

# SAVA RE GROUP

## 1-3/2018 RESULTS

23 MAY 2018



# CONTENTS

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- Sava Re Group – Investment structure and return
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

# HIGHLIGHTS

Growth in consolidated gross premiums written of **4,4%**.

Profit impacted by **two significant claims** in the reinsurance segment (Shanghai – collision of two ships, Africa – brick melting plant) and changed **timing of expenses**.

First **consolidation of three acquired companies** – TBS Team 24 (first consolidated on 31/01/2018), NLB NPF and Energoprojekt Garant (both first consolidated on 31/03/2018, as a result of which both companies are only included in the statement of financial position, while income and expenses are not included in 1–3/2018 accounts).

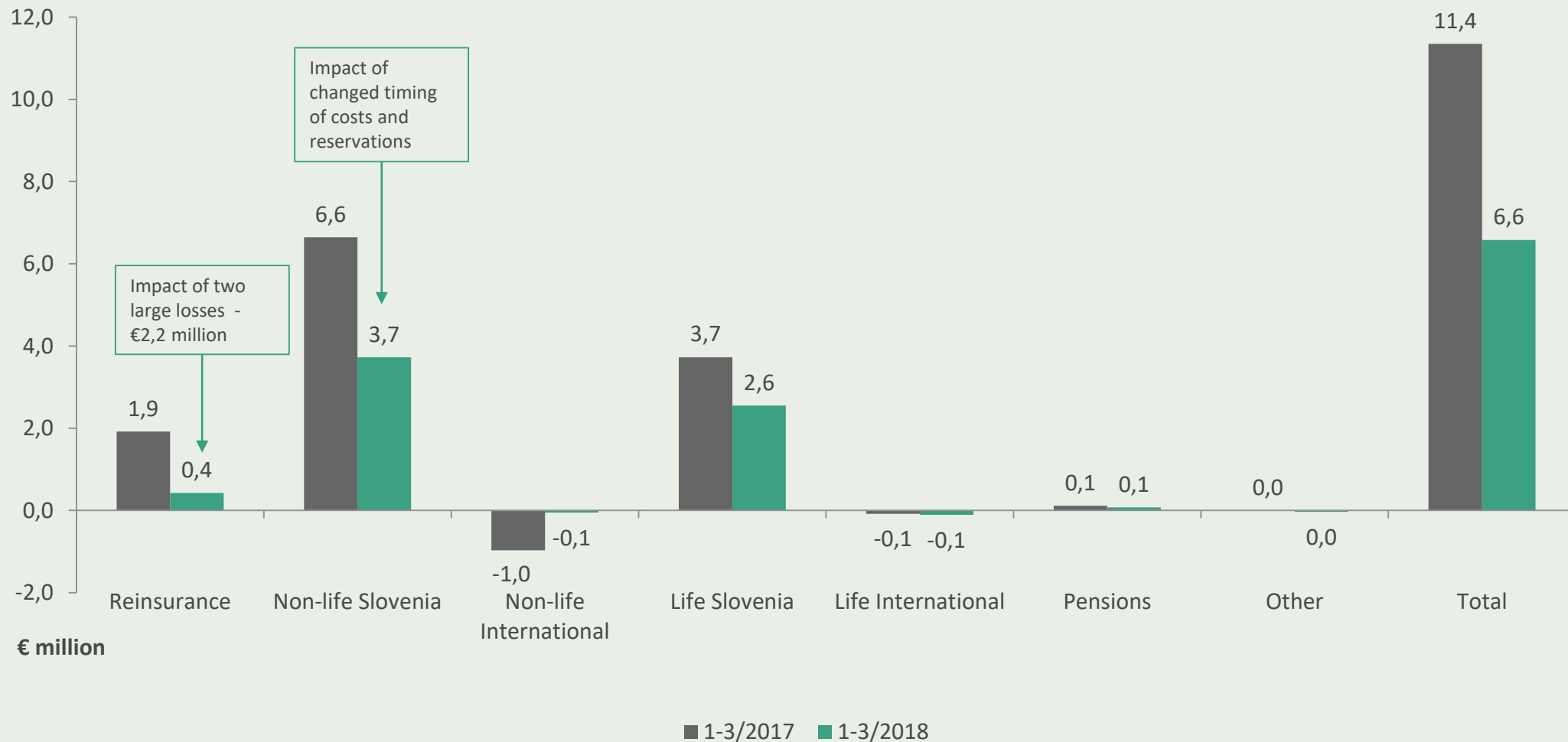
Signing of contract for the acquisition of two Croatian-based insurance companies (ERGO osiguranje and ERGO životno osiguranje) by Zavarovalnica Sava.

# RESULTS SAVA RE GROUP

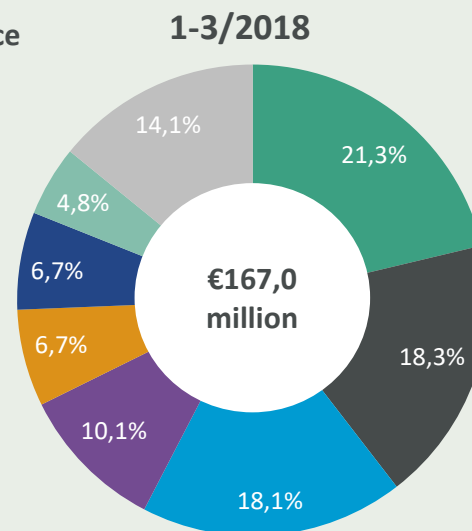
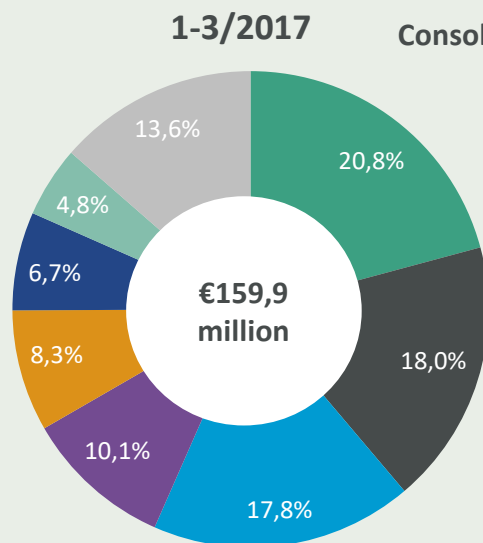
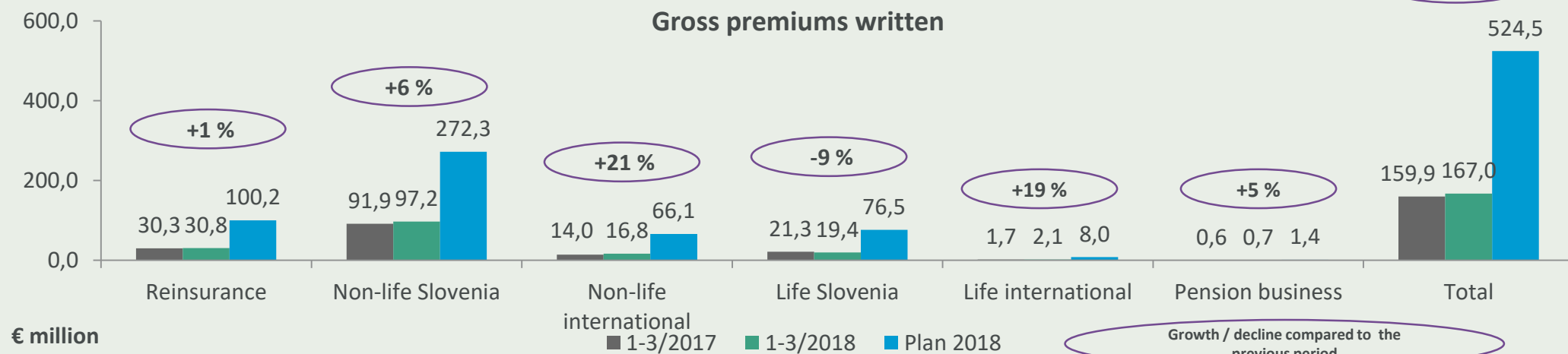
€ million	1-3/2017	1-3/2018	Plan 2018	Change 2018/2017
Gross premiums written	159,9	167,0	> 520	4,4%
Net expense ratio	31,0%	35,0%	31,4%-31,7%	+4,0 p.p.
Net combined ratio*	95,7%	97,3%	94,0%-94,5%	+1,6 p.p.
Net combined ratio* (excluding foreign exchange differences)*	94,6%	98,8%	94,0%-94,5%	+4,2 p.p.
Return on financial portfolio	2,5%	1,3%	1,7%	-1,2 p.p.
Return on financial portfolio (excluding foreign exchange differences)	2,3%	1,9%	1,7%	-0,4 p.p.
Net profit or loss	9,2	4,6	between €37m and €39m	-49,6%
Annualised ROE	11,6%	7,3%	>11%	-4,3 p.p.
	31.12.2017	31.3.2018	Plan 31.12.2018	
Shareholders' equity	316,1	318,8		0,8%
Structure of the investment portfolio	1.084,2	1.078,0		-0,6%
Balance of funds for the benefit of policyholders who bear the investment risk	227,2	208,3		-8,3%
Balance of assets in pension company savings funds	129,6	583,0		349,8%

\*The combined ratio does not include life business

# CONSOLIDATED PROFIT BEFORE TAX BY SEGMENT



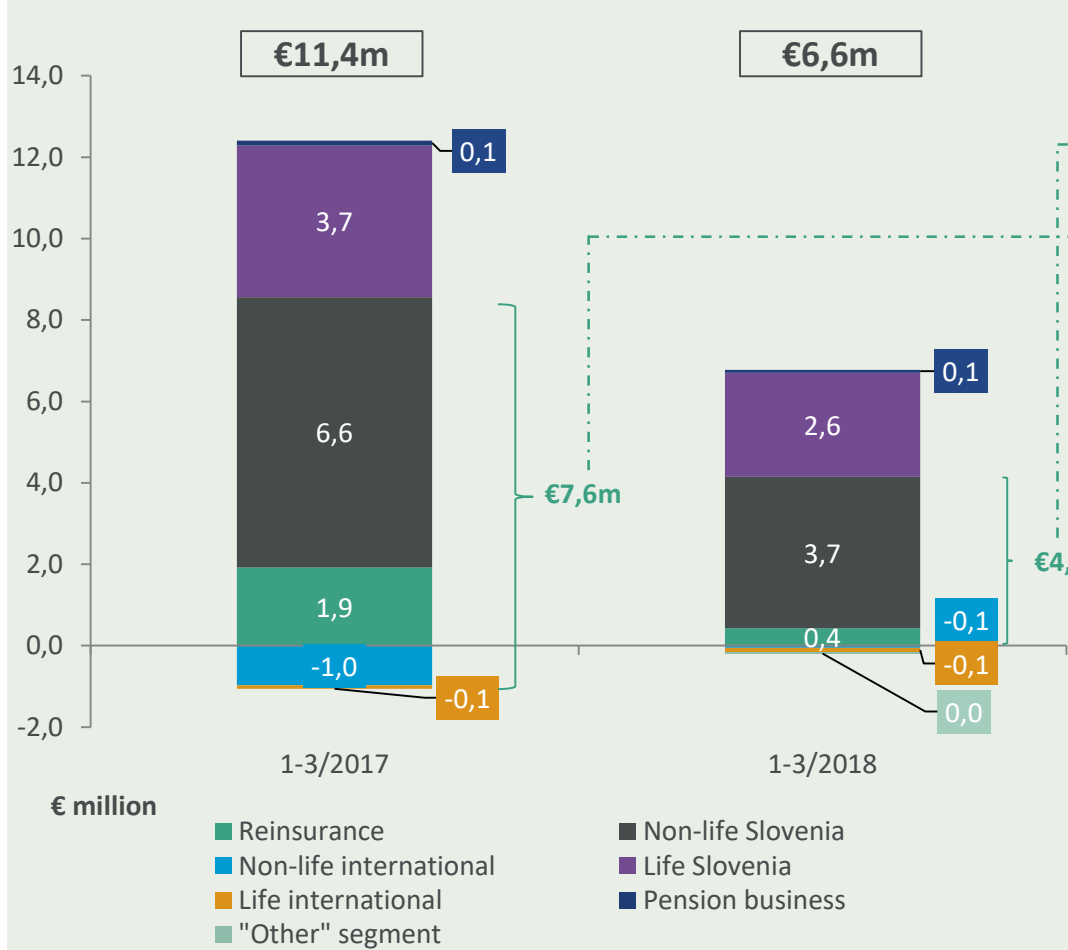
# BREAKDOWN OF CONSOLIDATED GPW



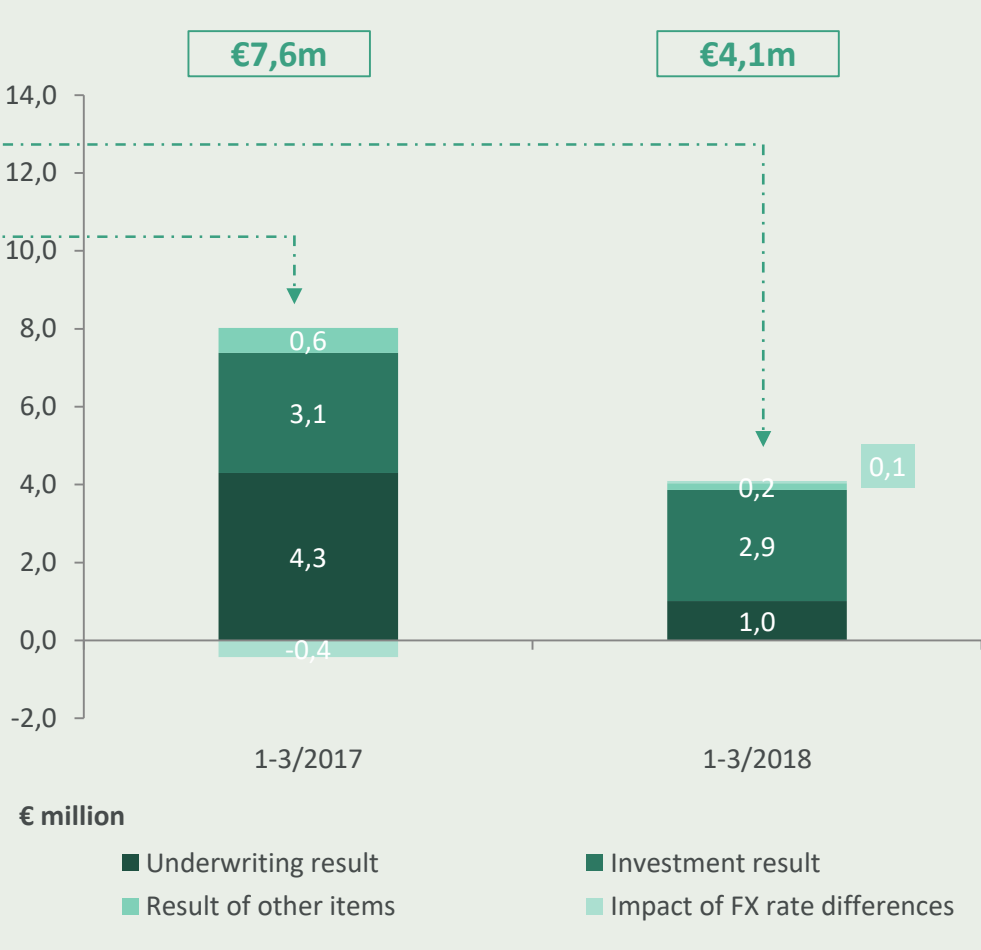
# BREAKDOWN OF PROFIT BEFORE TAX

Breakdown of consolidated profit before tax by quarter (non-cumulative)

Profit before tax by segment



Profit before tax reins. + non-life

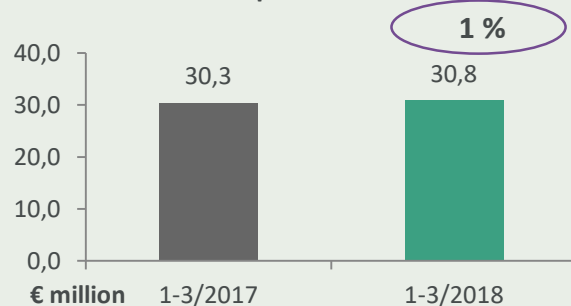


# CONTENTS

- Sava Re Group – Performance
- **Sava Re Group – Segment reporting**
- Sava Re Group – Investment structure and return
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

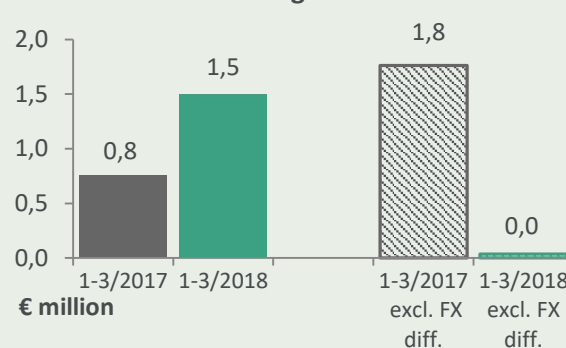
# RESULTS BY OPERATING SEGMENT – REINSURANCE

Gross premiums written



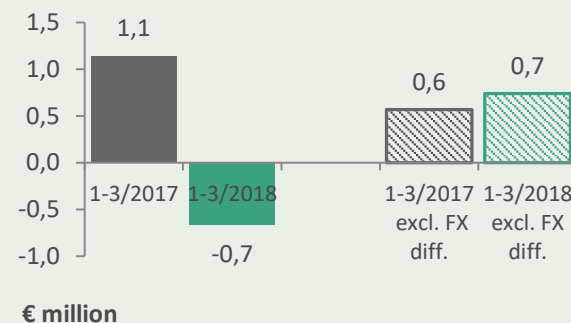
Proportional reinsurance business grew, while non-proportional reinsurance business shrank compared to the prior year.

Underwriting result



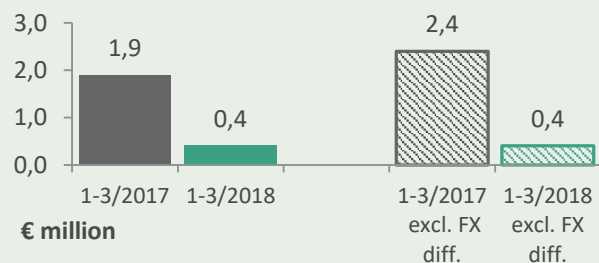
The underwriting result, excluding exchange differences, was lower chiefly because of larger claims provisions (collision of tankers near Shanghai and facultative claim from Congo), while last year claims provisions declined. Increased acquisition costs due to more proportional business with higher commission payments than non-proportional business).

Investment result

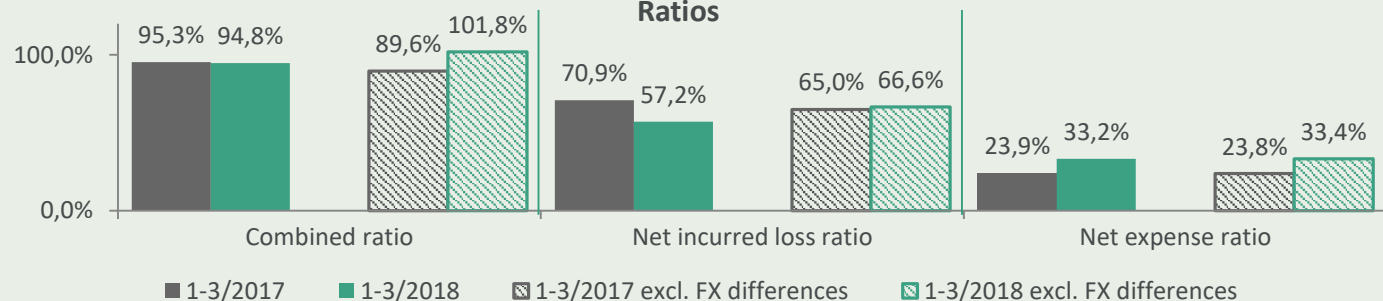


In the period 1–3/2018, the investment result (excluding the effect of exchange differences) remained on approximately the same level year on year.

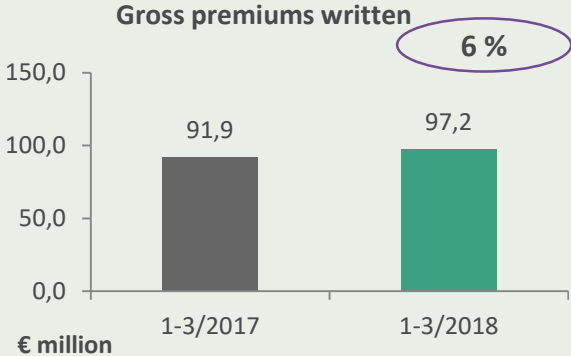
Profit before tax



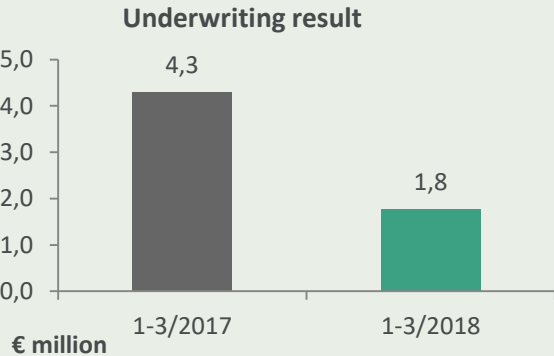
Ratios



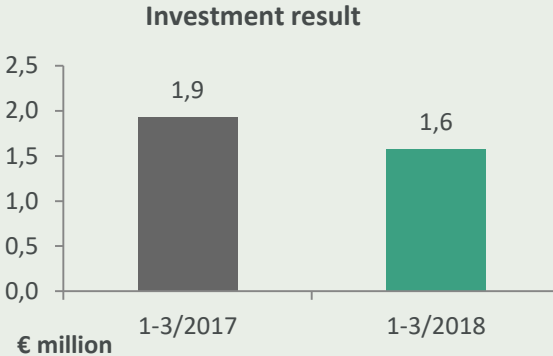
# RESULTS BY OPERATING SEGMENT – NON-LIFE SLOVENIA



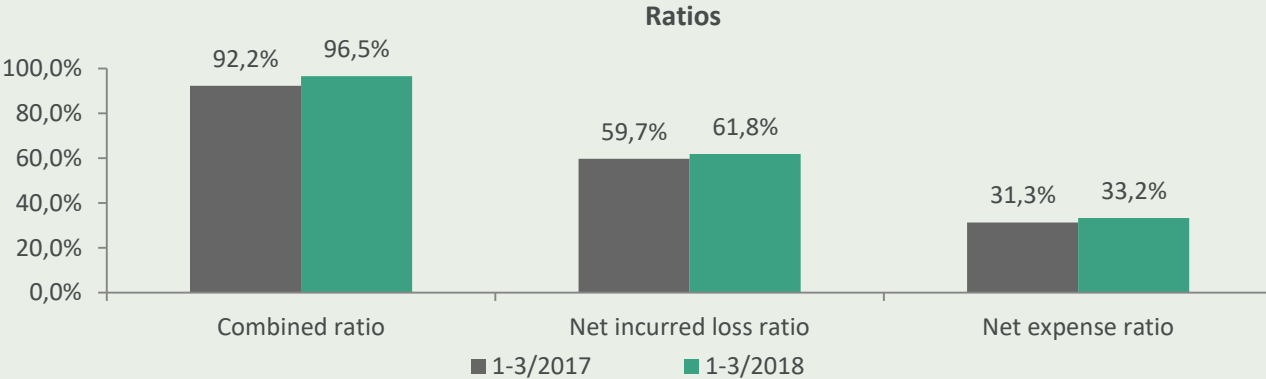
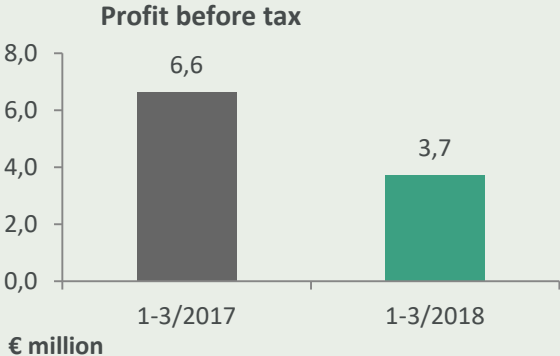
Increased premiums as the result of primarily more motor premiums (more policies sold, broader coverage and higher average premiums) and a somewhat different timing of underwriting commercial business than year on year.



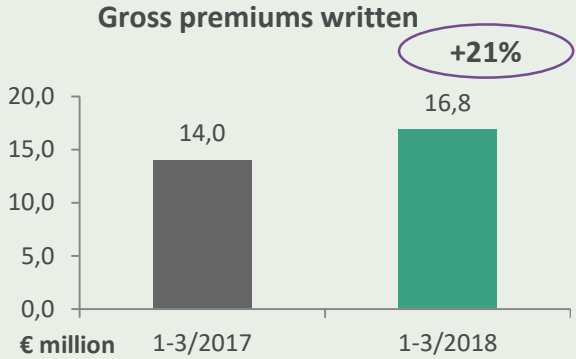
The underwriting result dropped as the result of higher net claims incurred, higher commissions and increased other operating expenses due to a changed timing of expenses year on year (marketing expenses, IT expenses, bonuses and termination benefits). These effects are estimated to be offset in the second quarter of 2018.



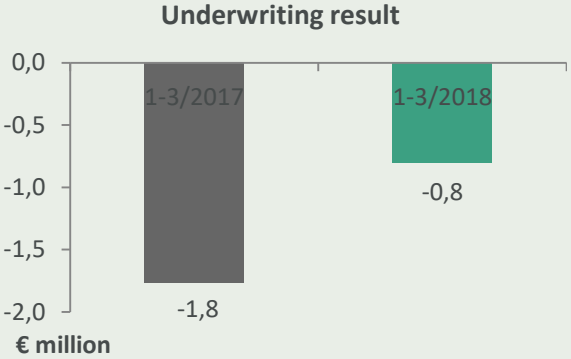
Net investment income was lower largely because of lower interest income.



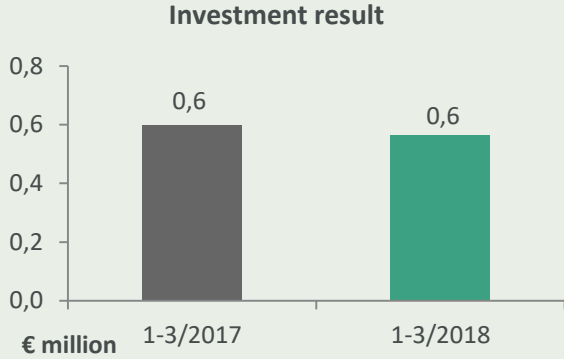
# RESULTS BY OPERATING SEGMENT – NON-LIFE INTERNATIONAL



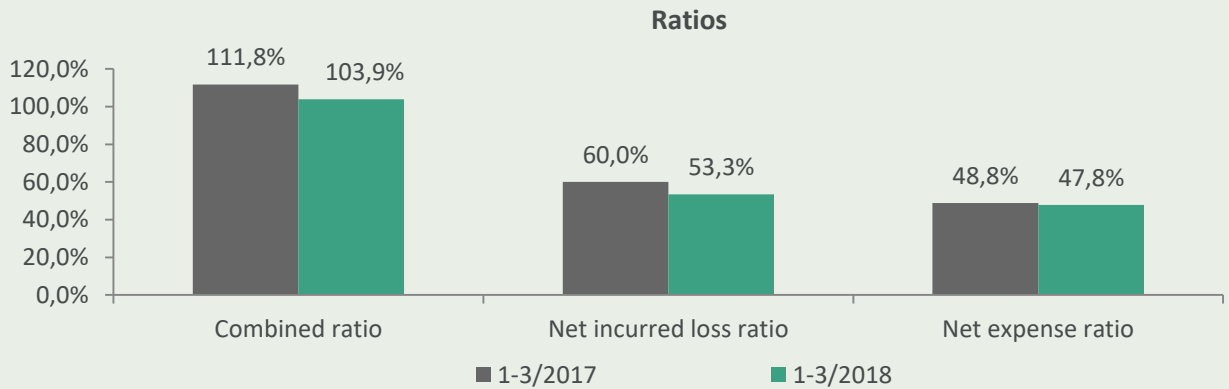
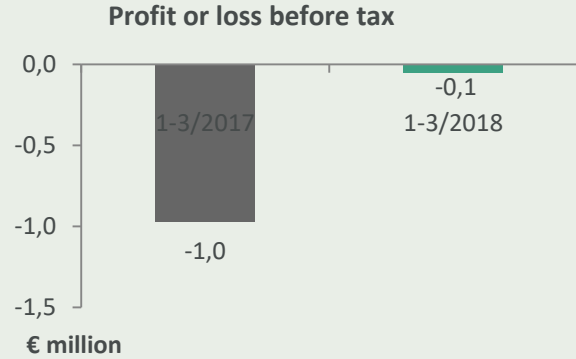
Increase in gross premiums written in all non-life insurers abroad, except in the Macedonian insurer. The largest growth, 64%, was achieved in Sava neživotno osiguranje (SRB) because of the growth of individual personal accident and health insurance.



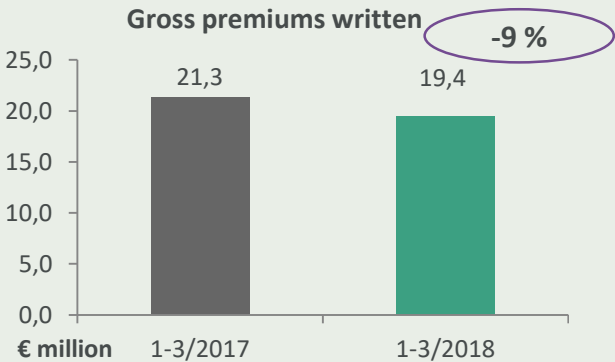
This year's result is better primarily due to last year's increase in claims provisions following a large fire claim in Illyria of €0,9 million. All other companies, except the Serbian insurer, improved their underwriting results.



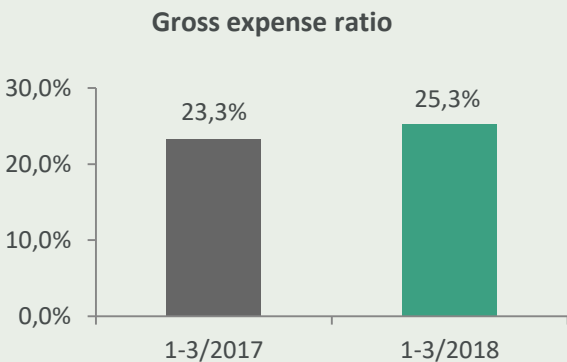
The 1–3/2018 investment result remained at about the same level.



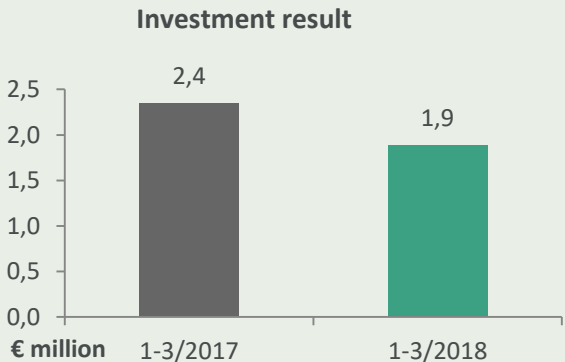
# RESULTS BY OPERATING SEGMENT – LIFE SLOVENIA



The drop in premiums was due to increased maturity benefit payments with premiums of new business insufficient to fully offset lost premiums.



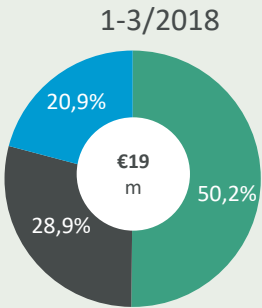
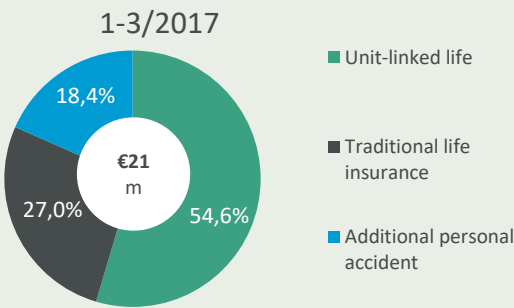
The rise in the expense ratio is the result of the decline in premiums while expenses remained flat as they are relatively fixed. In addition, policy sales are up year on year, but the premiums of new policies were insufficient to cover the premiums lost due to policy maturities (maturities on UL life policies: €16,6 m, traditional life €6,5 m).



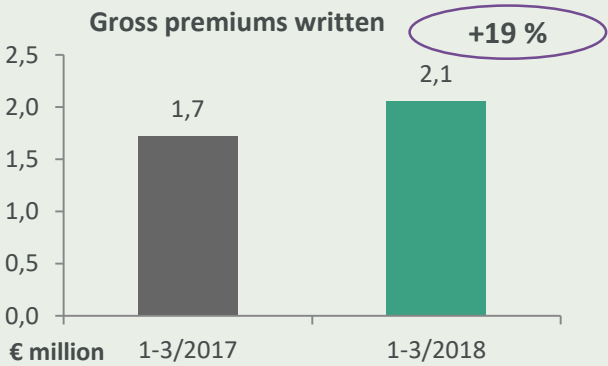
The investment result deteriorated primarily because of lower interest income.



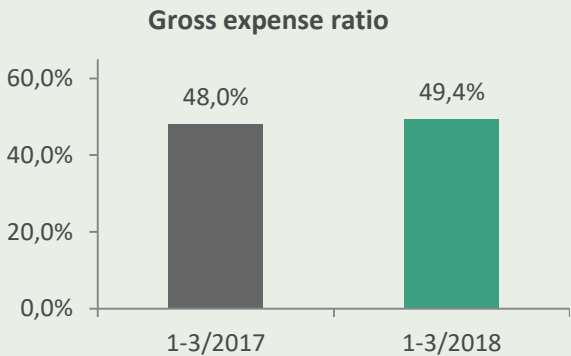
Gross premiums written by class of insurance



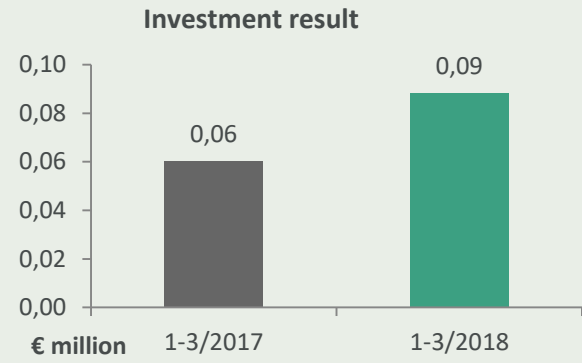
# RESULTS BY OPERATING SEGMENT – LIFE INTERNATIONAL



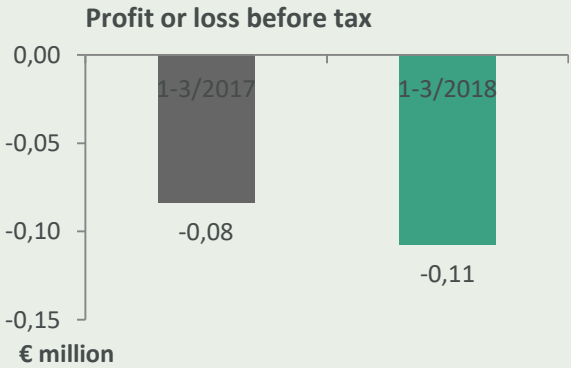
Premium growth in all the Group's non-Slovenian life insurers. All achieved double-digit growth rates, with Sava životno osiguranje (SRB) growing at a rate of 37%. This growth was achieved as the result of carrying out a number of activities for boosting sales.



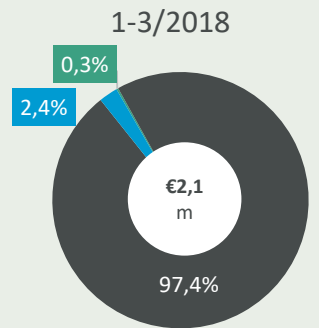
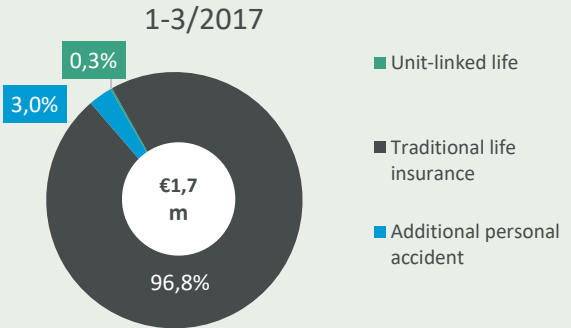
The reasons for the deterioration in the expense ratio are increased costs for the sale of new insurance products and a significant increase in unearned premiums on the first setting of unearned premiums at the Croatian insurer (transition to accrual accounting of premiums).



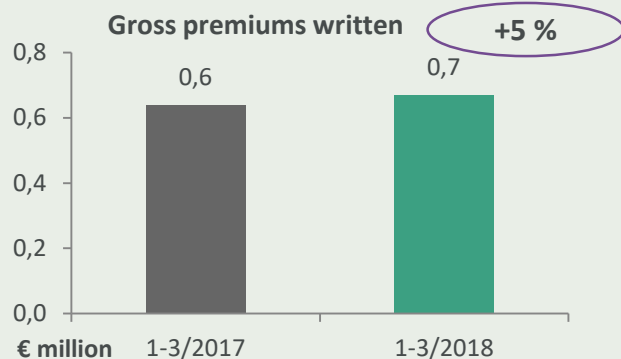
The investment result improved because of increased interest income of Illyria Life (increased allocation to government bonds on account of deposits) and lower investment expenses of the branch of Zavarovalnica Sava (lower exchange losses).



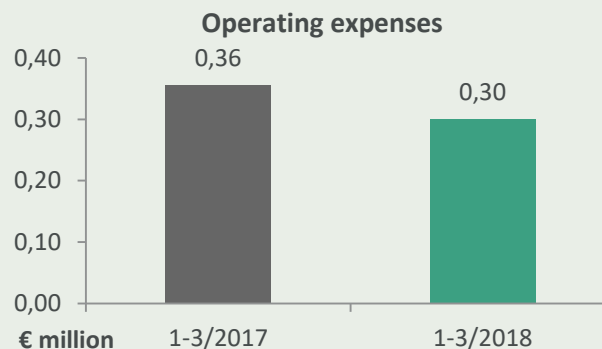
**Gross premiums written by class of insurance**



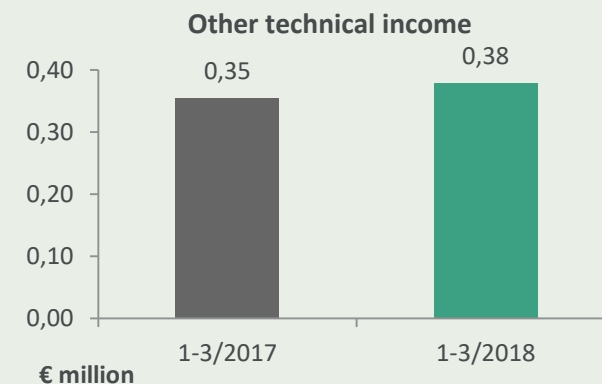
# RESULTS BY OPERATING SEGMENT – PENSION BUSINESS SLOVENIA



The annuity fund's gross premiums written increased as more policyholders opted for an additional pension annuities.

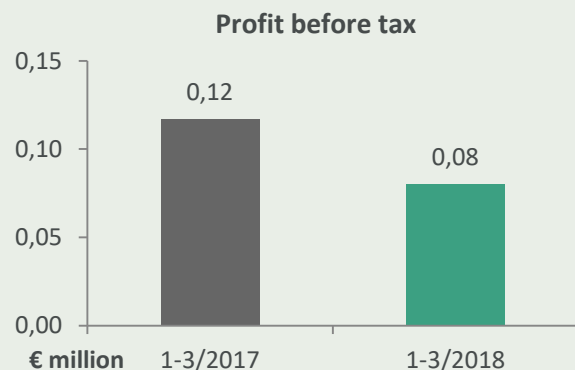


There was a decline in personnel costs (reimbursement of 80% of personnel costs for ZZZS employee and outsourcing of internal audit at Sava pokojninska), acquisition costs and advertising costs.



Other technical income depends on the movement in managed assets as shown below.

The negative net investment income in 1–3/2018 is a result of adverse developments in capital markets.



(in € million)	2017	2018	Index
Opening balance of mathematical provisions of funds (1 January)	119,9	128,9	107,5
Gross fund contributions	2,4	2,6	106,2
Gross fund pay-outs	2,3	1,9	86,5
Asset transfers	0,3	0,8	317,9
Net investment income of the fund	1,5	-0,6	-39,0
Entry and exit charges	0,05	0,05	102,4
Closing balance of mathematical provisions of funds (31 March)	121,8	129,7	106,5

# PRESENTATION OF NEW COMPANIES

In 1-3/2018, three new companies were included in the consolidated accounts - TBS Team 24 (first consolidated on 31/01/2018), NLB NPF and Energoprojekt Garant (both first consolidated on 31/03/2018, as a result of which both companies are only included in the statement of financial position, while income and expenses are not included in 1–3/2018 accounts).

## Important data on the performance of new companies for 2017:

NLB NPF	2017
Shareholder's equity	7,4
Net assets of pension funds	443,0
Income from fund management	3,2
Net profit	1,3

NLB NPF is a Macedonian-based pension company managing two pension funds – a compulsory and a voluntary pension fund. Through this acquisition, the Sava Re Group expanded its pension business outside Slovenia.

Energoprojekt Garant	2017
Shareholder's equity	6,9
Gross premiums written	1,2
Net profit	0,2

Energoprojekt Garant is a Serbian-based non-life insurer carrying on non-motor non-life insurance. With this acquisition, the Sava Re Group further diversified its non-life insurance portfolio in Serbia.

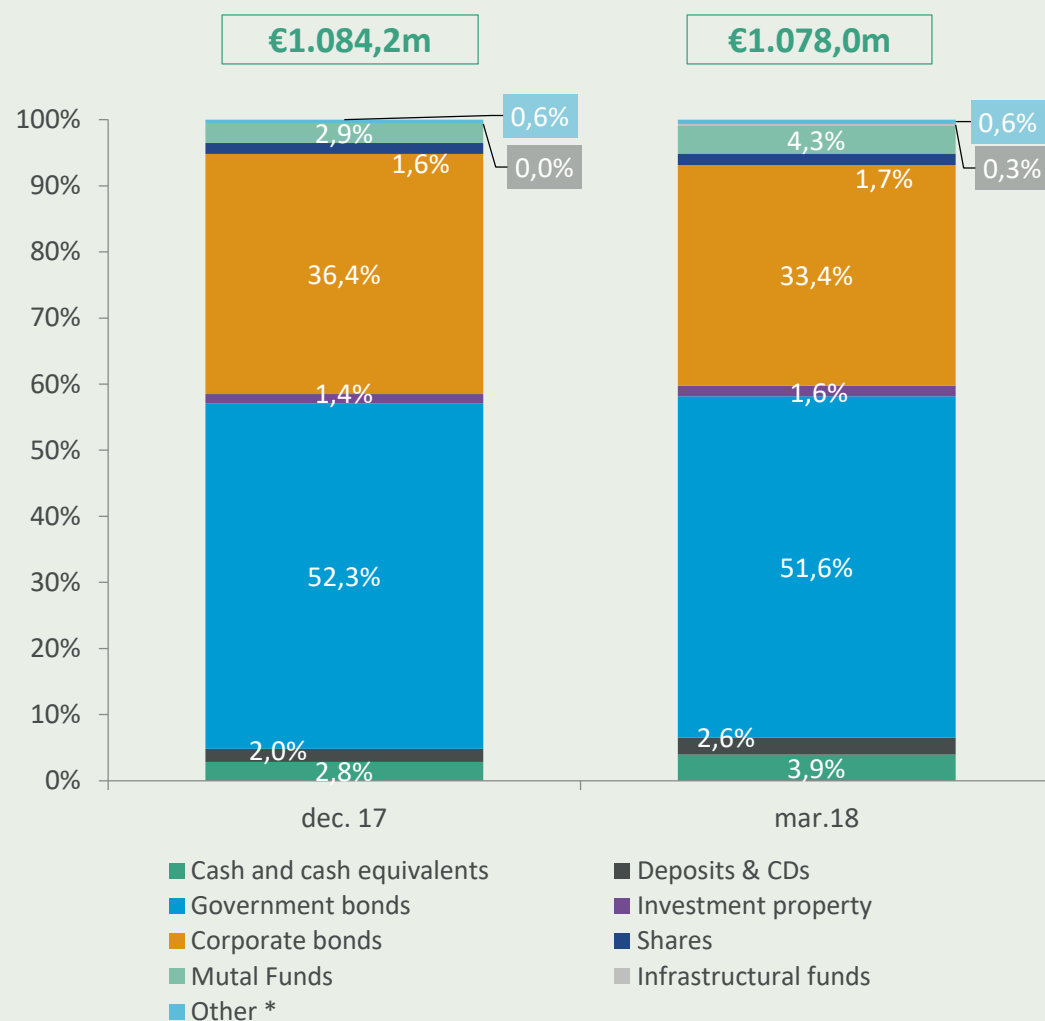
TBS Team 24	2017
Shareholder's equity	0,4
Net revenue	9,4
Net profit	0,4

TBS Team 24 is a Slovenian-based assistance company providing assistance services relating to motor, health and homeowners insurance. Through this acquisition, the Sava Re Group gained an efficient and high-quality call centre of international repute.

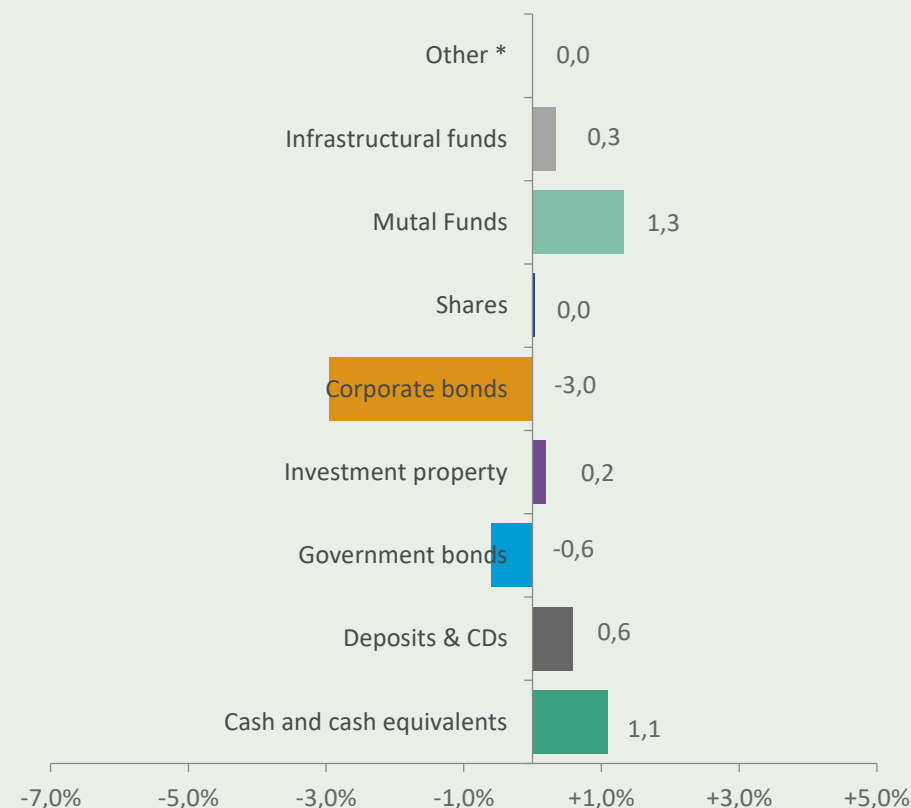
# CONTENTS

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- **Sava Re Group – Investment structure and return**
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

# STRUCTURE OF THE INVESTMENT PORTFOLIO

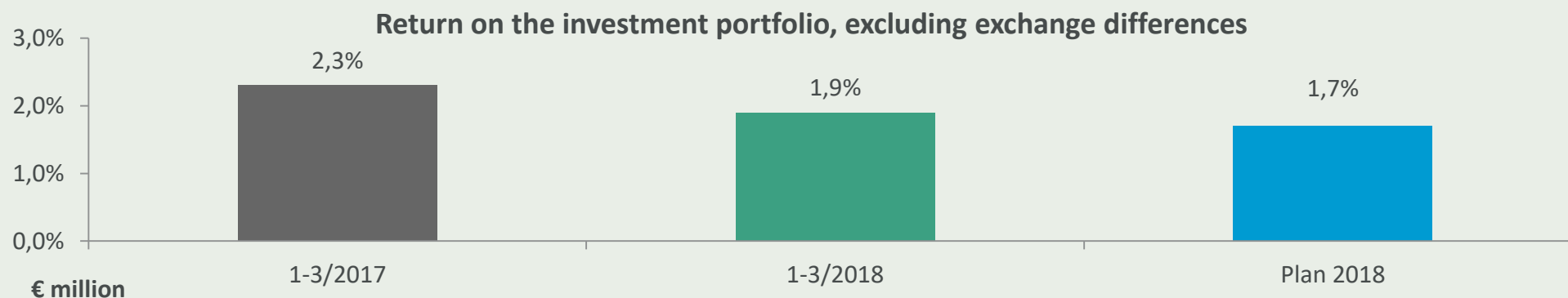


Structural shift Mar. 2018 / Dec. 2017 in p.p.



# NET INV. INCOME OF AND RETURN ON THE INVESTMENT PORTFOLIO

	1-3/2017	1-3/2018	Absolute change 1-3/2018 – 1-3/2017
Net investment income relating to the investment portfolio	6,33	3,50	-2,83
Net inv. income of the investment portfolio, excluding exchange differences	5,83	5,01	-0,82
Return on the investment portfolio, excluding exchange differences (%)	2,3%	1,9%	



- In 1–3/2018, net investment income of the investment portfolio, excluding the impact of exchange differences, totalled €5,0 million, down €0,8 million year on year, which is close to the planned net investment income.
- Net investment income relating to investment property decreased modestly year on year.
- The realised investment return, excluding the effect of exchange differences, was 1,9% (1-3/2017: 2,3%).

# CONTENTS

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- Sava Re Group – Investment structure and return
- **Sava Re Group – POSR share and dividend policy**
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

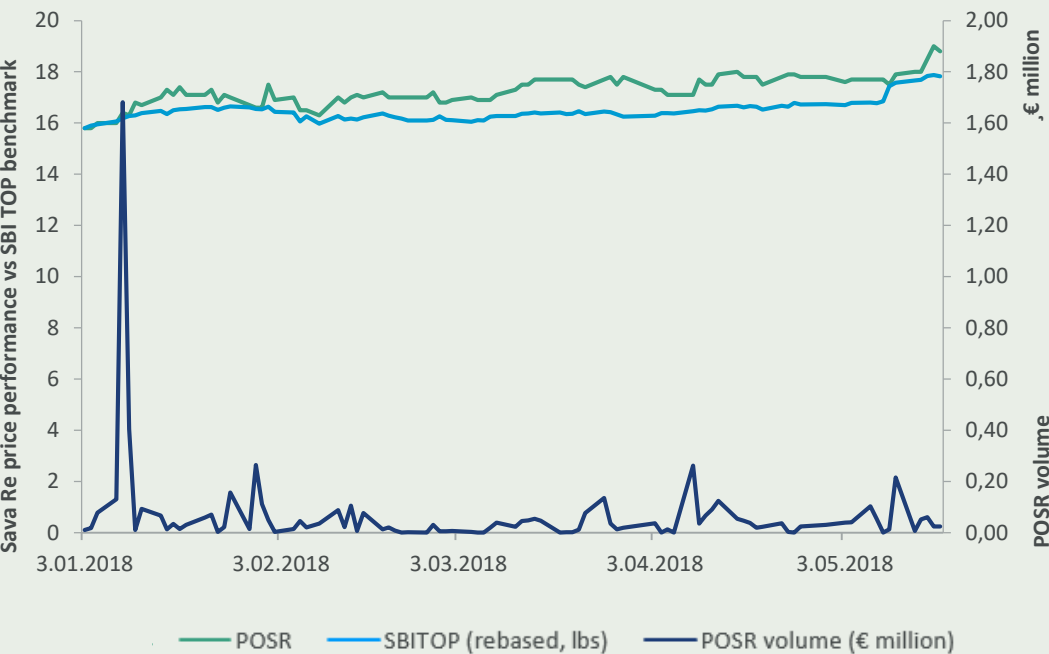
# SHAREHOLDERS AND SHARE TRADING

Book value per share

€20,57

1Q 2018/1Q 2017: **up 4,8%**

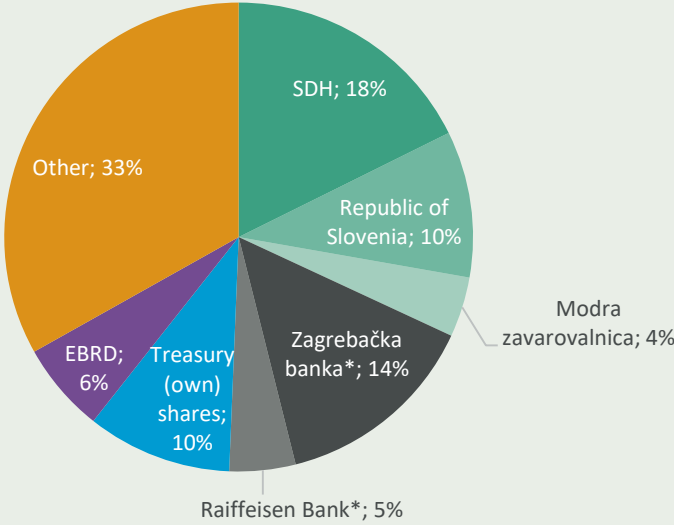
Sava Re price performance vs SBI TOP benchmark



\*The SBITOP has a changed basis so that the graph starts at the same value as the POSR share price.  
Growth rates are the same as for the original index.

(€ million)	31 March 2018
Share capital	71,9
Market capitalisation	306,5
Trading Symbol	POSR
Number of shares	17.219.662
Number of own shares	1.721.966
Number of shareholders	4.034

Shareholders as at 31 March 2018



\*Custody account

\*\*On 2 June 2016, Sava Re received a notice from Adris grupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia via its legal representative Rojs, Peljhan, Prelesnik & partnerji, o.p., d.o.o., advising the Company of a change in major holding in Sava Re. Adris grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04 % of issued and 21.15 % of outstanding shares

# DIVIDEND POLICY

**Sava Re aims to ensure that its shareholders see a 10% growth in dividends but that the dividend distribution does not exceed 40% of the Group's net profit in the period 2017–2019.**

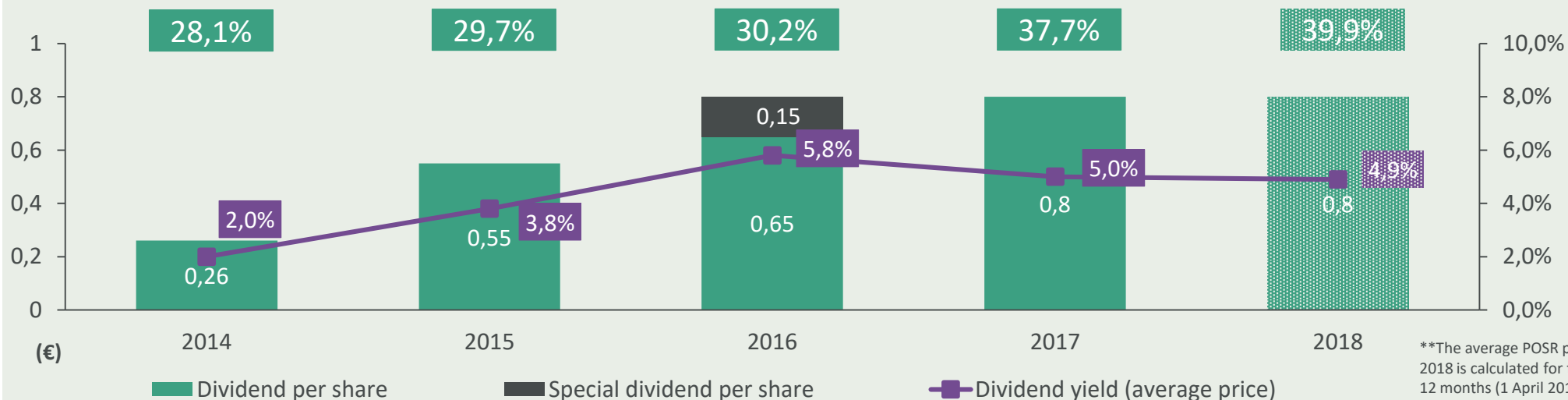
When designing any dividend proposal, the company will take into account:

1. the estimated excess of eligible own funds over solvency capital requirement under Solvency II;
2. the Group's own risk and solvency assessment;
3. capital models of rating agencies Standard & Poor's and A.M. Best;
4. approved annual and strategic plans of the Group and the company;
5. new development projects that would engage additional capital;
6. other relevant factors affecting the financial condition of the company.

# DIVIDEND POLICY

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit



\*\*The average POSR price for 2018 is calculated for the last 12 months (1 April 2017–31 March 2018).

## Important dates for dividend payment

- **29 May 2018:** General Meeting of Shareholders of Sava Re
- **12 June 2018:** Ex dividend date
- **13 June 2018:** Record date
- **14 June 2018:** Payment date

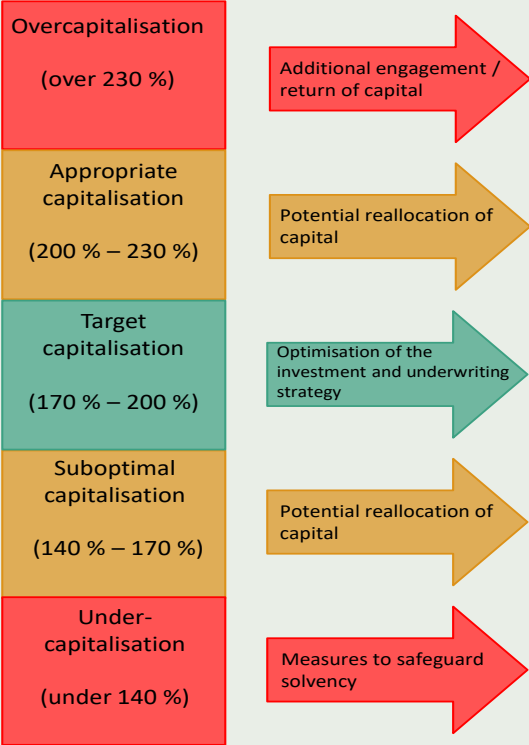
# CONTENTS

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- Sava Re Group – Investment structure and return
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

# CAPITAL ADEQUACY

(€ million)	As at 31 December 2016 (audited)
Eligible own funds	423,4
Solvency capital requirement (SCR)	207,1
<b>Solvency ratio</b>	<b>204 %</b>

(€ million)	As at 30 October 2016 (unaudited)
Eligible own funds	465



The Sava Re Group’s Solvency and financial condition report 2016 (Group SFCR) has been posted on the Sava Re website and that of the Ljubljana stock exchange (Seonet). **The 2017 report will be published on 18 June 2018.**

# CONTENTS

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- Sava Re Group – Investment structure and return
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

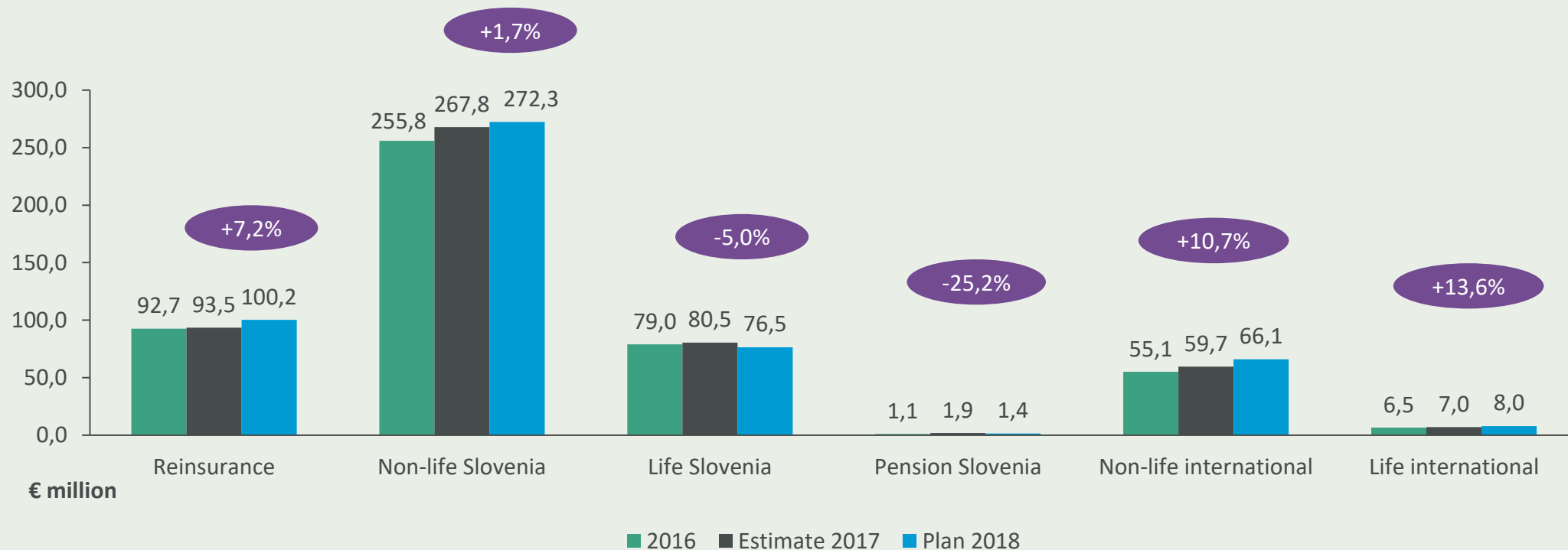
# 2018 PLAN – MAIN TARGETS (CONSOLIDATED)

	2016	2017 plan	2017	2018 plan
Gross written premiums	€490,2 million	€494 million	€517,2 million	> €520 million
Net combined ratio* (reinsurance + non-life)	94,6%	94,6%	95,5%	94,0%–94,5%
Net incurred loss ratio* (reinsurance + non-life)	58,2%	59,4%	60,5%	59,4%–59,9%
Net expense ratio	34,0%	32,6%	32,7%	31,4%–31,7%
Return on the investment portfolio*	2,2%	1,8%	2,0%	1,7%
Profit or loss, net of tax	€32,9 million	between €31 million and €33 million	€31,1 million	between €37 million and €39 million
Return on equity	11,3%	10,3%	10,1%	> 11%

\*Excl. exchange differences

# PLANNED GROWTH OF GROSS PREMIUMS WRITTEN

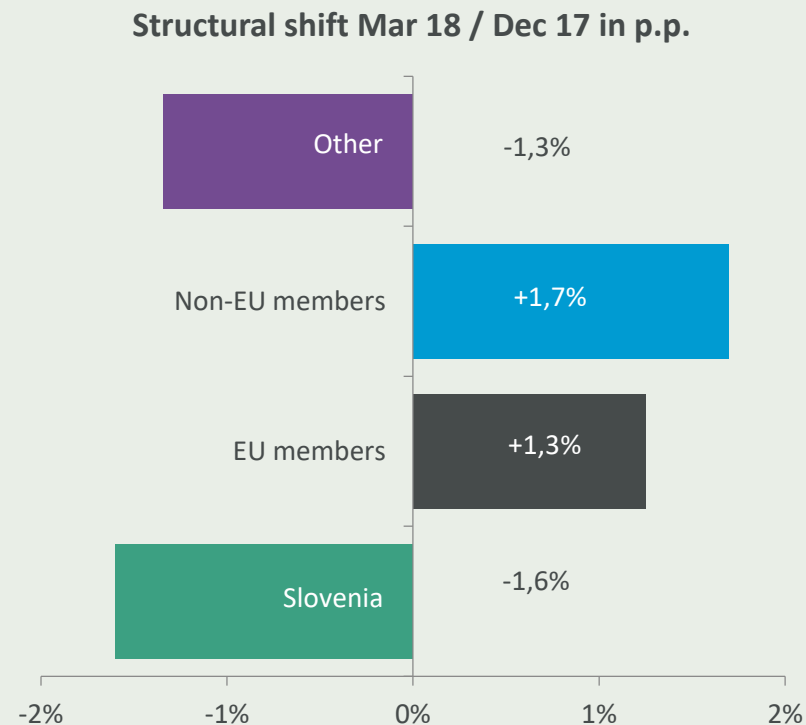
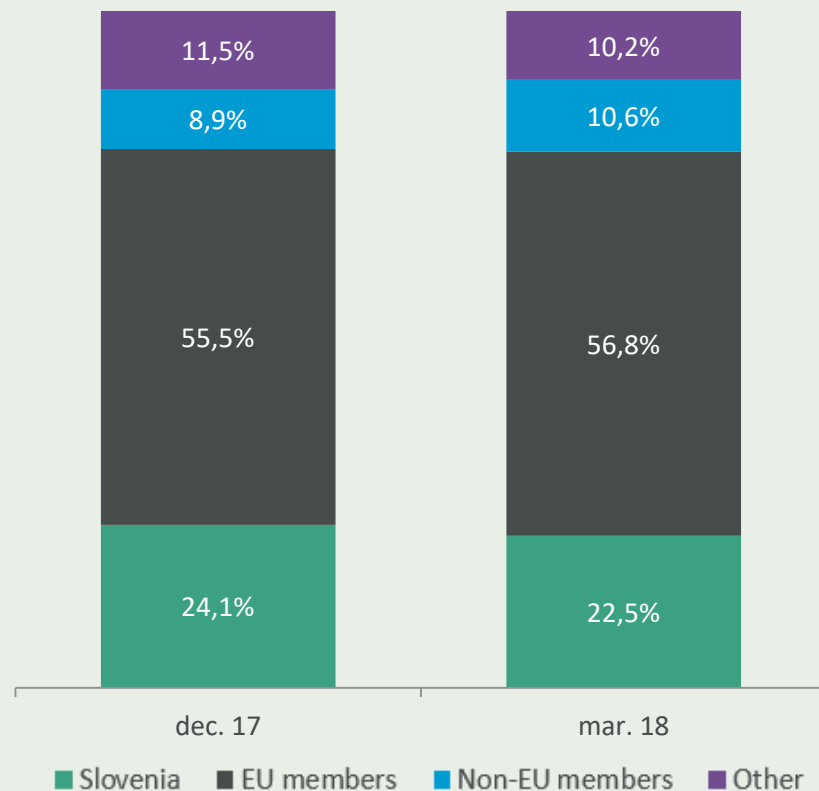
Gross premiums written by operating segment (€ million)



**THANK YOU FOR YOUR ATTENTION!**

# SAVA RE GROUP EXPOSURE BY REGION

The reduced exposure to Slovenia in 1-3/2018 is in line with the investment policy (target exposure of Sava Re Group by 2020: 25%); exposure to EU and non-EU Member States increased.



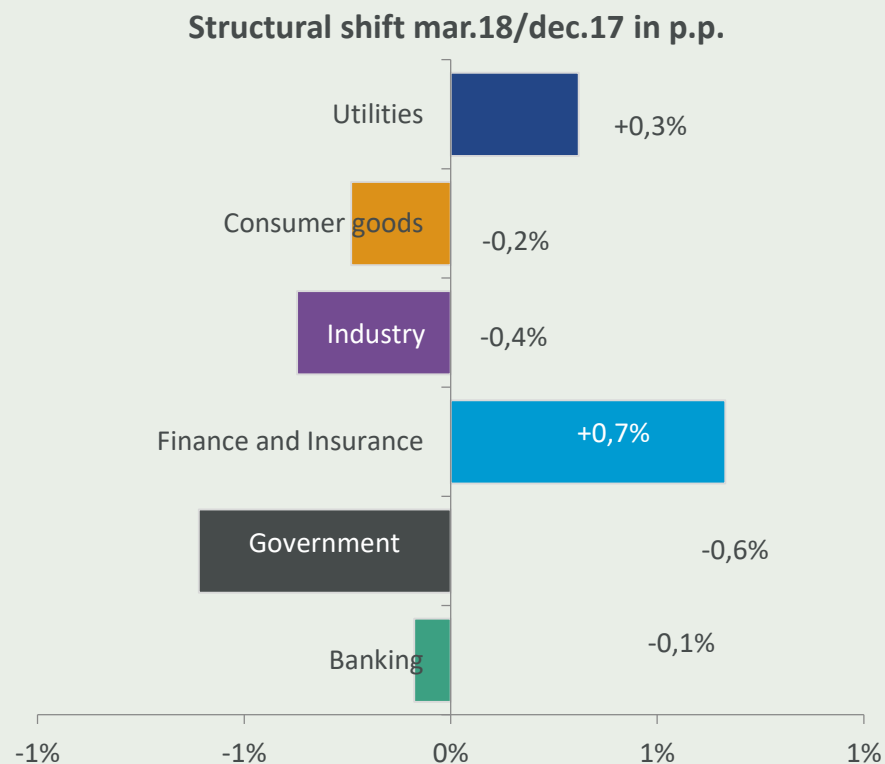
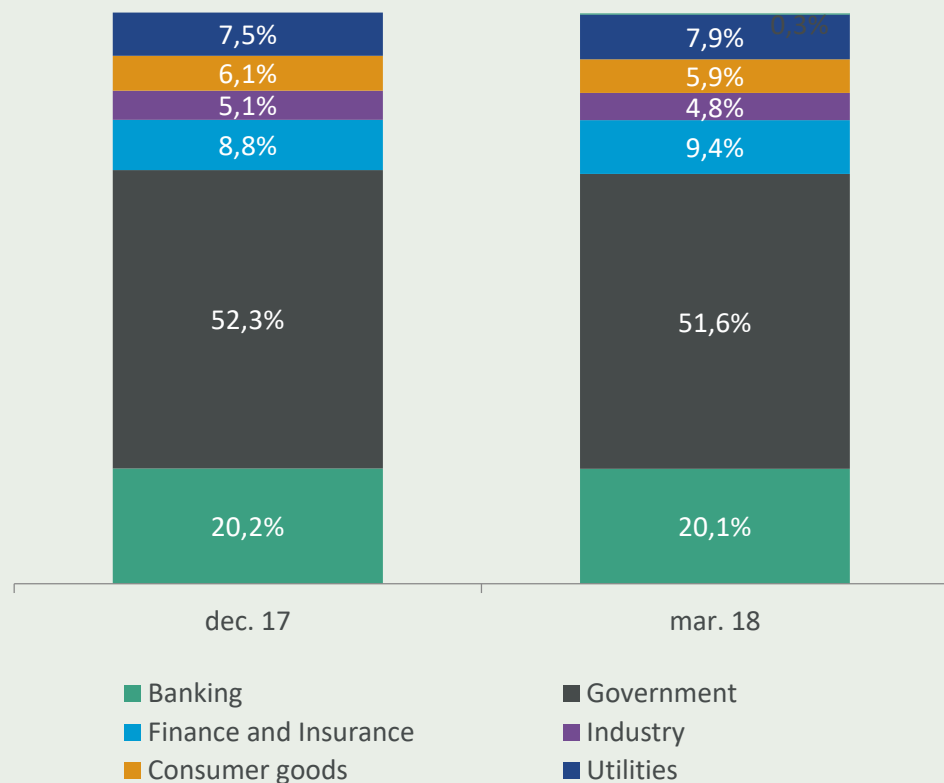
# SAVA RE GROUP EXPOSURE TO SLOVENIA

(€)	31.12.2017		31.3.2018		Change
Type of investment	Amount	Structure	Amount	Structure	Structural shift
Deposits	858.059	0,1%	825.652	0,1%	0,0 p.p.
Government bonds	188.505.257	17,4%	176.990.646	16,4%	-1,0 p.p.
Corporate bonds	23.758.217	2,2%	23.877.973	2,2%	0,0 p.p.
Shares	16.992.679	1,6%	17.358.338	1,6%	0,0 p.p.
Mutual funds	1.286.438	0,1%	1.255.366	0,1%	0,0 p.p.
Cash and cash equivalents	18.015.252	1,7%	10.306.260	1,0%	-0,7 p.p.
Other	11.701.257	1,1%	11.748.132	1,1%	0,0 p.p.
<b>Sum total</b>	<b>261.117.159</b>	<b>24,1%</b>	<b>242.362.367</b>	<b>22,5%</b>	<b>-1,6 p.p.</b>

- Exposure to Slovenia decreased by 1,6 percentage points compared to the end of 2017.
- The largest contribution to reduced exposure to Slovenia was a decline in government bonds owing to maturities and disposals in the reporting period.

# SAVA RE GROUP EXPOSURE BY INDUSTRY

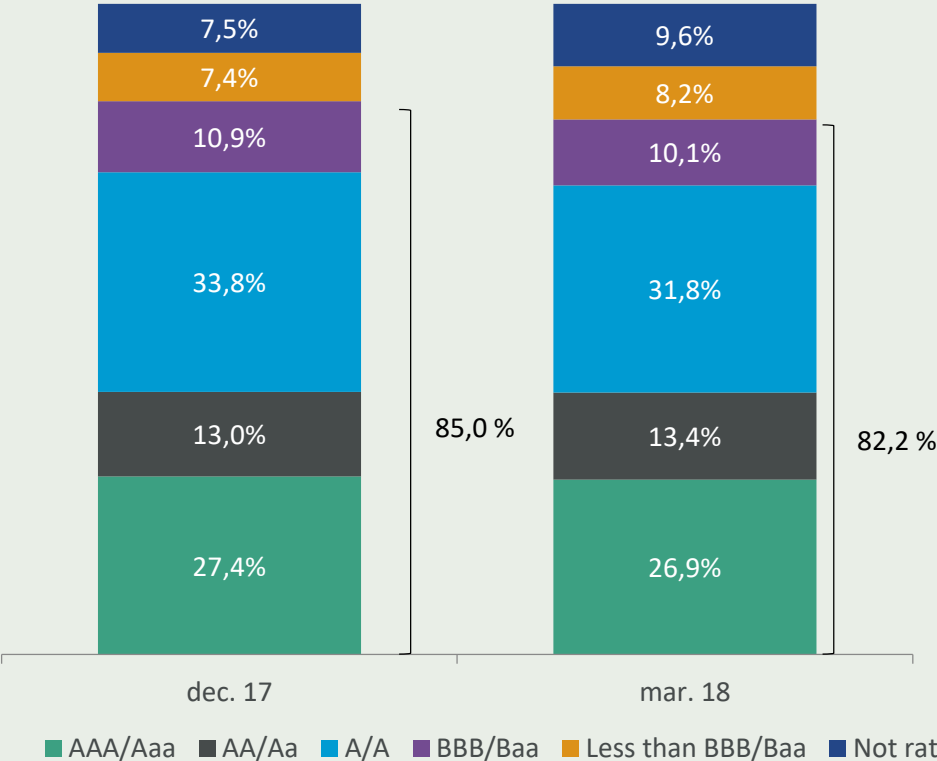
- Decreased exposure to government securities is largely due to their sale and maturing.
- Increased exposure to the financial and insurance industry – investments in ETF money market funds.



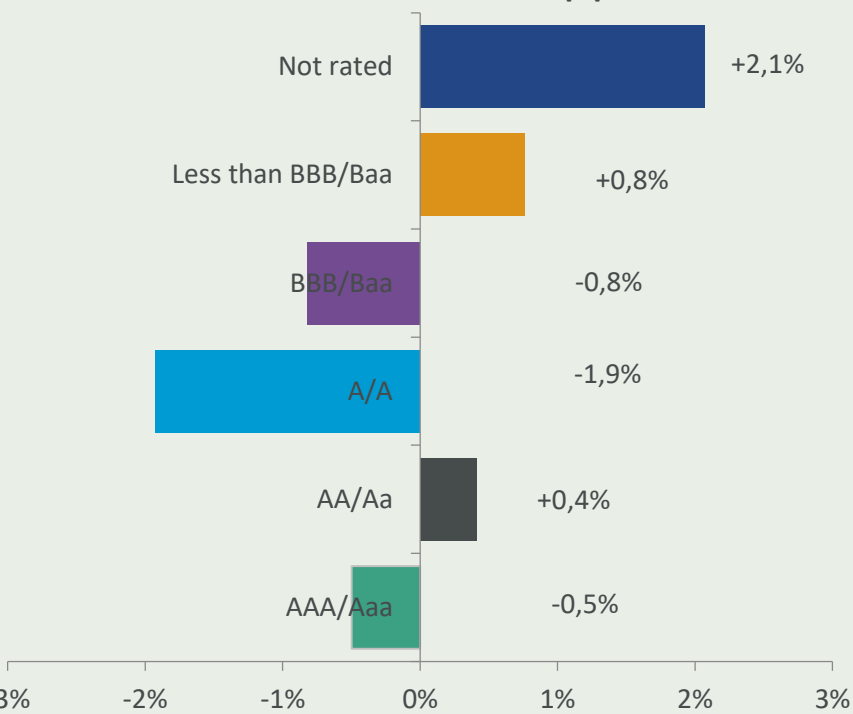
# SAVA RE GROUP RATING PROFILE

## Maintaining a good rating profile in 1-3/2018

- Investment-grade assets account for 82,2% of fixed-income investments.
- The drop in the proportion of investment-grade securities is the result of maturities, disposals, and the portfolio assumption of the recently acquired companies.



Structural shift Mar 18 / Dec 17 in p.p.



# INVESTMENT INCOME BY TYPE

(€ million)	1-3/2017	1-3/2018	Absolute change 2018-2017
<b>Prihodki</b>			
Interest income	4,9	4,2	-0,7
Change in fair value and losses on disposal of FVPL assets	0,1	0,0	-0,1
Gains on disposal of other IFRS asset categories	1,1	0,9	-0,2
Exchange gains	1,7	0,8	-0,9
Other income	0,2	0,2	0,0
<b>Total income</b>	<b>8,1</b>	<b>6,2</b>	<b>-1,9</b>
<b>Total income, excluding exchange differences</b>	<b>6,4</b>	<b>5,4</b>	<b>-1,0</b>

- Interest income**

Interest income declined by €0,7 million year on year because of the low-interest-rate environment and maturing debt securities with higher yields.

- Exchange gains**

The foreign exchange rates that Sava Re liabilities and investments are denominated in moved in the other direction than one year earlier, resulting in a €0,9 million decline in income; nevertheless, there was only a minor effect on profits owing to asset and liability matching mechanism.

The income relating to the investment portfolio, excluding exchange differences, fell by €1,0 million year on year.

# INVESTMENT EXPENSES BY TYPE

(€ million)	1-3/2017	1-3/2018	Absolute change 2018-2017
Expenses			
Interest expenses	0,4	0,0	-0,4
Change in fair value and losses on disposal of FVPL assets	0,0	0,1	0,1
Losses on disposal of other IFRS asset categories	0,0	0,1	0,1
Exchange losses	1,2	2,3	1,1
Other	0,1	0,2	0,1
<b>Total expenses</b>	<b>1,8</b>	<b>2,7</b>	<b>0,9</b>
<b>Total expenses, excluding exchange differences</b>	<b>0,6</b>	<b>0,3</b>	<b>-0,3</b>

- Exchange losses**

The foreign exchange rates that the liabilities and investments of Sava Re are denominated in moved in the other direction than one year earlier, resulting in a €1,1 million increase in expenses; still there was only a minor effect on profit for the year owing to asset and liability matching measures.

In the reporting period, the Group's expenses relating to the investment portfolio declined by €0,3 million year on year.