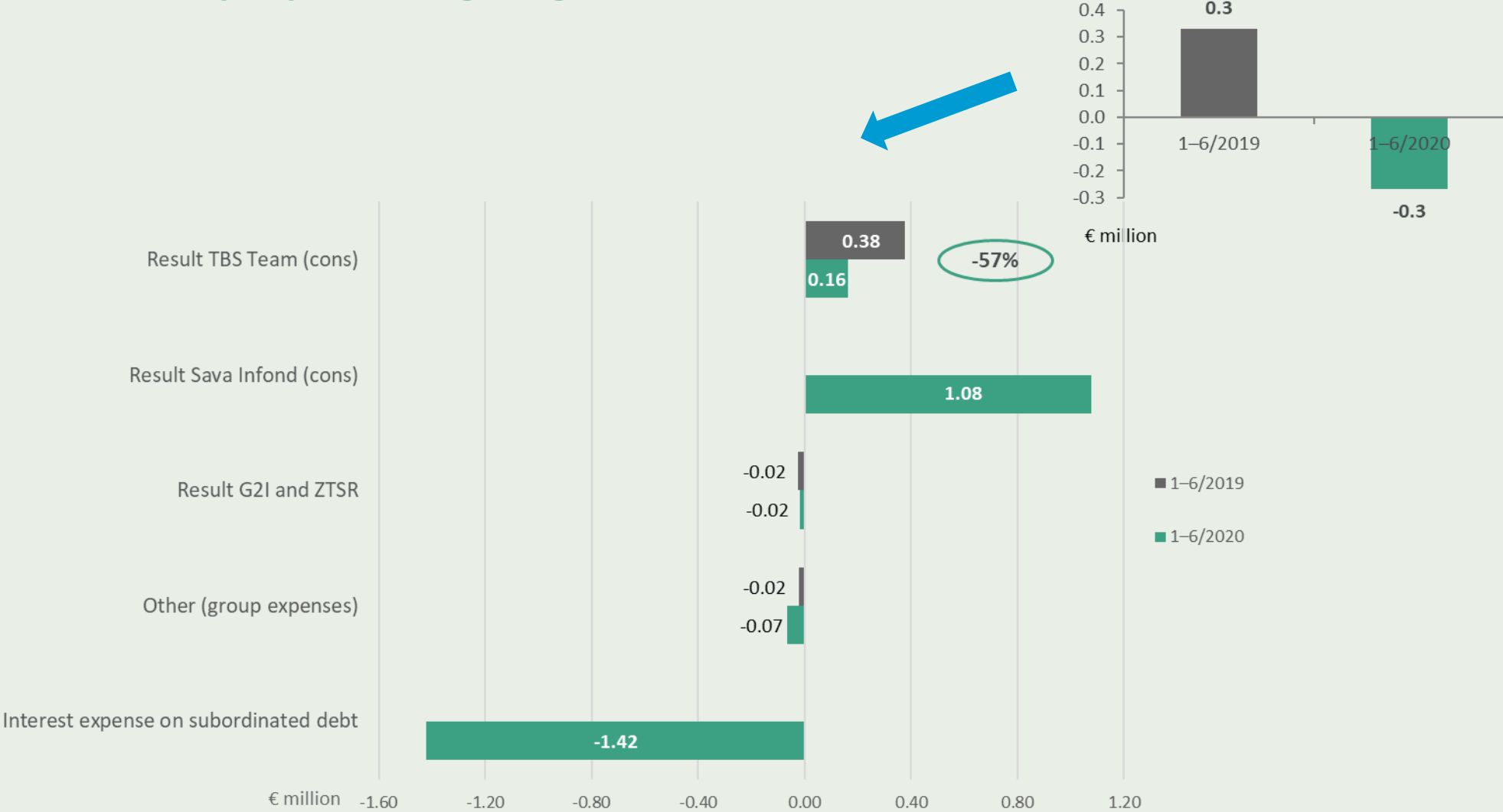
Results by operating segment – pension business



- Fewer policyholders opting for pension annuities upon retirement
- Loss due to goodwill impairment and setting of provisions for failure to achieve the guaranteed return of the Slovenian pension company
- Growth in other technical and other income of the North Macedonian pension company (higher assets in pension savings funds)
- Reduction of operating expenses in the Slovenian pension company, while they were higher in the North Macedonian pension company due to amortisation of a list of customers, which was formed as an intangible asset of the Group after Sava Penzisko joined the Group



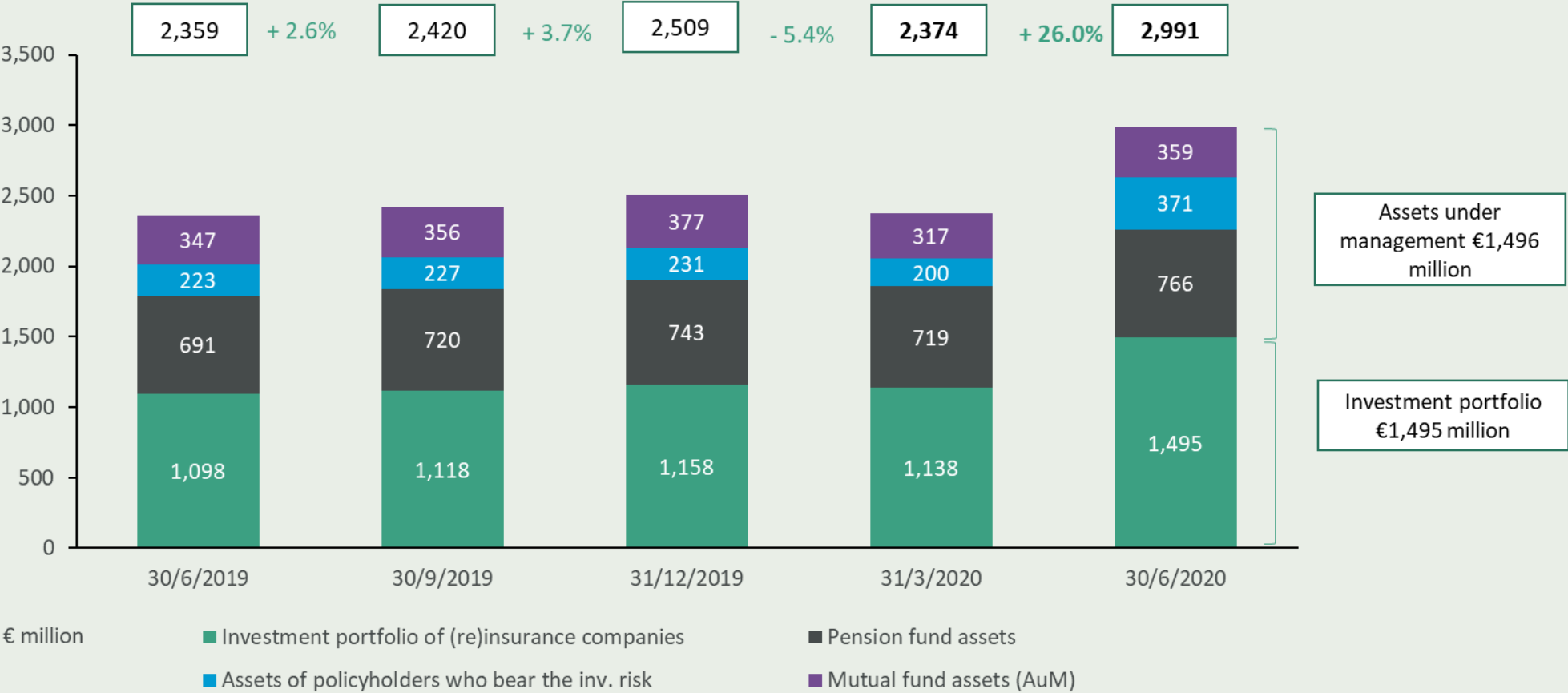
Results by operating segment – other



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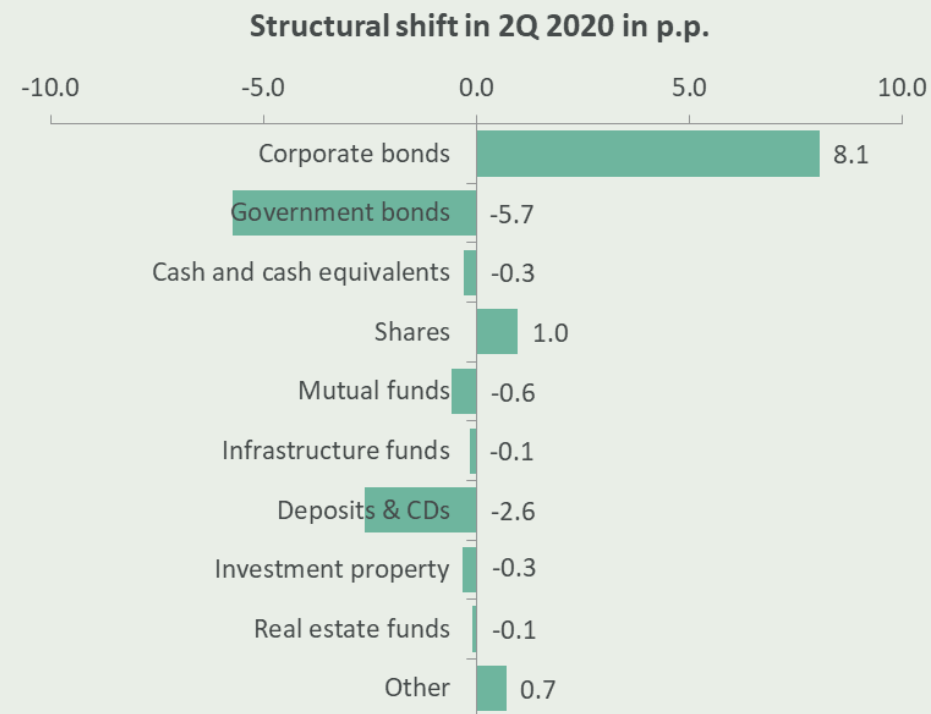
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Investment portfolio and AuM



Structure of the investment portfolio

	31/12/2019	30/6/2020
Investment portfolio (€ million)	1,157.8	1,495.1
Corporate bonds	34.1%	42.2%
Government bonds	46.6%	40.9%
Cash and cash equivalents	6.5%	6.2%
Shares	1.5%	2.5%
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%	0.3%
Other	0.8%	1.5%
Total investment portfolio	100.0%	100.0%



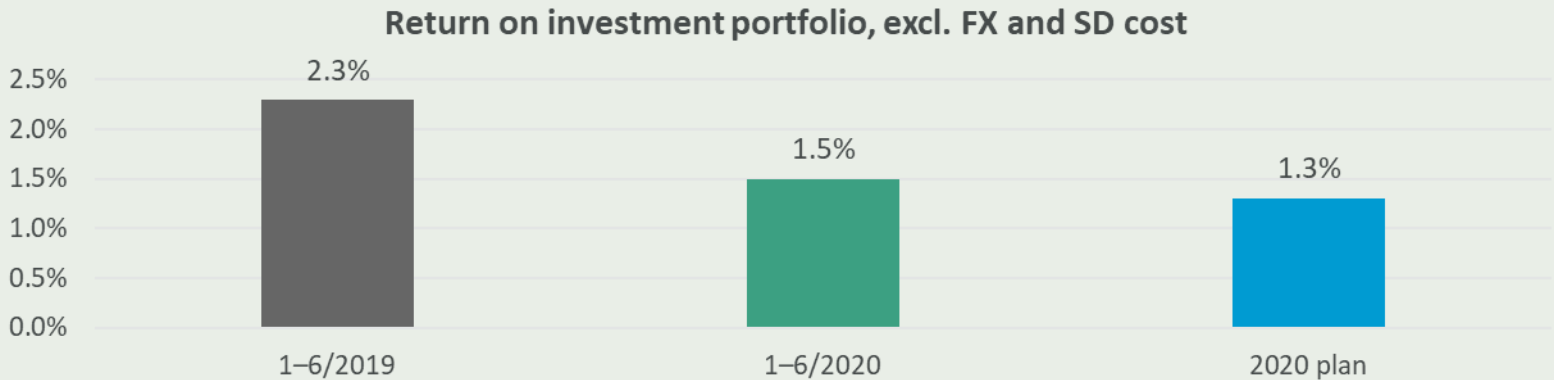
- **Increase in the percentage of corporate bonds of 8.1 p.p. and shares of 1.0 p.p.** as a result of inclusion of Vita portfolio (in May 2020)
- Decrease in the percentage of government bonds of 5.7 p.p. (increase in absolute terms)
- **Decrease in the percentage of cash, cash equivalents and deposits of 2.9 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	1-6/2019	1-6/2020	Difference
Net investment income relating to the investment portfolio	12.9	6.3	-6.5
Net inv. income of the investment portfolio, excl. FX	12.2	8.1	-4.1
Return on investment portfolio, excl. FX and SD cost	2.3%	1.5%	-0.8 p.p.

FX = Foreign exchange

SD = Subordinated debt



Return on the investment portfolio, excluding FX differences, amounted to €8.1 million in 1-6/2020, down €4.1 million compared to the same period last year, and represents a 1.5% return on the investment portfolio, excluding FX and subordinated debt expenses.

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Shareholders and share trading

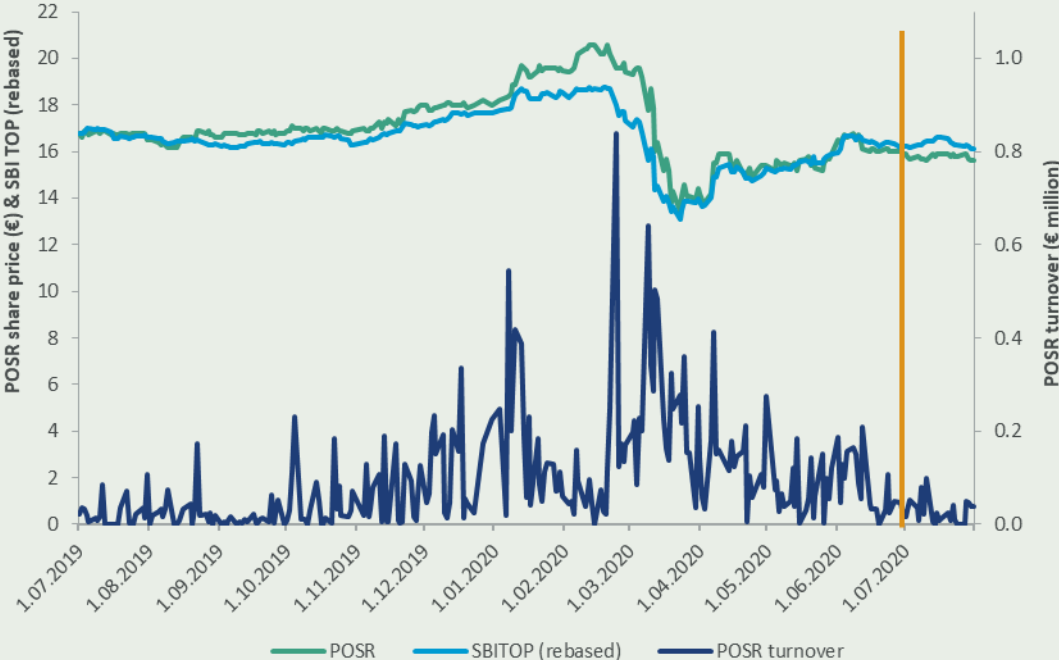
Book value per share

€26.74

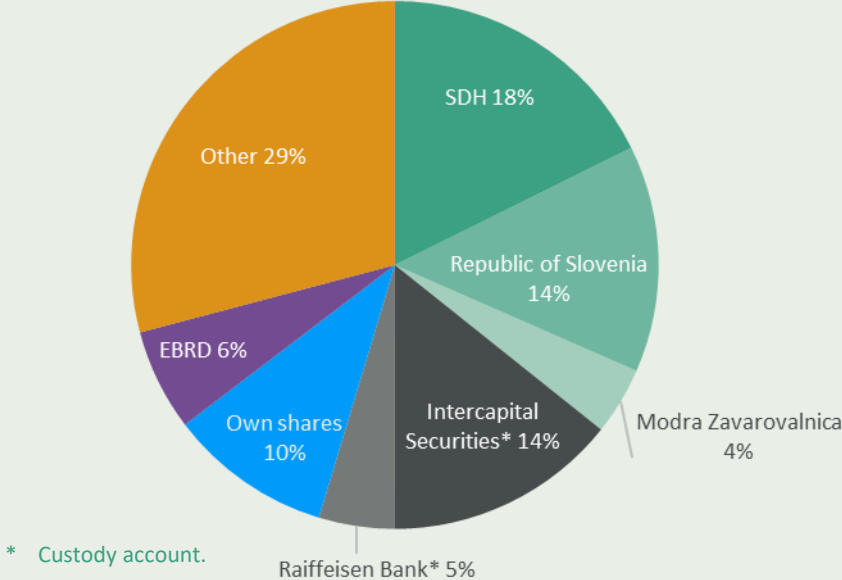
30 Jun 20 / 31 Dec 19: **+7.7%**

30/6/2020	
Share capital (€ million)	71.9
Market capitalisation (€ million)	273.8
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,218

Sava Re share price performance vs SBI TOP benchmark



Shareholders as at 30/6/2020



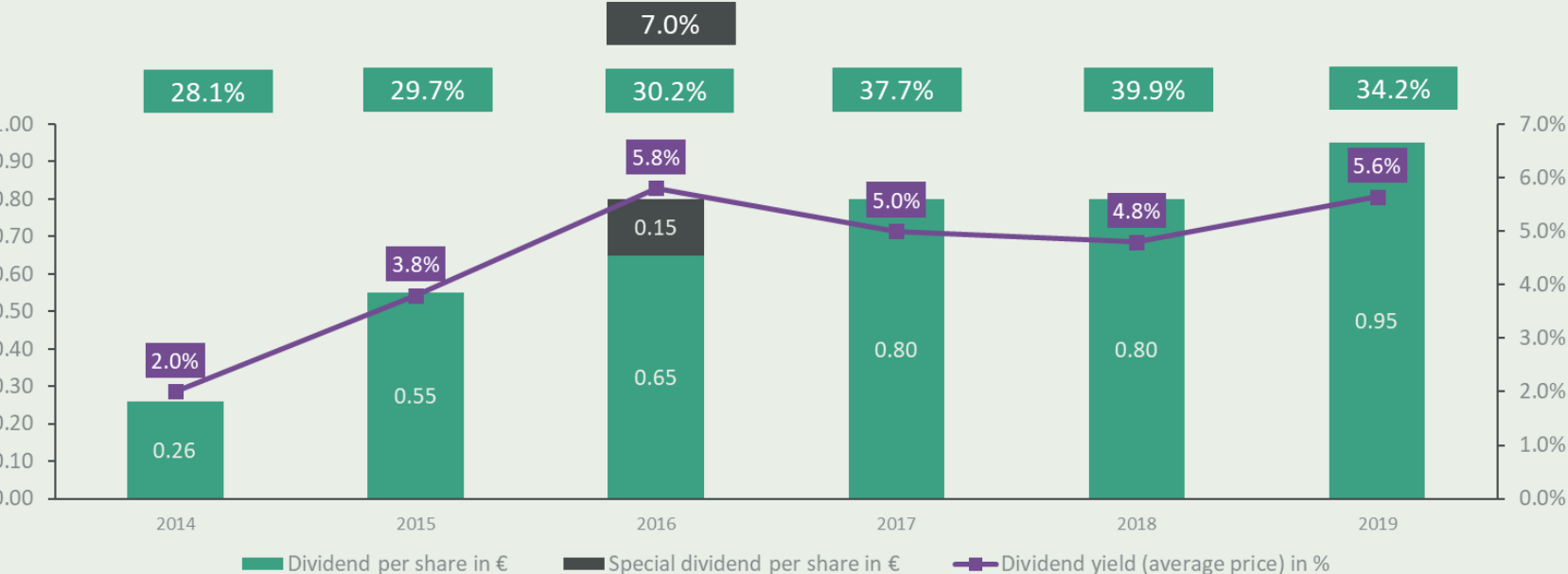
Dividend policy

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.

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit



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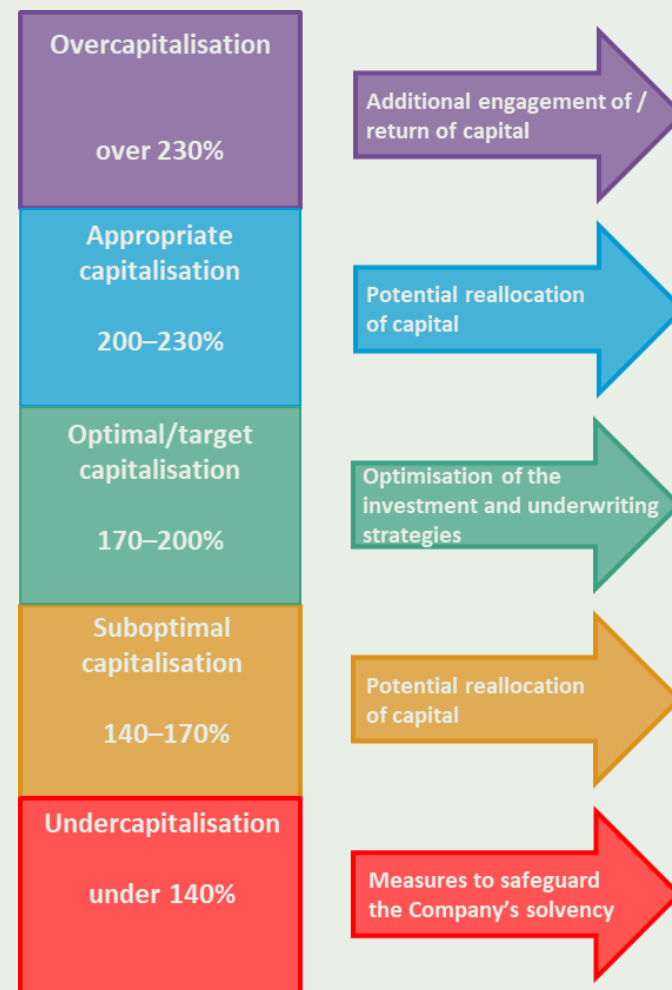
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Capital adequacy

€ 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.



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2020 targets (consolidated)

	Actual 2018	Actual 2019	Original 2020 plan	Revised 2020 plan
Group				
Operating revenue	€536.8 million	€584.2 million	> €610 million	> €640 million
Profit or loss, net of tax	€43.0 million	€50.2 million	> €45 million	> €50 million
Return on equity (ROE)	13.1%	13.8%	> 11%	> 12%
Investment return*	1.7%	1.9%	1.3%	1.4%
(Re)insurance part				
Gross premiums written	€544.1 million	€596.2 million	> €620 million	> €640 million
Net incurred loss ratio (reins. + non-life)*	57.0%	61.7%	59–60%	59–60%
Net combined ratio (reins. + non-life)*	92.9%	93.8%	< 94%	< 94%

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

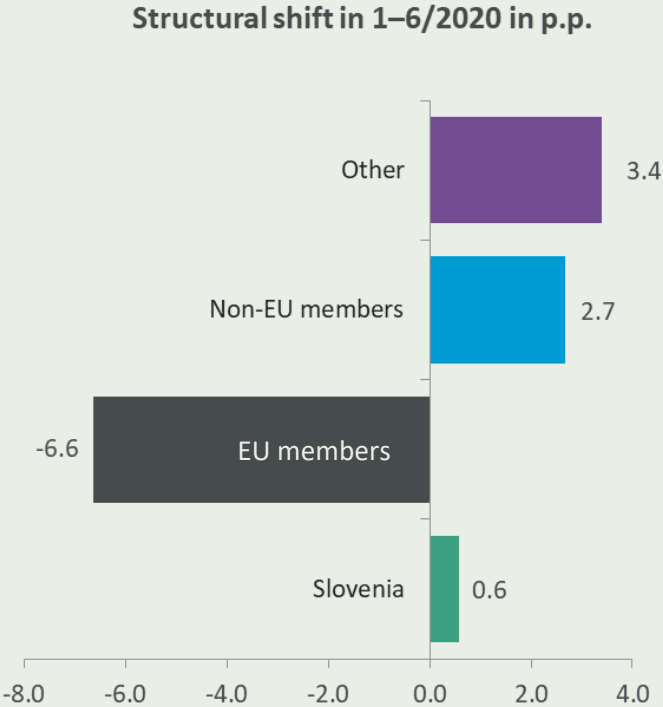
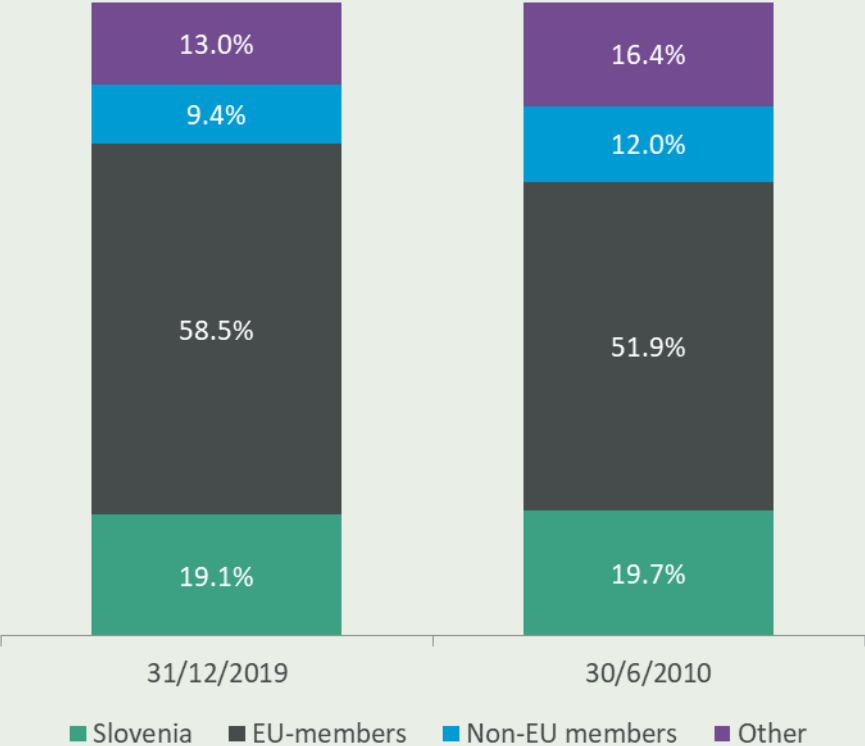
Duty to update

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 1–6/2020 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 Other countries resulting from financial investments of Vita (mainly higher exposure to USA).



Group exposure to Slovenia

€ million	31/12/2019		30/6/2020		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Deposits	28.9	2.3%	4.0	0.3%	-2.0
Government bonds	95.9	7.6%	159.0	10.2%	2.6
Corporate bonds	32.1	2.5%	22.1	1.4%	-1.1
Shares	16.9	1.3%	17.6	1.1%	-0.2
Mutal funds	2.8	0.2%	1.9	0.1%	-0.1
Cash and cash equivalents	52.0	4.1%	90.5	5.8%	1.7
Infrastructural funds	0.2	0.0%	0.5	0.0%	0.0
Total	241.5	19.1%	308.5	19.7%	0.6

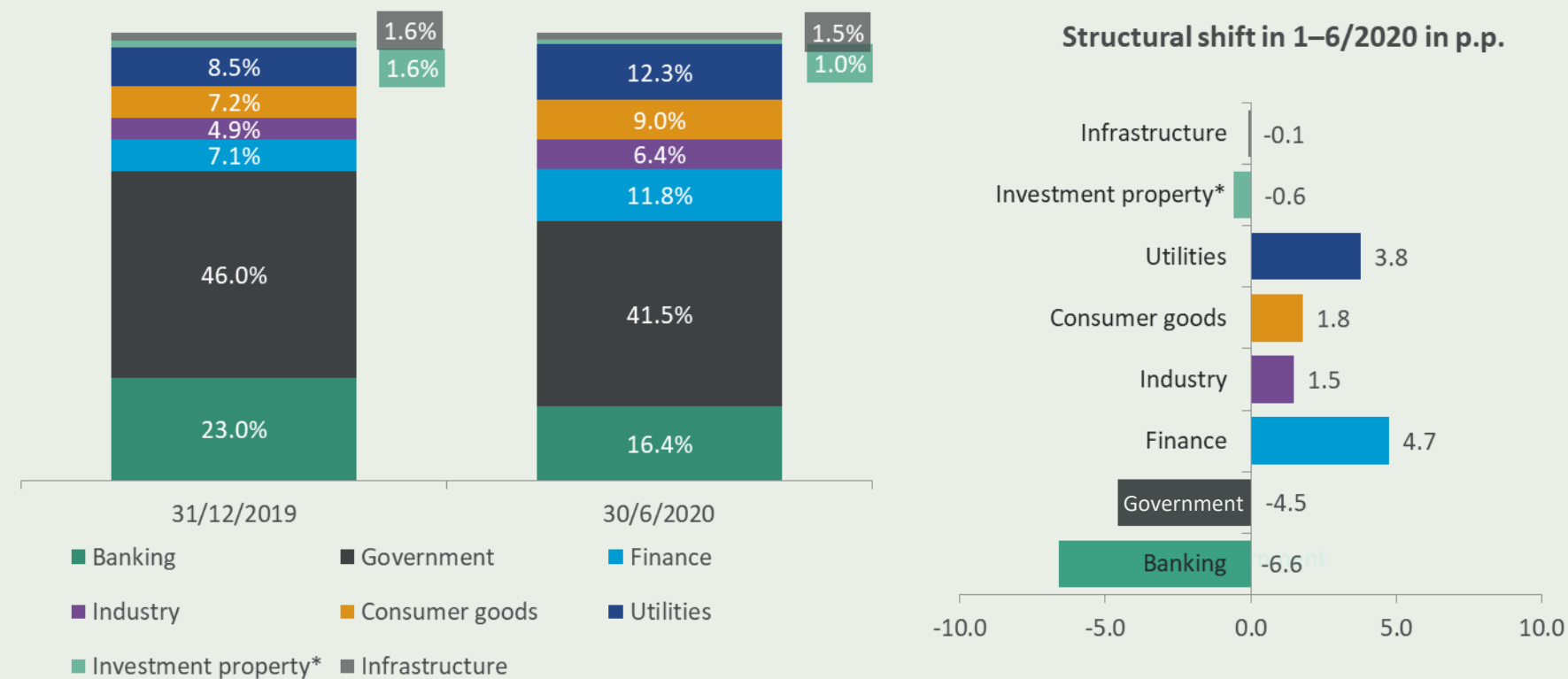
Exposure to Slovenia increased by 0.6 p.p. in 1–6/2020.

The largest contribution to increased exposure to Slovenia was inclusion of the investment portfolio of Vita into 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 cash, cash equivalents and 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 in 1H 2020 despite developing situation with Covid-19 (ratings lowering)

Investment grade assets represent 82.9% of fixed income investments which is 4.6 p.p. higher 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 the situation with Covid-19. As a result, the share of A and BBB rated categories increased.

Decreased share of Not rated category as a result of decrease of cash and deposits, short-term invested for strategic investments.

