



Sava Insurance Group

1–9/2021 unaudited results

19 November 2021



Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- Achievement of strategic goals in key focus areas
- 2021 plan

Highlights 1–9/2021

Growth in operating revenue of **11.1%**

Net profit of **€57.2 million**, which represents **108.0%** of planned net profit for 2021

Net expense ratio of **27.8%** (last year 29.0%)

Net combined ratio (excluding FX differences) of **88.5%** (last year 92.1%)

Improved performance of non-life segments due to favourable claims development, improved performance of the pensions & AM segment as well as favourable equity market conditions with a positive effect on the value of assets under management

Standard & Poor's and AM Best's **“A” ratings**, stable outlook, affirmed

Key figures

€ million, except %	1–9/2020	1–9/2021	2021 plan	Change 2021/2020
Group				
Operating revenue	493.9	548.8	> 685	11.1%
Gross premiums written	529.6	578.1	> 685	9.1%
Net expense ratio, including operating revenue*	29.0%	27.8%	32–33%	-1.2 p.p.
Return on the investment portfolio*	1.7%	1.9%	1.5%	+0.2 p.p.
Profit, net of tax	47.6	57.2	> 53	20.3%
Return on equity	14.8%	15.9%	>= 11,5%	+1.1 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX**	92.1%	88.5%	< 94%	-3.7 p.p.
	31/12/2020	30/9/2021		
Shareholders' equity	460.2	492.9		7.1%
Total assets of the investment portfolio	1,535.3	1,586.9		3.4%
Assets for the benefit of policyholders who bear the investment risk	420.7	495.9		17.9%
Assets in pension company savings funds	831.8	927.7		11.5%
Sava Infond AUM	409.2	510.4		24.7%

* 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. The net expense ratio for the Group in 2020 does not include the positive difference between the fair value of net assets acquired and the purchase price of the investment in Vita.

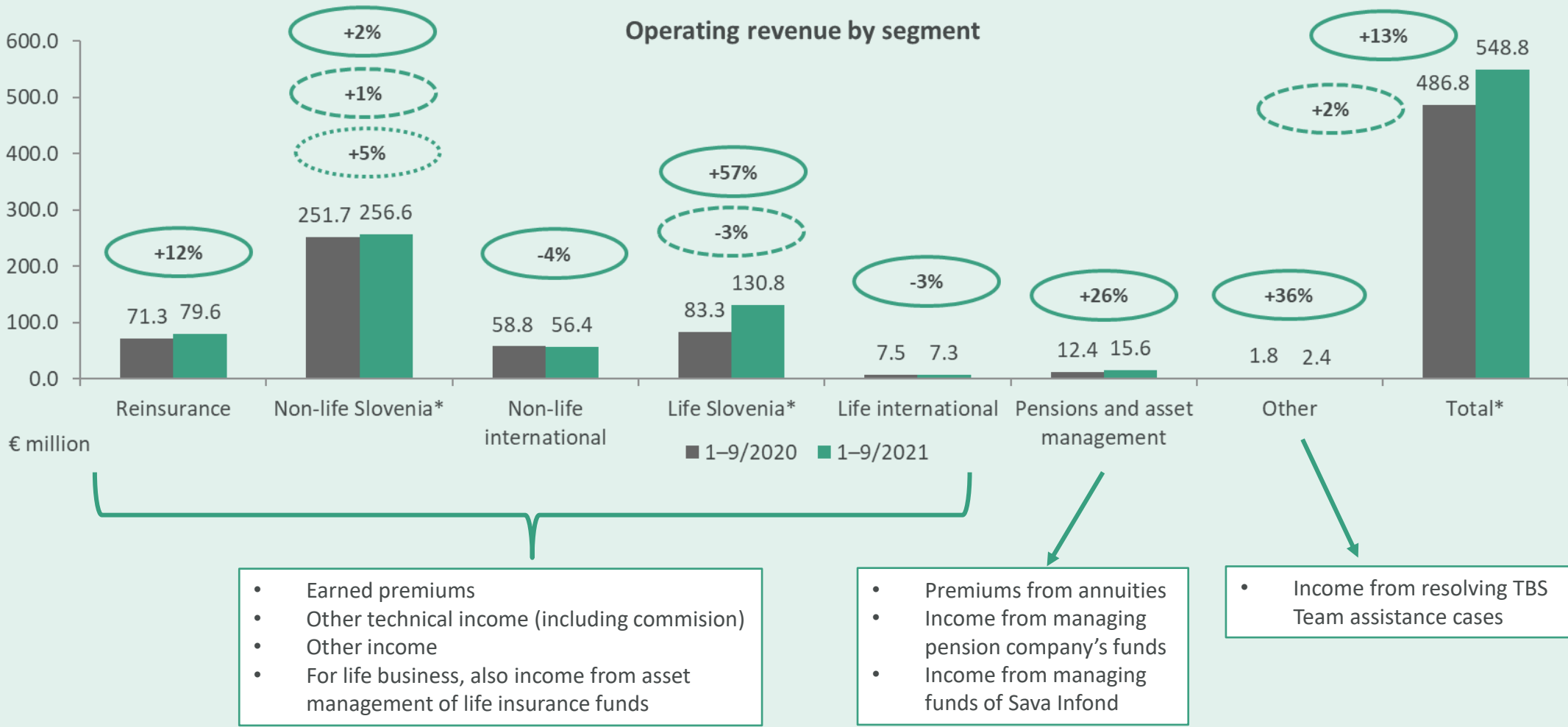
** Net combined ratio calculated for the non-life and reinsurance segments.

Breakdown of consolidated revenue

Growth/decline compared to the previous year

Without Vita

Without FOS and Vita



* Without one-off positive effect of Vita.

Growth in consolidated GPW of 9.1%



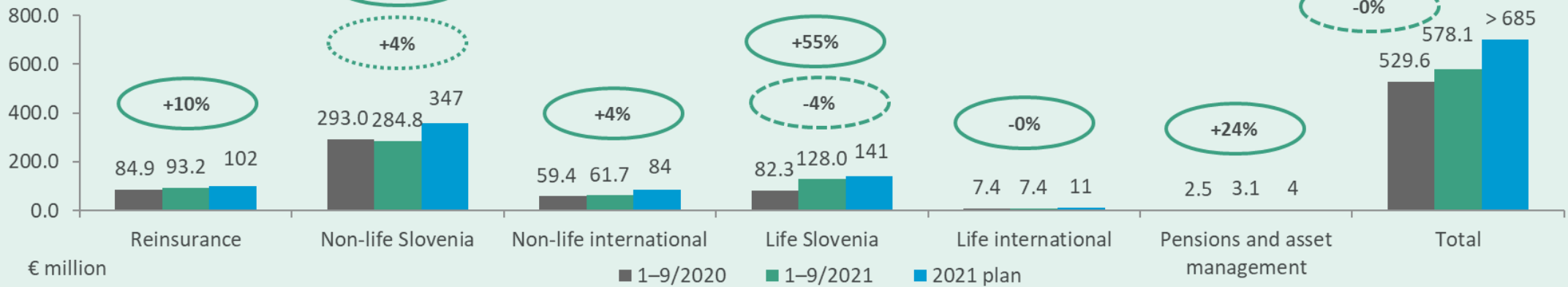
Breakdown of consolidated GPW

Without Vita

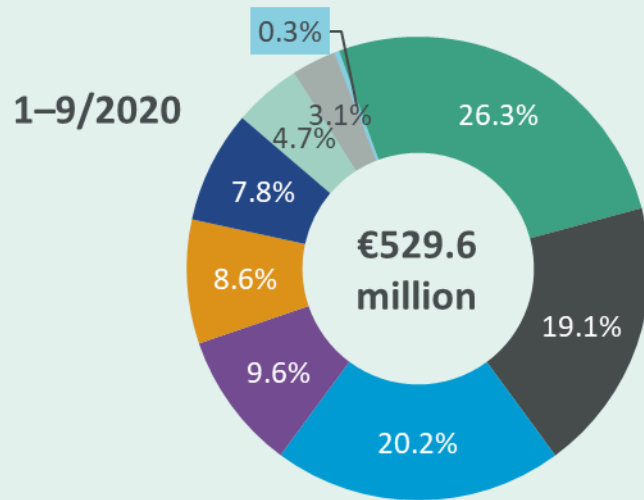
Without FOS and Vita

Growth/decline compared to the previous year

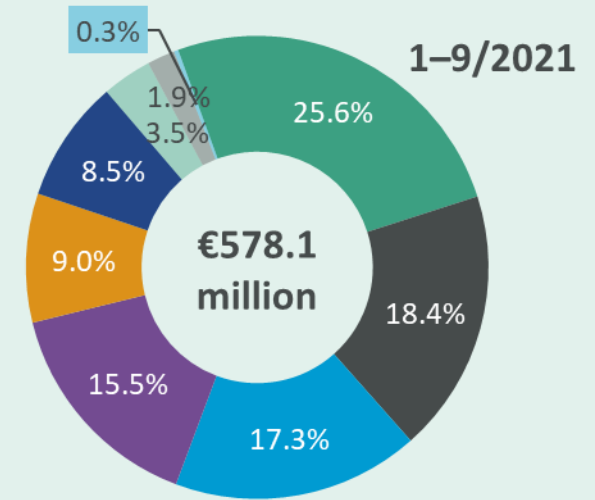
Gross premiums written by segment



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



Consolidated profit before tax by segment



Growth in profit before tax of 23.8%

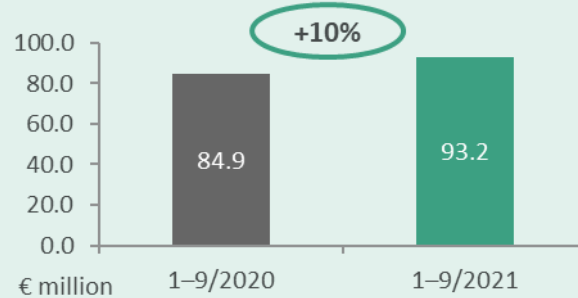


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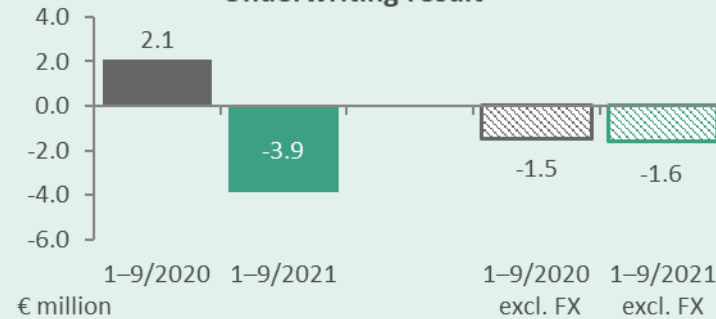
Results by operating segment – reinsurance

Gross premiums written



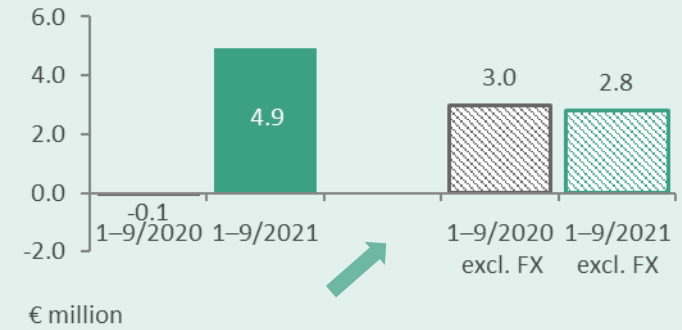
- Gross premiums written up 10% (proportional and non-proportional business up by 16% and 8%, respectively)
- UWY 2021 premiums are down by 1% compared to 2020, or €0.8 million; prior UWY premiums are up by €10.4 million (mainly proportional business)

Underwriting result



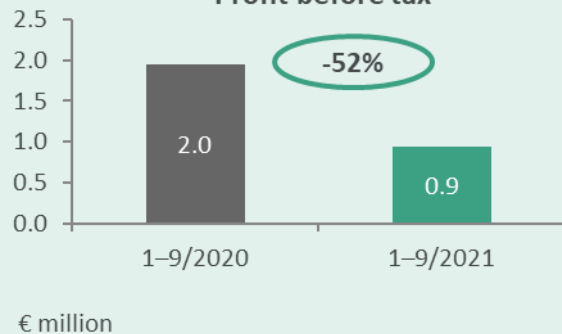
- The underwriting result, excl. FX, remained at roughly the same level y-o-y. In Q3 major storm and flood losses were reported in western Europe (mainly Germany, Belgium and Austria) and China as well as a fire loss in Suriname. The net incurred loss ratio benefitted both from growth in premium income and reinsurance protection

Investment result

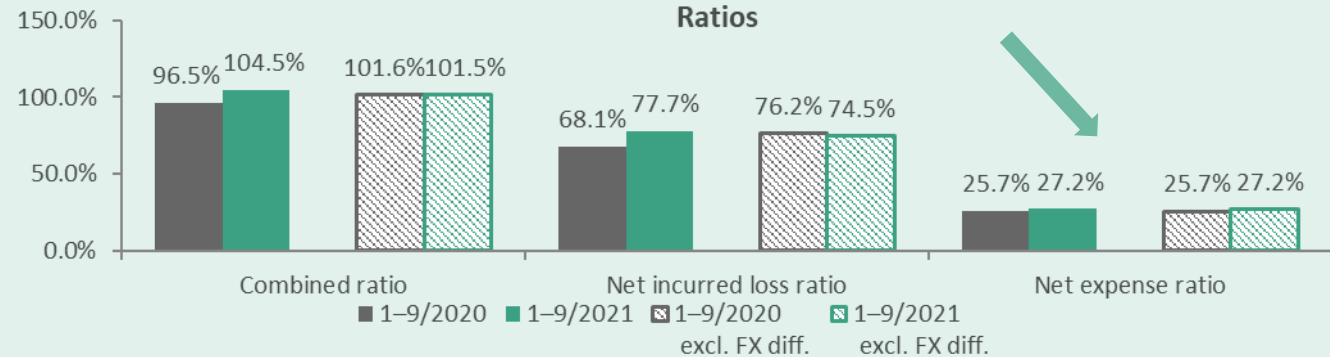


- Decrease in investment result for 1-9/2021, excl. FX, y-o-y because of lower interest income, lower gains on the disposal of investments and lower dividends on financial investments
- Higher net expense ratio mainly because acquisition costs rose faster than premium income due to higher growth in proportional reinsurance business

Profit before tax

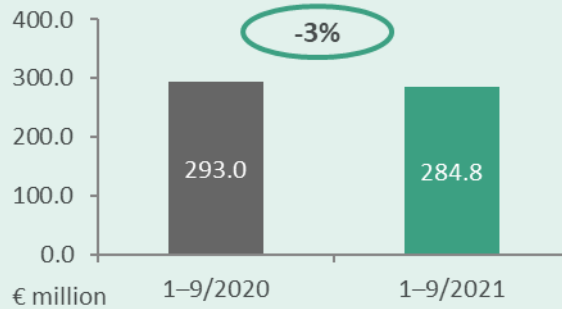


Ratios

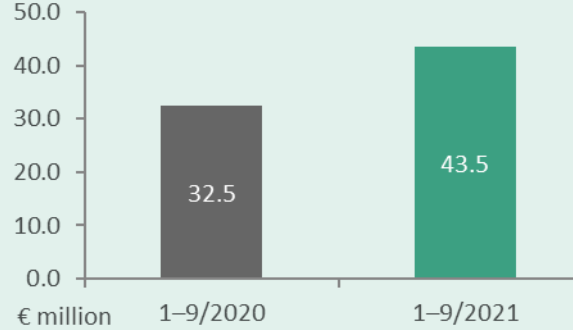


Results by operating segment – non-life Slovenia

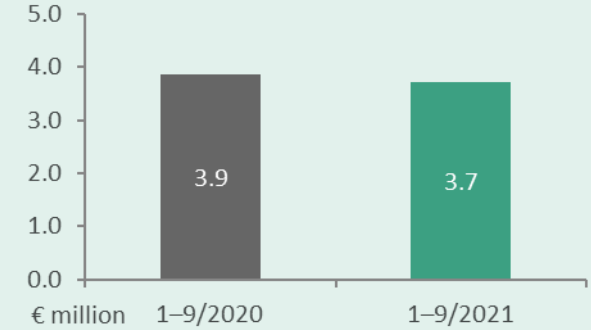
Gross premiums written



Underwriting result



Investment result

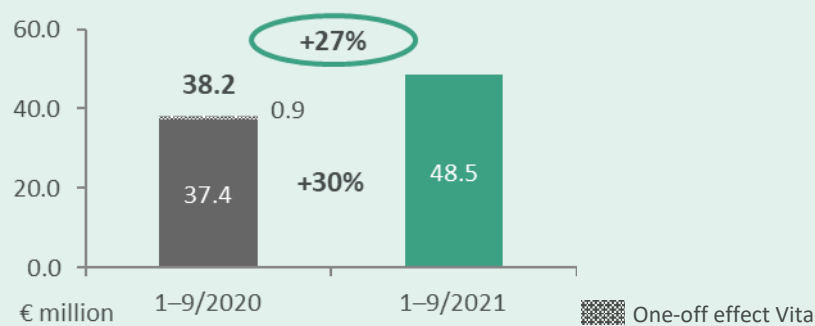


- Lower volume of FOS business (down €19.9 million)
- Gross premiums written, excl. FOS, up by €11.7 million with €2.0 million impact of Vita premiums; growth in personal motor business due to more policies sold and in property business reflecting increased premiums of large clients due to more objects insured and larger sums insured, as well as more home owners policies sold

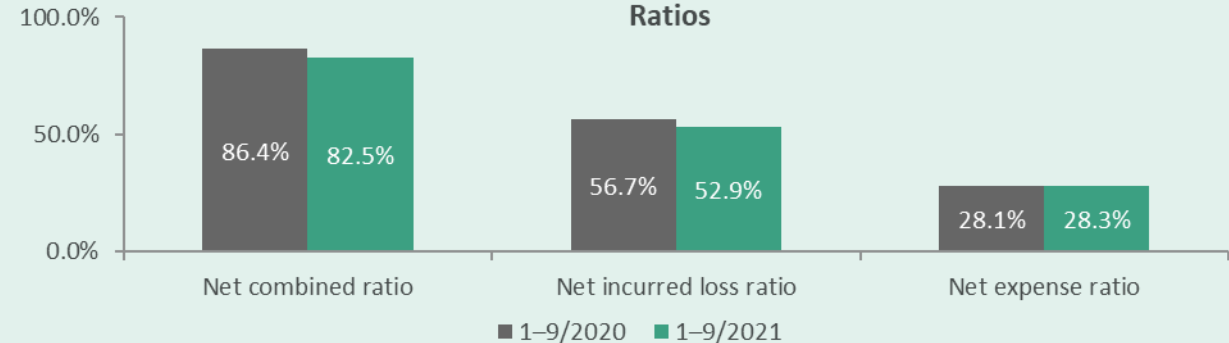
- Improved UW result for the Slovenian part due to lower loss frequency due to the Covid-19 pandemic

- Weaker result owing to slightly lower interest income and lower net gains on sales of investments

Profit before tax

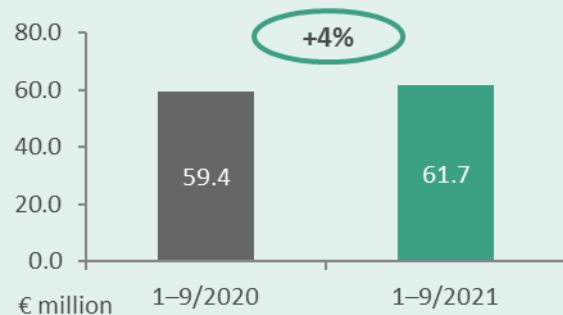


Ratios



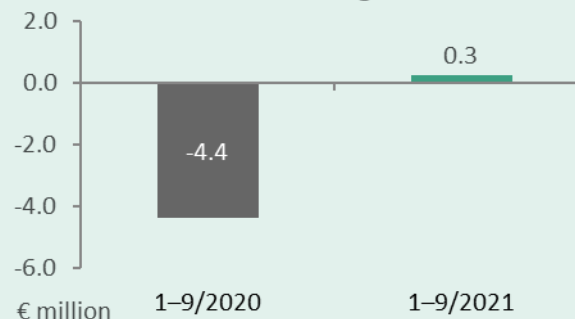
Results by operating segment – non-life international

Gross premiums written



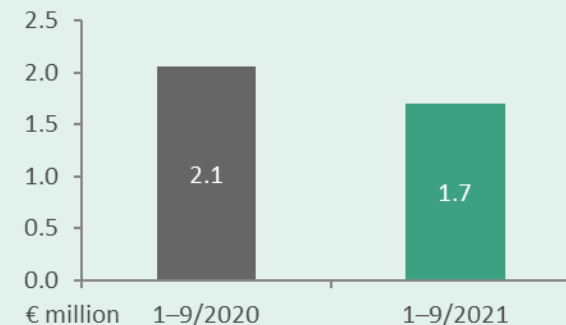
- Gross premiums written, excl. Croatia, up by 13%, mainly health insurance in the Kosovo and Serbian markets due to an increased number of policyholders, and in motor business where premiums were lower last year because of Covid-19. Croatian premiums fell by 24%, chiefly MTPL premiums as part of efforts to improve the portfolio performance

Underwriting result



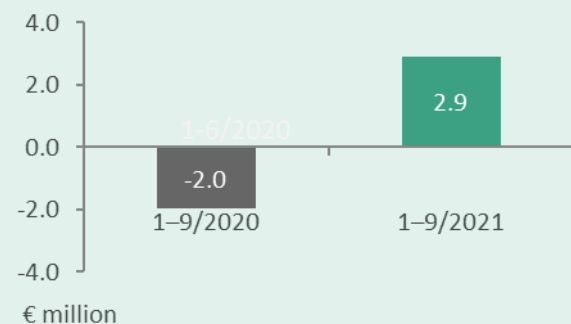
- Improved UW result mainly because of the better result achieved by the Croatian branch of Zavarovalnica Sava (in 2020: negative impact of changed legal practice regarding non-pecuniary damages)

Investment result

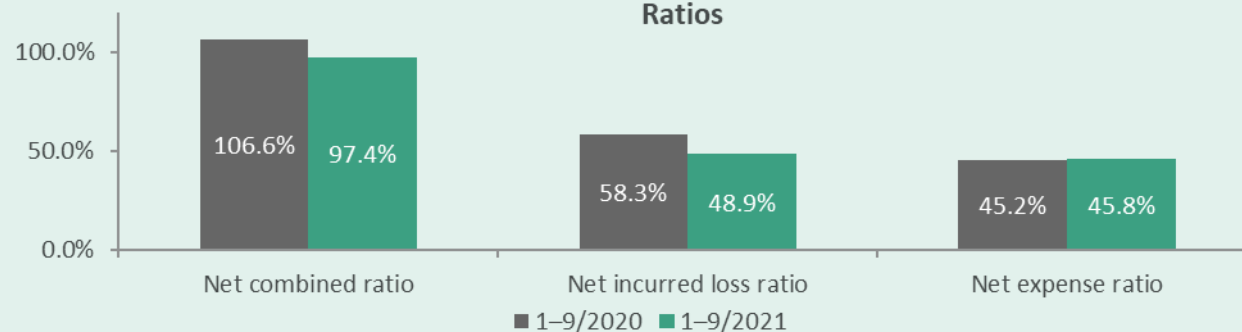


- Lower investment result due to lower gains on sale of investments and lower interest income

Profit before tax

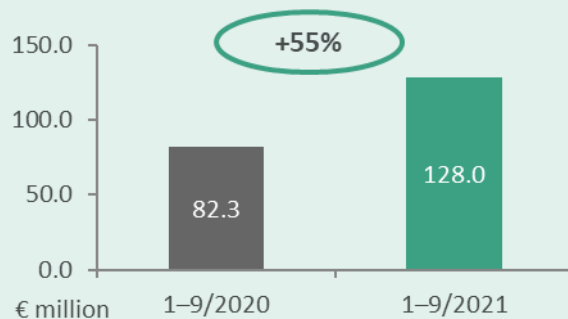


Ratios

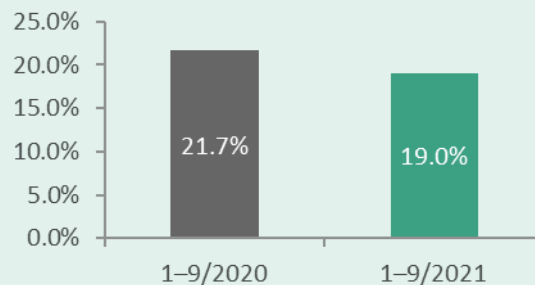


Results by operating segment – life Slovenia

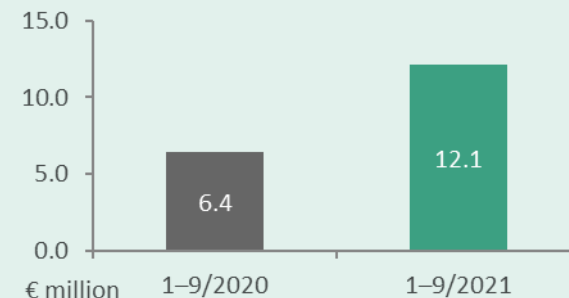
Gross premiums written



Net expense ratio



Investment result

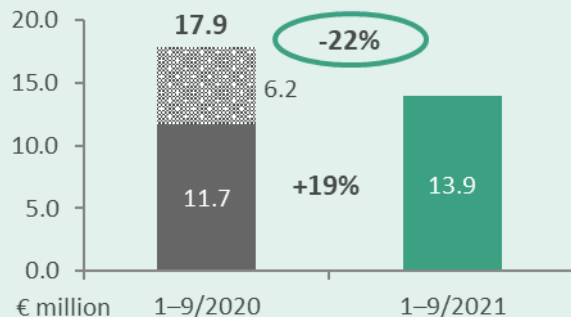


- Vita included in Group as from 31 May 2020; gross premiums written in 6-9/2020 of €26.6 million, in 1-9/2021 of €74.3 million. Gross premiums written, excl. Vita, decreased by 3.7%
- Growth in new annual premiums written by 26% (new annual premiums of Vita for the entire period 1-9/2020)

- Net expense ratio lower due to inclusion of Vita, which, thanks to its specific sales model, operates on a lower expense ratio

- Net investment income rose both due to the inclusion of the Vita and higher gains on sale of investments at Zavarovalnica Sava

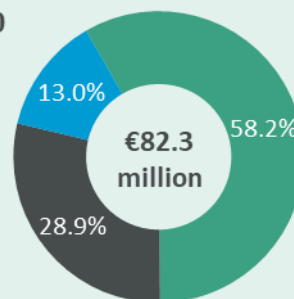
Profit before tax



One-off effect Vita

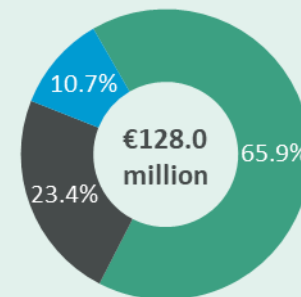
Gross premiums written by class of insurance

1-9/2020



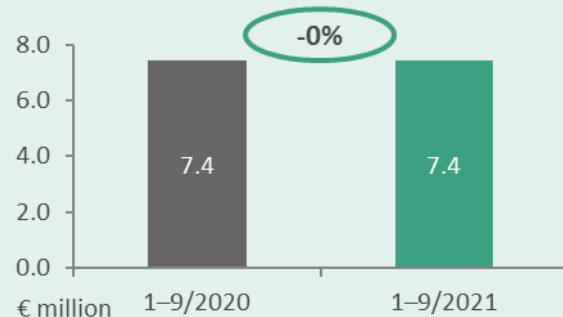
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-9/2021

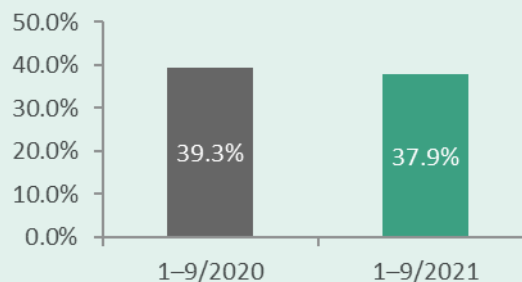


Results by operating segment – life international

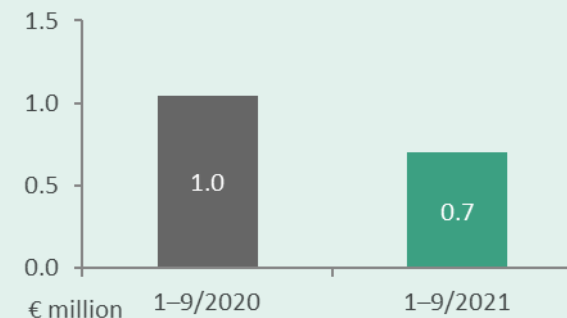
Gross premiums written



Net expense ratio



Investment result

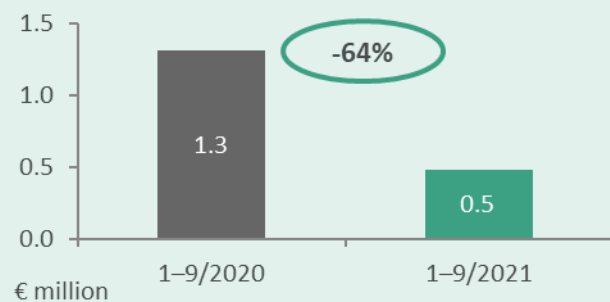


- Large decrease in gross premiums written by the Croatian branch of Zavarovalnica Sava both due to reduced sales through the banking channel and portfolio restructuring to improve profitability; the Serbian and Kosovo insurers grew by 24% despite challenging conditions for writing new business
- New annual premiums up by 19% despite declined sales in Croatia

- Lower expense ratio mainly due to increased premium income at Serbian and Kosovo life insurers and partly due to savings at the Croatian branch of Zavarovalnica Sava
- Fall in profit reflecting somewhat weaker performance by most companies – more claims (especially at the Serbian company due to Covid-19) and weaker investment result

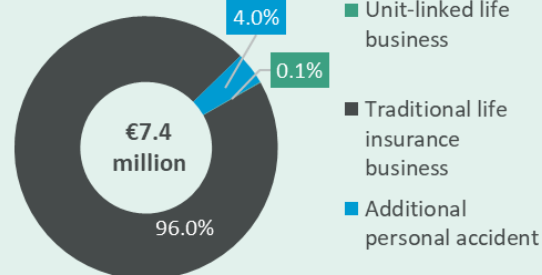
- Investment result lower because of lower net foreign exchange gains of the Croatian branch of Zavarovalnica Sava

Profit before tax

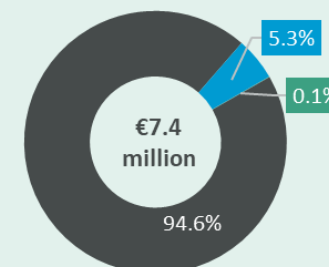


Gross premiums written by class of insurance

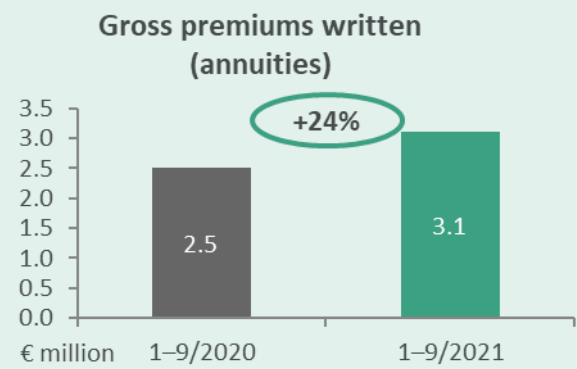
1-9/2020



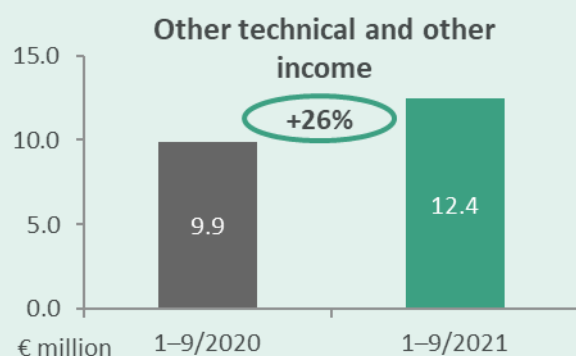
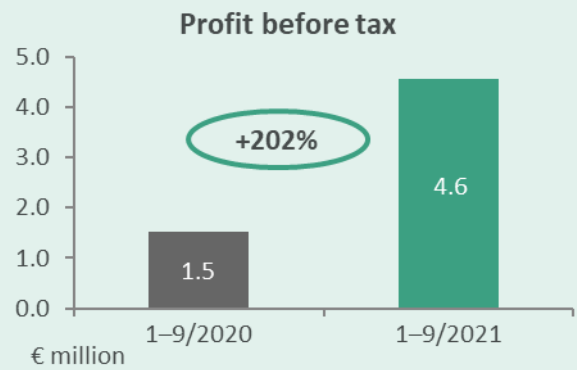
1-9/2021



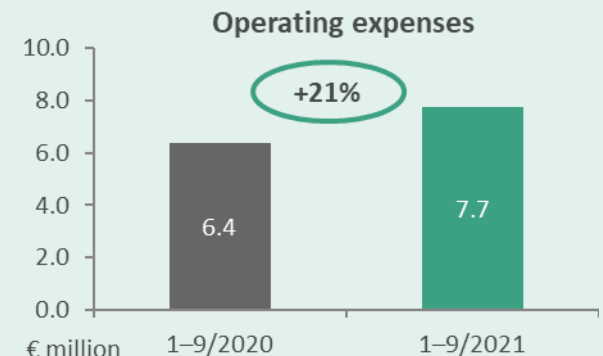
Results by operating segment – pensions and asset management



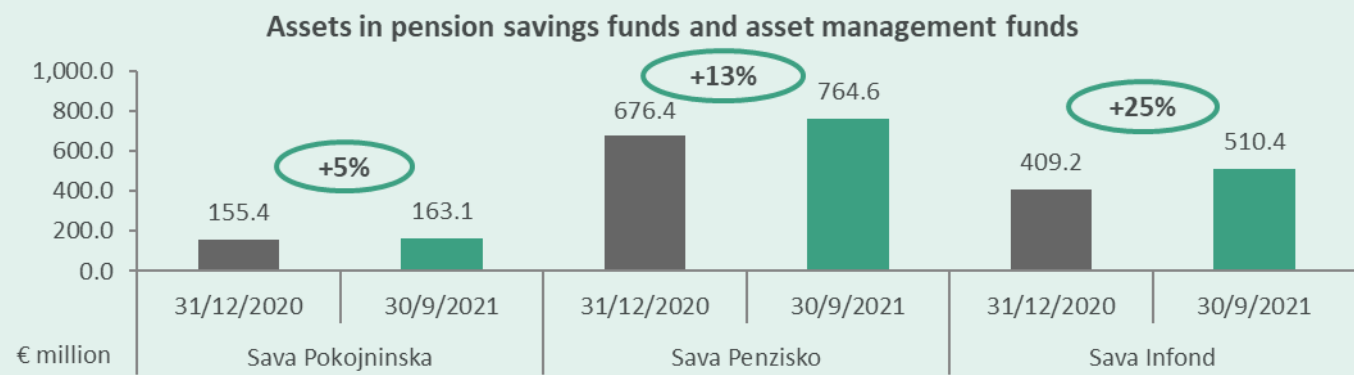
- The portfolio of annuity policies grew in line with the number of policyholders meeting eligibility requirements; a significant part of the premiums in 1-9/2021 came from policyholders who were members of other providers
- The result reflects positive developments in capital markets and growth in assets under management



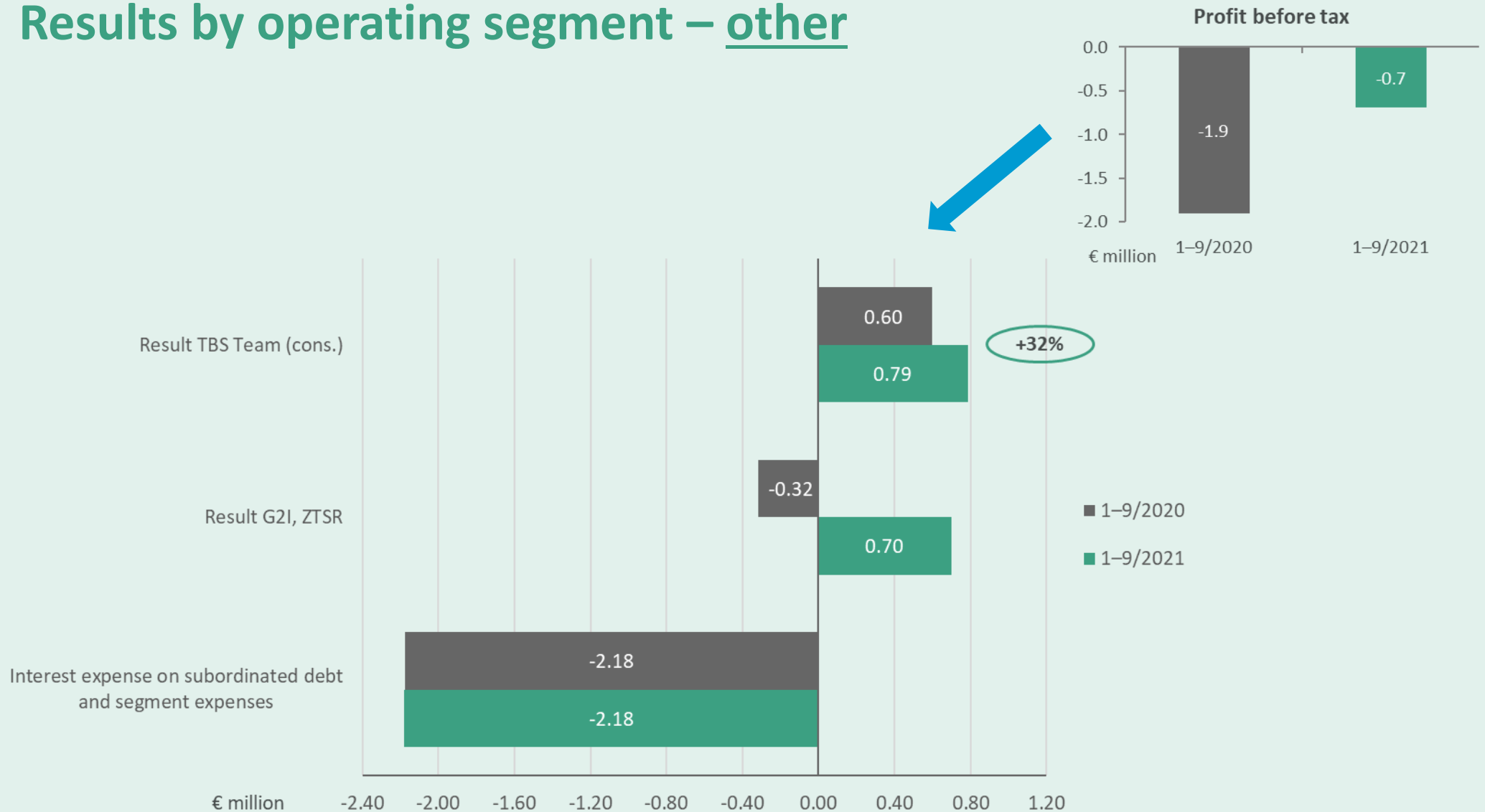
- Higher income reflecting increased assets under management, most notably at Sava Infond



- Increased operating expenses due to growth in business volume, increased assets under management and an amortisation charge on a customer list of Sava Infond



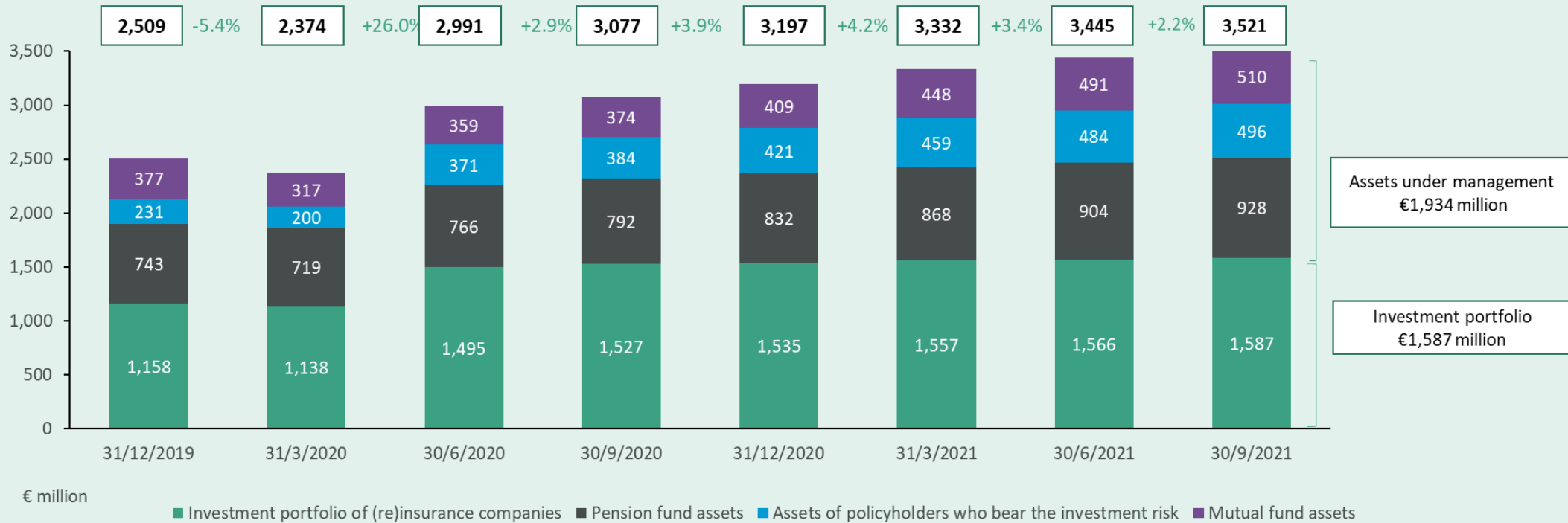
Results by operating segment – other



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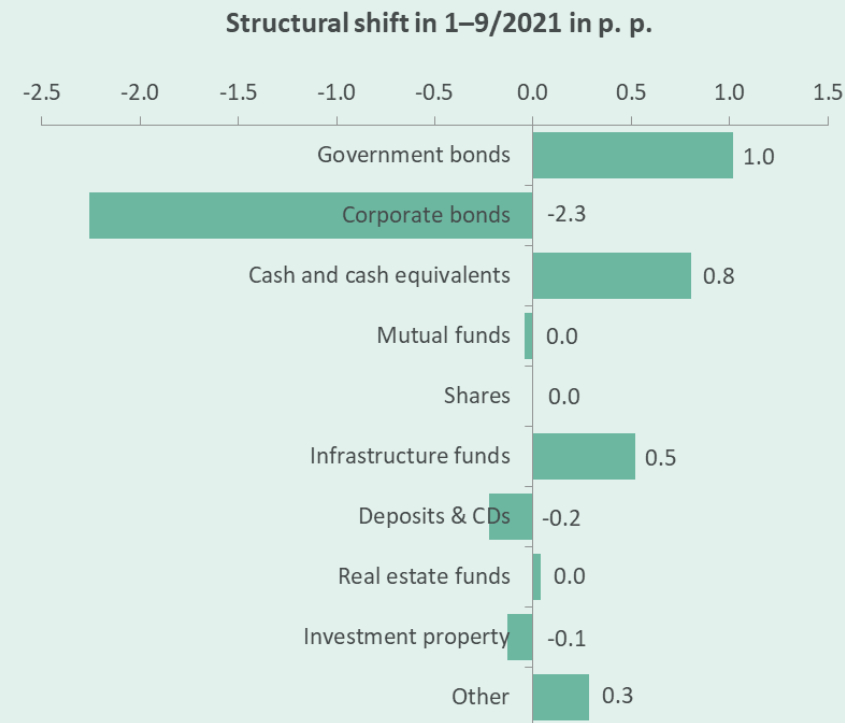
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Investment portfolio and AuM



Structure of the investment portfolio

	31/12/2020	30/9/2021
Investment portfolio (€ million)	1,535.3	1,586.9
Government bonds	43.0%	44.1%
Corporate bonds	40.3%	38.1%
Cash and cash equivalents	4.8%	5.6%
Mutual funds	2.5%	2.5%
Shares	2.5%	2.5%
Infrastructure funds	1.8%	2.3%
Deposits & CDs	1.5%	1.2%
Real estate funds	0.9%	1.0%
Investment property	1.1%	0.9%
Other	1.6%	1.9%
Total investment portfolio	100.0%	100.0%



Share of corporate bonds down 2.3 p.p., reflecting maturities and sales, resulting in a higher share of government bonds and a short-term rise in the share of cash and cash equivalents. Increase in the share of infrastructure funds compared to the year-end, due to capital call-ups.

Net inv. income of and return on the investment portfolio

€ million	1–9/2020	1–9/2021	Absolute change
Net investment income relating to the investment portfolio	11.2	22.3	11.0
Net investment income of the investment portfolio, excl. FX diff.	14.4	19.7	5.4
Return on the investment portfolio, excl. FX diff. and subordinated debt expense	1.7%	1.9%	0.2

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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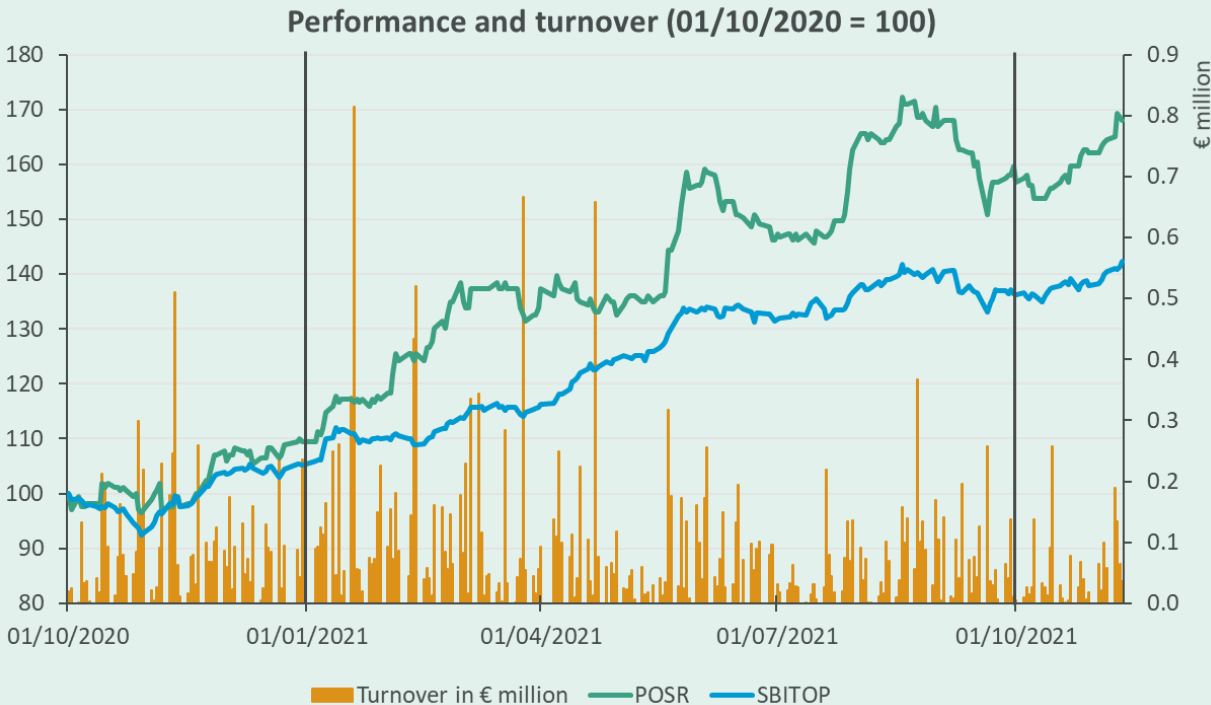
Shareholders and share trading

Book value per share

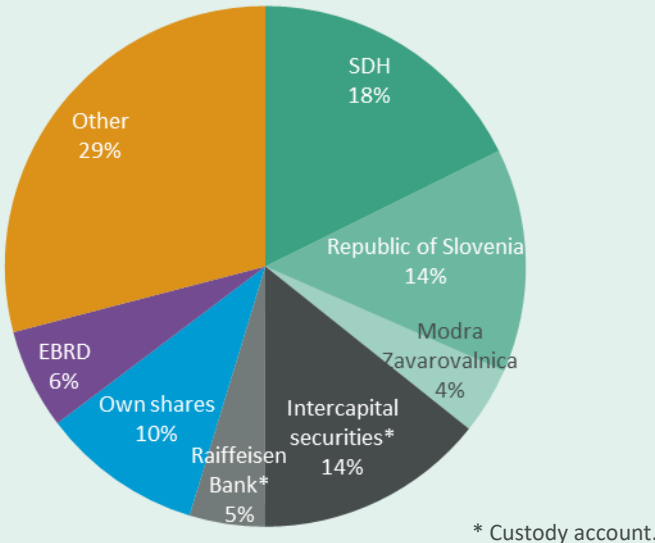
€31.81

30 Sep 21 / 31 Dec 20: +7.1%

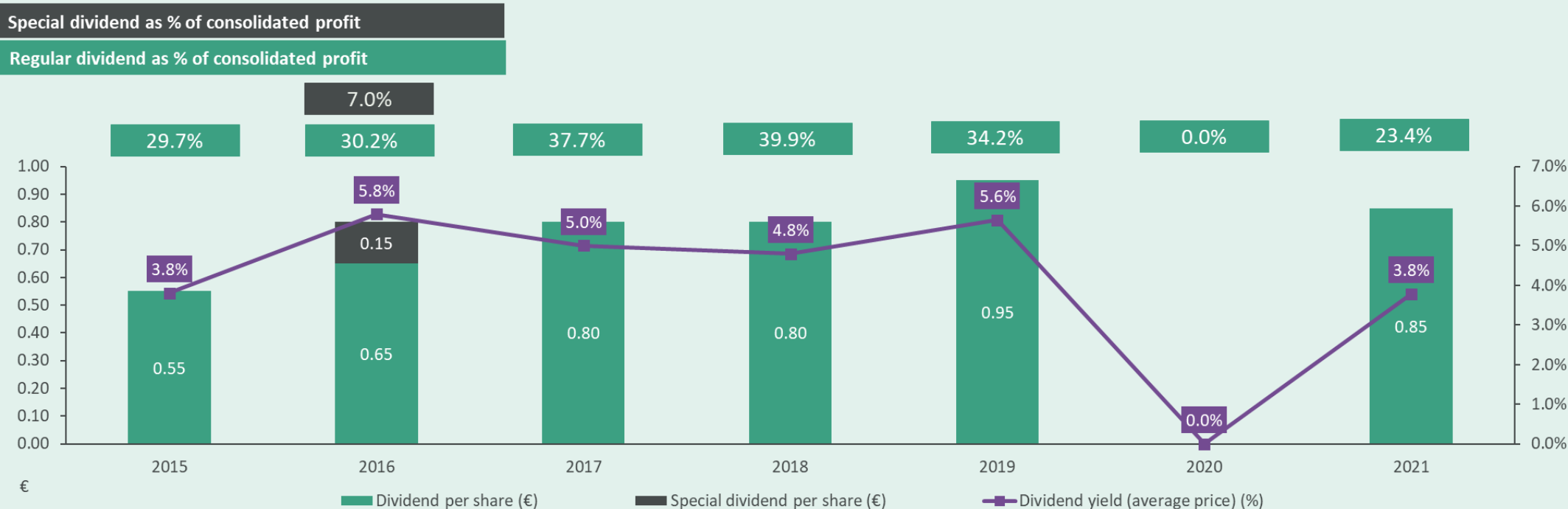
30/9/2021	
Share capital (€ million)	71.9
Market capitalisation (€ million)	464.9
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,237



Shareholders as at 30 September 2021



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.
- On 25 May 2021, the general meeting of shareholder adopted the proposal of the management and supervisory boards to use €13,173,041.60 of the profits for dividends. The dividend was **€0.85** gross per share and was paid out on 10 June 2021 to the shareholders entered in the shareholders' register as at 9 June 2021.
- Sava Re 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) took into consideration the special business model of the Company (as reinsurer and parent). The Sava Re management board believes that the dividend of €0.85 per share did not compromise the Company's solvency, liquidity or financial stability.

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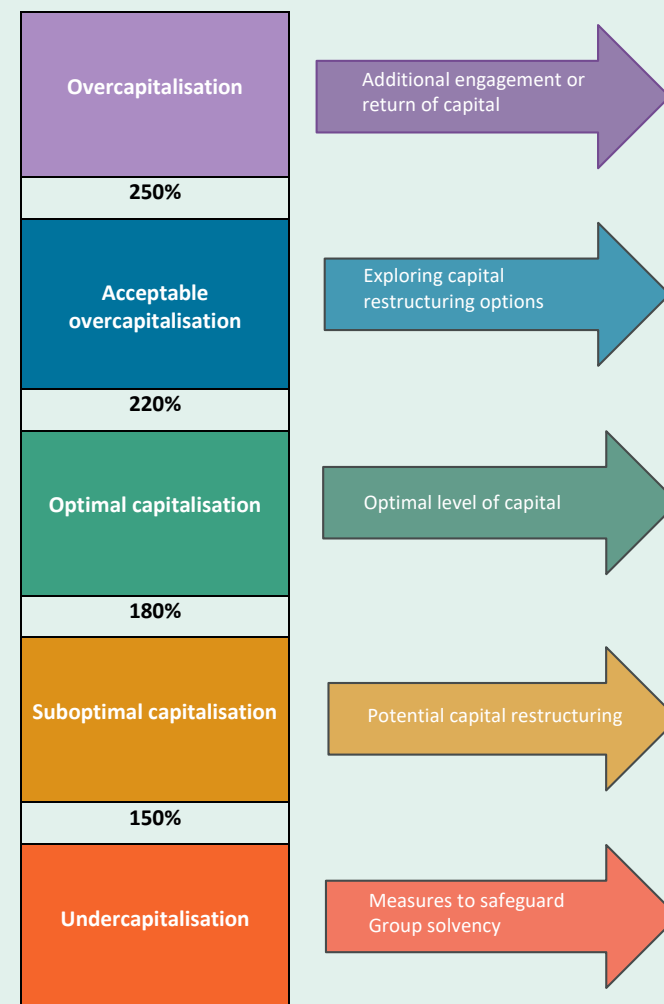
Capital adequacy

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

€ million	30/6/2021 (unaudited)
Eligible own funds	627.8
Solvency capital requirement	287.4
Solvency ratio	218%*

* The calculation does not include the deduction in eligible own funds by the foreseeable dividends for the current year. An inclusion of foreseeable dividends in the amount of the dividend payment made in 2021 would result in a solvency ratio of 214%.

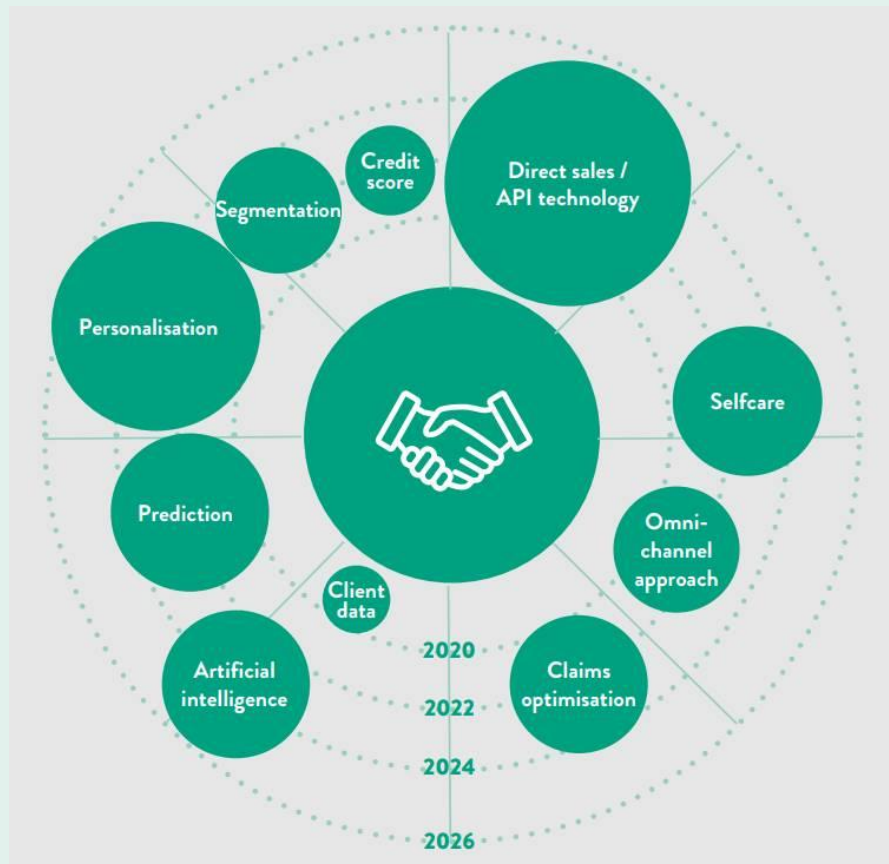
The Sava Insurance Group's solvency and financial condition report for 2020 was posted on the Sava Re website and that of the Ljubljana stock exchange (SEONet) on 20 May 2021.



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Digital transformation, technology upgrades & customer at the centre



- As part of its 2020–2022 strategy, the Group has embarked on large-scale projects aimed towards digital transformation and customer-centricity.
- The Group is also undergoing significant technological upgrades to support the digital transformation and to develop an even more modern and flexible IT system.
- The results of these intensive developments have been wrapped up into a short video. It presents activities carried out and planned to achieve the strategic goals and is available at <https://www.sava-re.si/en-si/investor-relations/strategy/>.

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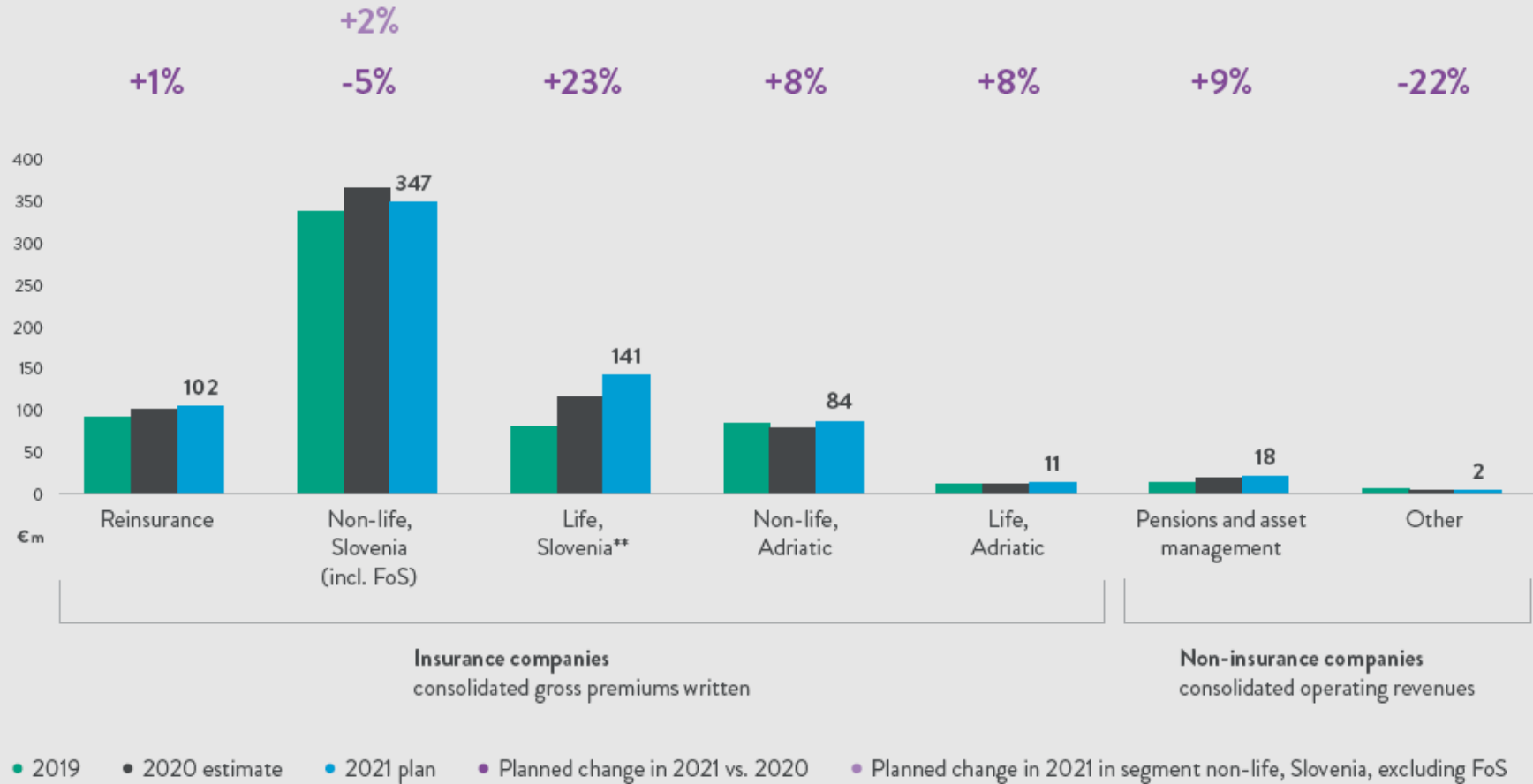
Key group performance metrics

	2019 actual	2020 actual	2021 plan
Group			
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%
(Re)insurance part			
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%

Estimate:
> €60 m

* 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 charges on customer lists.

Consolidated GPW / operating revenue by segment



* 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.

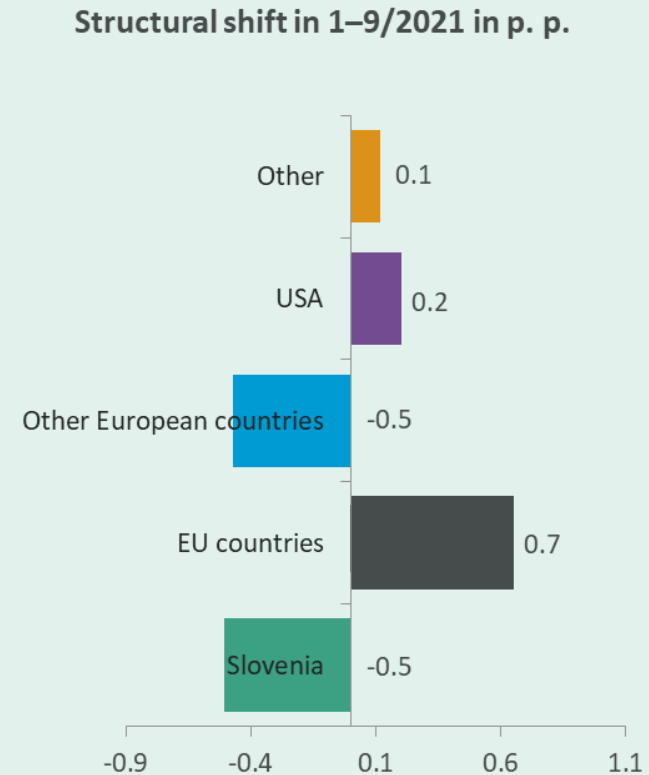
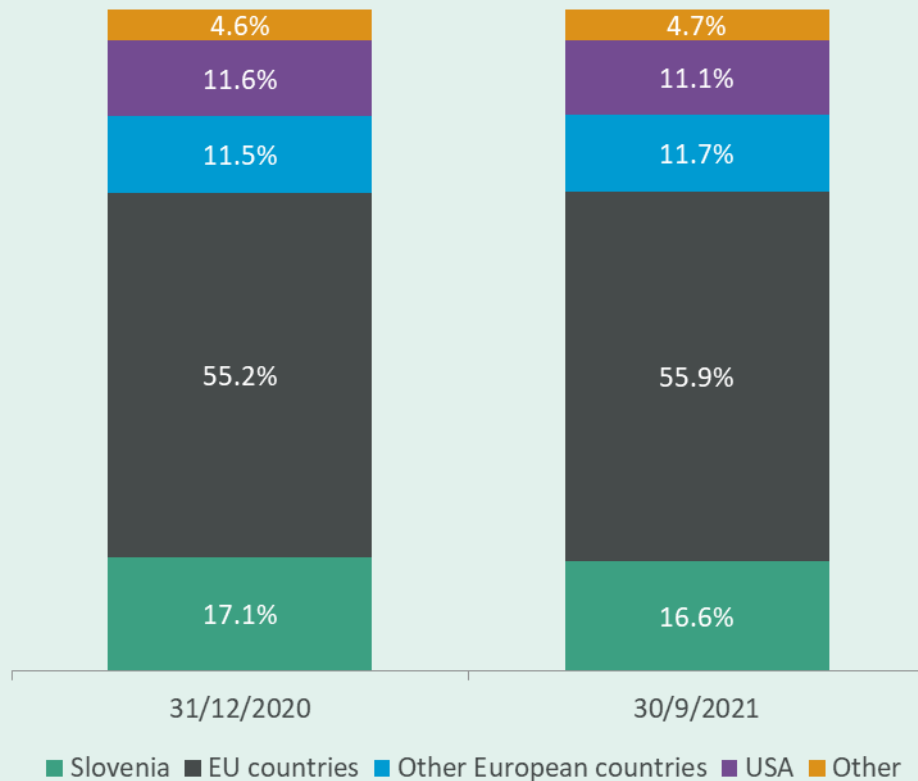
Duty to update

Sava Re assumes no obligation to adjust any forward-looking statements or other information contained in this document to future events or developments.

Appendix

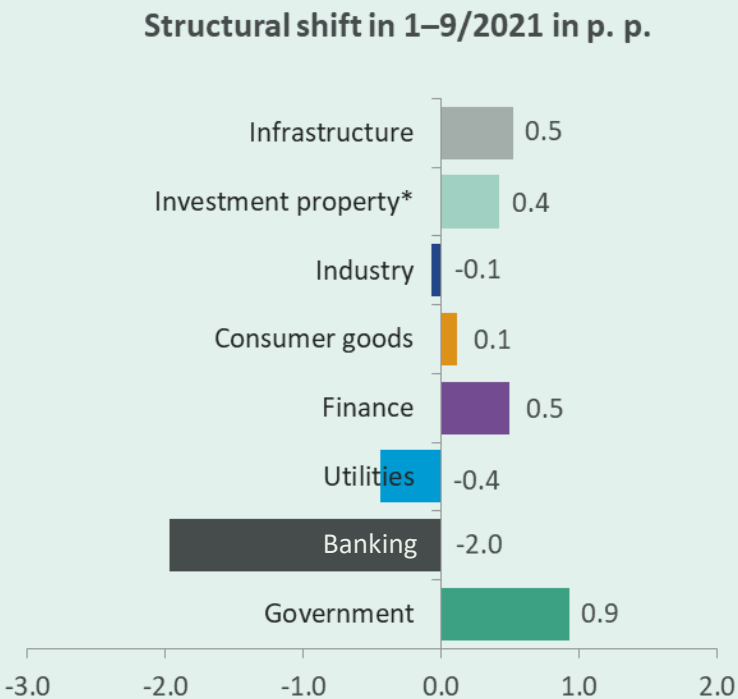
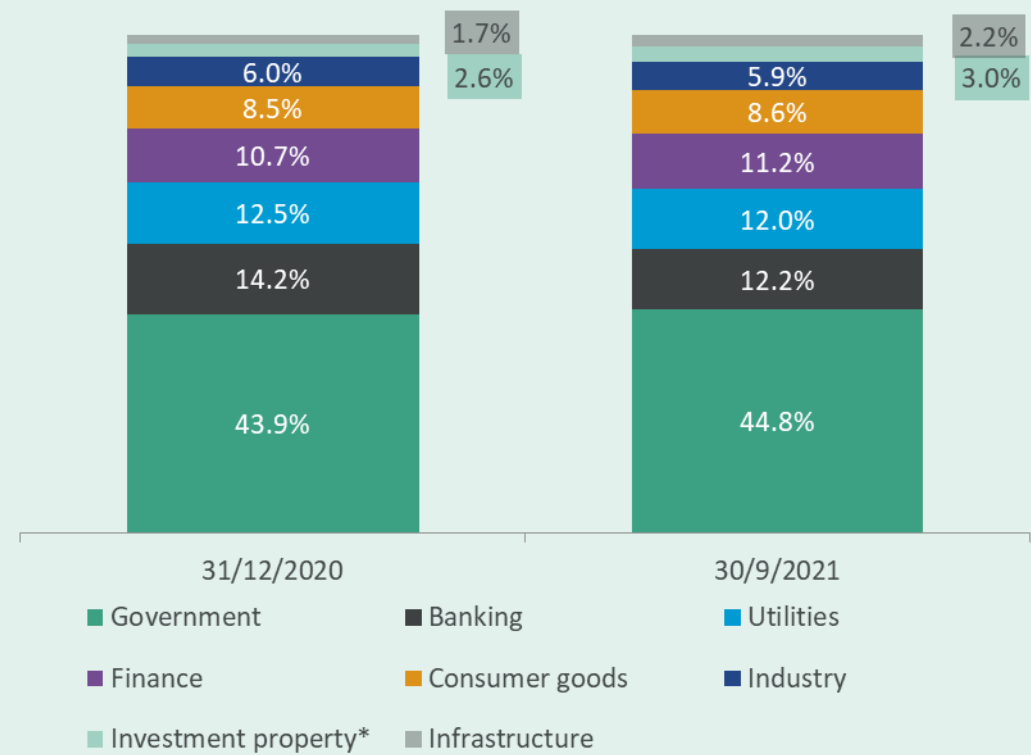
Group exposure by region

Exposure to US and EU issuers rose due to investment in issuer assets of these regions, whereas exposure to Slovenia and other European countries declined owing to maturities.



Group exposure by industry

The lower exposure to banks is due to maturities of deposits and covered bonds.



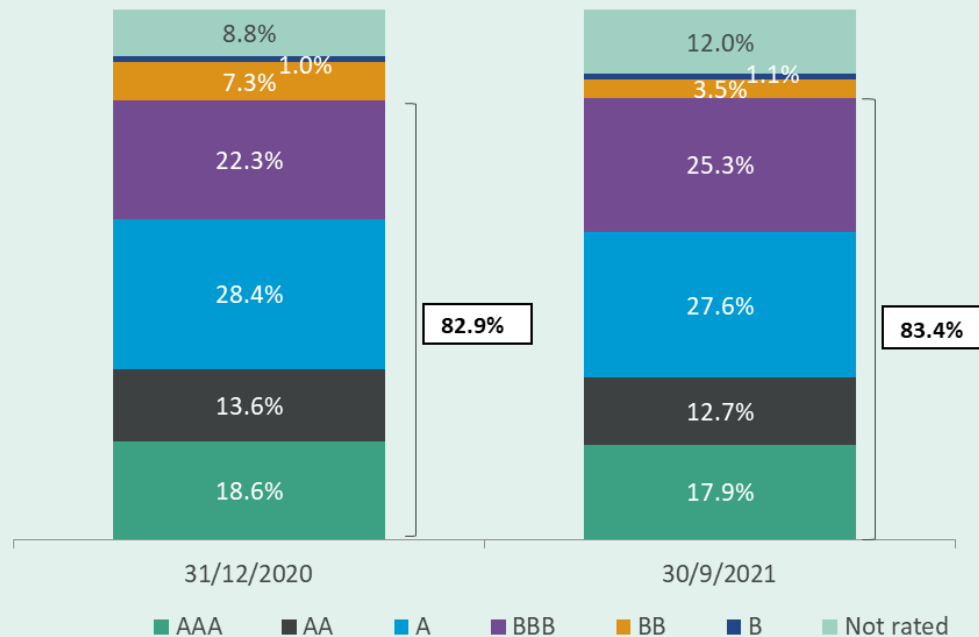
* Includes direct investments in real estate and property funds. Also included are corporate bonds classified as real estate under GICS.

Solid rating profile maintained despite Covid-19

Investment grade assets accounted for 83.4% of fixed-rate investments, up 0.5 p.p. compared to the year end.

A-rated assets shrank as the result of maturities of government bonds and downgrading related to the Covid-19 situation; BB-rated assets reduced because of the upgrading of some Slovenian banks to BBB, resulting in an increase in BBB-rated assets.

The unrated asset category increased by 3.2 p.p. compared to the year end because of the increased percentage of cash in the investment portfolio, which is of a short-term nature.



Structural shift in 1–9/2021 in p. p.

