



Sava Insurance Group

1–3/2022 unaudited results

19 May 2022



Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2022 plan

Highlights 1–3/2022

Operating revenue flat year on year

Growth in gross premiums written of **7.7%**

Net profit reaches **€16.8 million** and **27.9%** of full-year target for 2022

Net expense ratio of **27.4%**, flat year on year

Net combined ratio (excl. FX) of **90.8%** (1–3/2021: 82.8%)

Slovenian non-life segment affected by larger claims frequency in Slovenian motor business reflecting lifted Covid-19 precautions along with higher claims provisions in response to claims inflation. However, the Group combined ratio remained favourable and significantly better than planned (2022 plan < 94.0%)

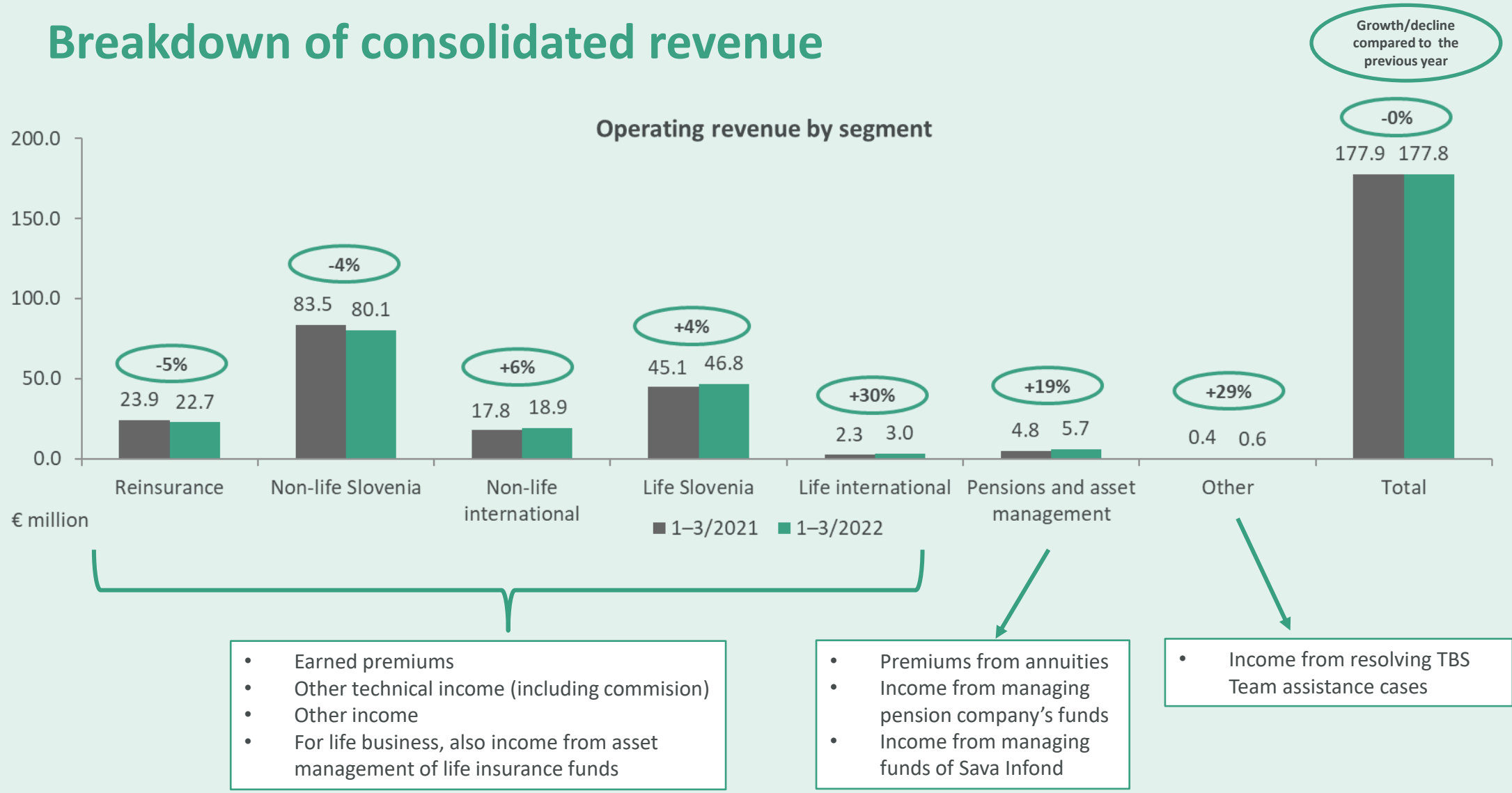
Key figures

€ million, except %	1–3/2021	1–3/2022	2022 plan	Change 2022/2021
Group				
Operating revenue	177.9	177.8	> 700	0.0%
Gross premiums written	215.2	231.7		7.7%
Net expense ratio, including operating revenue*	27.4%	27.4%	31–32%	+0.0 p.p.
Return on the investment portfolio*	1.4%	1.3%	1.4%	-0.1 p.p.
Profit, net of tax	23.5	16.8	> 60	-28.6%
Return on equity	18.9%	13.4%	>= 11.5%	-5.5 p.p.
Return on equity excluding revaluation surplus	20.4%	13.3%		-7.1 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX**	82.8%	90.8%	< 94%	+8.0 p.p.
	31/12/2021	31/3/2022		
Shareholders' equity	504.1	472.5		-6.3%
Total assets of the investment portfolio	1,581.4	1,526.8		-3.5%
Assets for the benefit of policyholders who bear the investment risk	532.1	507.4		-4.6%
Assets in pension company savings funds	971.1	979.2		0.8%
Sava Infond AUM	570.5	546.4		-4.2%

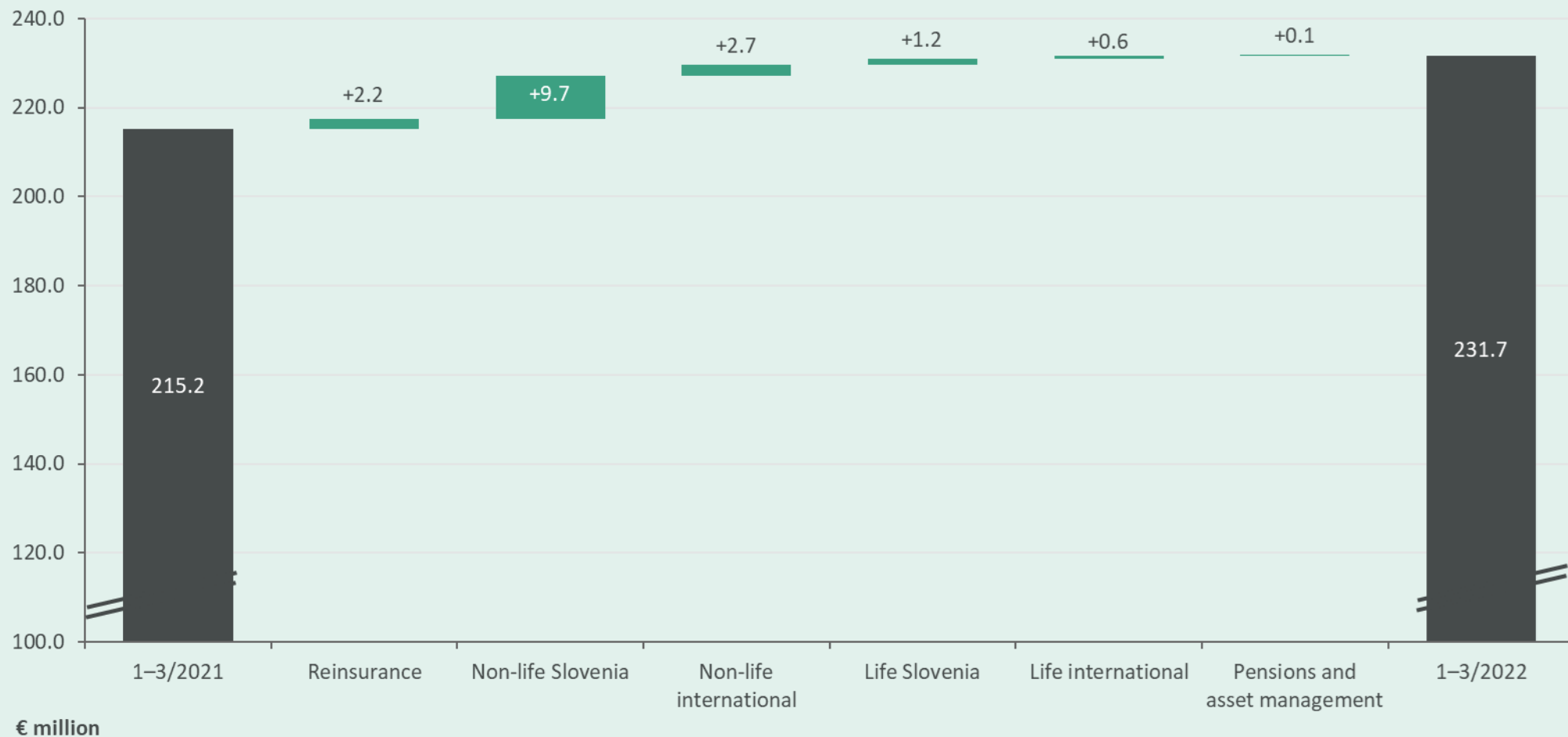
* Impact of exchange rate differences excluded. The return on the investment portfolio does not include subordinated debt expenses. Net expense ratio does not include amortisation of client list.

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

Breakdown of consolidated revenue

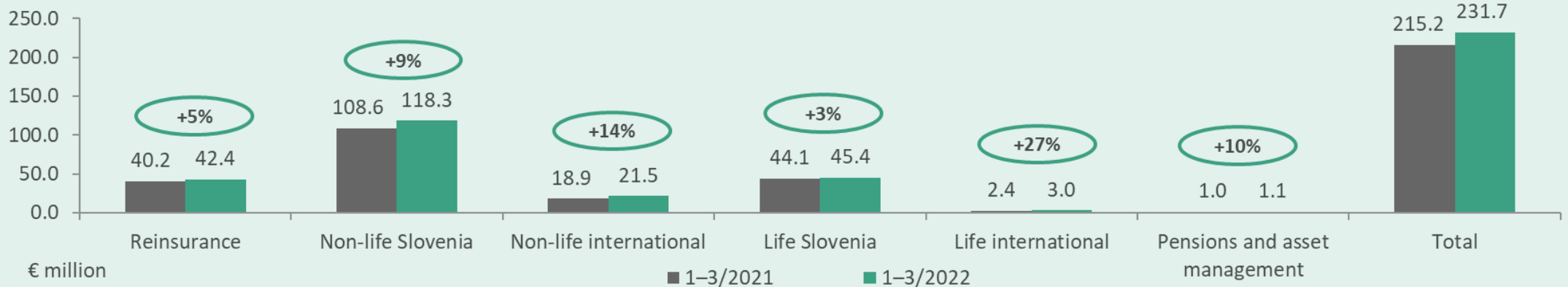


Growth in consolidated GPW of 7.7%



Breakdown of consolidated GPW

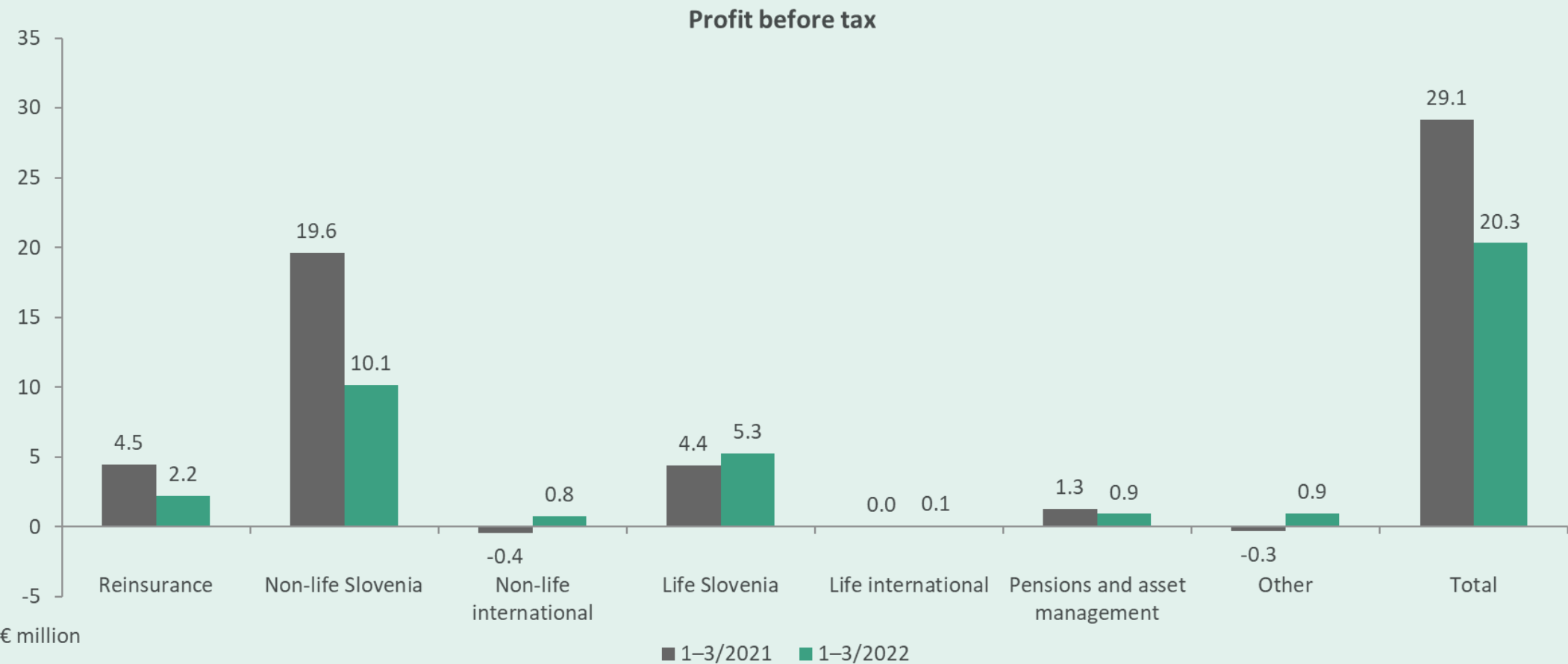
Gross premiums written by segment



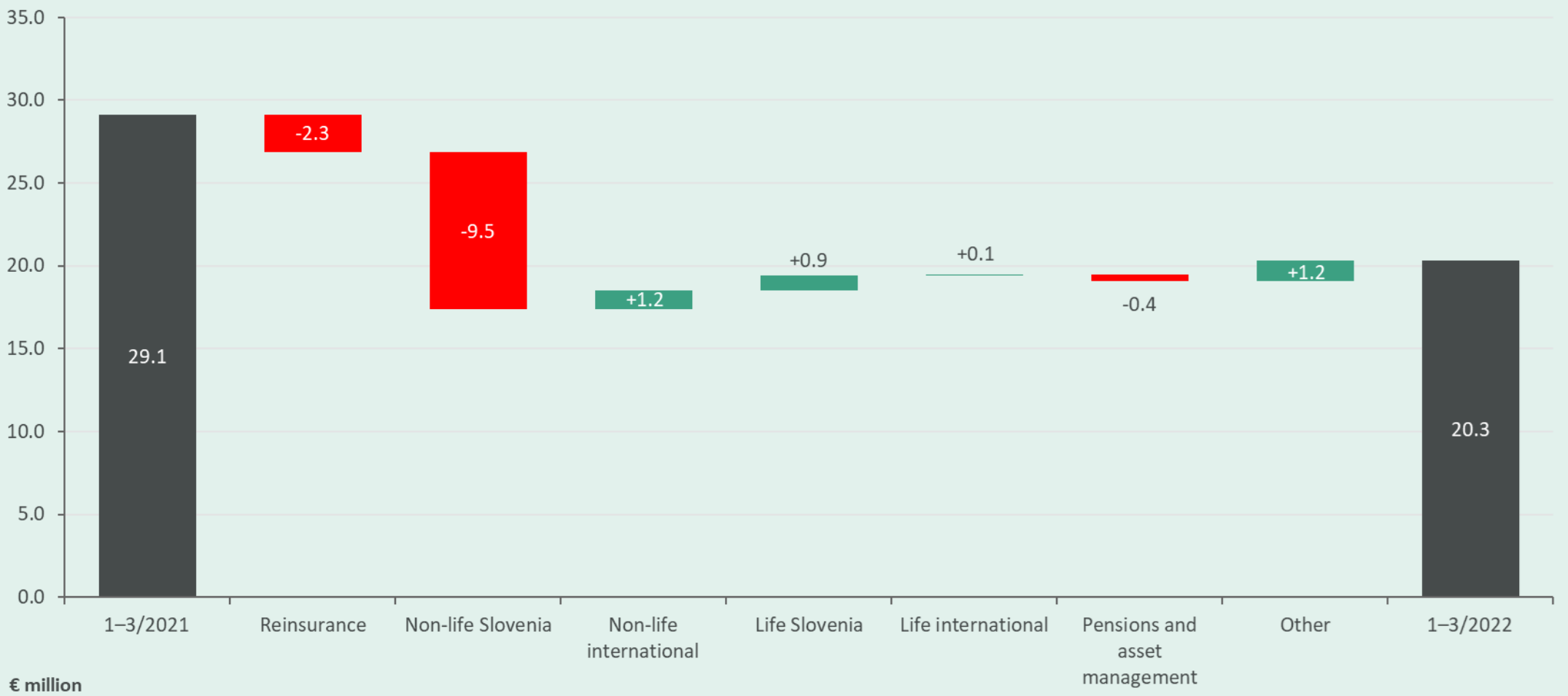
Consolidated gross premiums written by class of insurance



Breakdown of consolidated profit before tax



Decrease in profit before tax of 30.3%

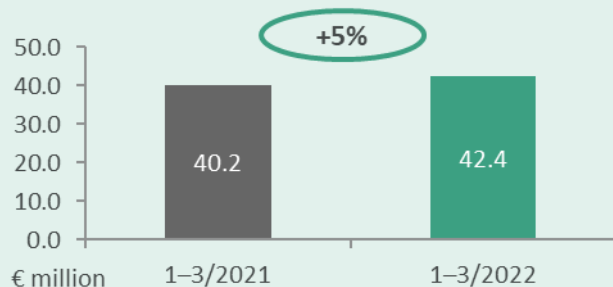


Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2022 plan

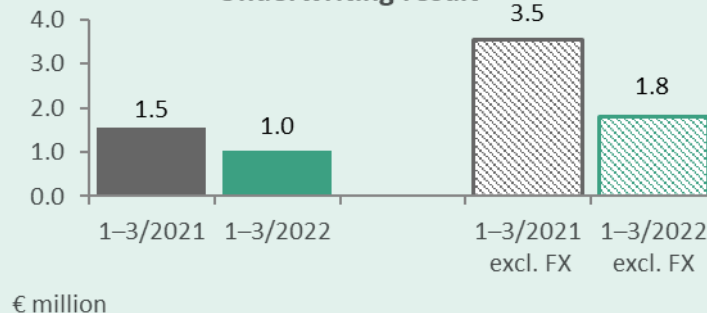
Results by operating segment – reinsurance

Gross premiums written



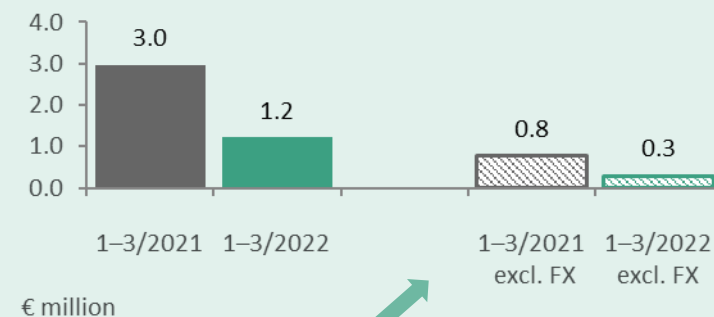
- 22% growth in non-proportional reinsurance business, especially in EU
- 19% year-on-year growth in current UWY premiums, or €6.1 million, whereas prior UWY premiums down by €3.9 million (mainly proportional business)

Underwriting result



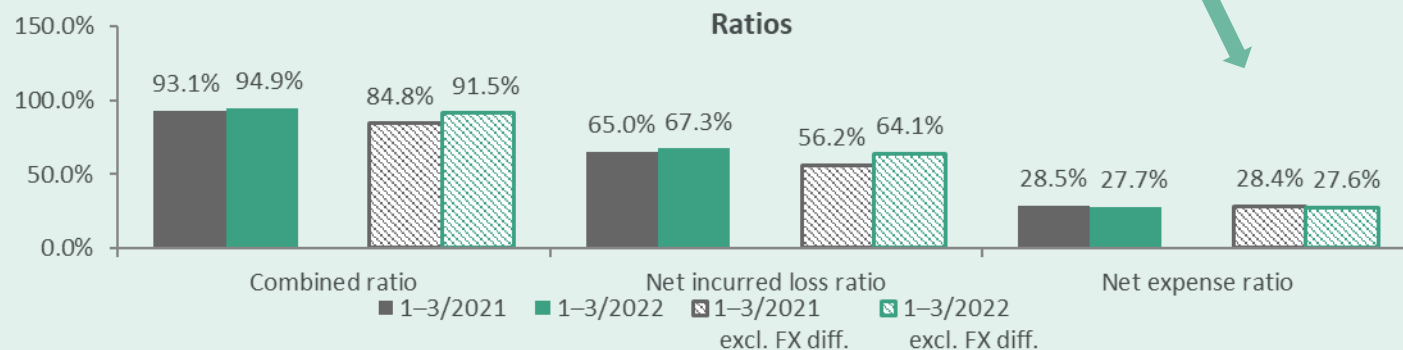
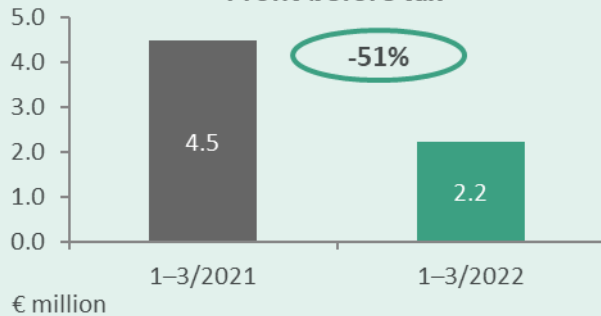
- Decline in underwriting result because of lower net premiums earned (larger proportion of new business in gross claims and consequently more unearned premiums) and higher net claims incurred – unfavourable development of old UWYs and major fire losses in Asia and South America, and typhoon in the Philippines, while impact of major claims was mitigated by good reinsurance protection

Investment result



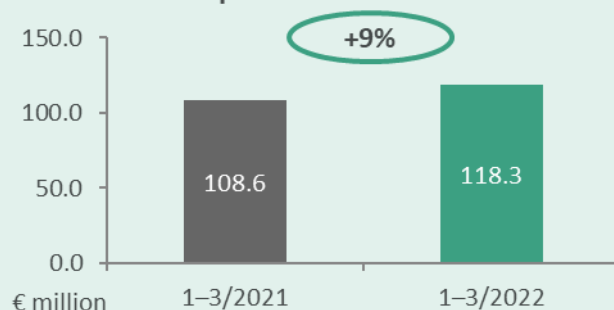
- Weaker investment result, excl. FX, due to higher expenses for fair value changes of FVTPL assets
- Improved net expense ratio reflecting lower acquisition costs as a result of higher growth in non-proportionate reinsurance business characterised by lower commission rates

Profit before tax



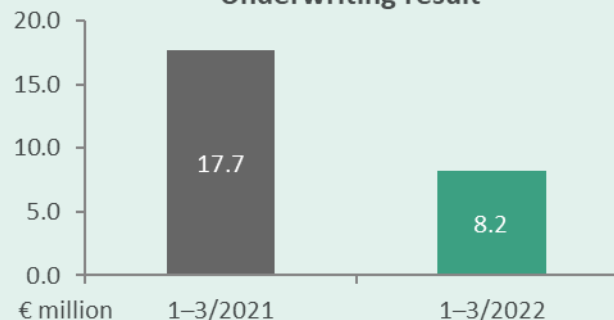
Results by operating segment – non-life Slovenia

Gross premiums written



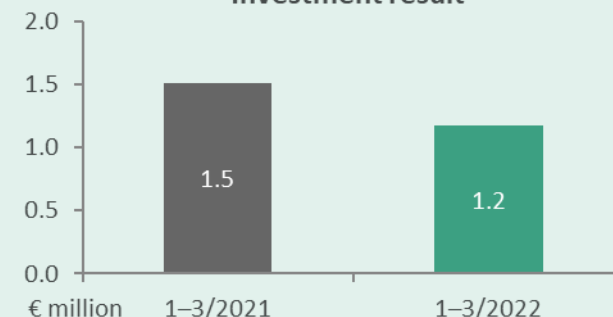
- Growth in gross property premiums due to different dynamics in the key account segment, and growth in gross personal motor premiums because of more policies sold

Underwriting result



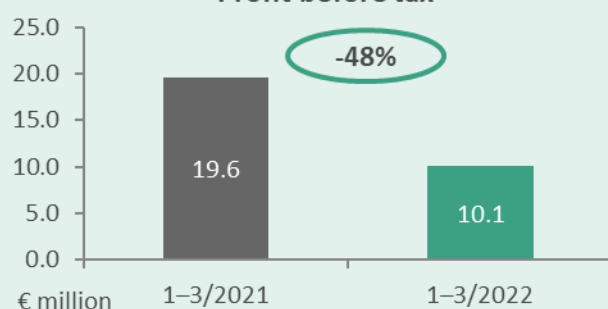
- Weaker underwriting result owing to lower net premiums earned and higher net claims incurred, which increased because of higher claims frequency after the lifting of Covid-19 precautions resulted in heavier traffic and hence more accidents. In addition, net claims incurred increased because of higher provisioning in response to claims inflation

Investment result

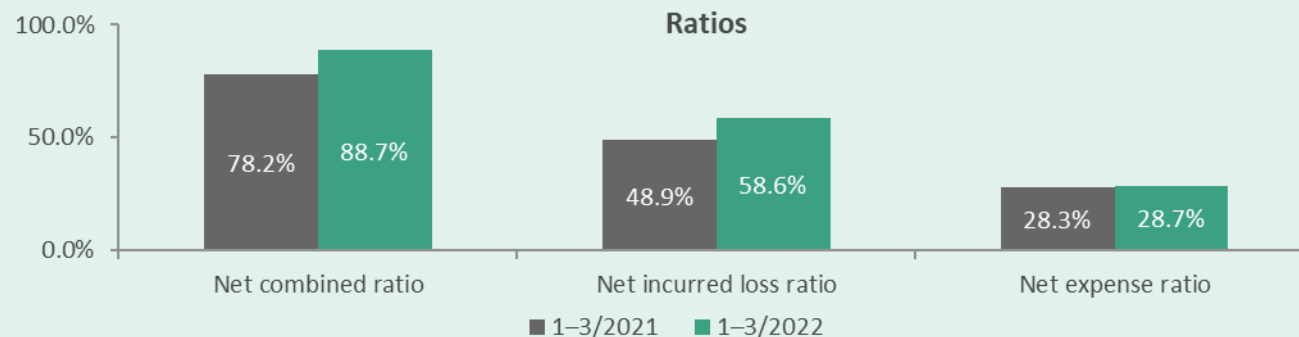


- Weaker result chiefly due to higher expenses for fair value changes of FVTPL assets

Profit before tax

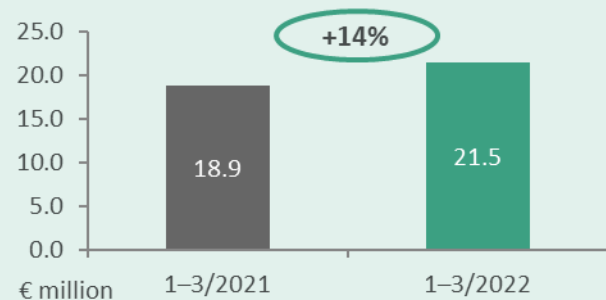


Ratios



Results by operating segment – non-life international

Gross premiums written



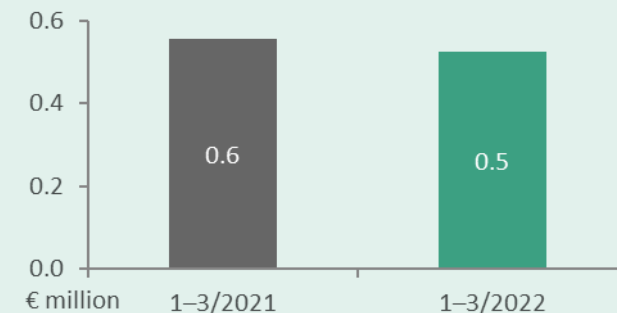
- Growth in gross premiums across all companies; largest growth in gross motor premiums, in particular in Serbia and Kosovo; growth also in property business as the result both of higher premiums of existing policyholders and the attraction of new ones

Underwriting result



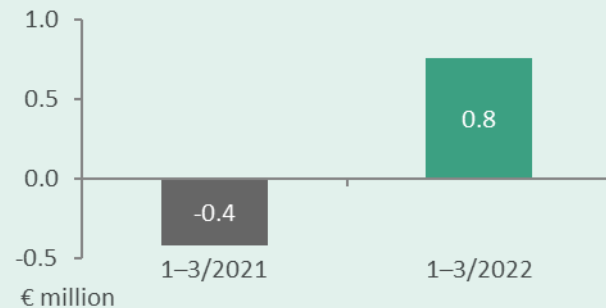
- Better underwriting result because of higher premiums earned and lower claims incurred, with the largest drop in Croatia due to portfolio optimisation and shrinkage

Investment result

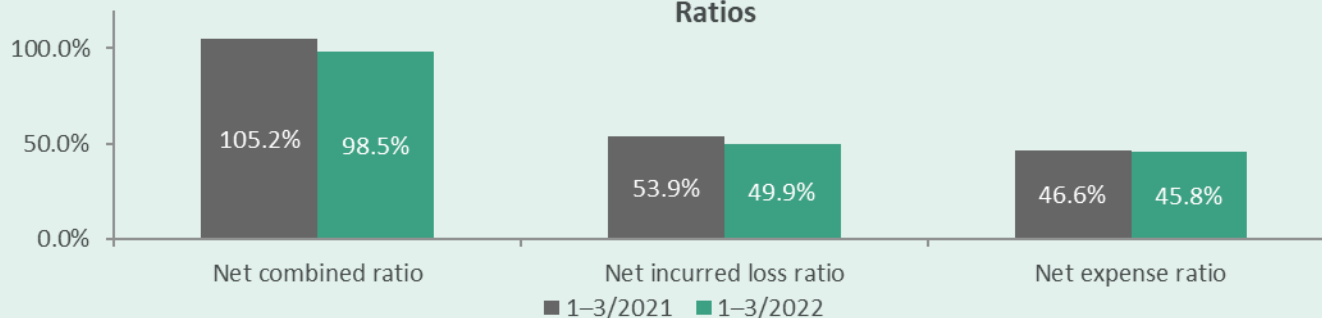


- Lower investment result due to lower gains on sale of investments and lower interest income

Profit before tax

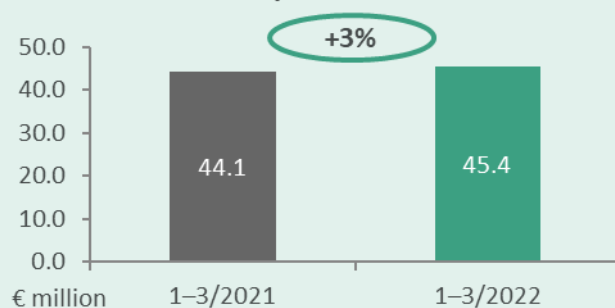


Ratios



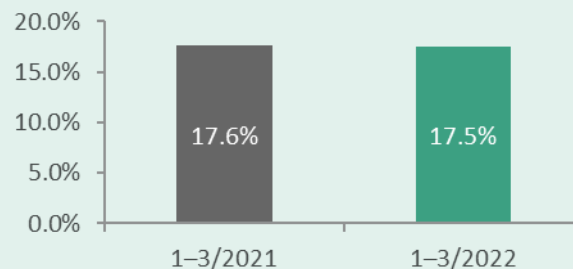
Results by operating segment – life Slovenia

Gross premiums written



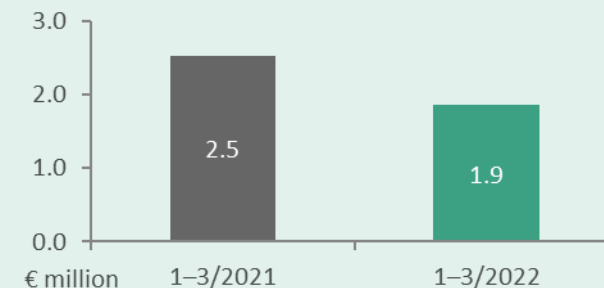
- 4.4% growth in gross premiums of Vita, mainly due to better sales in the last year. Strong sales continue this year as well. Zavarovalnica Sava achieved 0.4% growth in gross premiums after several years of premium decline – fewer payouts due to maturities, surrenders and deaths, and better sales

Net expense ratio



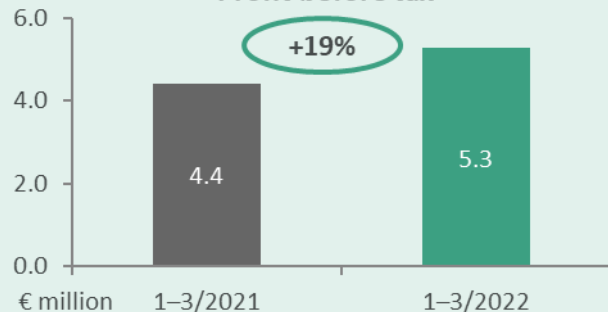
- The net expense ratio remained flat year on year

Investment result

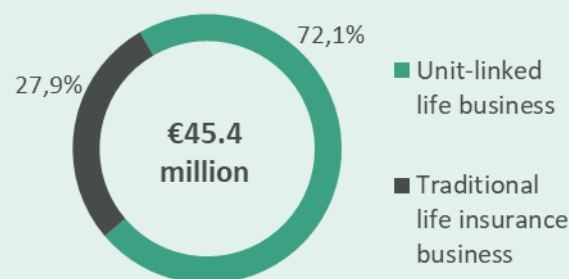


- Net investment income was lower chiefly due to higher expenses for fair value changes of assets

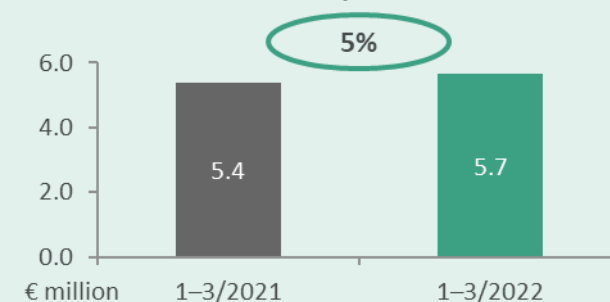
Profit before tax



Structure of GPW 1-3/2022

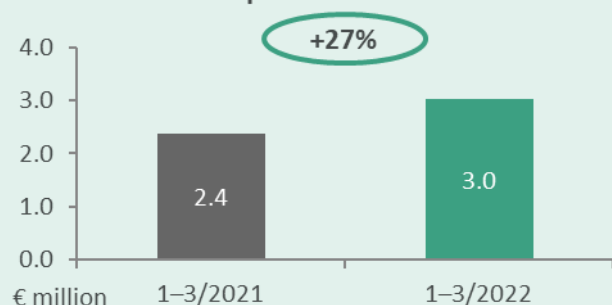


New annual premiums written



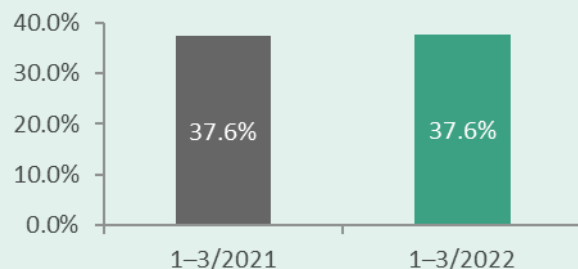
Results by operating segment – life international

Gross premiums written



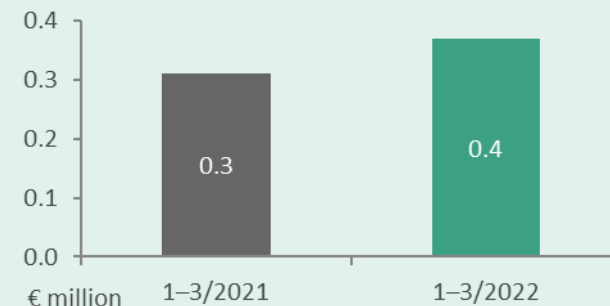
- Gross premiums of the Kosovo insurer grew by 82% due to both the launch of sales through a bank in mid-2021 and better sales through the own sales network. The Serbian insurer grew by 19%, whereas the Croatian branch of Zavarovalnica Sava continued to see premiums decline following maturities and weaker sales

Net expense ratio



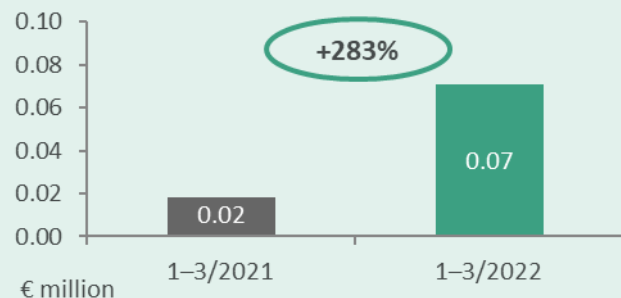
- The expense ratio remained largely flat year on year

Investment result

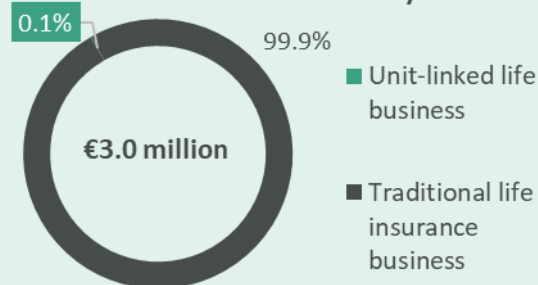


- Better investment result due to rise in interest income and positive effect of FX differences

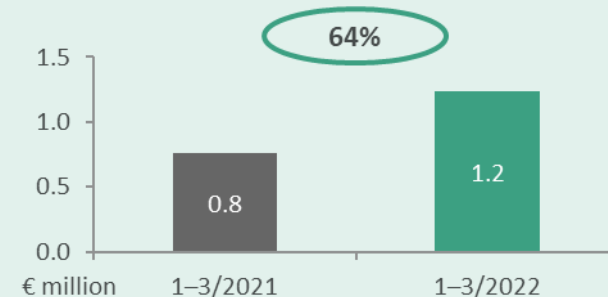
Profit before tax



Structure of GPW 1-3/2022

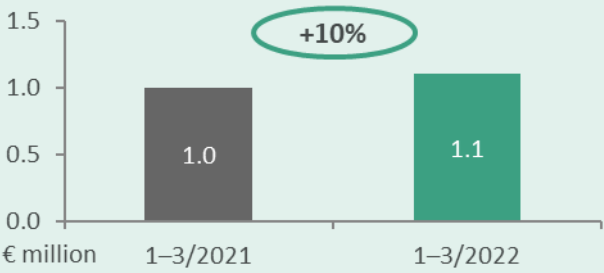


New annual premiums written



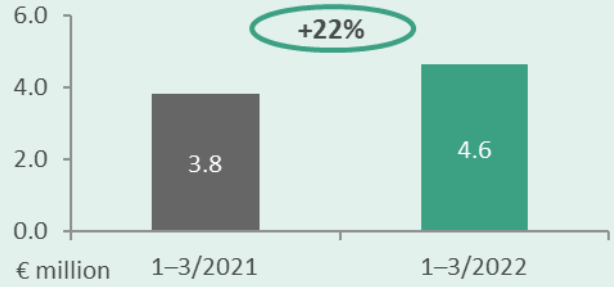
Results by operating segment – pensions and asset management

Gross premiums written (annuities)



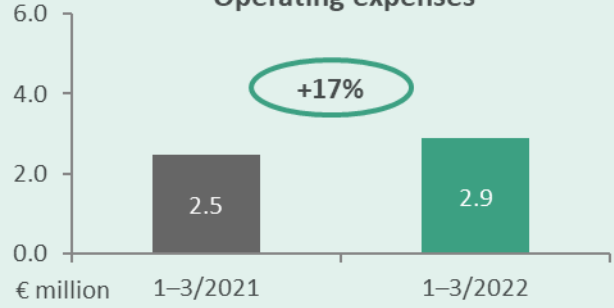
- The portfolio of annuity policies grows in line with the number of policyholders who meet pension eligibility requirements
- Weaker result due to adverse developments in financial markets related to the war in Ukraine and strengthening of provisions for non-achievement of the guaranteed return at the Slovenian pension company

Other technical and other income



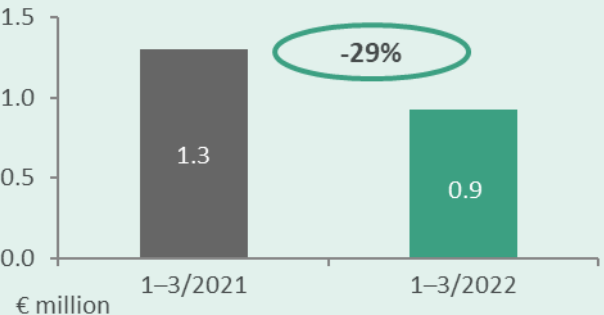
- Higher income reflecting increased assets under management year on year, most notably at Sava Infond

Operating expenses

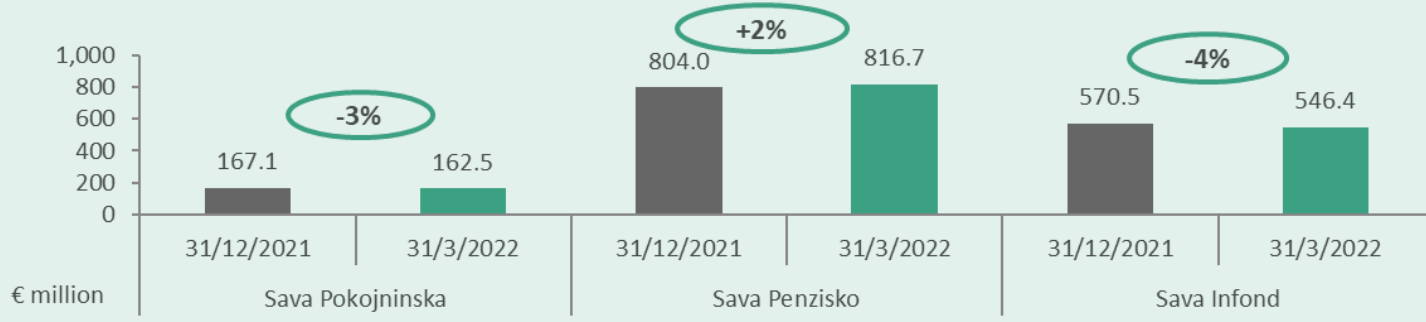


- Increase in operating expenses due to growth in business volume and year-on-year growth in assets under management

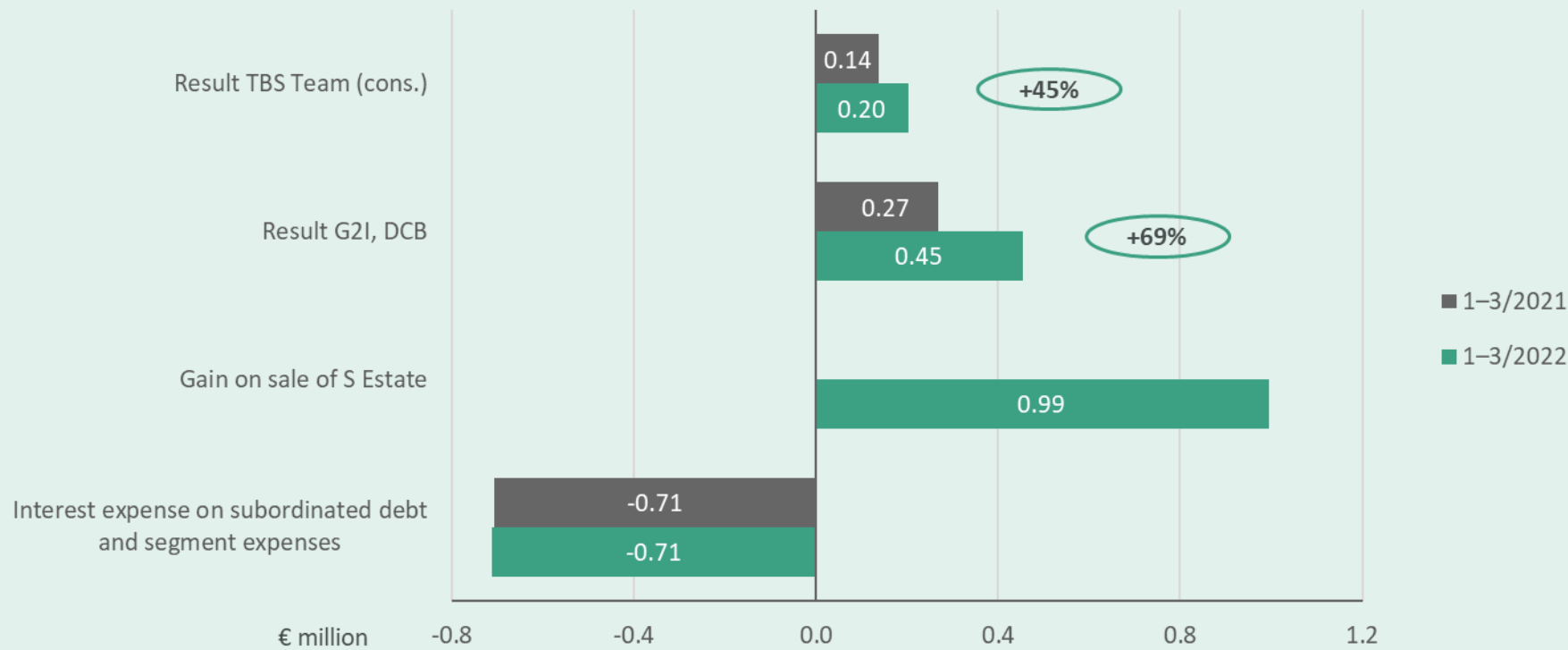
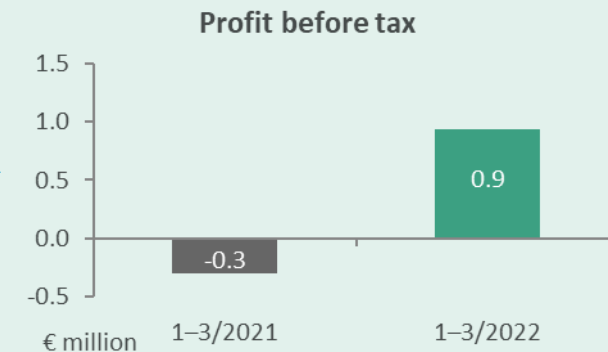
Profit before tax



Assets in pension savings funds and asset management funds



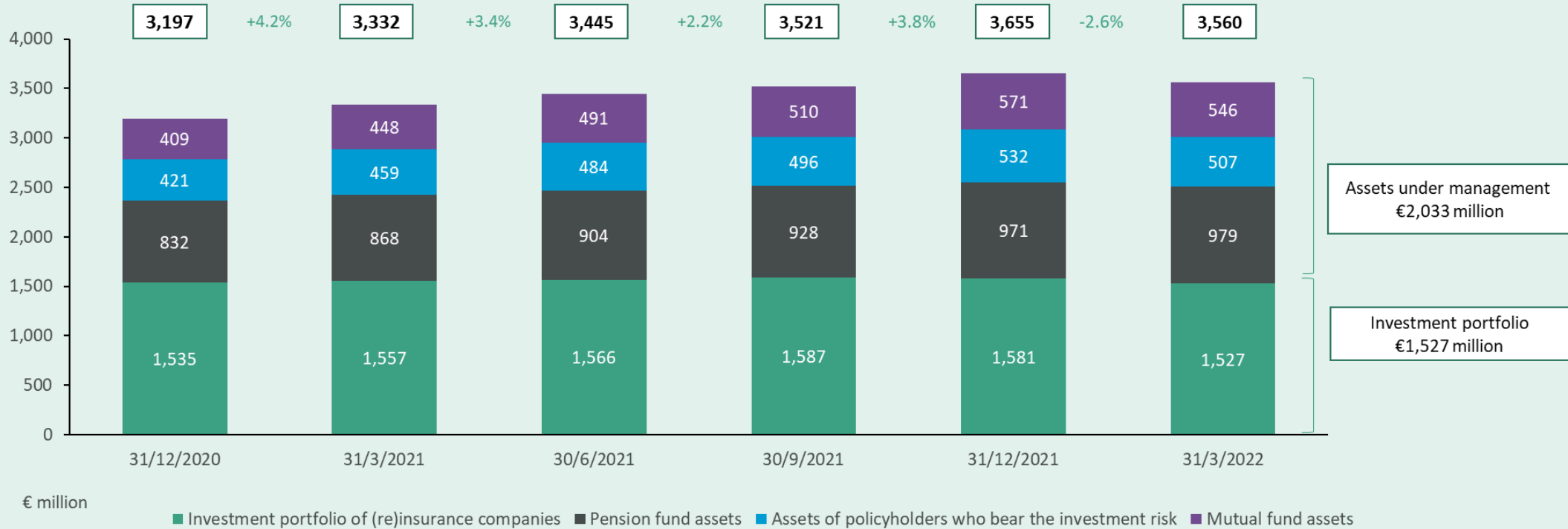
Results by operating segment – other



Contents

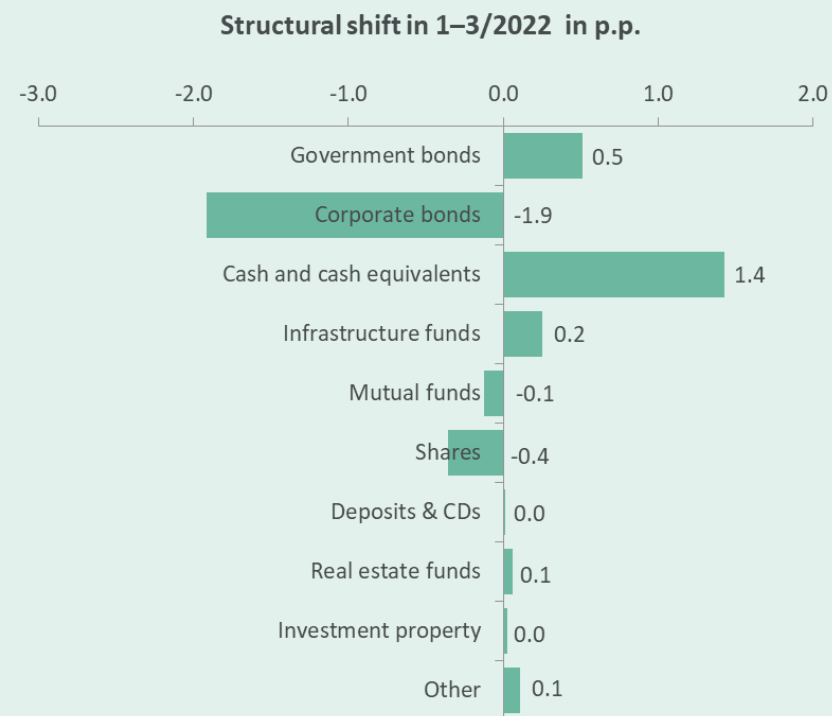
- Group results
- Segment reporting
- **Financial investments**
- POSR share and dividend policy
- Solvency position
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Investment portfolio and AuM



Structure of the investment portfolio

€ million	31/12/2021	31/3/2022
Government bonds	718.5	701.5
Corporate bonds	592.1	542.4
Cash and cash equivalents	74.0	93.2
Infrastructure funds	44.5	46.8
Mutual funds	35.9	32.8
Shares	36.0	29.3
Deposits & CDs	18.6	18.2
Real estate funds	15.8	16.2
Investment property	14.3	14.2
Other	31.8	32.3
Total investment portfolio	1,581.4	1,526.8



The decline in the **proportion of corporate bonds of 1.9 p.p.** is due to the negative change in the fair value reserve, maturities and disposals, resulting in an increase in the proportion of cash and cash equivalents.

Net inv. income of and return on the investment portfolio

€ million	1–3/2021	1–3/2022	Absolute change
Net investment income relating to the investment portfolio	7.6	5.5	-2.2
Net investment income of the investment portfolio, excluding FX differences	4.7	4.4	-0.3
Return on the investment portfolio, excluding FX differences and subordinated debt expense	1.4%	1.3%	-0.1

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

Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2022 plan

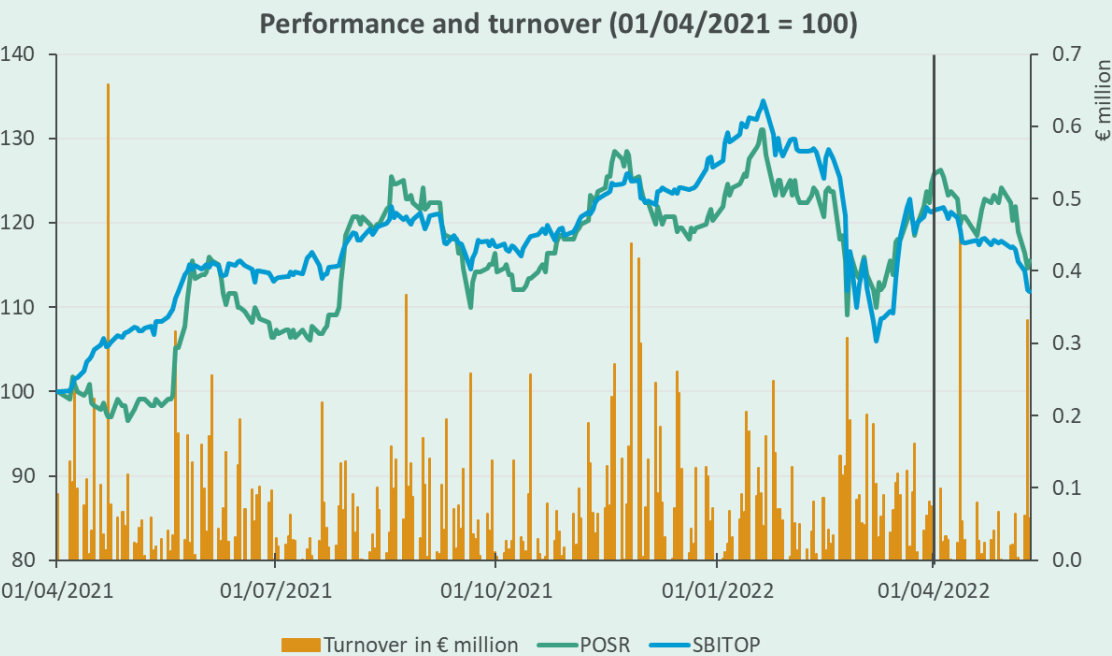
Shareholders and share trading

Book value per share

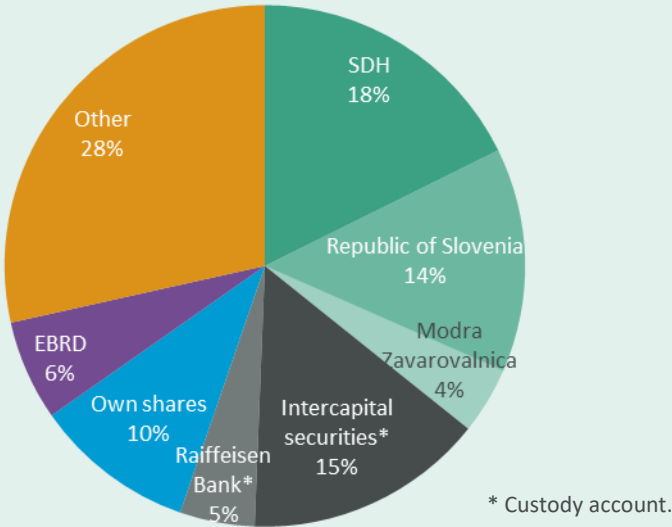
€30.49

31 Mar 22 / 31 Dec 21: -6.3%

31/3/2022	
Share capital (€ million)	71.9
Market capitalisation (€ million)	447.9
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,257



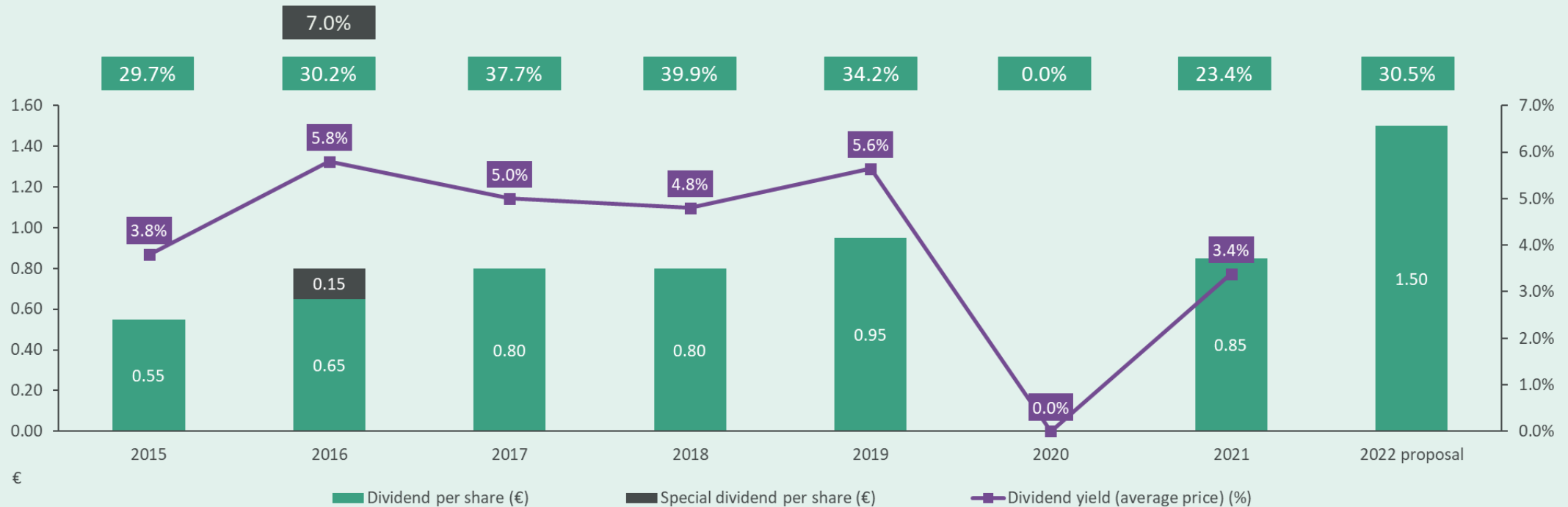
Shareholders as at 31 March 2022



Dividend policy

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit



- **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. The amount of the 2020 dividend paid out in 2021 was limited on the recommendation of the Insurance Supervision Agency.
- Proposed dividend payout in 2022 in respect of the 2021 profit: proposed dividend payment of €23,246,544.00 or €1.50 gross per share. The general meeting of shareholders is scheduled to be held on 23 June 2022.

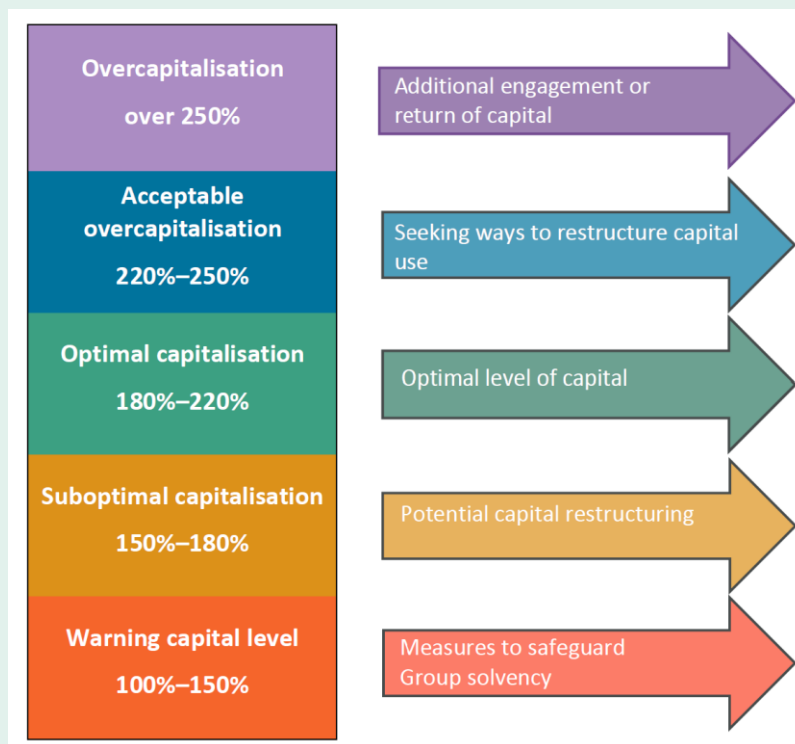
Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2022 plan

Capital adequacy

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

€ million	31/12/2021
Eligible own funds	601.3
Solvency capital requirement (SCR)	304.4
Solvency ratio	198 %



The Sava Insurance Group's solvency and financial condition report for 2021 was posted on the Sava Re website and that of the Ljubljana stock exchange on 19 May 2022.

Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- 2022 plan

Major development areas in 2022



DIGITAL TRANSFORMATION & PLACING THE CUSTOMER AT THE CENTRE

- Continued work on introducing remote solutions supporting insurance operations & expanding remote business
- Facilitating customer communication, exploring omni-channel marketing and replacing paper-based communication with electronic means
- Introducing new digital avenues: offering a wider array of online sales options, informative solutions, service subscriptions and information points providing advice on selecting optimal coverage for individual customer segments



IT OVERHAUL

- Overhaul activities on the core IT solution supporting reinsurance operations
- Completed overhaul of the core IT solution for the Croatian branch office of Zavarovalnica Sava
- Work on the content expansion of data warehouses relating to insurance business
- Continuing technological and process upgrades in cyber security, with an emphasis on end-user training



ACQUISITIONS-BASED GROWTH

- Exploring opportunities for growth through acquisitions in the areas and countries where the Group is present

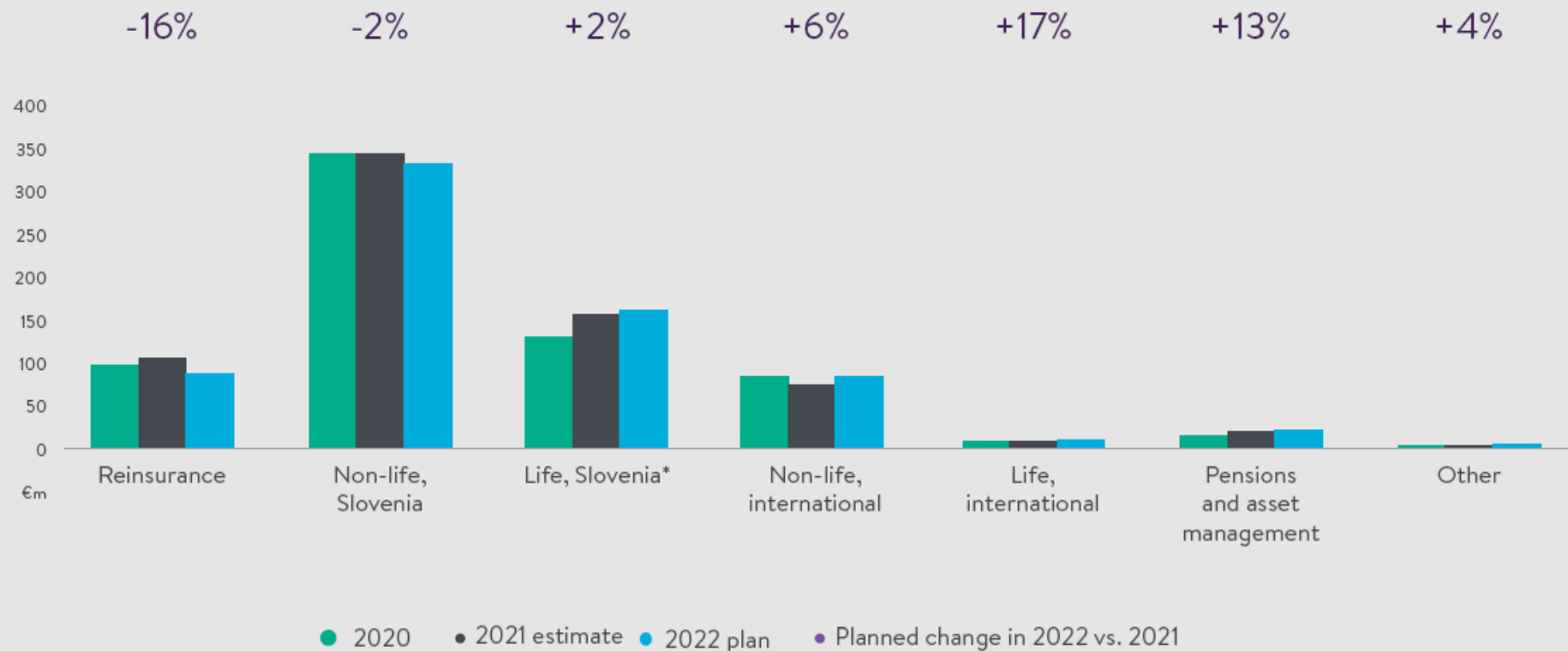
Key group performance metrics

	2020 actual	2021 actual	2022 plan
Operating revenues	€680.8 m	€732.7 m	> €700 m
Profit, net of tax	€56.4 m	€76.2 m	> €60 m
Return on equity (ROE)	13.3%	15.8%	>= 11.5%
Net expense ratio*	29.5%	29.0%	31–32%
Investment return*	1.6%	1.8%	1.4%
Net combined ratio* (reins. + non-life)	93.9%	88.3%	< 94%

* Impact of exchange rate differences excluded. The investment return does not include subordinated debt expenses. The net expense ratio does not include amortisation of contractual relationships with clients. The Group net expense ratio 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.

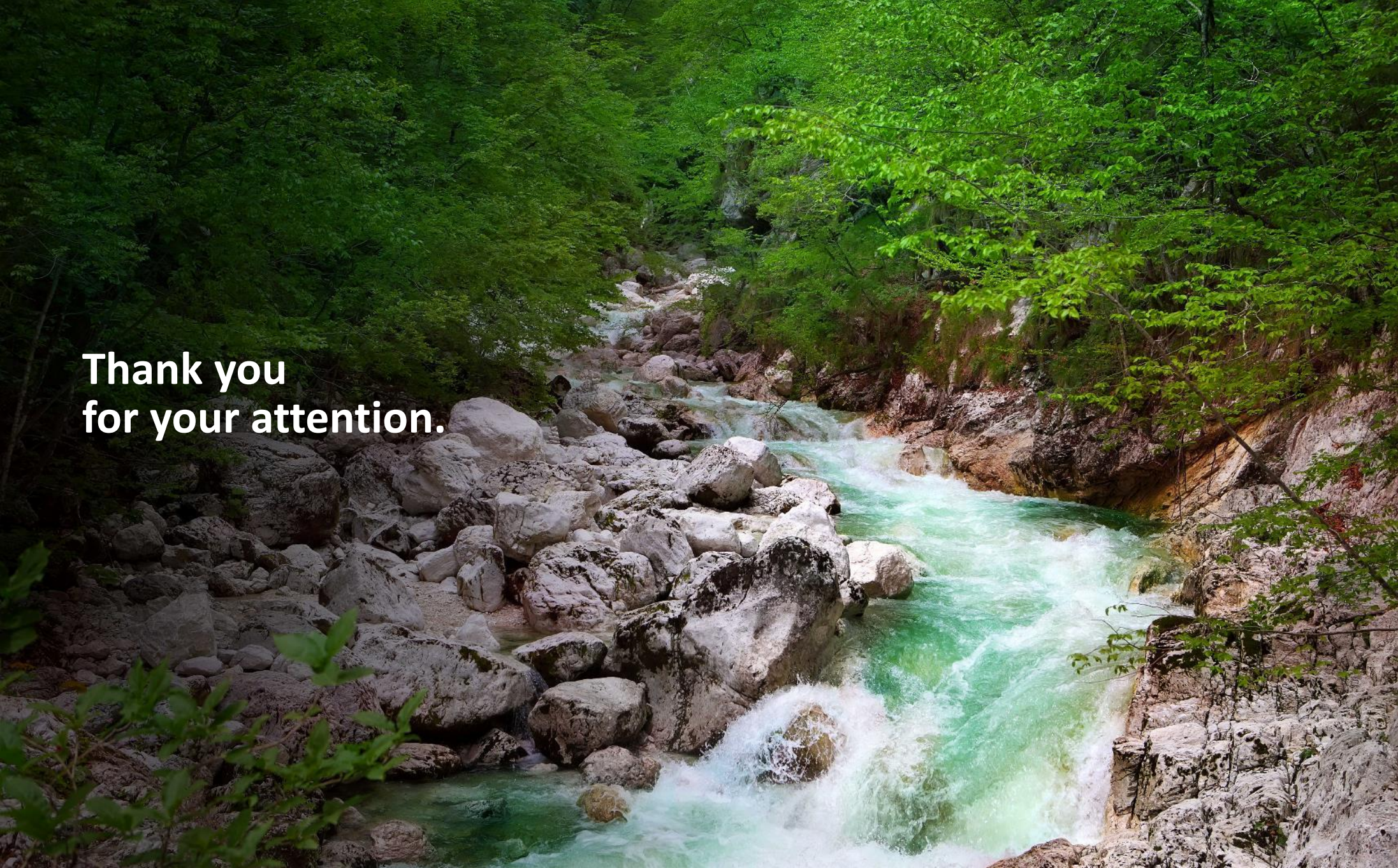
This plan is based on autumn forecasts for GDP growth in the countries where the Group is present and on expected relatively stable financial markets. It also assumes there will be no new lockdowns in 2022 or restrictions on movement like those imposed in these countries in 2020 and 2021.

Operating revenue by segment



* 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.

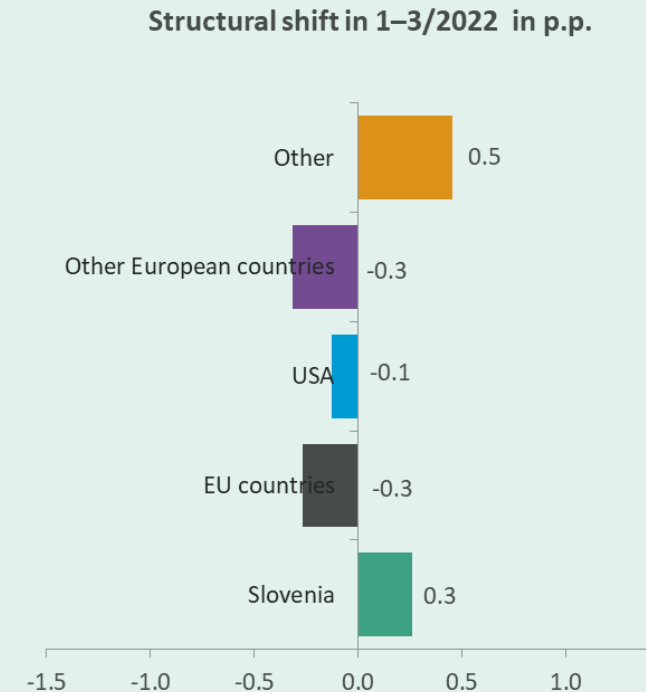
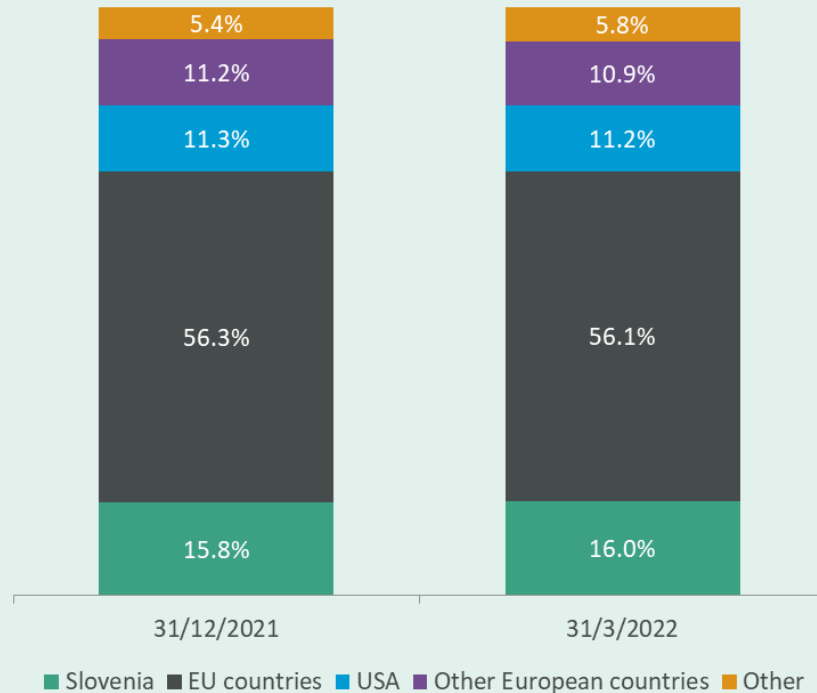
Appendix

Group exposure by region

The exposure to individual regions remained broadly flat compared to year-end 2021.

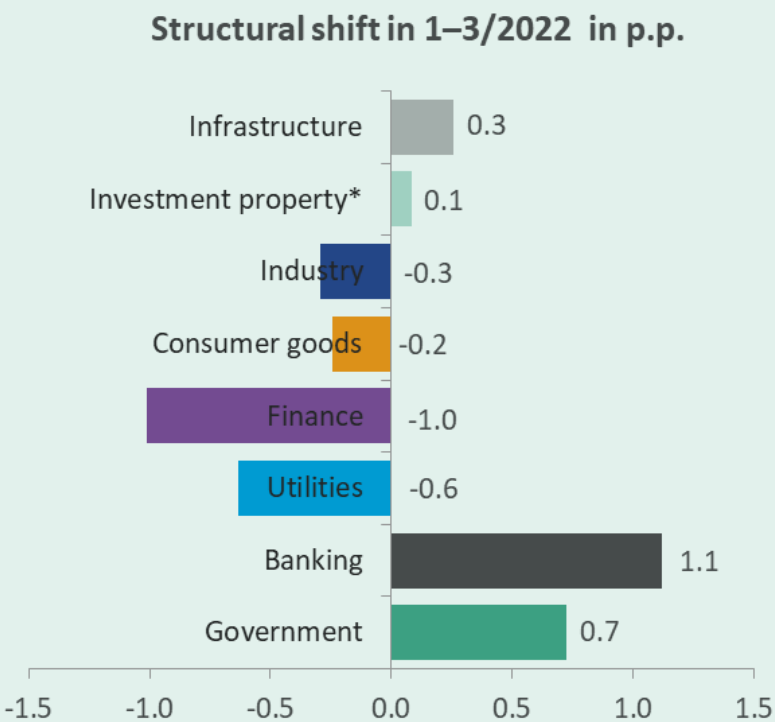
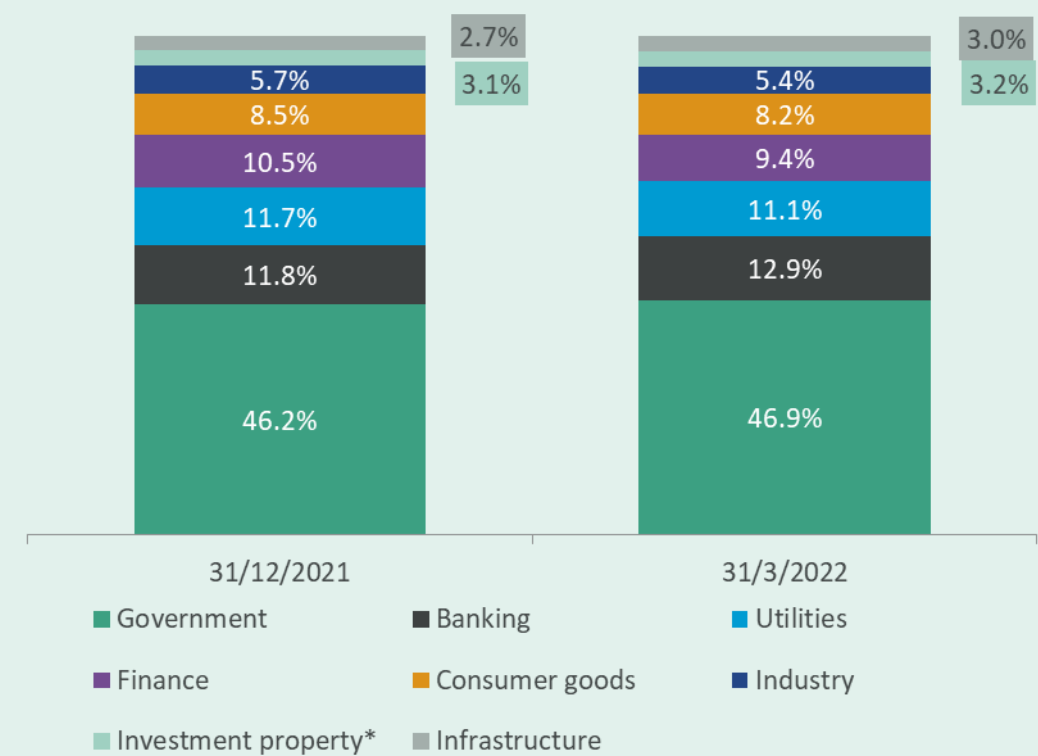
Higher exposure to Slovenia is mainly driven by increased balance of cash and cash equivalents.

Lower exposure to EU countries chiefly reflects maturing and disposals of investments of EU issuers, and negative fair value revaluation of debt investments.



Group exposure by industry

The increase in exposure to the banking sector is due to higher cash and cash equivalents, which are short-term in nature. Assets from maturing investments of other sectors were partially invested in government investments, which increased the exposure to the government sector.



* Includes direct investments in real-estate and property funds. Corporate bonds classified as real estate under GICS are also included.

Rating profile

Investment-grade assets accounted for 82.6% of fixed-rate investments, down 1.9 p.p. compared to year-end 2021.

The proportion of A-rated investments declined due to the maturing of the best-rated investments, which were only partly reinvested, leaving the remainder in cash and cash equivalents, which have a poorer rating or are unrated.

The unrated asset category increased by 1.7 p.p. compared to year-end 2021, chiefly because of lower investments in other asset categories as well as a higher proportion of cash in the investment portfolio, which is of a short-term nature.

