



Sava Insurance Group

1–9/2022 unaudited results

18 November 2022



Contents

- Group results
- Segment reporting
- Financial investments
- Sustainability
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

Highlights 1–9/2022

Growth in gross premiums written of **5.2%** – strongest growth in the motor business, reflecting more policies sold and higher average premiums; growth also in the reinsurance segment, driven by higher rates in global reinsurance markets, and in the foreign life business, mainly because of a new bancassurance channel

Net profit of **€46.5 million** (1–9/2021: €57.2 million), **77.5% of annual plan**

- increase in claims and claims provisions due to claim inflation, weather-related claims and the rise in the claim frequency of motor insurance in Slovenia following the lifting of Covid-19 precautions
- improved underwriting results of FoS business, non-Slovenian subsidiaries and reinsurance operations
- unfavourable trends in financial markets: impact on the profit of the Slovenian pension company and on net investment income due to the change in the fair value of FVTPL investments

Affirmed **“A” ratings** by S&P Global Ratings and AM Best, outlook stable

On 23 June 2022, the general meeting approved a dividend payout of **€1.50** per share, which translates into a 5.7% dividend yield.

Key figures

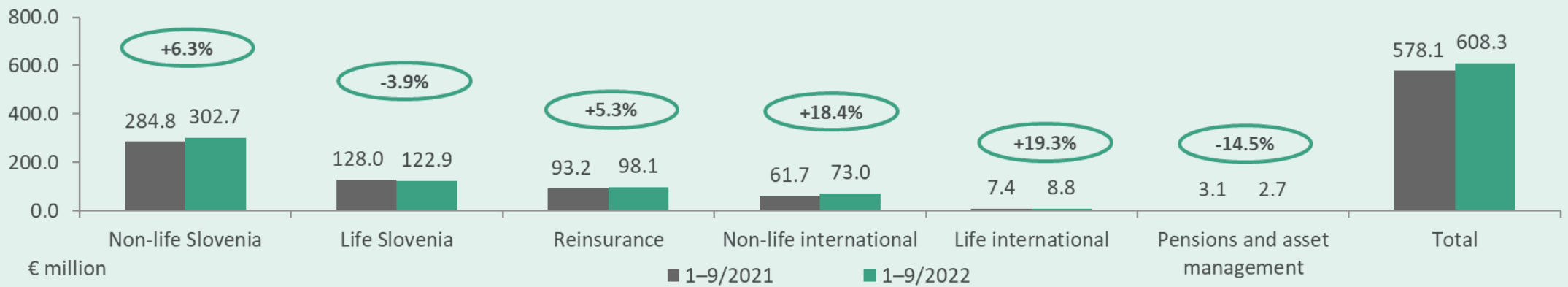
€ million, except %	1–9/2021	1–9/2022	2022 plan	Change 2022/2021
Group				
Operating revenue	548.8	558.0	> 700	1.7%
Gross premiums written	578.1	608.3		5.2%
Net expense ratio, including operating revenue*	27.8%	28.5%	31–32%	+0.7 p.p.
Return on the investment portfolio*	1.9%	1.3%	1.4%	-0.6 p.p.
Profit, net of tax	57.2	46.5	> 60	-18.8%
Return on equity	15.9%	13.4%	>= 11.5%	-2.5 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX**	88.3%	91.9%	< 94%	+3.5 p.p.
	31/12/2021	30/9/2022		
Shareholders' equity	504.1	396.8		-21.3%
Total assets of the investment portfolio	1,581.4	1,426.2		-9.8%
Assets for the benefit of policyholders who bear the investment risk	532.1	478.7		-10.0%
Assets in pension company savings funds	971.1	987.7		1.7%
Assets under management at investment funds management company	570.5	489.6		-14.2%

* 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 GPW

Gross premiums written by segment



Consolidated gross premiums written by class of insurance

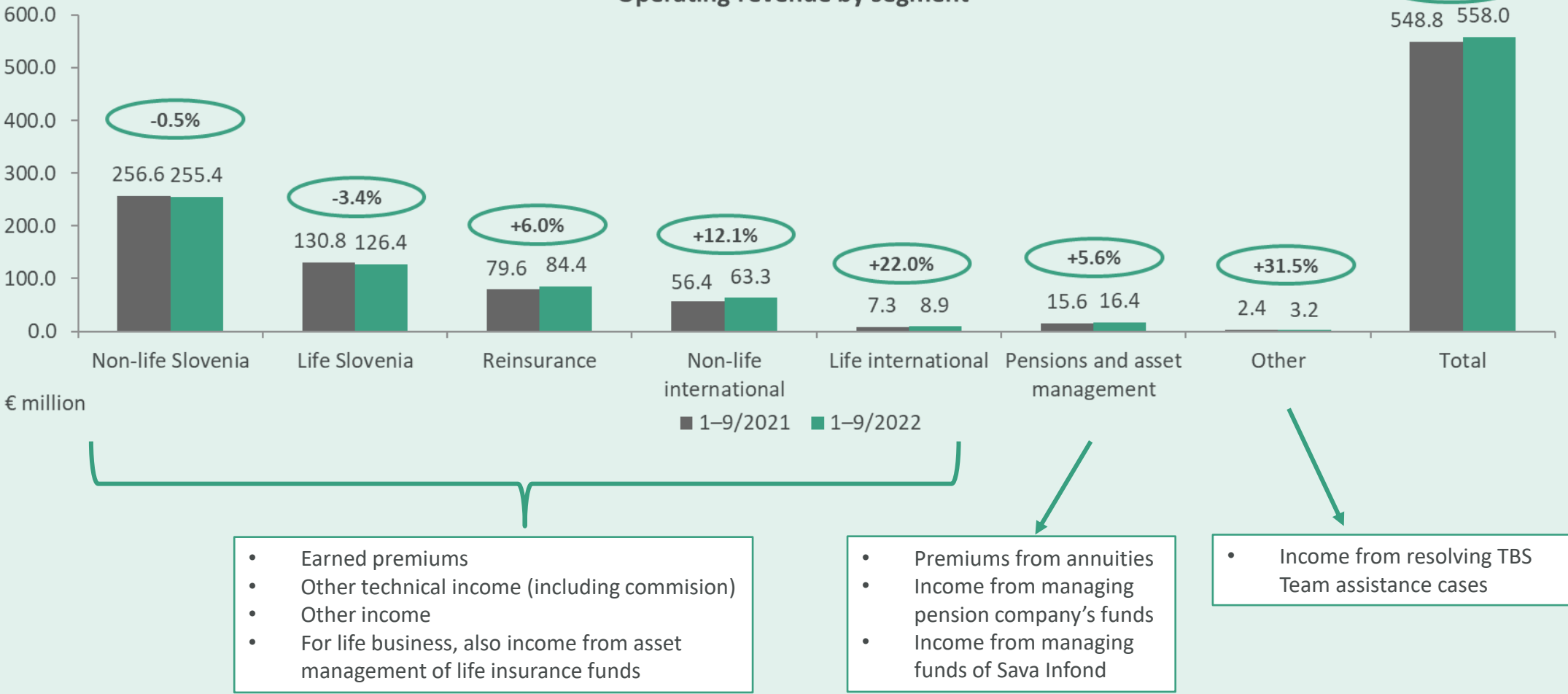


Growth in consolidated GPW of 5.2%

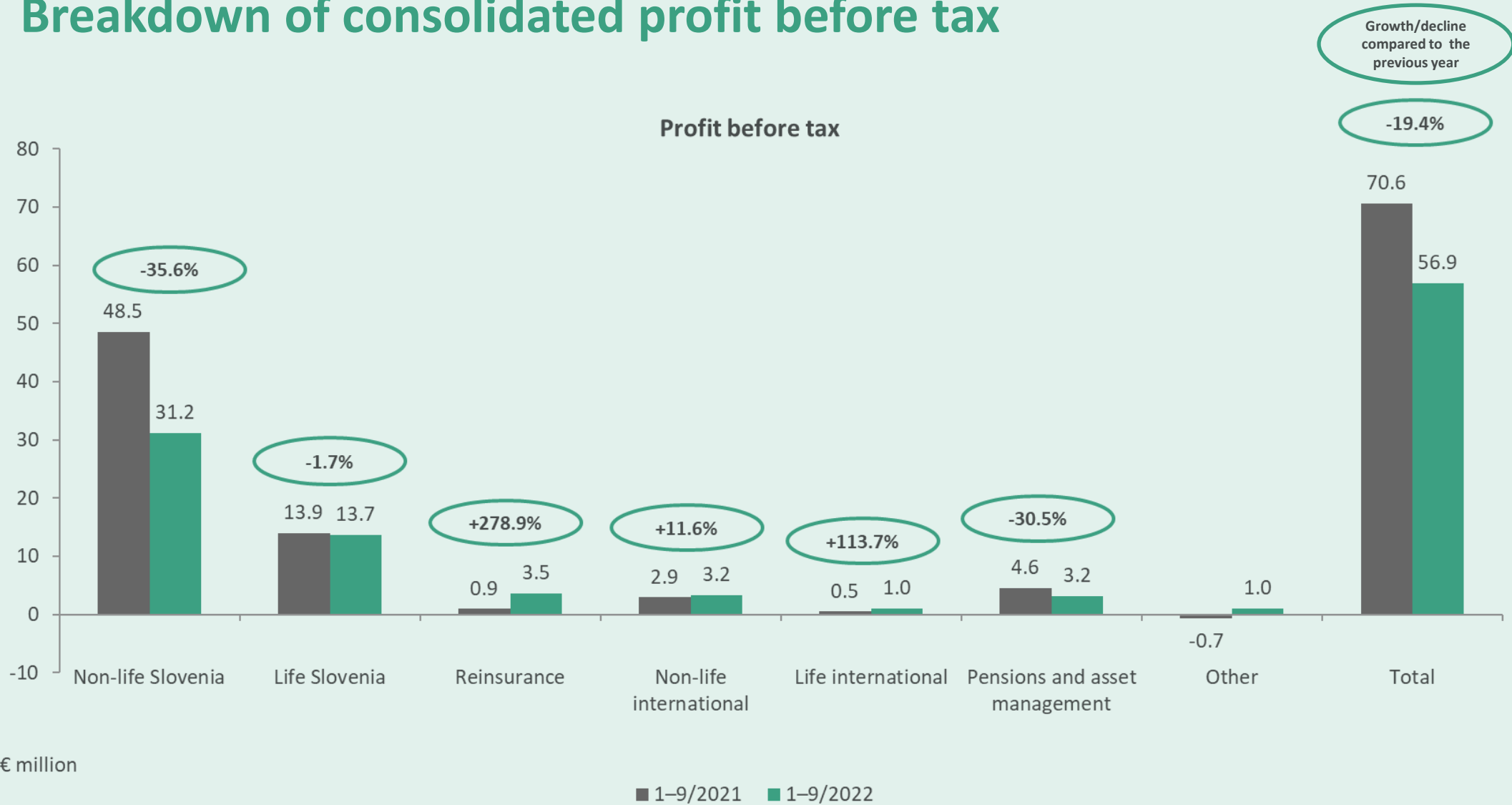


Breakdown of consolidated revenue

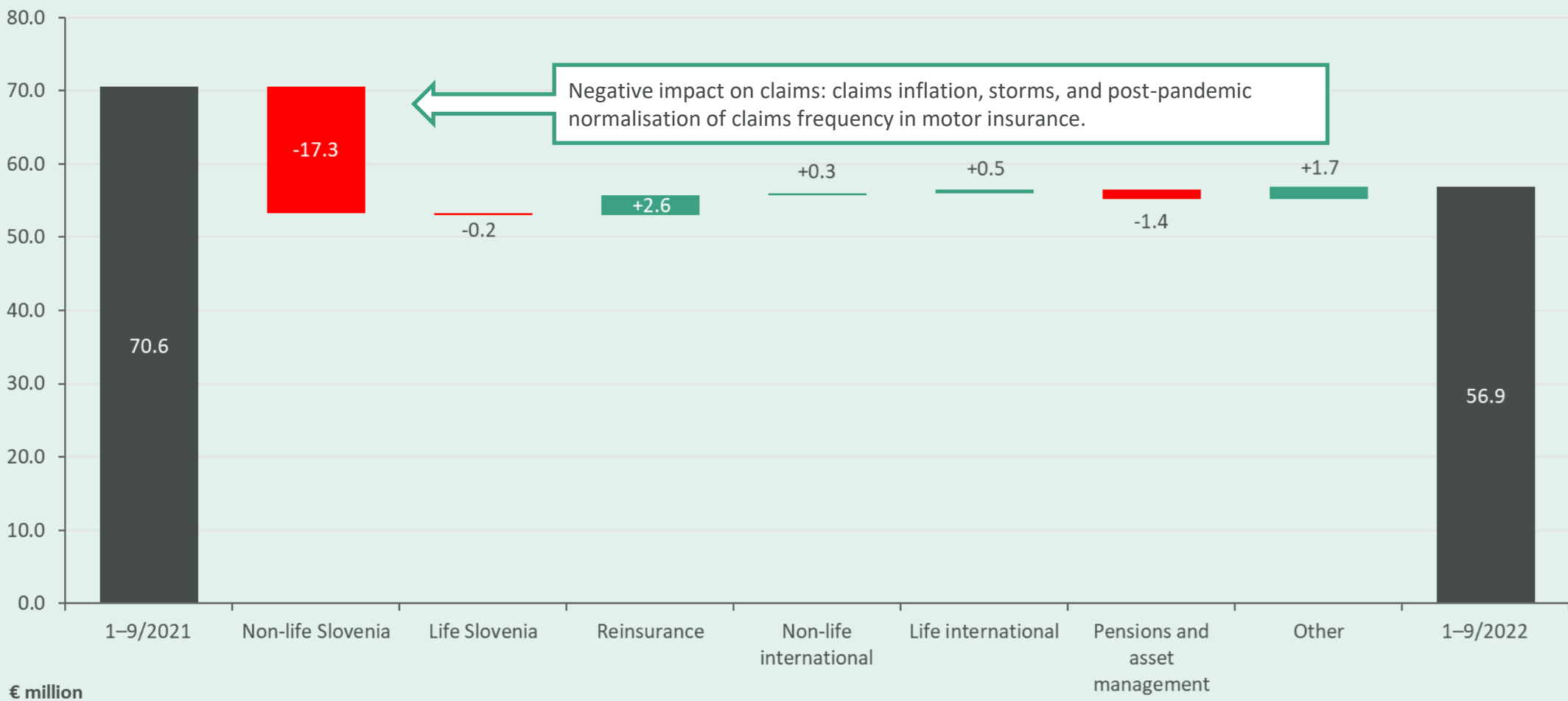
Operating revenue by segment



Breakdown of consolidated profit before tax

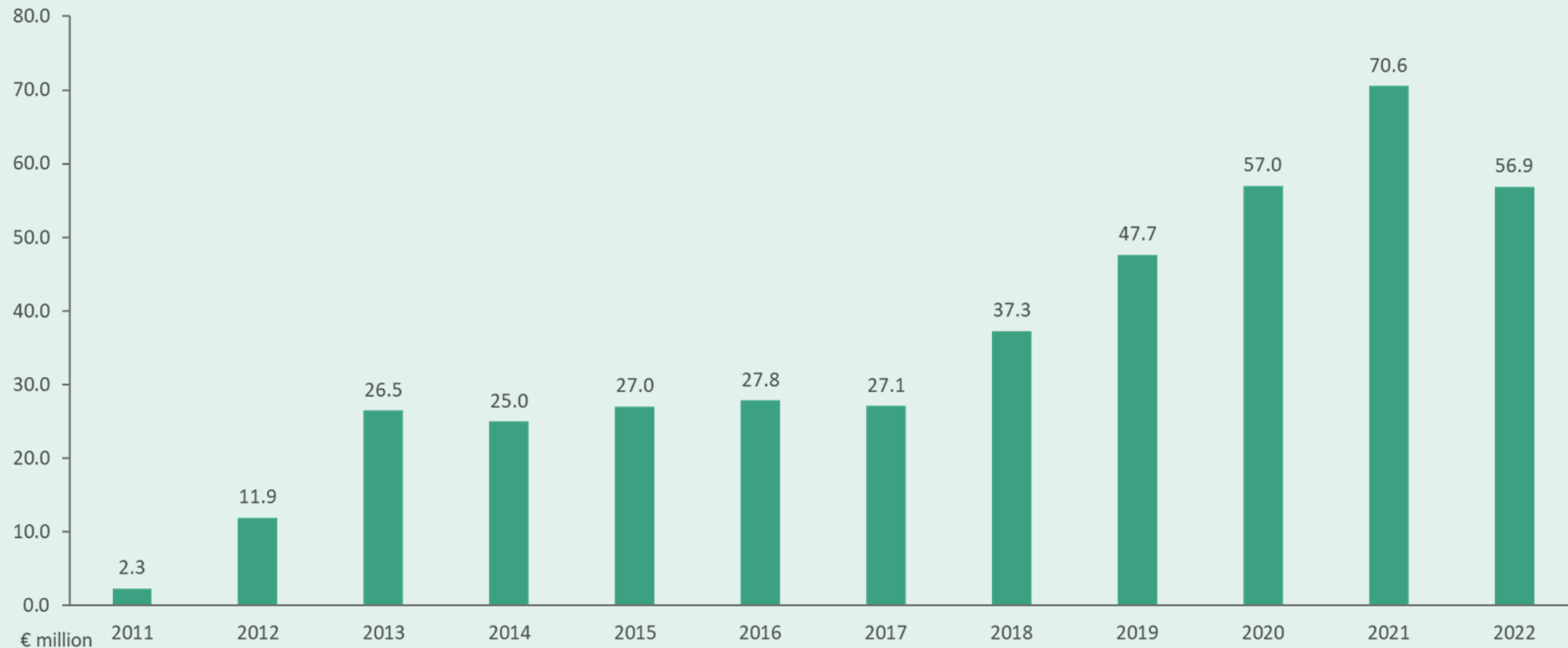


Decrease in profit before tax of 19.4% – after benefitting from lower claims frequency in 2020 and 2021



Profit dropped but exceeds profit of last pre-pandemic year

Consolidated profit before tax (for periods 1–9)

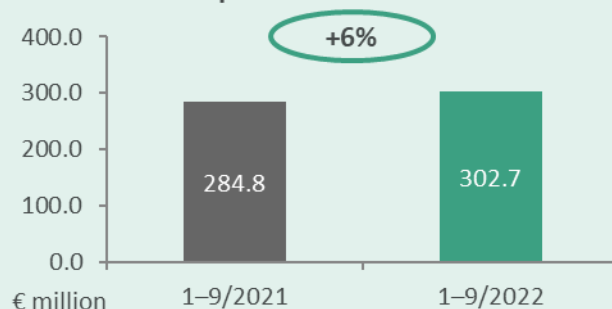


Contents

- Group results
- Segment reporting
- Financial investments
- Sustainability
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

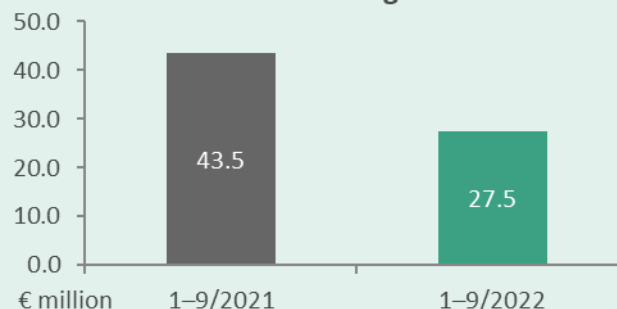
Results by operating segment – non-life Slovenia

Gross premiums written



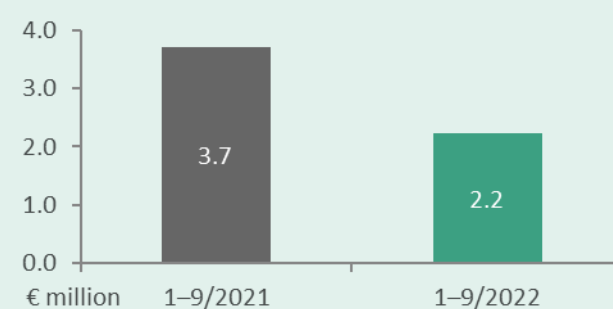
- Growth in gross premiums written in motor insurance, mainly in the private motor segment, owing to more policies sold and higher average premiums

Underwriting result



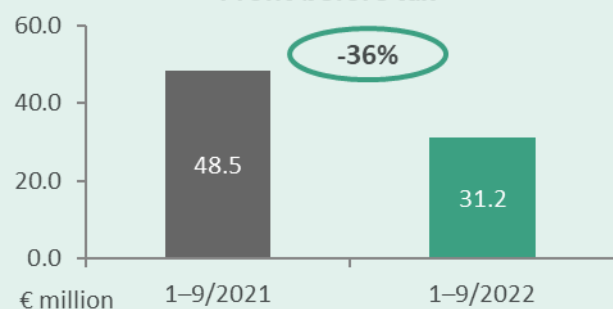
- Weaker underwriting result owing to higher net claims incurred, which increased because of the impact of claim inflation on claims incurred as well as on provisions for incurred but not reported claims. This year has also seen higher weather-related claims, and the impact of the rise in claim frequency (due to the easing of Covid-19 precautions) on traffic density and the associated number of motor accidents

Investment result

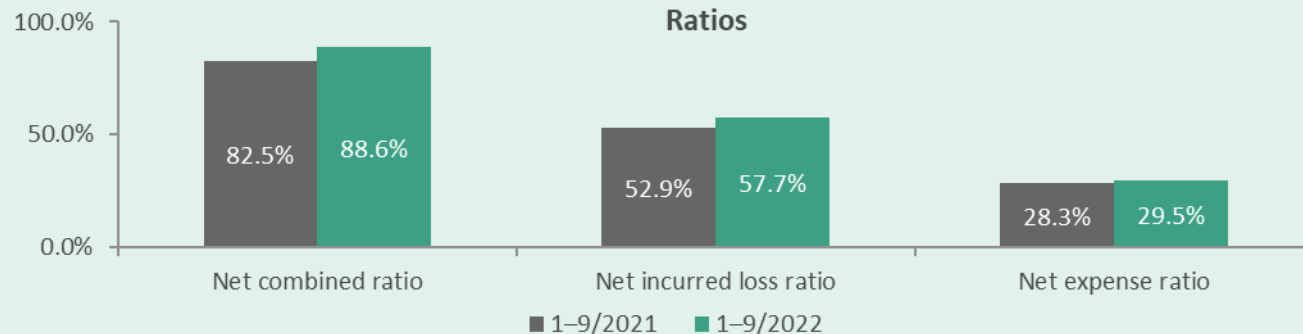


- Weaker result chiefly due to higher expenses for fair value changes of FVTPL assets

Profit before tax

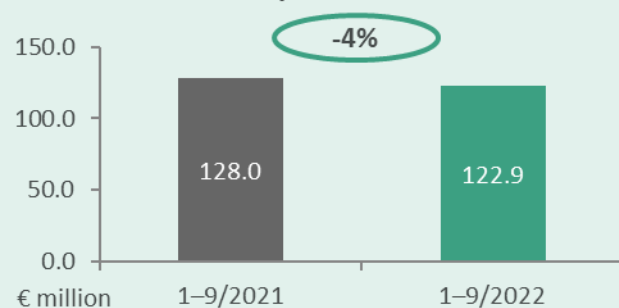


Ratios



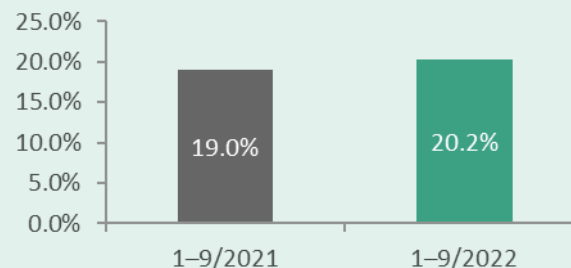
Results by operating segment – life Slovenia

Gross premiums written



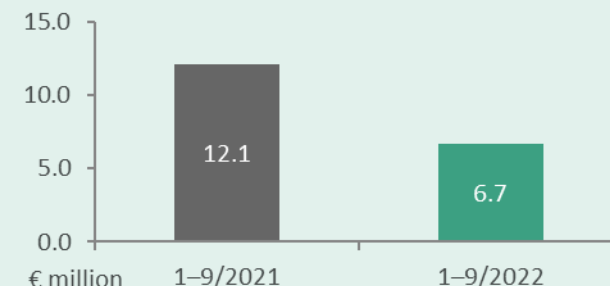
- Weaker gross premiums written due to less single premium payments compared to the same period a year earlier

Net expense ratio



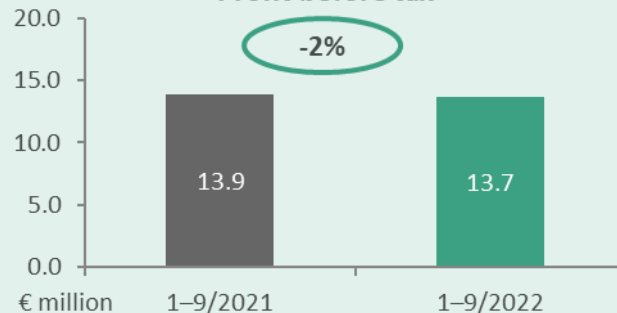
- Net expense ratio increased as gross premiums written decreased while costs, mainly acquisition costs, increased

Investment result

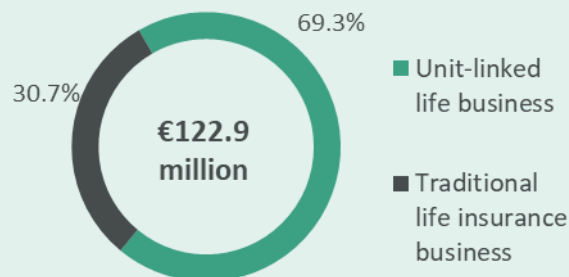


- Last year, more gains on the disposal of equities were realised than this year, and the net investment income was additionally reduced because of higher expenses for fair value changes of FVTPL investments

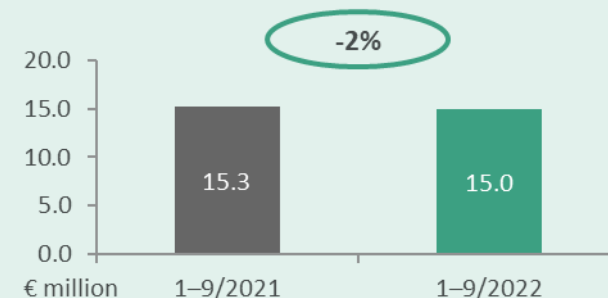
Profit before tax



Structure of GPW 1-9/2022

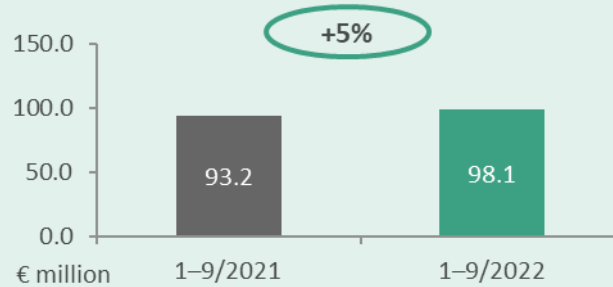


New annual premiums written



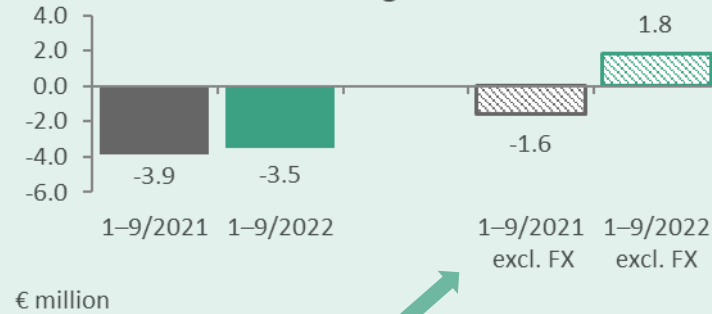
Results by operating segment – reinsurance

Gross premiums written



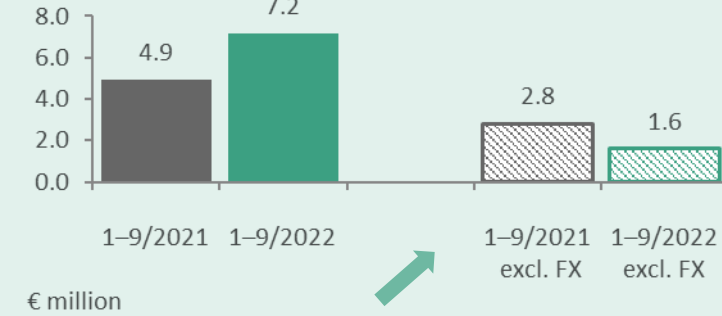
- Growth in gross premiums written due to new business and price rises in international reinsurance markets
- Stronger growth in non-proportional insurance (13%)

Underwriting result



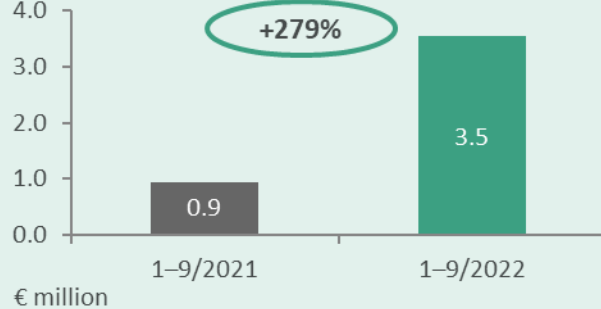
- Stronger underwriting result owing to higher net premiums earned, which reflects price rises in international reinsurance markets, favourable claims developments and an appropriate reinsurance protection

Investment result

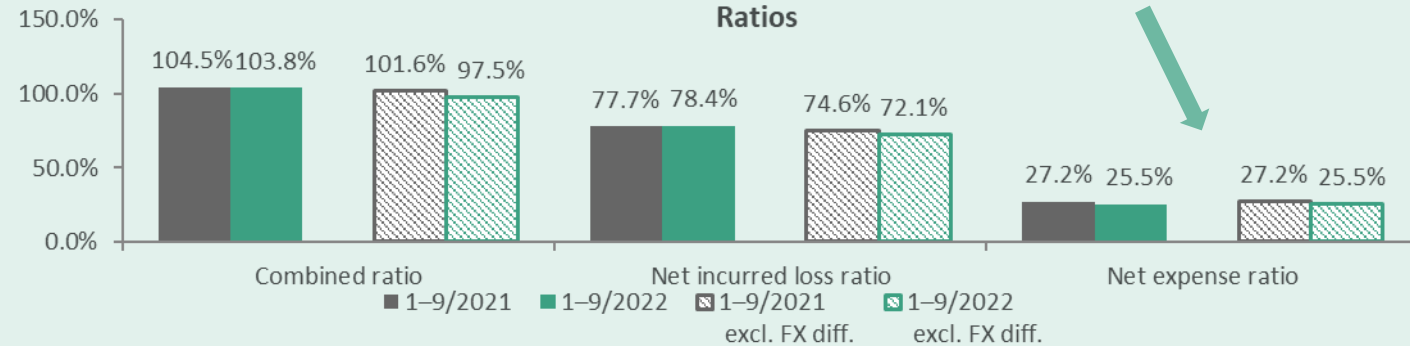


- Weaker investment result due to higher expenses for fair value changes of FVTPL assets
- Improved net expense ratio reflecting lower acquisition costs as a result of higher growth in non-proportionate reinsurance business characterised by lower commission rates

Profit before tax

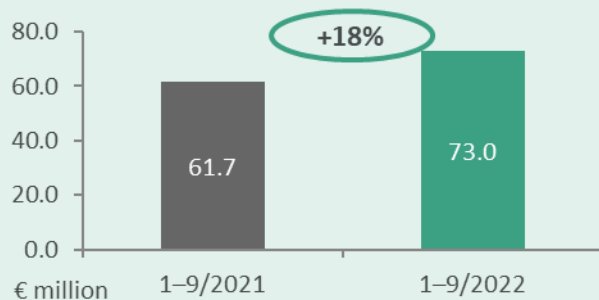


Ratios



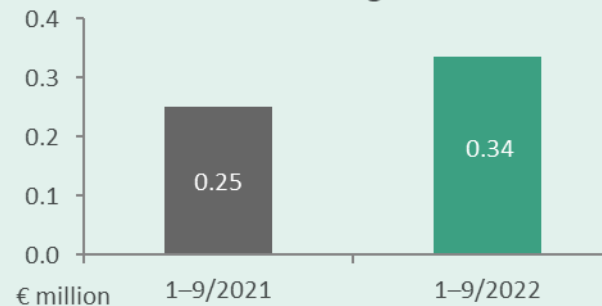
Results by operating segment – non-life international

Gross premiums written



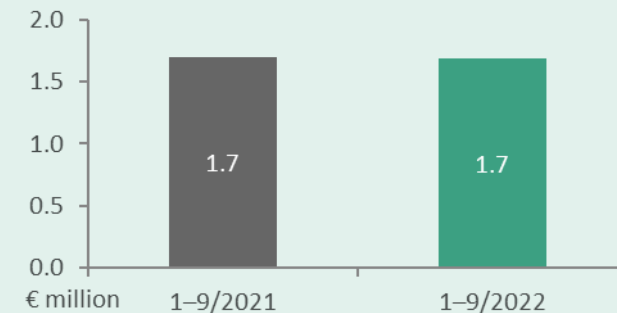
- Gross premium growth across the Group: most notably in the motor business, but also in the property and assistance business due to the lifting of Covid-19 precautions and the associated rise in travelling

Underwriting result



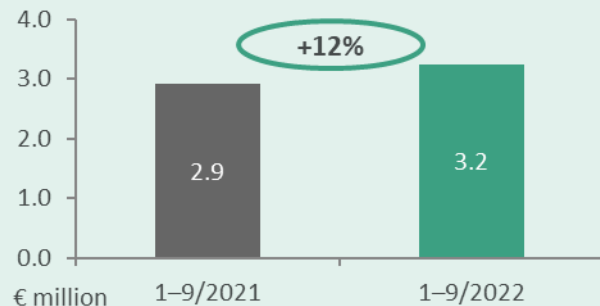
- Stronger underwriting result owing to net premiums earned growing faster than net claims incurred and costs – strong premium growth allowed companies to improve their loss ratios, at largely unchanged fixed costs

Investment result

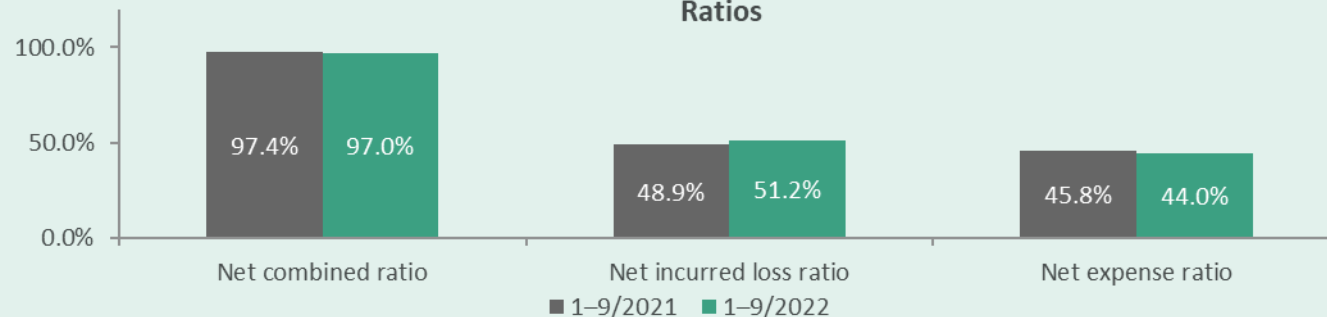


- Investment result at the year-on-year level

Profit before tax

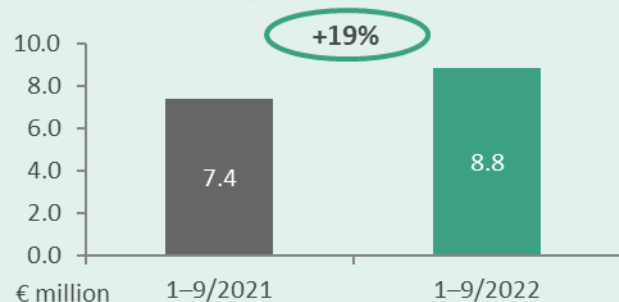


Ratios



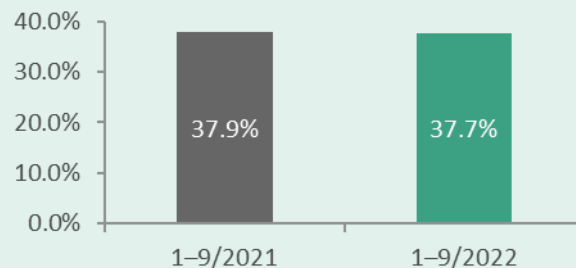
Results by operating segment – life international

Gross premiums written



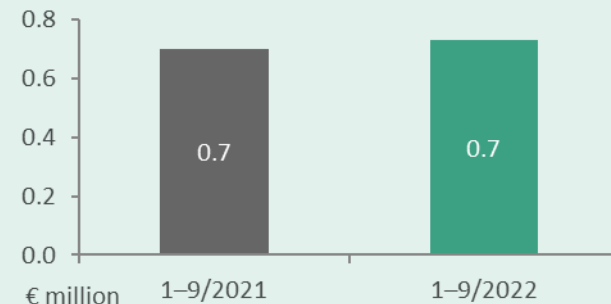
- Growth in gross premiums written owing to increased sales of own network and sales through a new bank channel from mid-2021

Net expense ratio



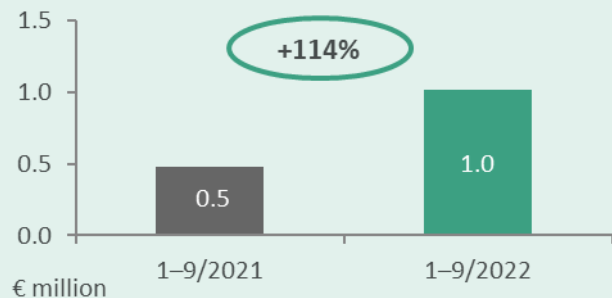
- Expense ratio at the year-on-year level

Investment result

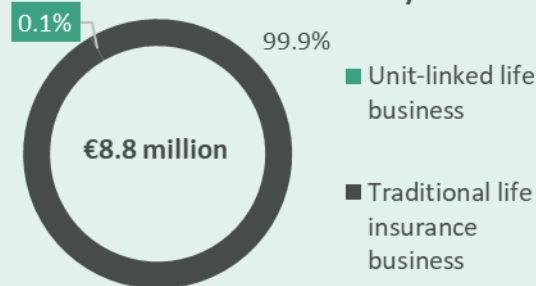


- Investment result at the year-on-year level

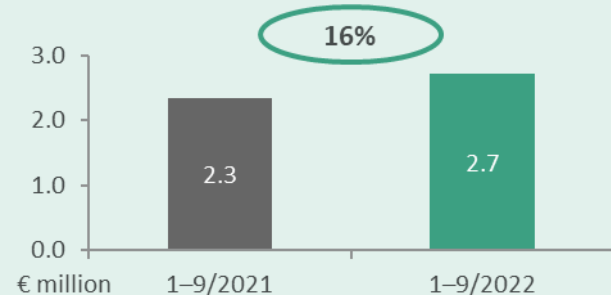
Profit before tax



Structure of GPW 1-9/2022

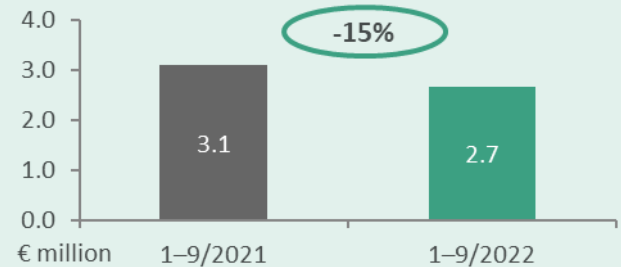


New annual premiums written



Results by operating segment – pensions and asset management

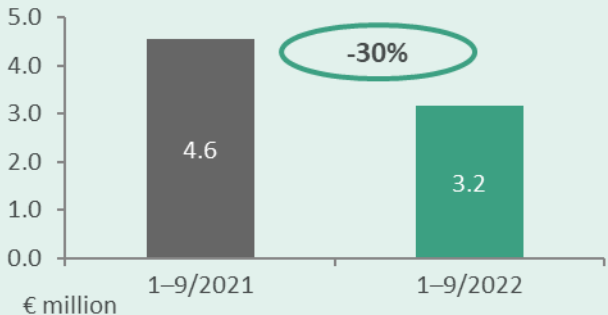
Gross premiums written (annuities)



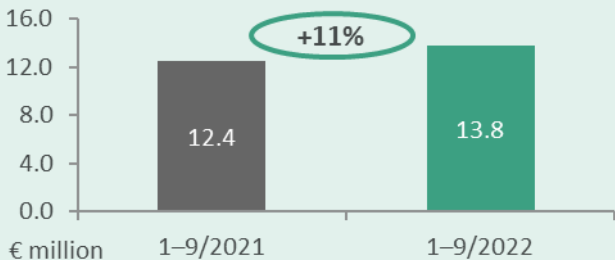
- Recently, more insured persons remained in the accumulation part of the pension plan after meeting retirement conditions
- Weaker result due to adverse developments in financial markets and strengthening of provisions for non-achievement of the guaranteed return at the Slovenian pension company



Profit before tax

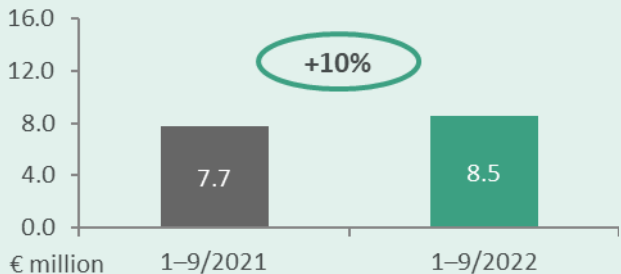


Other technical and other income



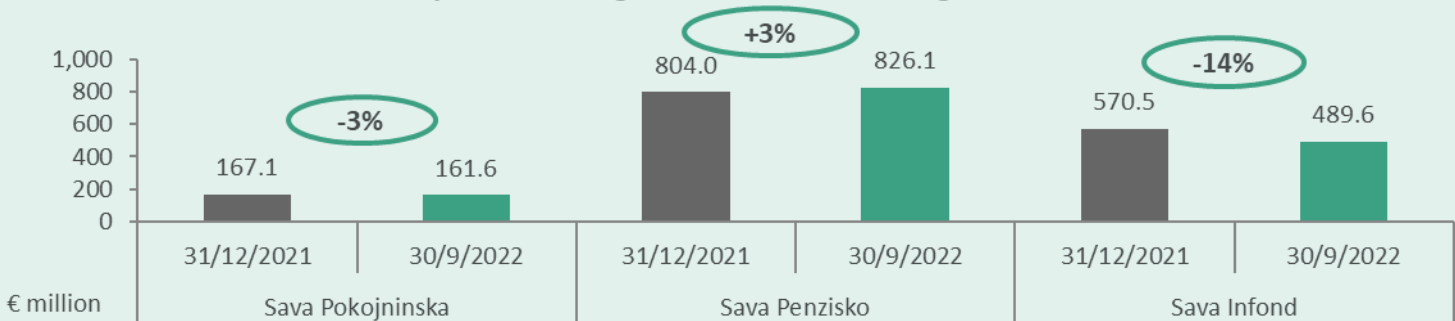
- Increase in revenues owing to more assets under management compared to a year earlier

Operating expenses



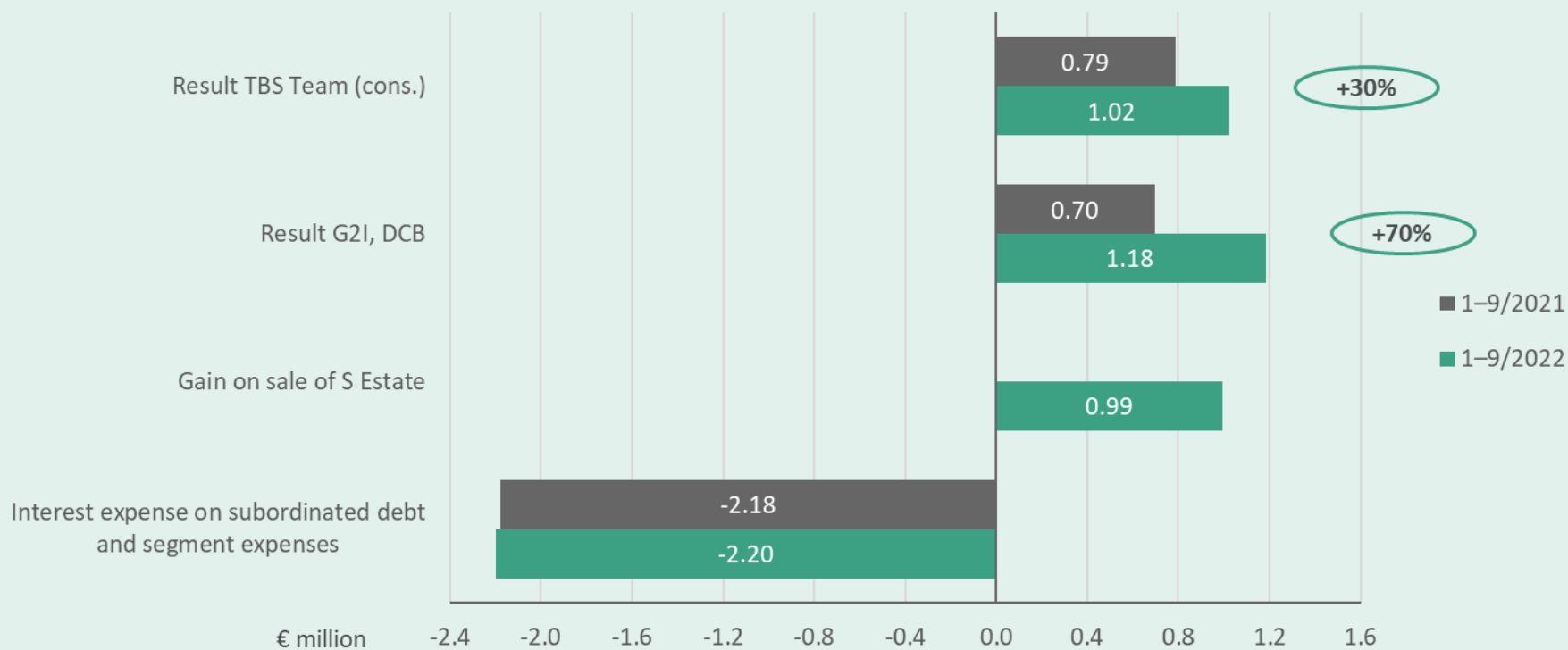
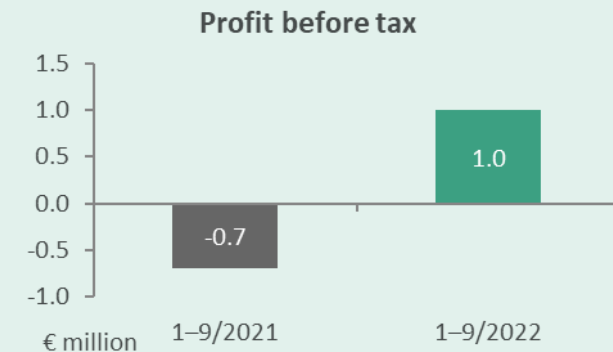
- Increase in operating costs due to growth in business volume

Assets in pension savings funds and asset management funds



- Decrease in fund assets entirely due to adverse financial market developments; all the companies have net inflows

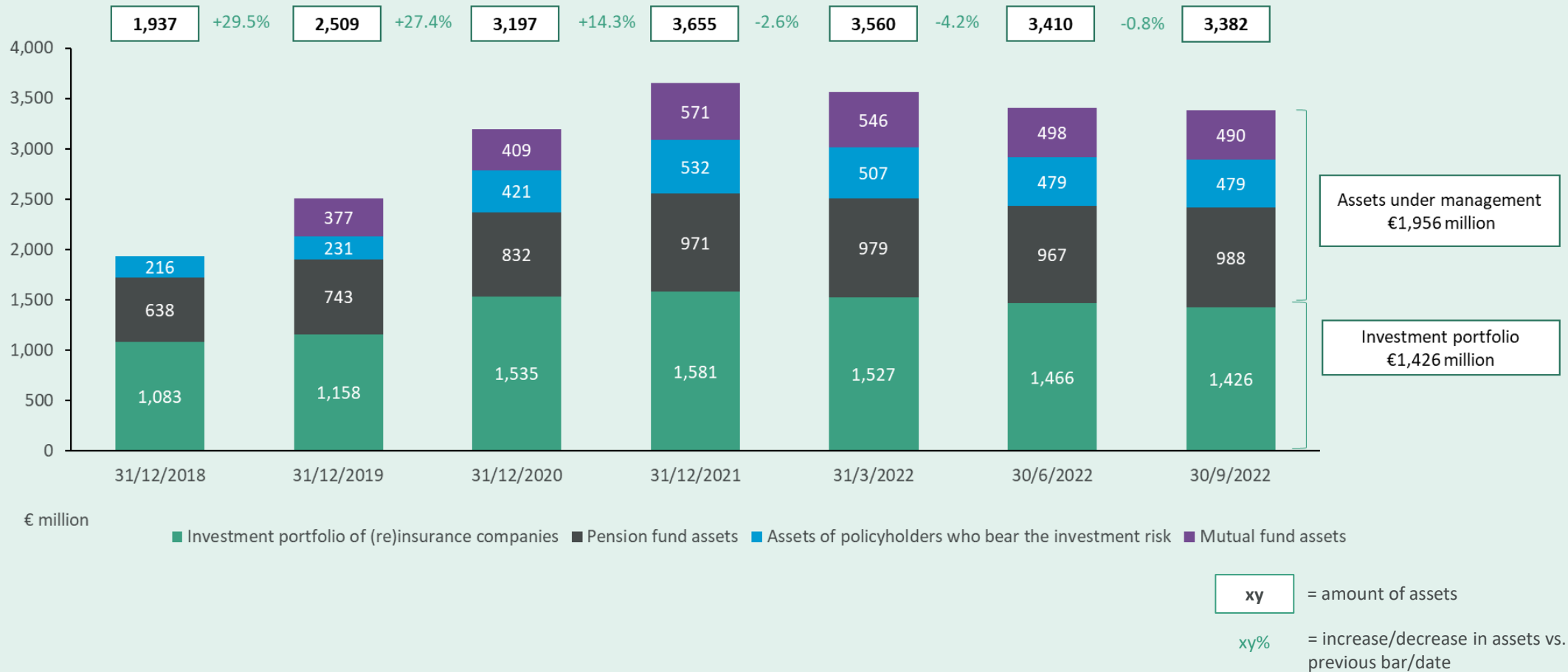
Results by operating segment – other



Contents

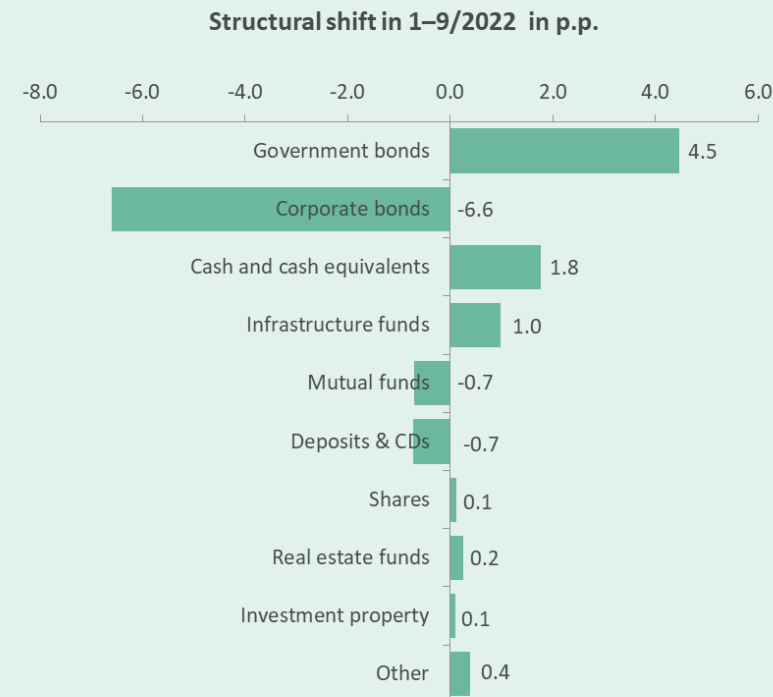
- Group results
- Segment reporting
- **Financial investments**
- Sustainability
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

Investment portfolio and AuM



Structure of the investment portfolio

€ million	31/12/2021	30/9/2022
Government bonds	718.5	711.6
Corporate bonds	592.1	439.9
Cash and cash equivalents	74.0	91.7
Infrastructure funds	44.5	54.2
Mutual funds	35.9	22.2
Shares	36.0	22.2
Deposits & CDs	18.6	18.3
Real estate funds	15.8	17.7
Investment property	14.3	14.3
Other	31.8	34.0
Total investment portfolio	1,581.4	1,426.2



The **lower weighting in corporate bonds and shares** reflects maturities and disposals. The funds were mainly reinvested in government bonds. The higher weighting in infrastructure and real estate funds is due to additional capital calls on existing commitments.

Net inv. income of and return on the investment portfolio

€ million	1–9/2021	1–9/2022	Absolute change
Net investment income relating to the investment portfolio	22.3	17.6	-4.7
Net investment income of the investment portfolio, excluding FX differences	19.7	12.4	-7.4
Return on the investment portfolio, excluding FX differences and subordinated debt expense	1.9%	1.3%	-0.6

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
- **Sustainability**
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

Our sustainable development principles

We are building long-term corporate social responsibility in continuous dialogue with our stakeholders, supporting global sustainability goals, with a particular focus on climate change and on the health and well-being of our customers, employees and the wider community.

Strategic focus

- a credible and socially responsible partner
 - a socially responsible asset and equity manager
 - a socially responsible and attractive employer
 - socially-responsible to the wider community
-
- Agenda 2030
 - Paris Agreement
 - European Green Deal



Our sustainability efforts during the period

EU regulations

- In August 2022, two EU delegated regulations (2021/1256 and 2021/1257) entered into force. Documents and guidance were issued to meet regulatory requirements, and relevant information was prepared for customers on sustainability factors in the insurance product offering.
- Preparations for relevant reporting under the Sustainable Finance Disclosures Regulation, the Taxonomy and the Corporate Sustainability Reporting Directive were also advanced.

Designing the strategy for 2023–2027

Heart for the World

A number of volunteer activities as part of the “Heart for the World” initiative took place in September and October.

Contents

- Group results
- Segment reporting
- Financial investments
- Sustainability
- **POSR share and dividend policy**
- Solvency position
- Major development areas in 2022

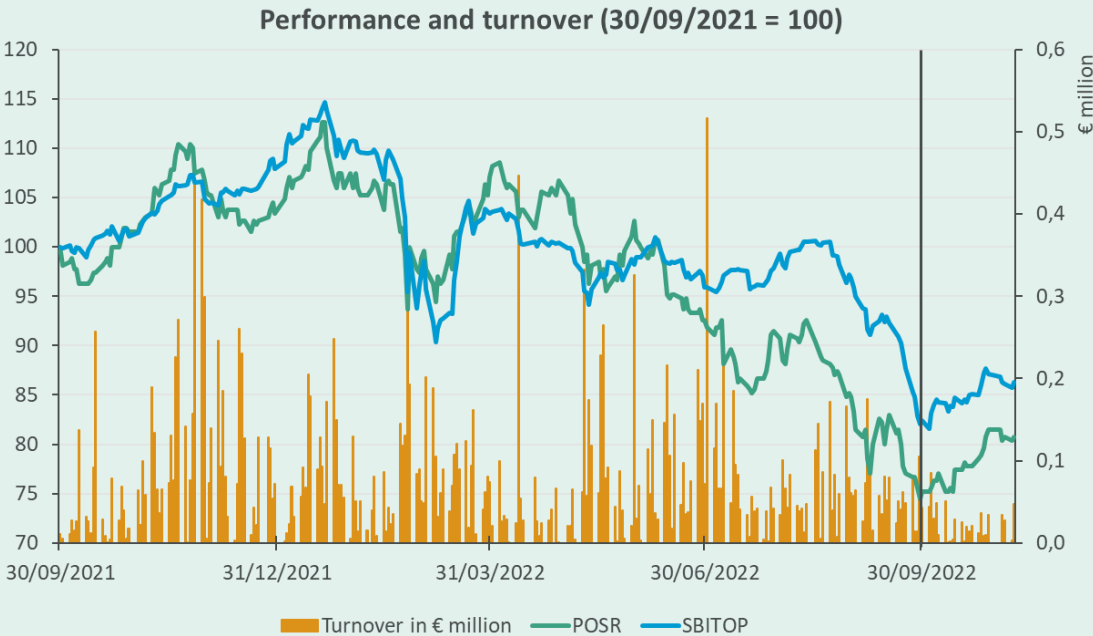
Shareholders and share trading

Book value per share

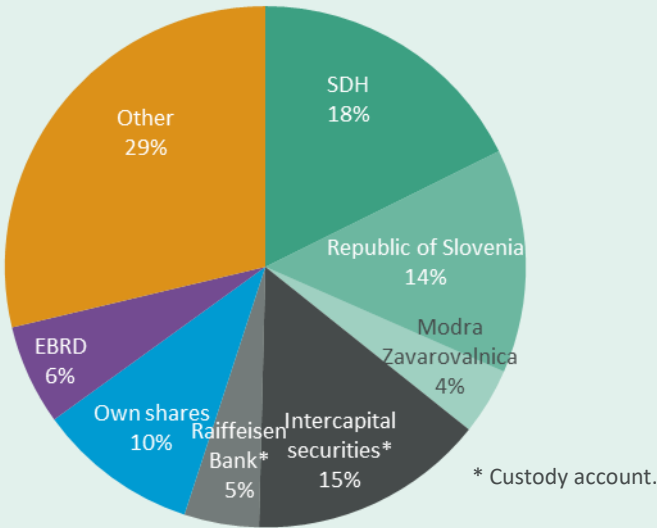
€25.60

30 Sep 22 / 31 Dec 21: -21.3%

30/9/2022	
Share capital (€ million)	71.9
Market capitalisation (€ million)	314.6
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,312



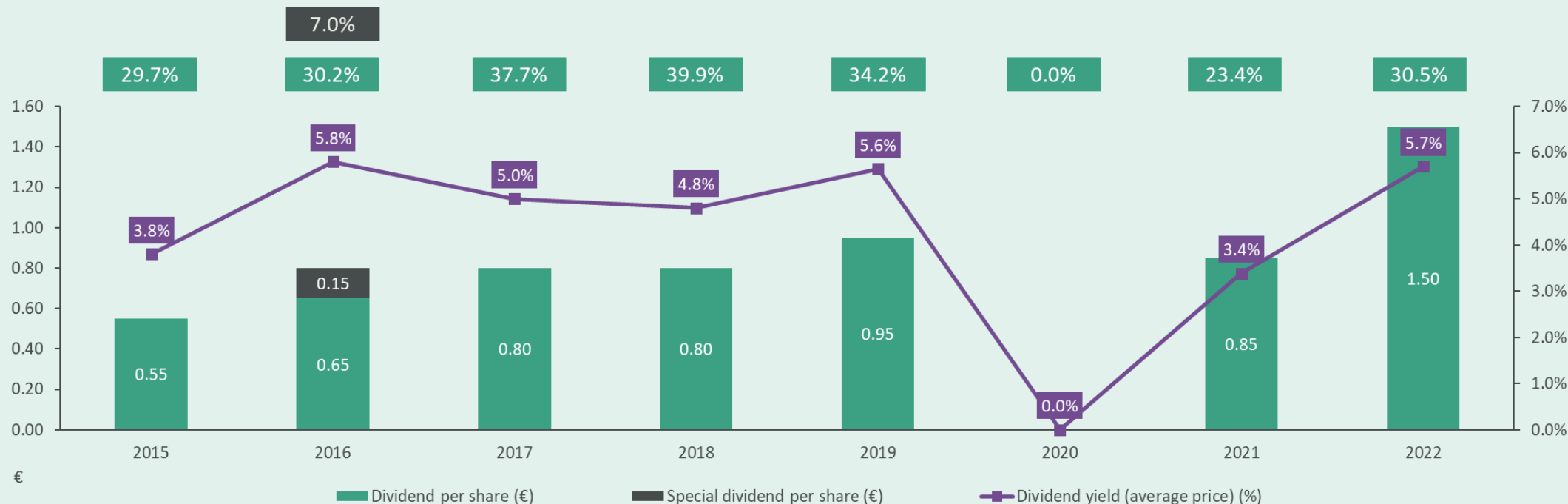
Shareholders as at 30 September 2022



Dividend policy

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit

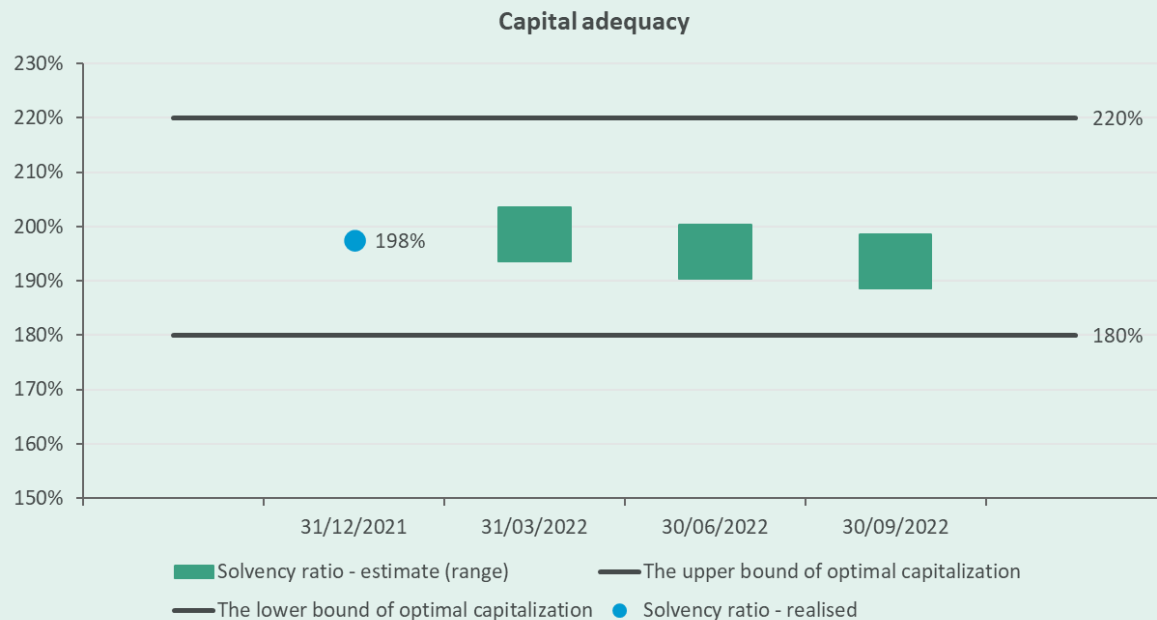


- **Dividend policy:** 10% average increase in dividend per year; distribution of between 35% and 45% of the net profit of the Sava Insurance Group.
- Sava Re did not pay any dividends in 2020 because of increased Covid-19-related risks identified and due to special caution in response to recommendations 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.
- At the general meeting held on 23 June 2022, the shareholders adopted the proposal of the management and supervisory boards to use EUR 23,246,544.00 of the profits for dividends. A dividend of **EUR 1.50** gross per share was paid out on 12 July 2022 to the shareholders listed in the shareholders' register on 11 July 2022.

Contents

- Group results
- Segment reporting
- Financial investments
- Sustainability
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

Capital adequacy



The Group's estimated capital adequacy as at 30 September 2022 indicates that the Group's solvency remains high (between 189% and 199%) and well above the regulatory requirement. The solvency ratio is within the optimal capitalisation range based on criteria set by the Group's risk strategy.

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
- Sustainability
- POSR share and dividend policy
- Solvency position
- Major development areas in 2022

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

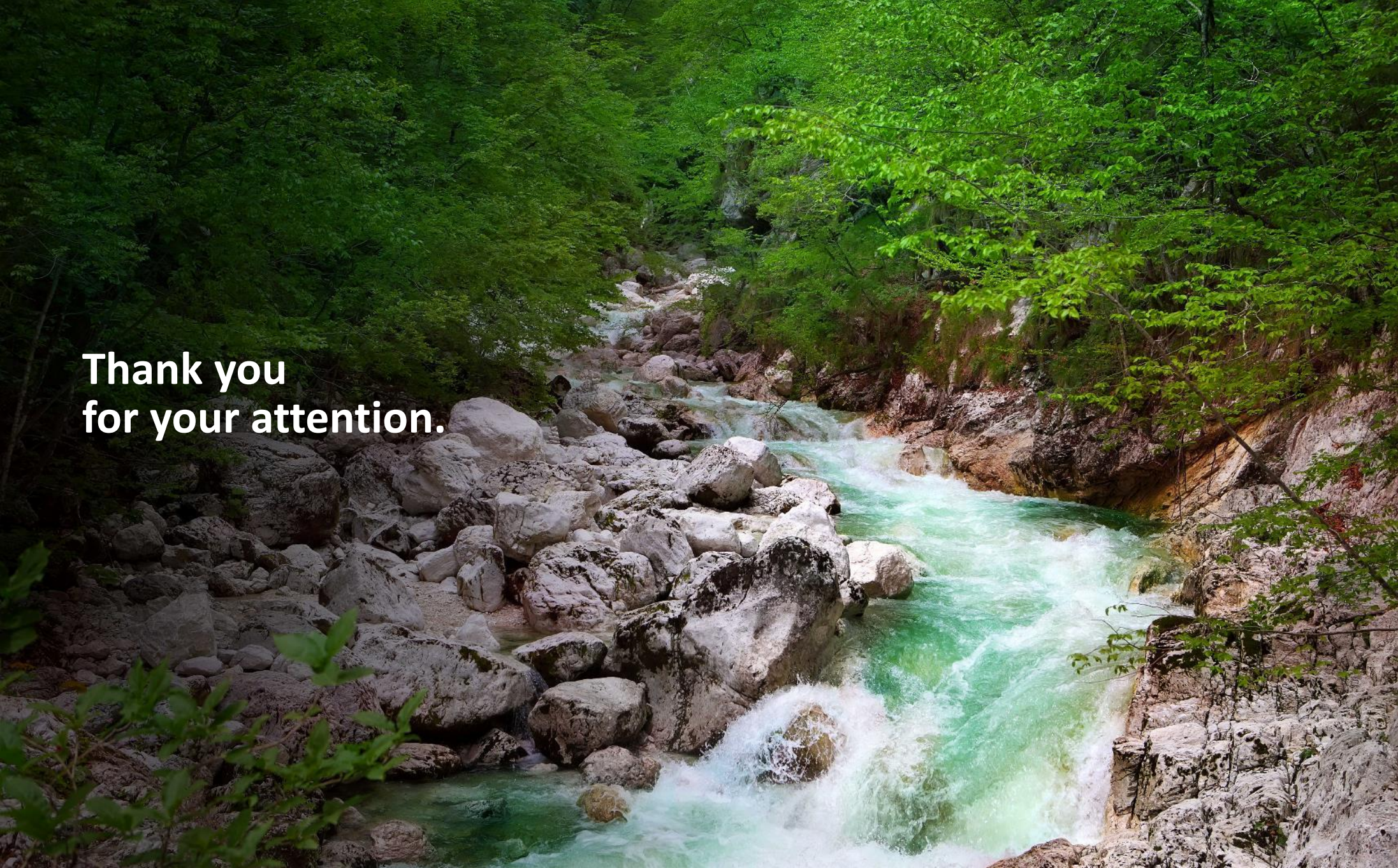
- Overhaul activities on the core IT solution supporting reinsurance operations
- Completed overhaul of the core IT solution for the Croatian branch office of Zavarovalnica Sava
- Work on the content expansion of data warehouses relating to insurance business
- Continuing technological and process upgrades 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

**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.

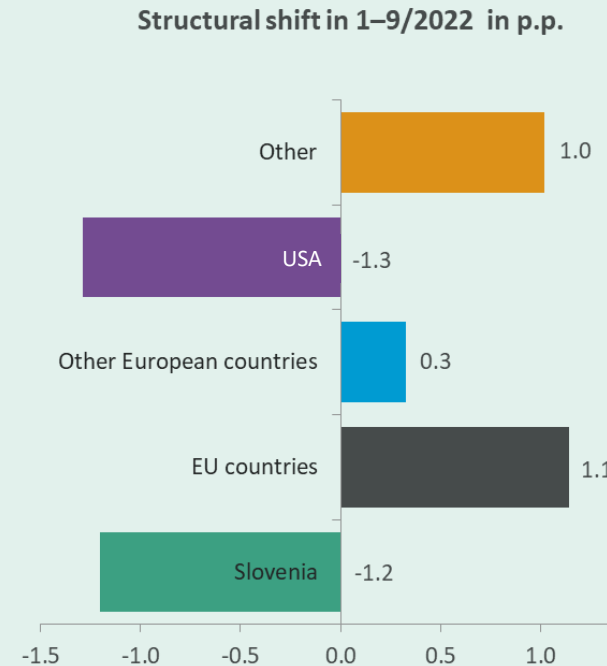
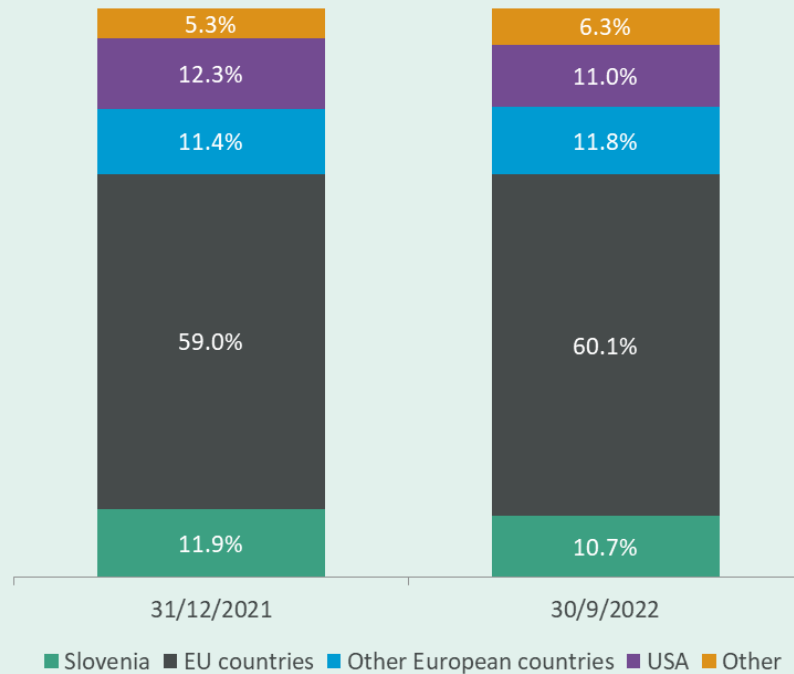
Appendix

Group exposure by region

Compared to year-end 2021, **exposure to Slovenia** and the **USA decreased**, whereas there was a rise especially in **exposures to EU issuers and to the rest of the world**.

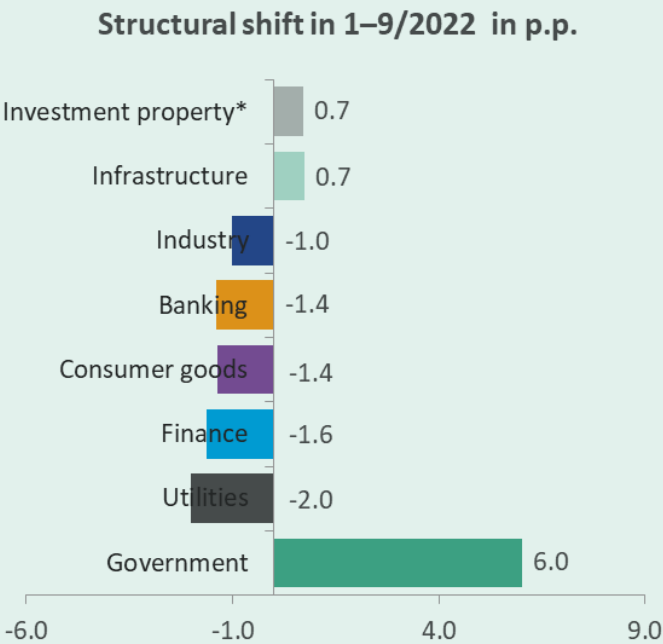
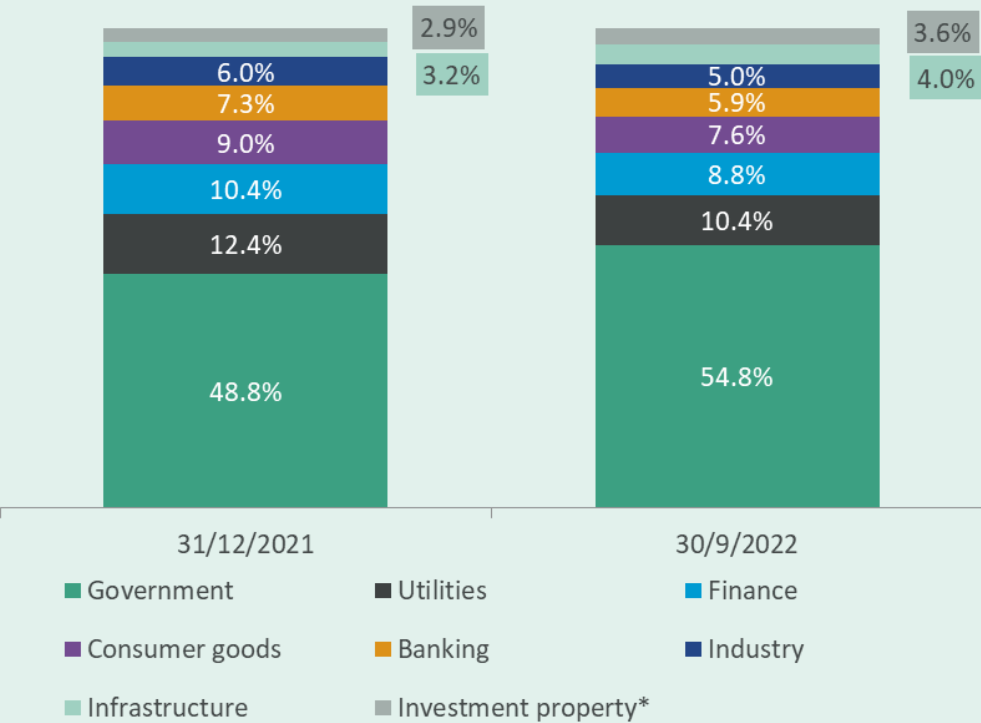
The exposure to Slovenia decreased due to maturing government bonds, and exposures to the USA decreased due to securities maturing or being sold, and negative revaluation of debt investments.

The **increase in exposure to the EU and the rest of the world** is mainly due to reinvestment in government bonds.



Group exposure by industry

Part of the assets from maturing and sold investments of other sectors were partially reinvested in government securities, 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 represented **85.1% of fixed-rate investments, down 1.6 p.p.** on year-end 2021.

The proceeds of maturing and sold BBB-rated investments were mainly reinvested in AAA and AA-rated investments (to reduce the credit risk of the portfolio).

The “unrated” class increased by 1.0 p.p. compared to the end of 2021, mainly on account of investments in unrated bonds of non-EU countries.

