



Sava Insurance Group

2020 audited results

8 April 2021



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Group results

Highlights of 2020

Growth in operating revenues of **15.5%**

Net profit of **€56.4 million** and ROE of **13.3%**, which includes gain on the acquisition of Vita d.d. of €9.9 million

Net combined ratio (excl. FX) of **93.9%**, which is within the target range

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

Emergency situation due to the **Covid-19** pandemic with large impacts on lives and global capital markets

Publication of the revised plan for 2020–2022, adapted to the new circumstances due to the corona crisis and the takeover of Vita

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

Increase in claims events in reinsurance and FoS business

Record profit for year

Gross result

€67.7 m

2020/19: +11.5%

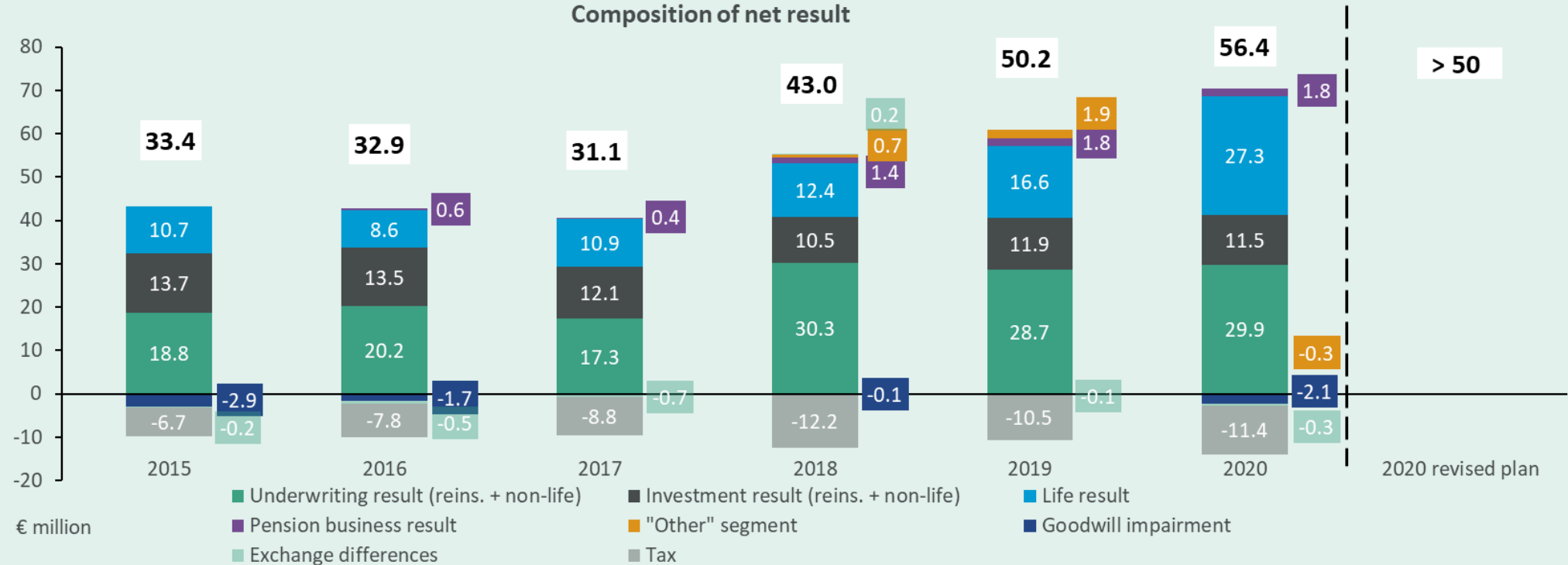
Net result

€56.4 m

2020/19: +12.3%

Plan achieved

Composition of net result



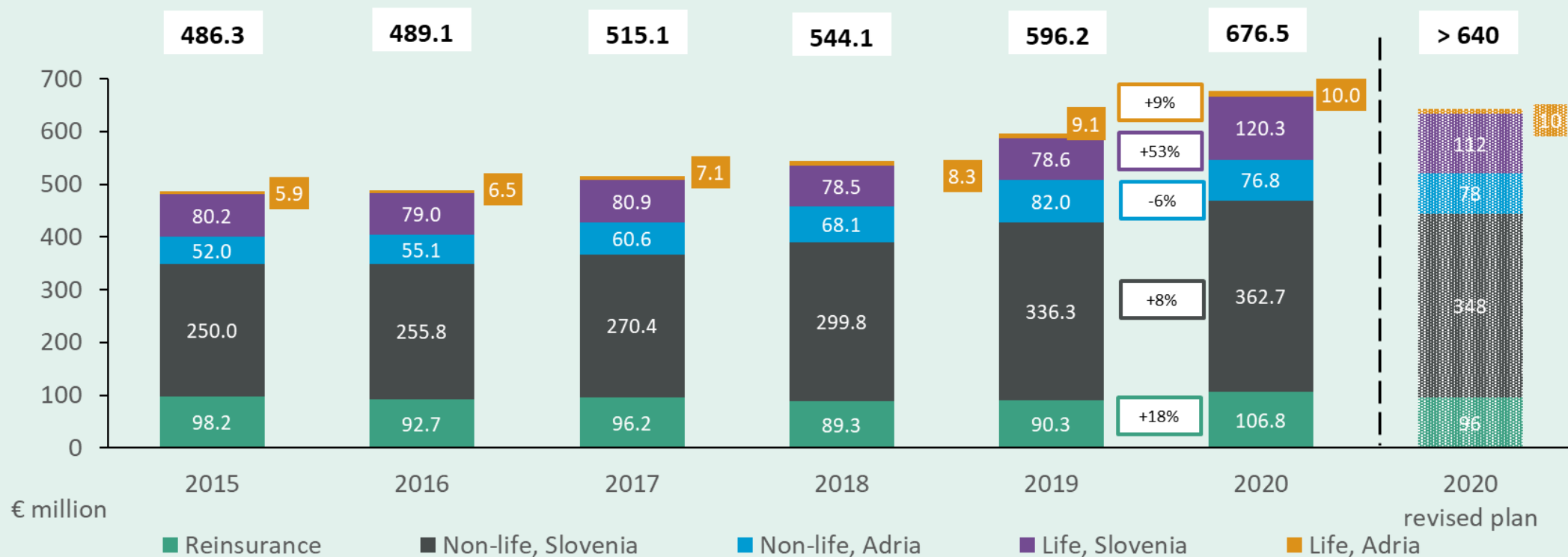
Development of consolidated GPW, (re)insurance part

Consolidated gross premiums written

€676.5 m

2020/19: **13.5% growth**

Plan achieved



Development of consolidated GPW by insurance market

Insurance, pension and asset management companies

Slovenia

Insurance companies

Premiums: €483.0 m

2020/19: +16.4%*

Pension company

Pension fund inflows:

€12.6 m

2020/19: +5.1%

Asset management company

AuM: €409.2 m

2020/19: +8.6%

Croatia

Premiums: €21.8 m

2020/19: -12.5%

Montenegro

Premiums: €12.8 m

2020/19: -6.7%

Serbia

Premiums: €24.5 m

2020/19: -3.5%

Kosovo

Premiums: €13.9 m

2020/19: +9.6%

North Macedonia

Insurance company

Premiums: €13.8 m

2020/19: -4.4%

Pension company

Pension fund inflows:

€72.8 m

2020/19: +1.8%

Reinsurance company



Global markets

Sava Re reinsurance
business

Non-Group premiums:

€106.8 m

2020/19: +18.3%

* Including Vita (excluding Vita +4.7%).

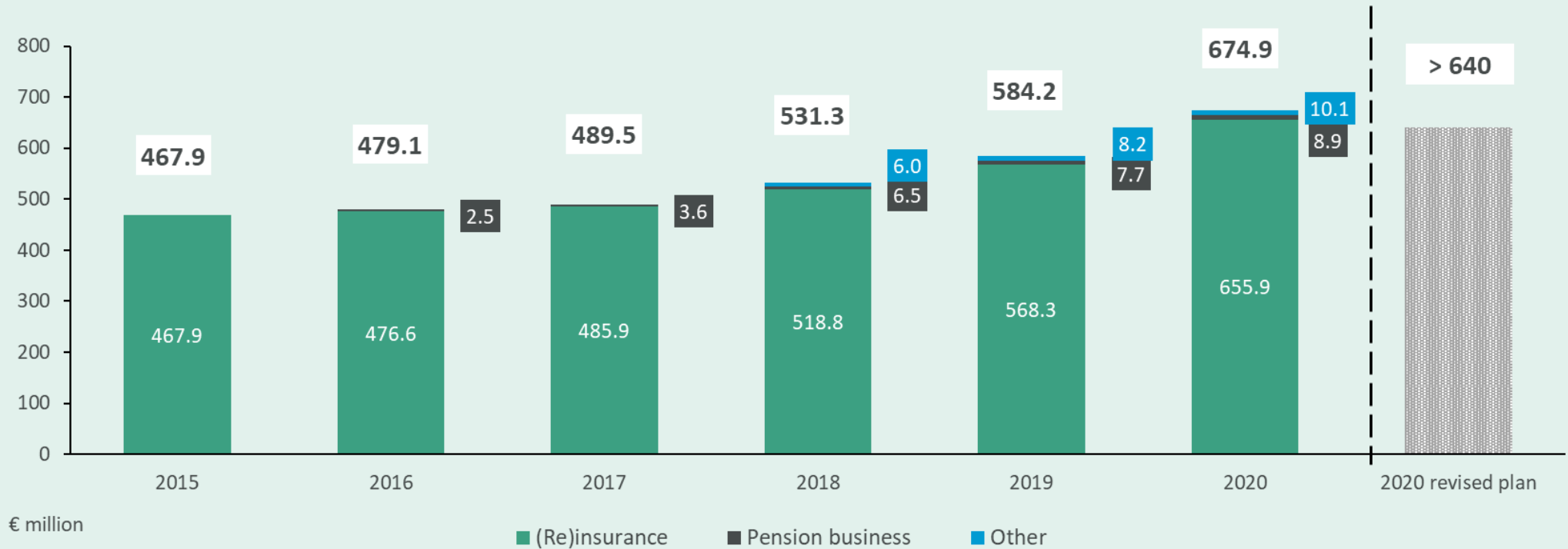
Higher operating revenue reflecting expansion of the group

Operating revenue

€674.9 m

2020/19: +15.5%

Plan achieved



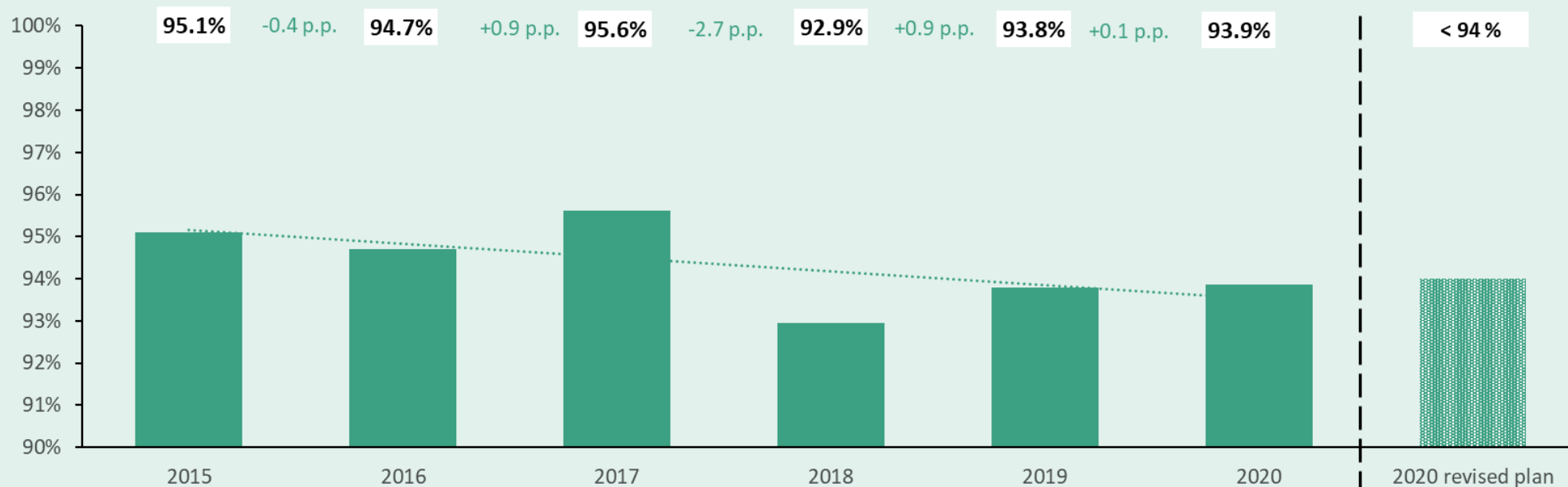
Combined ratio within target range

Net combined ratio*

93.9%

2020/19: **+0.1 p.p.**

Plan achieved



* Excluding the effect of exchange differences.

Net combined ratio: all expenses (other than from investments) as percentage of total income (other than from investments) – calculated for the non-life and reinsurance segments.

High return on equity

Equity

€460.2 m

2020/19: +19.6%

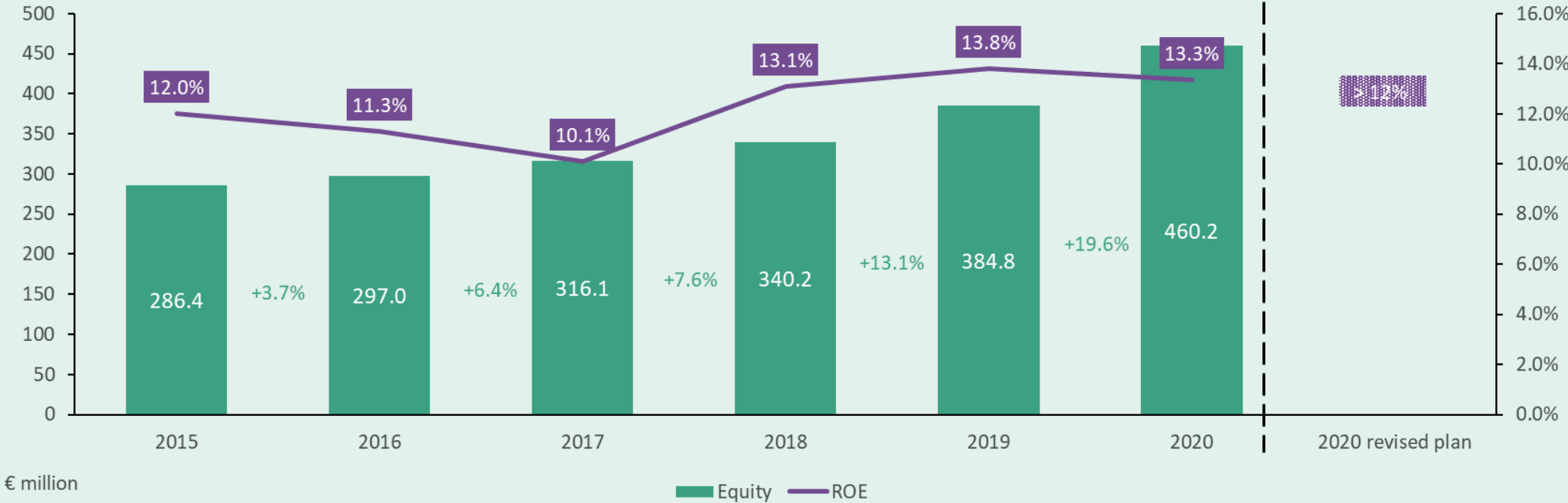
ROE

13.3%

2020/19: -0.5 p.p.

Plan achieved

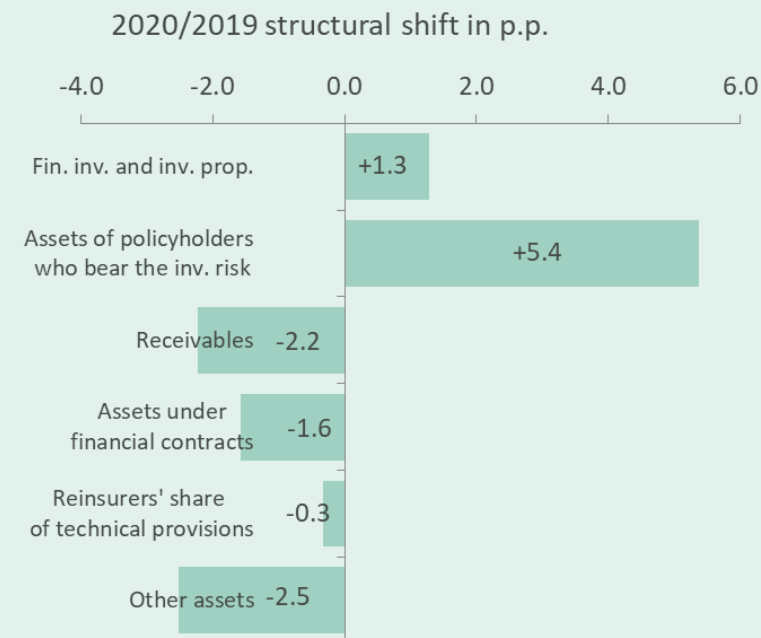
✓



High growth of assets due to takeover of Vita

Assets
€2,467.3 m
 2020/19: **+30.8%**

	2019	2020
Total assets (€ million)	1,886.0	2,467.3
Financial investments and investment property	57.4%	58.7%
Assets of policyholders who bear the investment risk	11.3%	16.7%
Receivables	8.5%	6.2%
Assets under financial contracts	8.0%	6.4%
Reinsurers' share of technical provisions	2.0%	1.7%
Other assets	12.8%	10.3%
Total assets structure	100.0%	100.0%

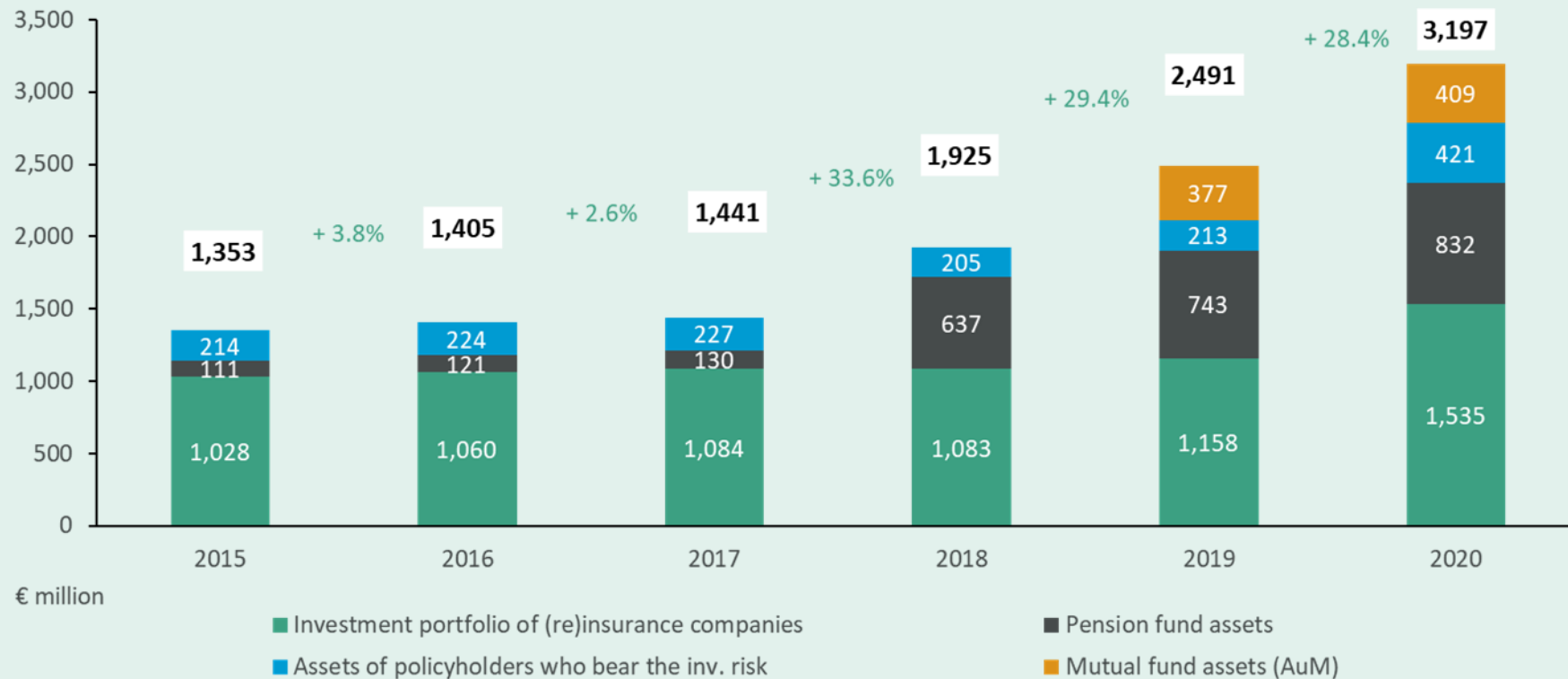


Growth in assets under management

Assets under management

€3,197.0 m

2020/19: +28.4%



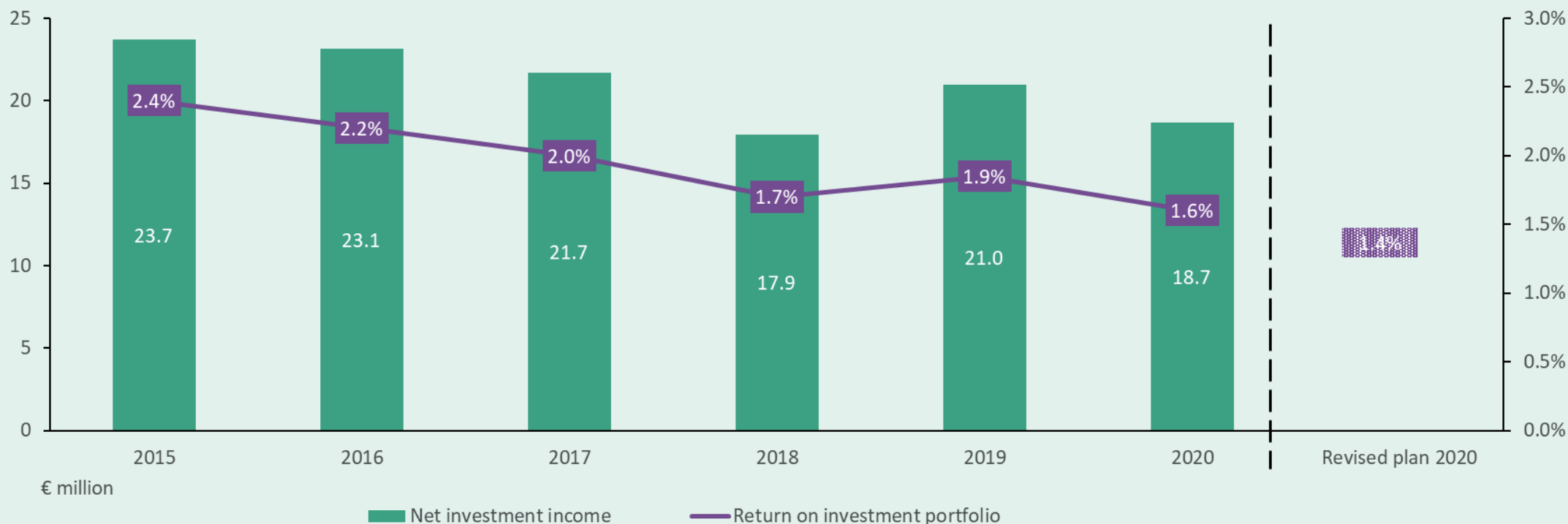
Development of return on investment portfolio

Return on investment portfolio*

1.6%

2020/19: **-0.3 p.p.**

Plan achieved



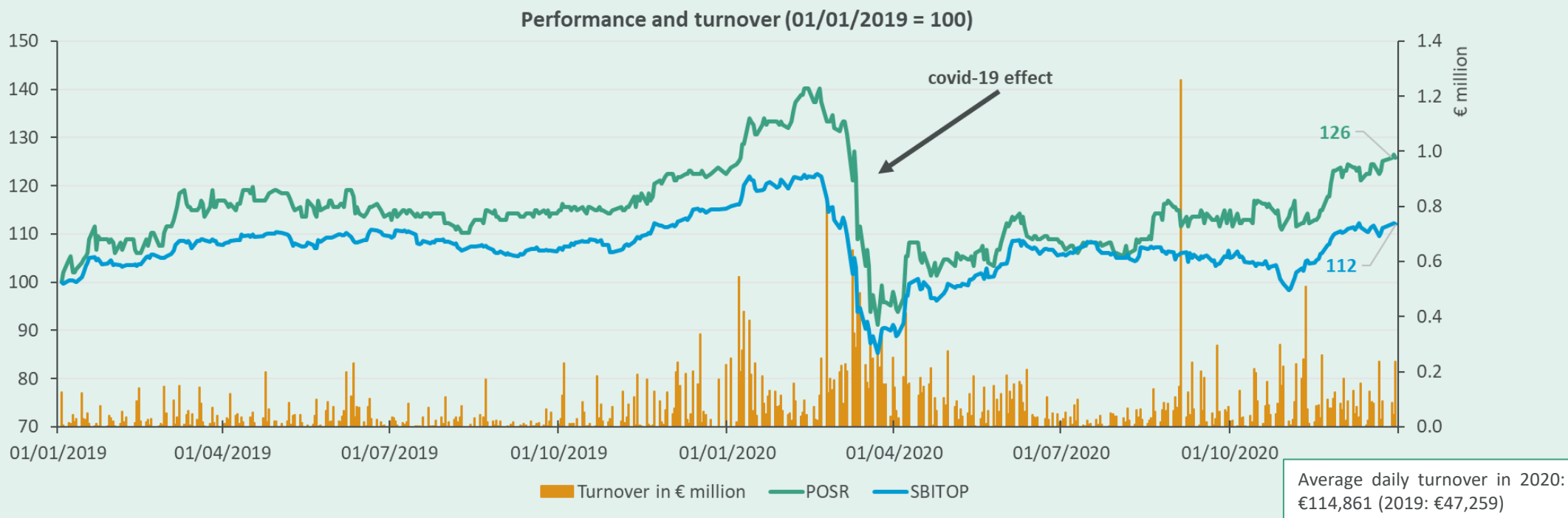
* Excluding FX differences and expenses of subordinated debt.

Growth in book value of share

Book value of share

€29.70

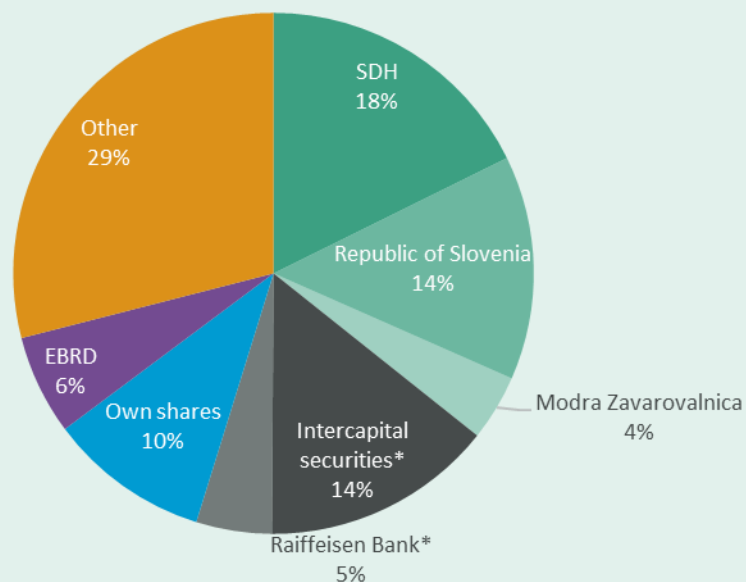
2020/19: +19.6%



More information on POSR share performance and returns is available at: <https://www.sava-re.si/en-si/investor-relations/our-share/>

Ownership structure

Shareholders as at 31 December 2020



* Fiduciary account.

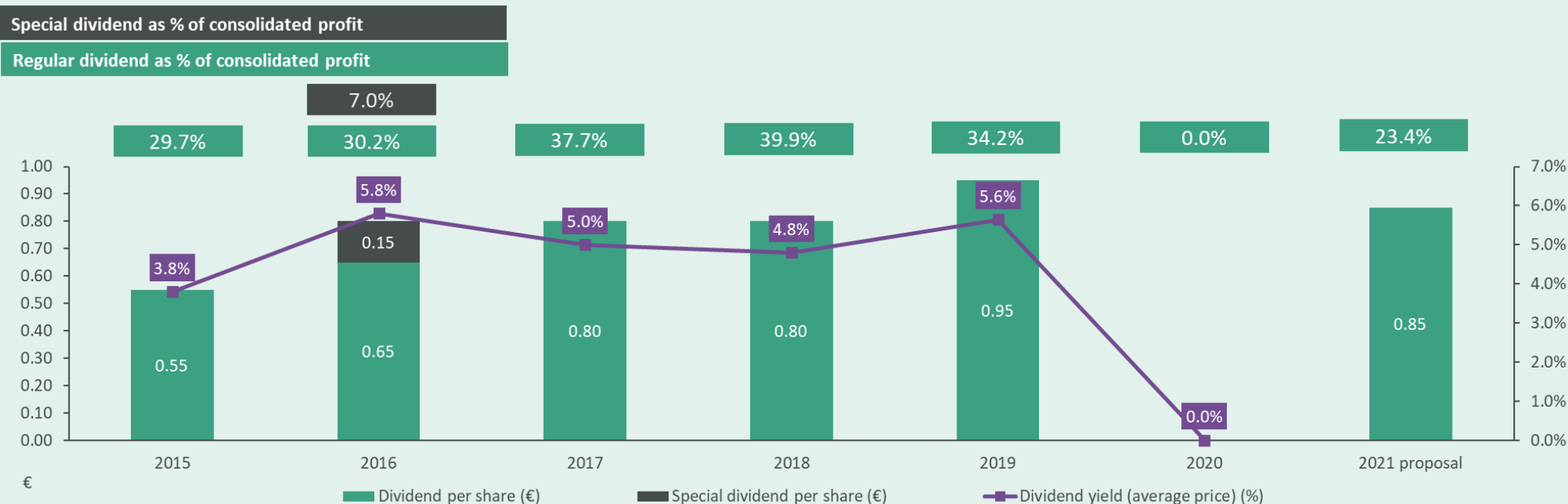
** Sava Re was informed on 2 June 2016 that Adris Grupa, together with its subsidiaries, holds 19.04% of shares of Sava Re's share capital (21.15% of all shares with voting rights) in fiduciary accounts.

31/12/2020	
Share capital (€ million)	71.9
Market capitalisation (€ million)	318.6
Trading symbol	POSR
No. of shares	17,219,662
No. of own shares	1,721,966
No. of shareholders	4,248

Investor type	Local investor	Foreign investor
Insurance undertakings and pension companies	18.2%	0.0%
Other financial institutions*	17.9%	14.5%
Republic of Slovenia	13.9%	0.0%
Individuals	10.3%	0.2%
Investment companies and mutual funds	3.1%	2.0%
Other non-financial corporations	2.6%	1.1%
Banks	0.1%	16.0%
Total	66.1%	33.9%

* Within other financial institutions SDH holds 17.7% of all shares.

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.
- The dividend proposed in respect of 2020 has been prepared based on criteria set by the Insurance Supervision Agency (posted via SEONet on 8 March and 2 April 2021). Based on the strictest criterion of the ISA recommendation, the dividend must not exceed the average dividend paid in the period 2017–2019, which is **EUR 0.85 per share**.
- Sava Re has 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) takes into consideration the special business model of the Company (as reinsurer and parent). The Sava Re management board believes that a dividend of EUR 0.85 per share will not compromise the Company's solvency, liquidity or financial stability.

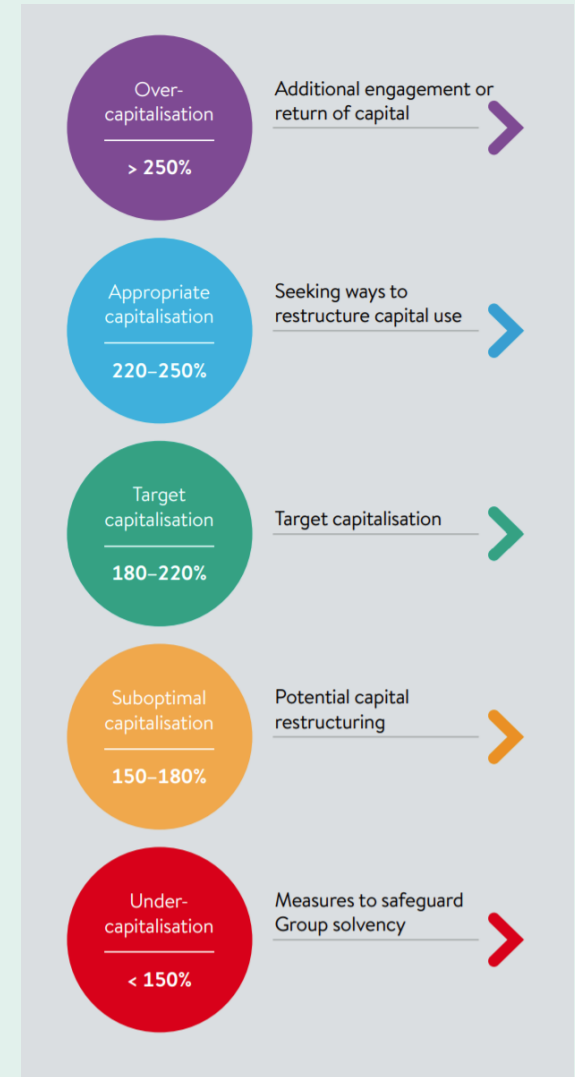
Capital adequacy

€ million	31/12/2020*
Eligible own funds	568.0
Solvency capital requirement (SCR)	287.9
Solvency ratio	197%

* The assurance report with limited assurance of the auditor KPMG has not been issued by the publication date of this report.

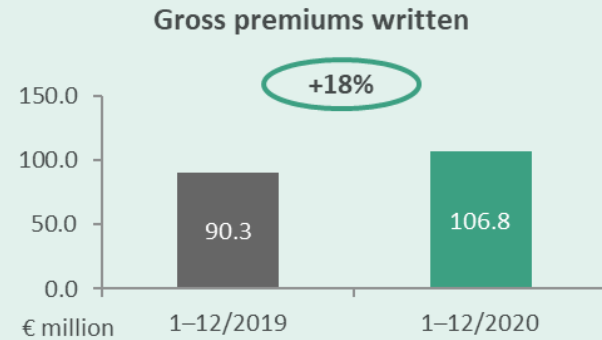
€ million	31/12/2019
Eligible own funds	522.0
Solvency capital requirement (SCR)	237.7
Solvency ratio	220%

Detailed data on capital adequacy of Sava Insurance Group for the year 2020 will be posted in the Solvency and financial condition report for 2020 (Group SFCR), which will be posted on 20 May 2021 on Sava Re's website and on SEONet.

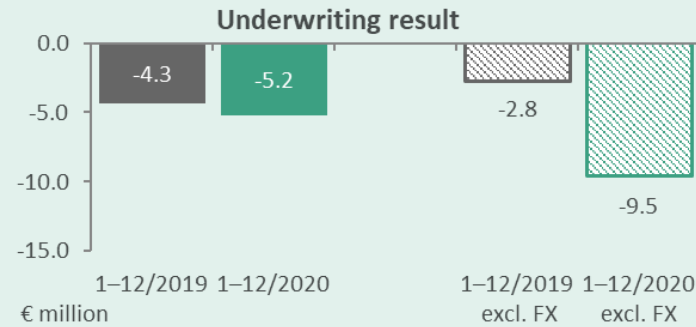
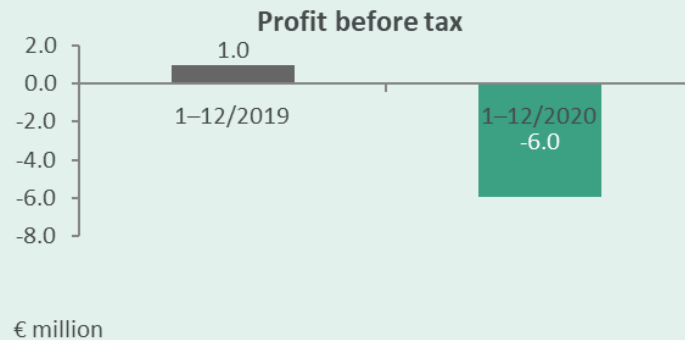


Segment reporting

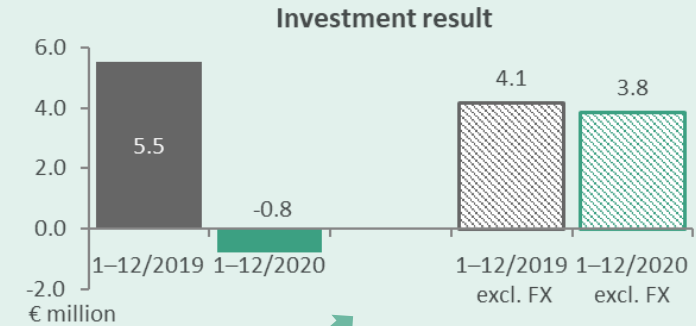
Results by operating segment – reinsurance



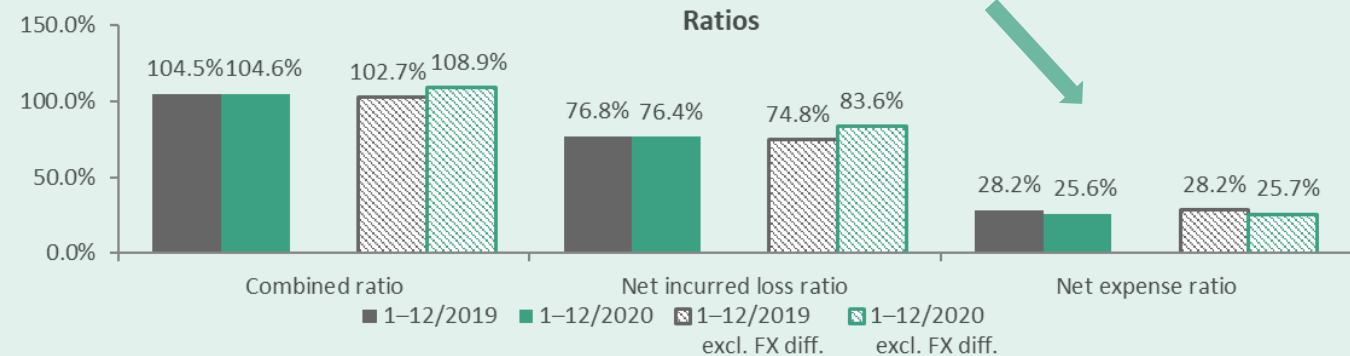
- Growth in non-proportional and proportional reinsurance premiums mainly on Asian markets (organic business growth and new contracts)
- Premium for contractual year 2020 higher by 8.5% (€7.6 million); mainly due to increase in prices
- Premium for previous contractual years also higher (by €9.0 million), mainly proportional



- Deterioration in underwriting result due to increased claims burden from more larger claims (claims from Covid-19 pandemic €10.8 million altogether)

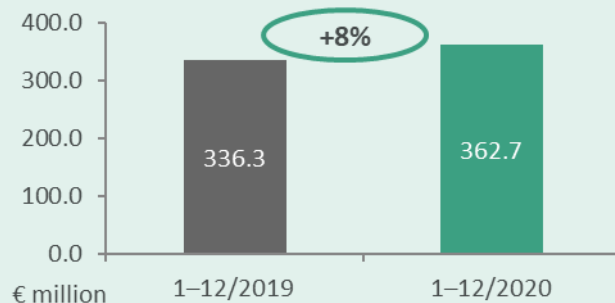


- Investment result excluding FX differences somewhat lower mainly due to lower interest income and dividends from financial investments
- Improved net expense ratio mainly due to increase in net premiums income and cost optimisation from adjustments to Covid-19-related circumstances

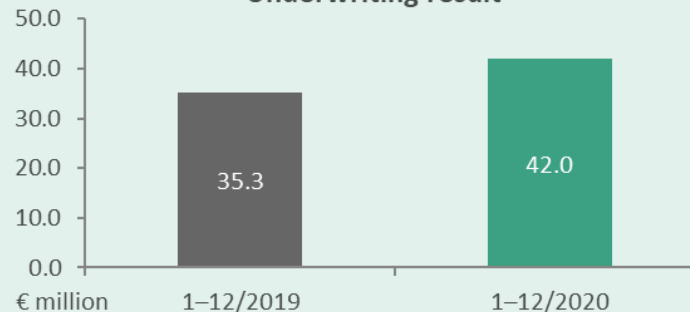


Results by operating segment – non-life Slovenia

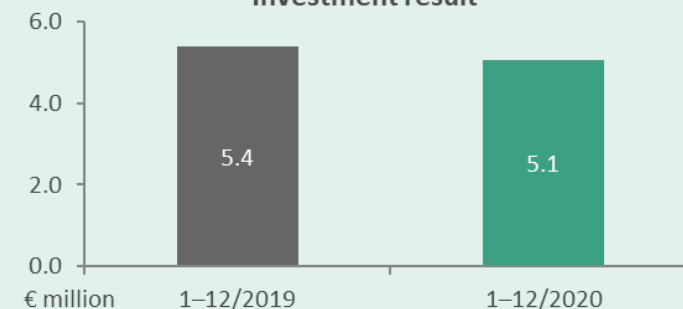
Gross premiums written



Underwriting result



Investment result



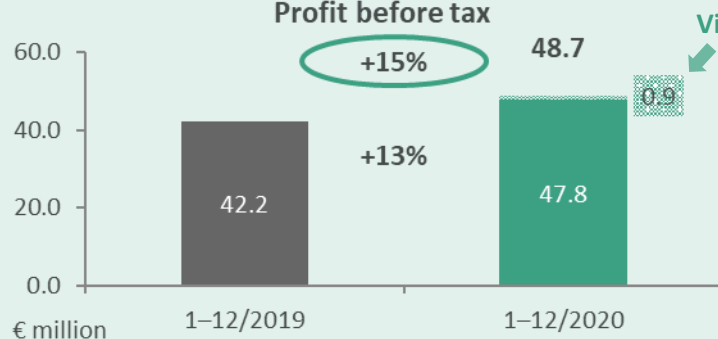
- Larger volume of FOS business (up €13.5 million)
- Larger volume of non-FOS business (up €12.9 million) mainly private sector motor vehicle insurance as a result of more policies sold and higher average premium; GPW Vita €2.3 million

- Stronger technical result of Slovenian part due to high growth in net premiums income and favorable claims burden related to Covid-19 pandemic
- Deteriorated technical result of FOS-business due to unfavorable claims burden

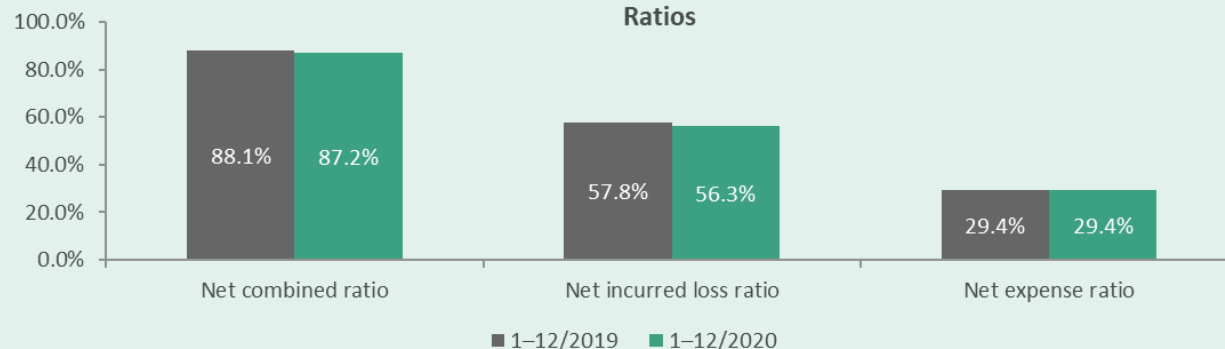
- In 2019 one-off positive effect from the revaluation of the investment in Sava Infond in the amount of €2.7 million
- Lower investment result in 2020 also due to lower interest income and change in fair value and loss on disposal of investments, impairment of financial investments and lower income from dividends on financial investments

Profit before tax

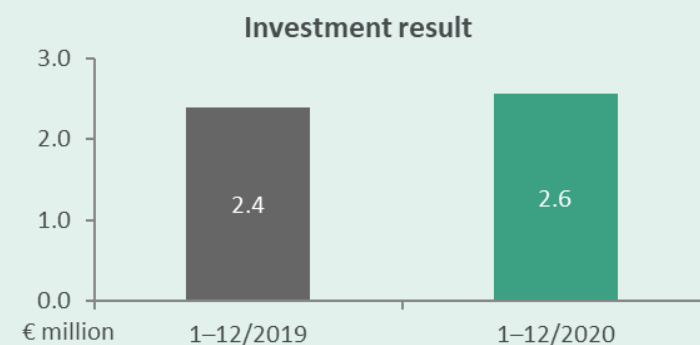
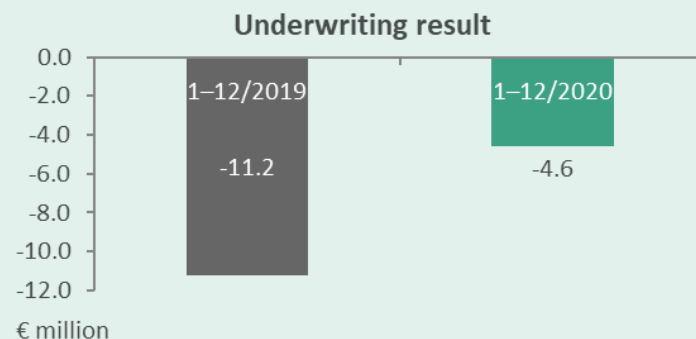
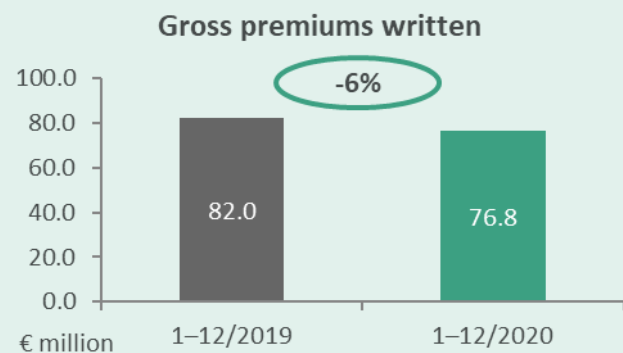
One-off effect Vita



Ratios



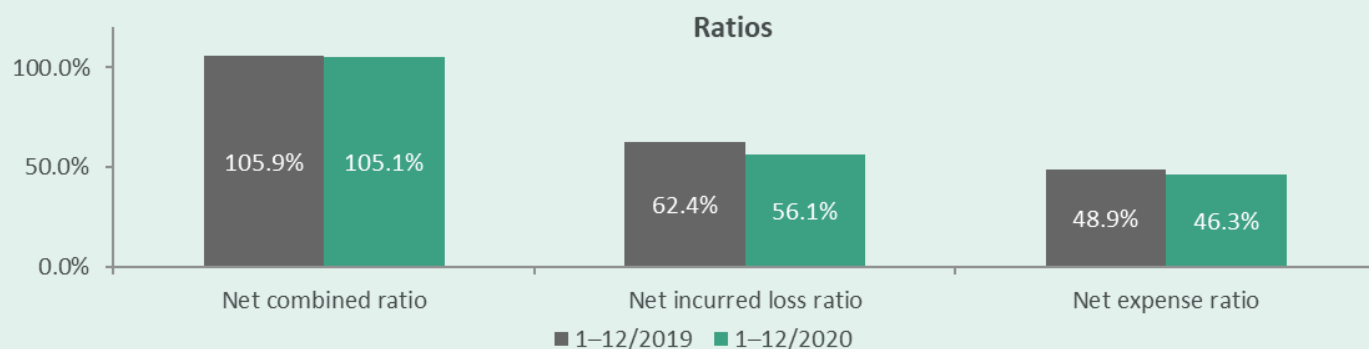
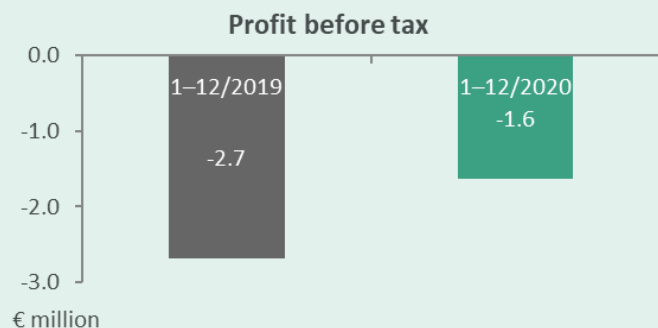
Results by operating segment – non-life international



- Decline in motor vehicle insurance sales and assistance business due to lower economic activity, travel restrictions as measures taken to curb the Covid-19 pandemic and fewer registered vehicles due to movement restrictions
- In Croatia decline in premiums also due to portfolio cleaning after consolidation of ERGO Osiguranje into Group

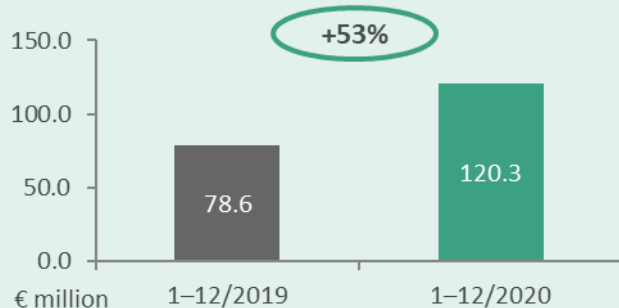
- Stronger technical result due to favorable claims burden (lower claims frequency due to Covid-19 pandemic) and lower operating expenses (acquisition costs and other operating expenses); negative technical result due to Croatia branch, otherwise it would amount to +€1.5 million in 2020 (2019 without Croatia: -€1.9 million)

- Higher investment result due to changes in fair value and capital gains on the sale of investments

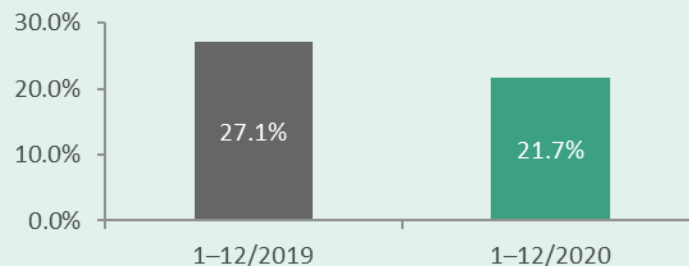


Results by operating segment – life Slovenia

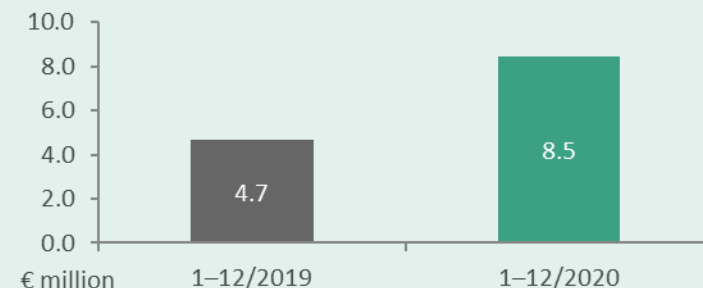
Gross premiums written



Net expense ratio



Investment result

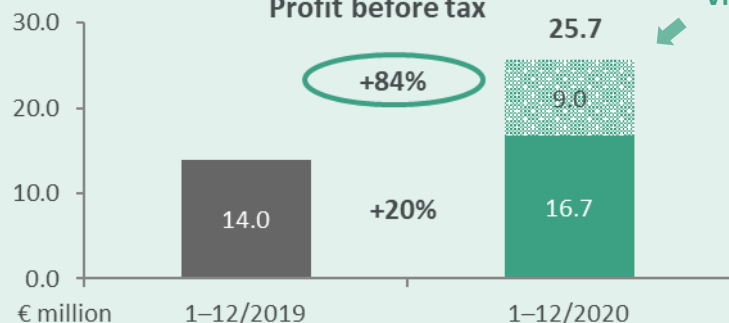


- Inclusion of Vita in the group on 31 May 2020 (€46.1 million in GPW), excluding Vita reduction in GPW by 6%
- 9% decline in annual premiums (excluding Vita) due to the Covid-19 pandemic

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

- Higher return influenced by the inclusion of Vita

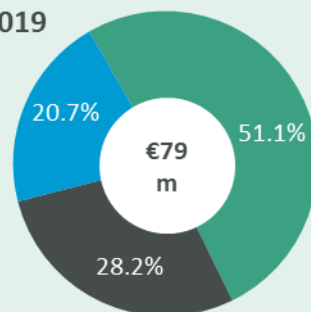
Profit before tax



One-off effect
Vita

Gross premiums written by class of insurance

1-12/2019

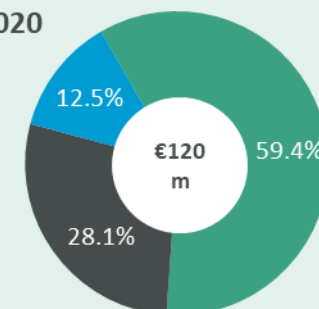


Unit-linked life business

Traditional life insurance business

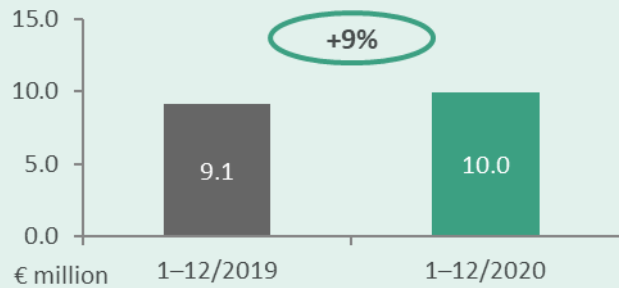
Additional personal accident

1-12/2020



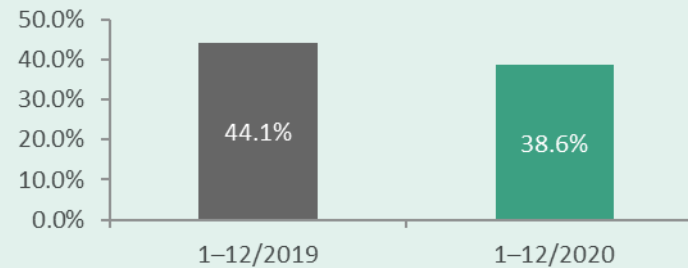
Results by operating segment – life international

Gross premiums written



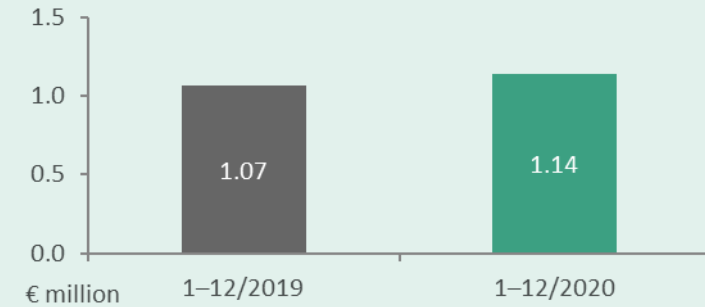
- High growth, mostly in Serbia resulting from improved efficiency of own sales network
- 3% growth in annual premiums despite the Covid-19 pandemic

Net expense ratio



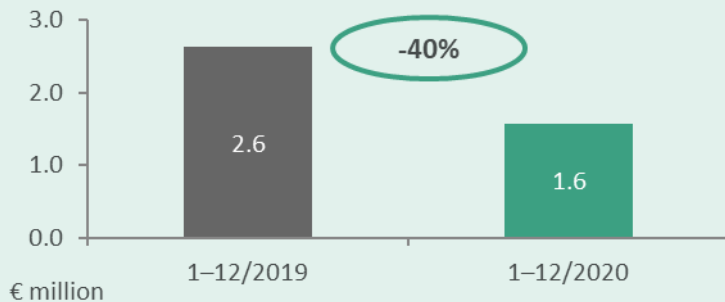
- Significantly improved expense ratio as a result of high premium growth and somewhat lower operating expenses from merger of ERGO Životno Osiguranje (Croatia)
- Decrease in profit is the result of a one-off positive effect of the purchase of ERGO Životno Osiguranje (Croatia) in 2019 in the amount of €2.6 million

Investment result



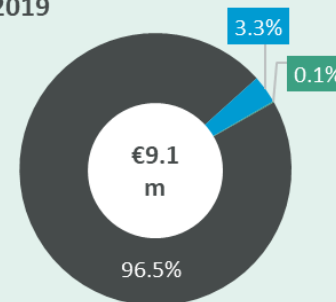
- The investment result remained at about the same level as last year; interest income increased slightly

Profit before tax

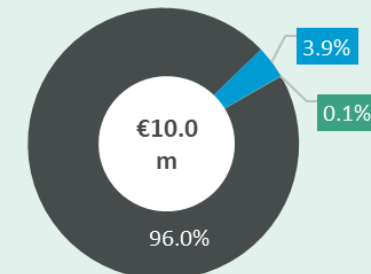


Gross premiums written by class of insurance

1-12/2019



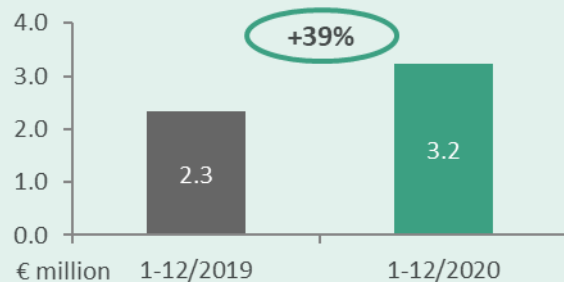
1-12/2020



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

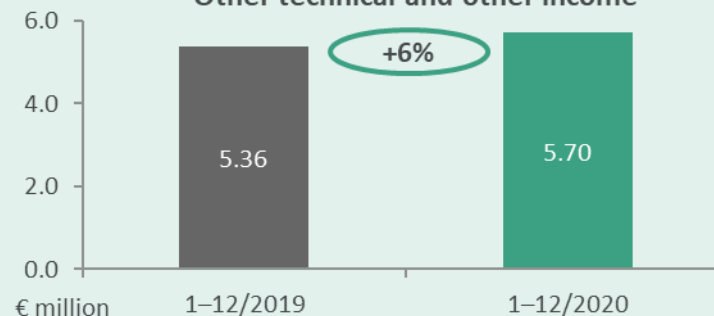
Results by operating segment – pension business

Gross premiums written (annuities)



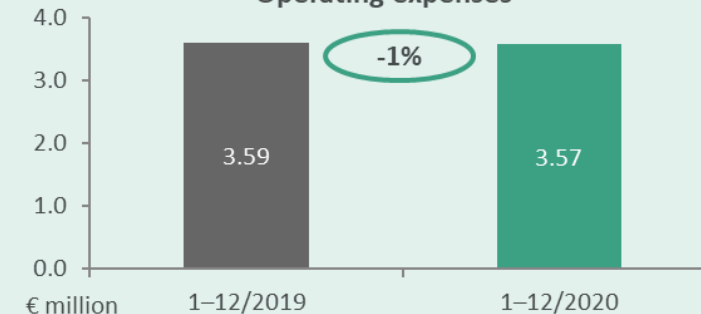
- More policyholders opting for pension annuities upon retirement
- Lower result due to goodwill impairment of €1.5 million

Other technical and other income



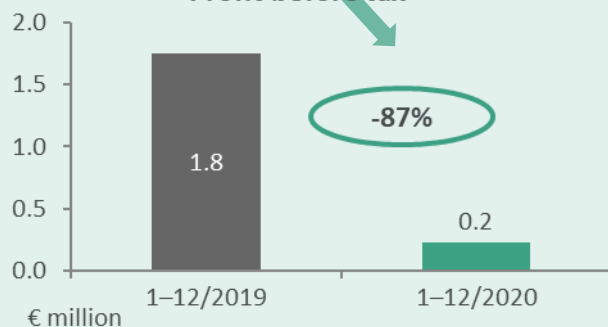
- Growth in other technical and other income of both pension companies as a result of higher assets in pension savings funds

Operating expenses

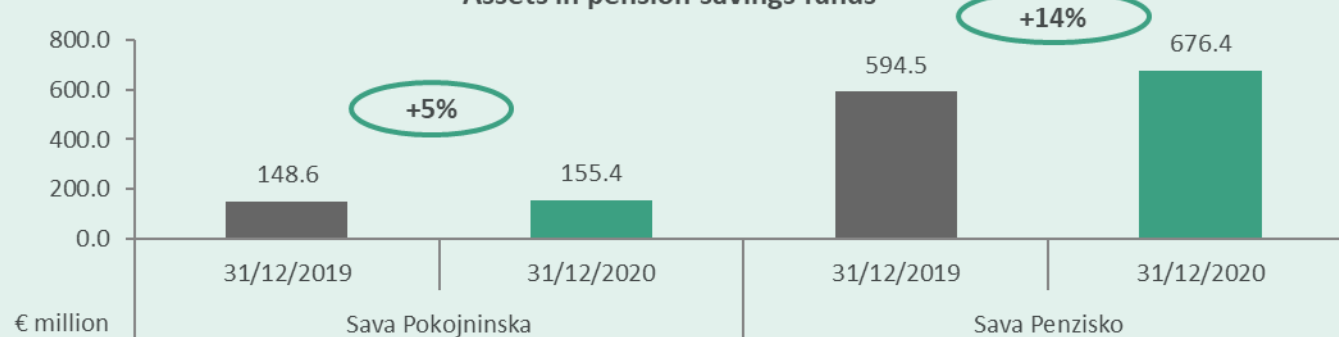


- Reduction of operating expenses in the Slovenian pension company, while they were higher in the North Macedonian pension company due to amortisation of a list of customers, which was formed as an intangible asset of the Group after Sava Penzisko joined the Group

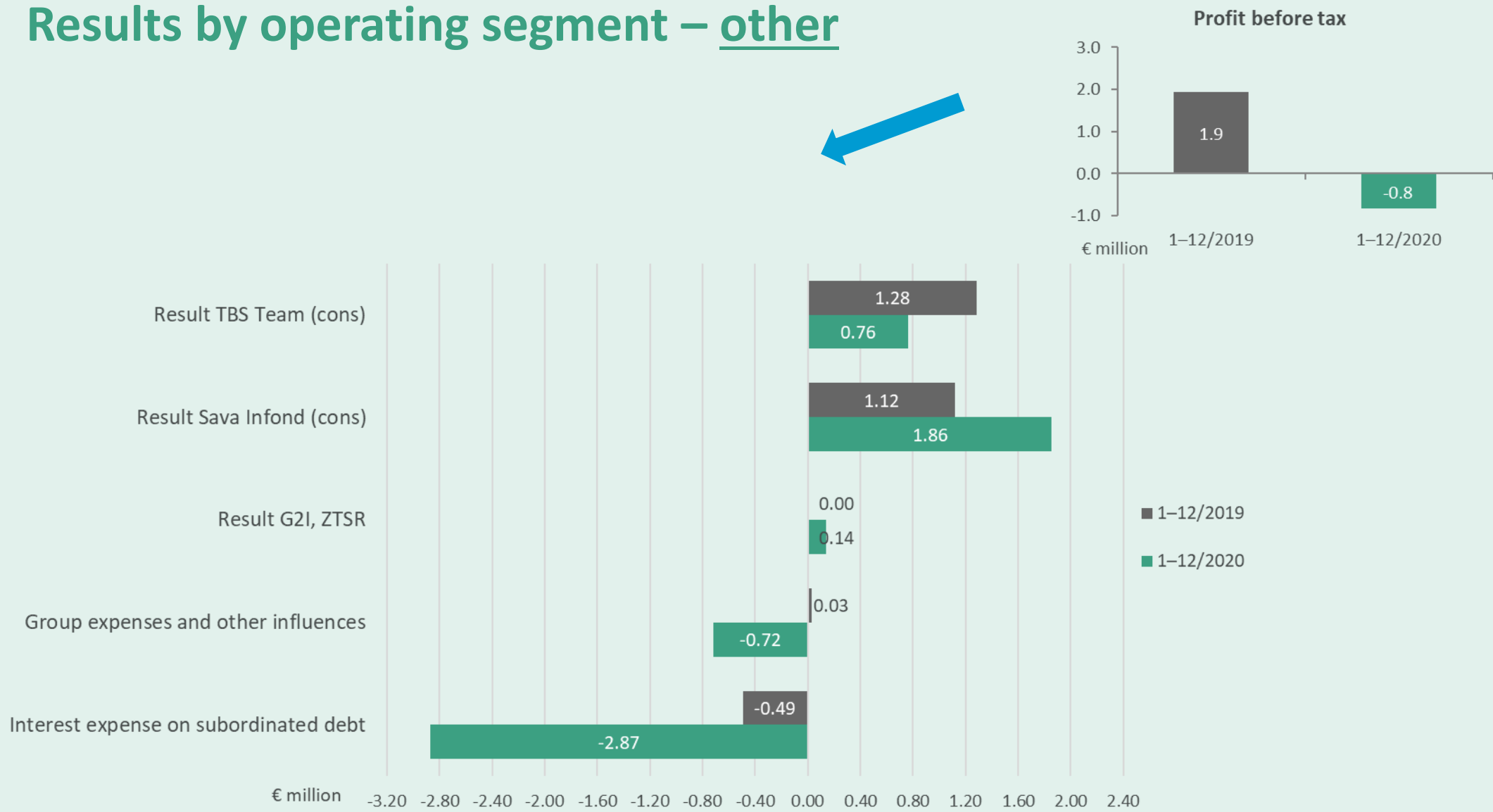
Profit before tax



Assets in pension savings funds



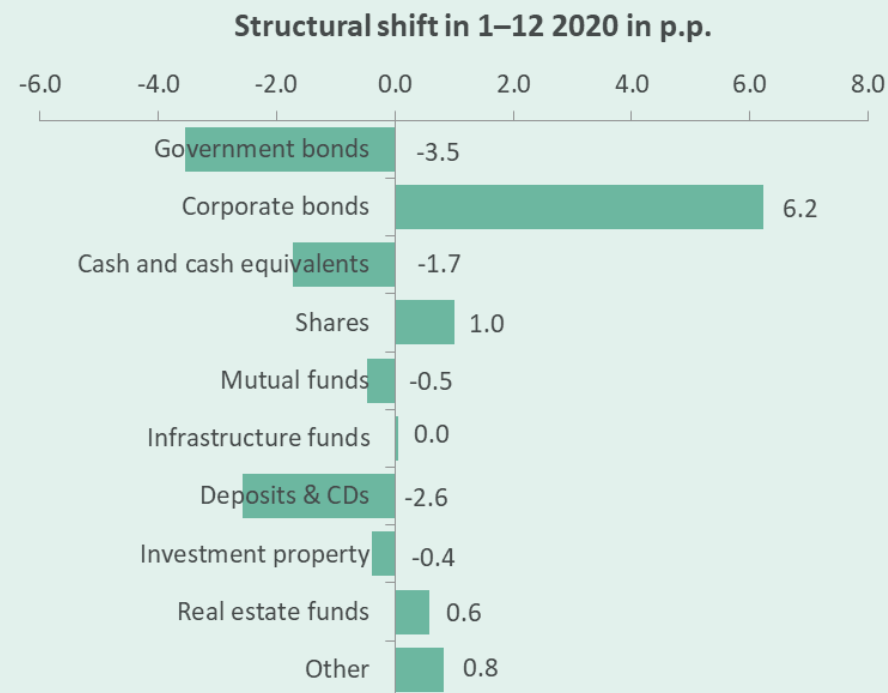
Results by operating segment – other



Financial investments

Structure of investment portfolio

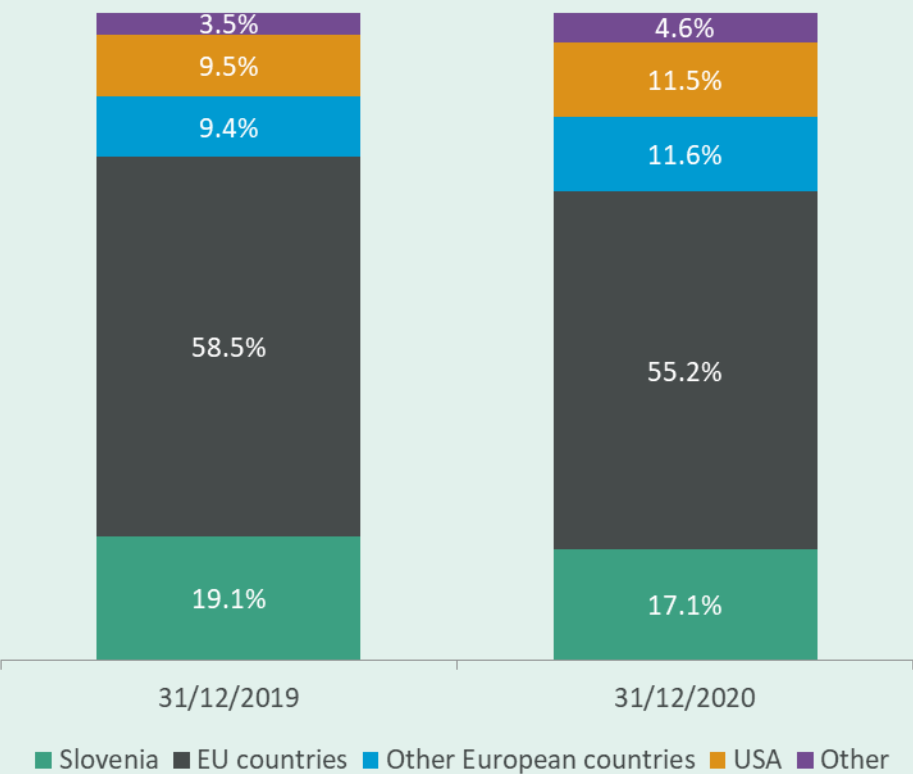
	31/12/2019	31/12/2020
Investment portfolio (€ million)	1,157.8	1,535.3
Government bonds	46.6%	43.0%
Corporate bonds	34.1%	40.3%
Cash and cash equivalents	6.5%	4.8%
Shares	1.5%	2.5%
Mutual funds	3.0%	2.5%
Infrastructure funds	1.7%	1.8%
Deposits & CDs	4.0%	1.5%
Investment property	1.4%	1.1%
Real estate funds	0.3%	0.9%
Other	0.8%	1.6%
Total investment portfolio	100.0%	100.0%



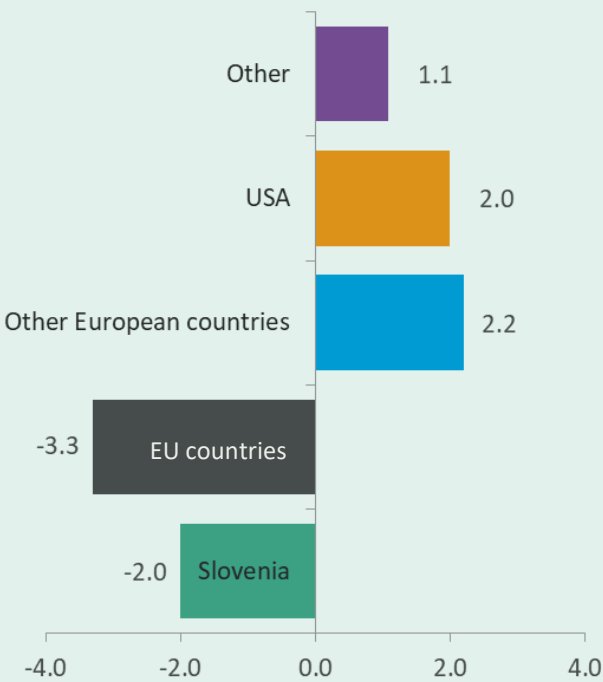
Increase in the percentage of corporate bonds of 6.2 p.p. and shares of 1.0 p.p. as a result of inclusion of the Vita portfolio (in May 2020), which also had a significant impact on the **decrease in the percentage of government bonds of 3.3 p.p., decrease in the percentage of deposits of 2.6 p.p. and decrease in the percentage of cash and cash equivalents of 1.7 p.p.**

Group exposure by region

With the inclusion of Vita, exposure to Slovenia decreased relatively, as did the exposure to EU member states, while the exposure to the US increased. The impact of Brexit has already been taken into account, thus increasing exposure to other European countries.



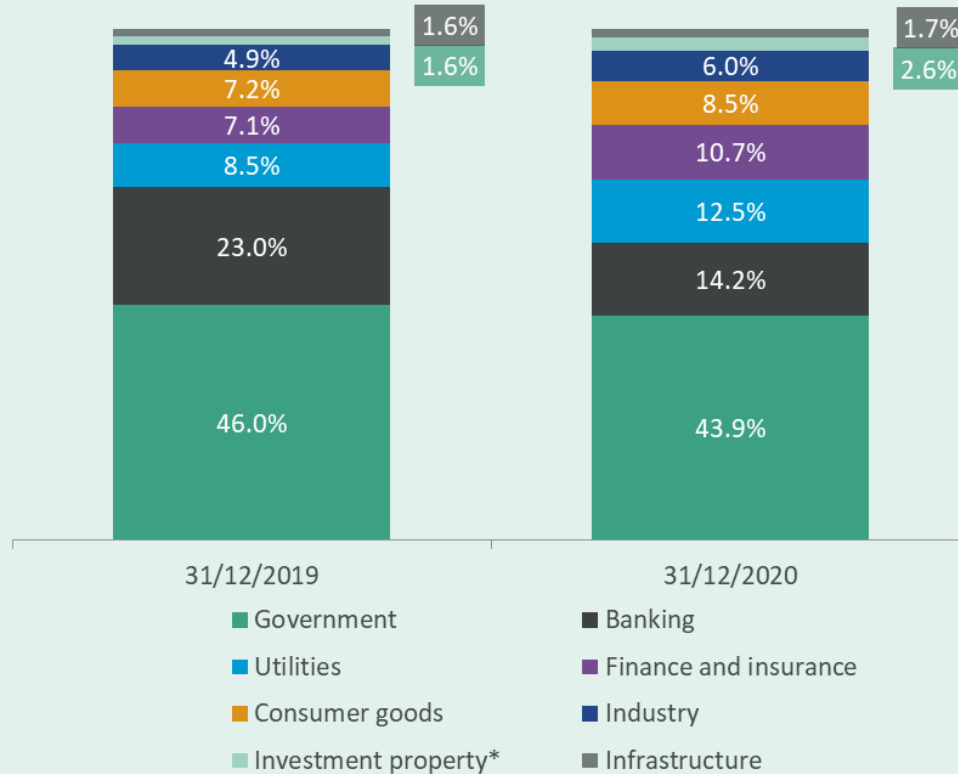
Structural shift in 1–12 2020 in p.p.



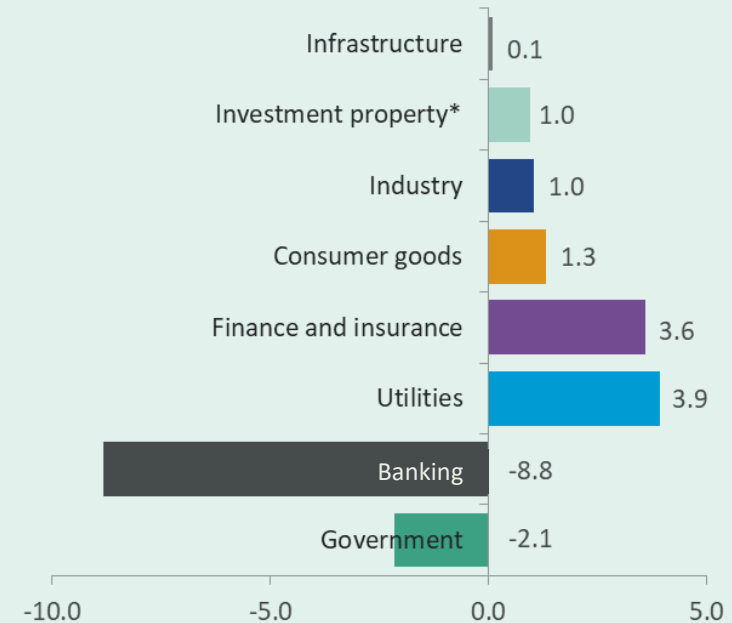
Group exposure by industry

Lower exposure to government securities by 2.1 p.p., even though in absolute terms exposure increased due to the inclusion of the investment portfolio of Vita into the Group.

Lower exposure to the banking sector resulting from change in portfolio structure due to the acquisition of Vita (short-term invested deposits decreased).



Structural shift in 1–12/2020 in p.p.



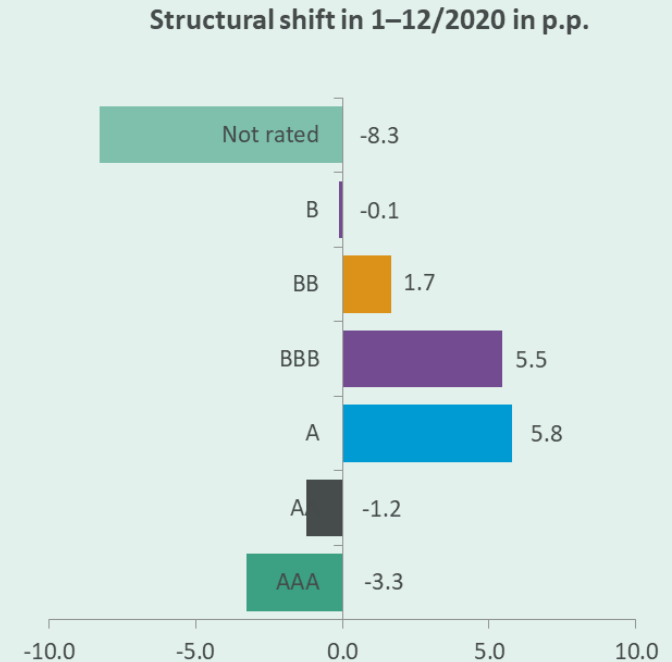
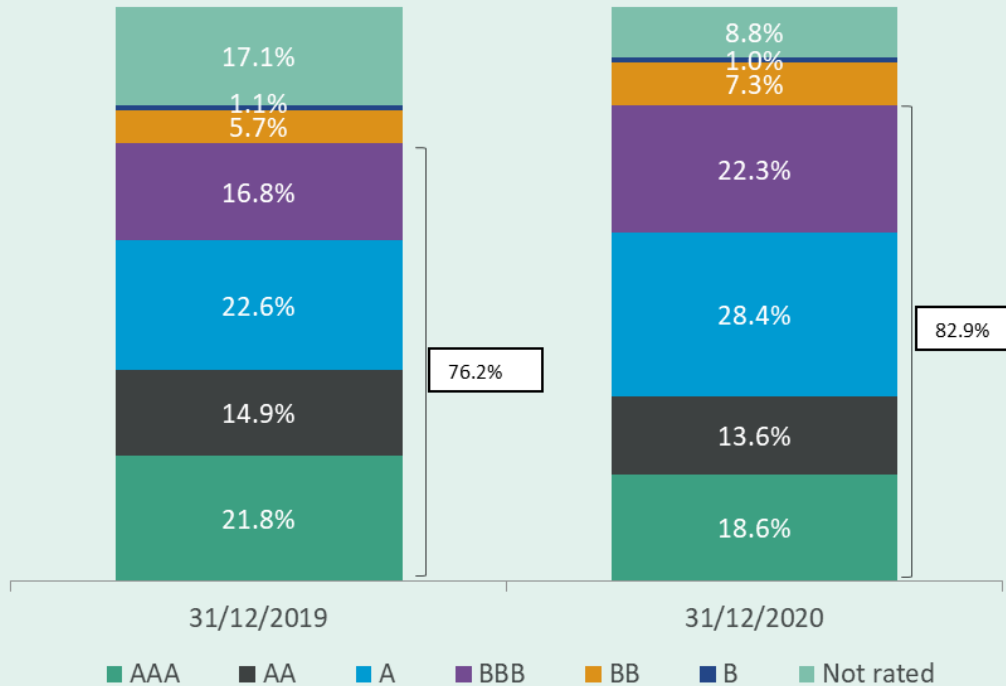
* Includes direct investments in real-estate and property funds. Also included are corporate bonds with GICS classification real-estate industry.

Maintaining good rating profile despite Covid-19 developments

Investment-grade assets represent 82.9% of fixed income investments, which is 6.7 p.p. higher than at the end of 2019.

Changes in classes are a result of the downgrading of ratings due to the situation with Covid-19 and the inclusion of the investment portfolio of Vita into the Group.

Decreased share of Not rated category by 8.3 p.p. as a result of decrease of deposits invested short-term for the acquisition of Vita.



Investment income by type

€ million	1-12/2019	1-12/2020	Absolute change
Income			
Interest income at effective interest rate	14.0	16.2	2.1
Change in fair value and losses on disposal of FVPL assets	1.7	2.5	0.8
Gains on disposal of other IFRS asset categories	0.8	4.9	4.1
Income from associates*	2.7	0.1	-2.6
Income from dividends of subsidiaries	1.6	1.2	-0.4
Exchange gains	1.3	0.0	-1.3
Other income	1.6	2.0	0.4
Total income	24.3	27.9	3.6
Total income, excluding exchange differences	23.0	27.9	4.9

* In 2019, at first consolidation, €2.7 million of revenues from the revaluation of the 15% share in Sava Infond held by Zavarovalnica Sava were recognised.

Interest income at effective interest rate: Compared to the same period last year, interest income was €2.1 million higher mainly due to inclusion of the investment portfolio of Vita into the Group.

Gains on disposal: Compared to the same period last year, gains on disposal of other IFRS asset categories were €4.1 million higher as a result of investment decisions.

The income relating to the investment portfolio, excl. FX differences, increased by €4.9 million compared to the previous year (with the exclusion of one-off revenue from revaluation of Sava Infond it would be €7.6 million higher).

Investment expenses by type

€ million	1–12/2019	1–12/2020	Absolute change
Expenses			
Interest expense	0.5	3.0	2.5
Change in fair value and losses on disposal of FVPL assets	0.6	2.3	1.7
Losses on disposal of other IFRS asset categories	0.2	1.4	1.2
Goodwill impairment and loss from investments in associates	0.1	0.6	0.5
Other investment impairments	0.0	1.1	1.1
Exchange losses	0.0	4.8	4.8
Other	0.6	0.8	0.2
Total expense	2.0	14.0	12.0
Total expense, excluding exchange differences	2.0	9.2	7.2

Interest expense: Interest expense amounted to €3.0 million and mainly refers to the expense from subordinated debt issue.

Change in fair value and losses on disposal of FVPL assets: the reason for the increase of €1.7 million is mainly the developing situation with the Covid-19 pandemic. The change in fair value mainly relates to subordinated bonds of Slovenian companies.

Losses on disposal of other IFRS asset categories amount to €1.4 million as a result of investment decisions.

The expense relating to the investment portfolio, excl. FX differences, increased by €7.2 million compared to the previous year.

Net inv. income of and return on investment portfolio

€ million	1–12/2019	1–12/2020	Absolute change 2020–2019
Net investment income relating to the investment portfolio	22.3	13.9	-8.4
Net inv. Income of the investment portfolio, excl. FX diff.	21.0	18.7	-2.3
Return on the investment portfolio, excl. FX diff. and subordinated debt expense	1.9%	1.6%	-0.3

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

The Group's net investment income from its investment portfolio, excluding exchange differences, totalled €18.7 million in 1–12/2020, which is €2.3 million lower than in 2019.

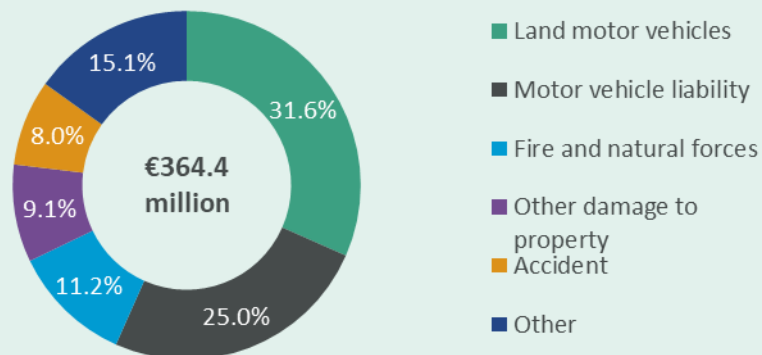
The realised investment return, excluding the effect of FX differences and subordinated debt expense, in 1–12/2020 was 1.6%.

Unconsolidated data

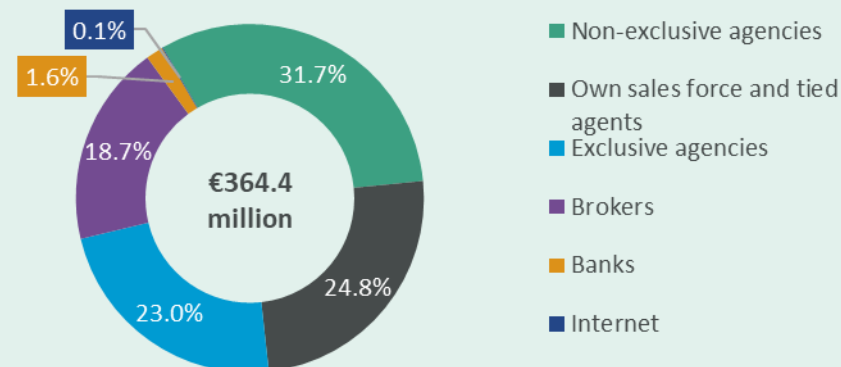
Slovenian insurance business – non-life (non-consolidated)

Data for Vita are shown for all years, although Vita has been included in the consolidated accounts since June 2020.

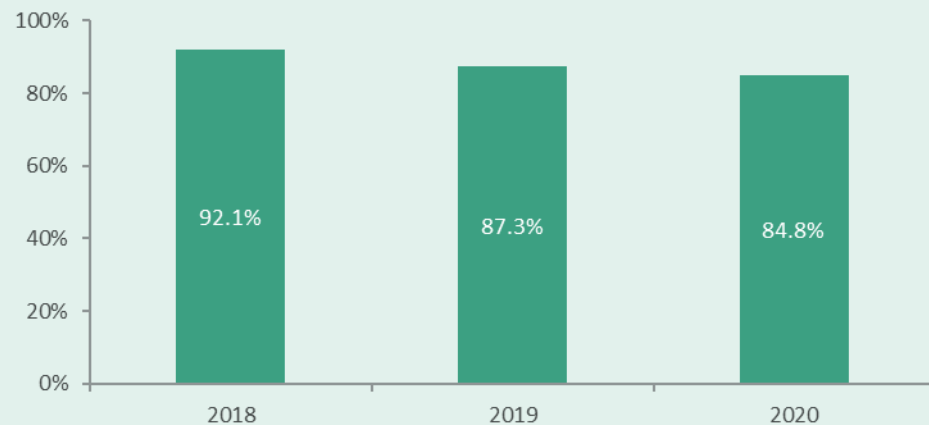
Structure of GWP 2020 by class of insurance



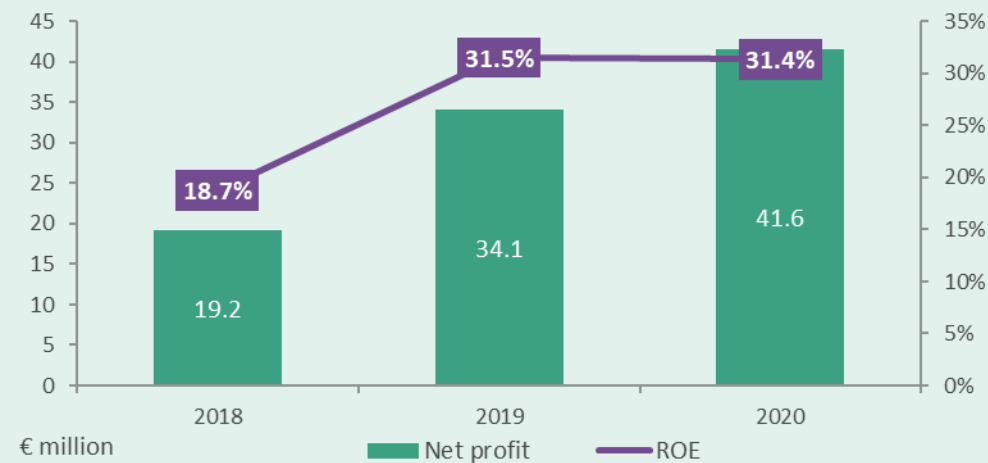
Structure of GWP 2020 by sales channel



Combined ratio



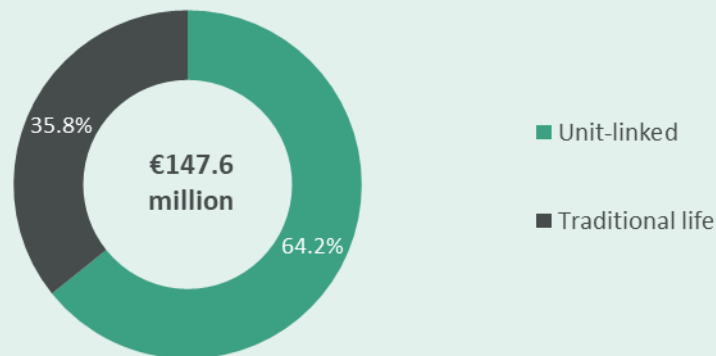
Net profit and ROE



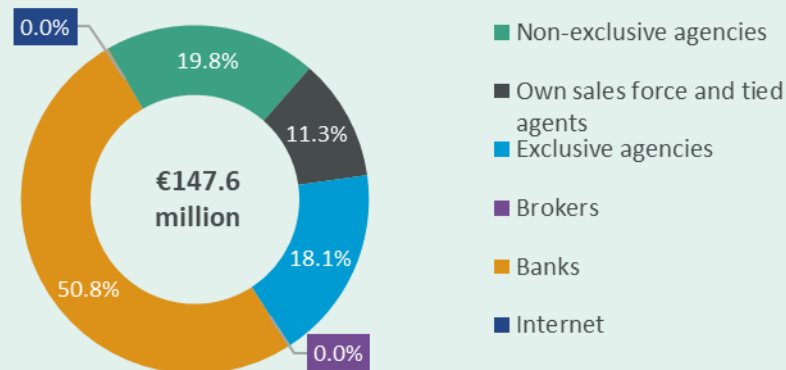
Slovenian insurance business – life (non-consolidated)

Data for Vita are shown for all years, although Vita has been included in the consolidated accounts since June 2020.

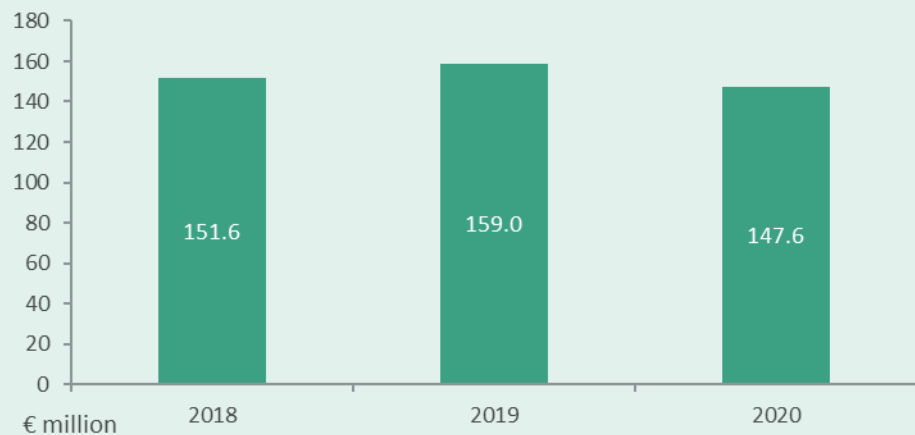
Structure of GWP 2020 by class of insurance



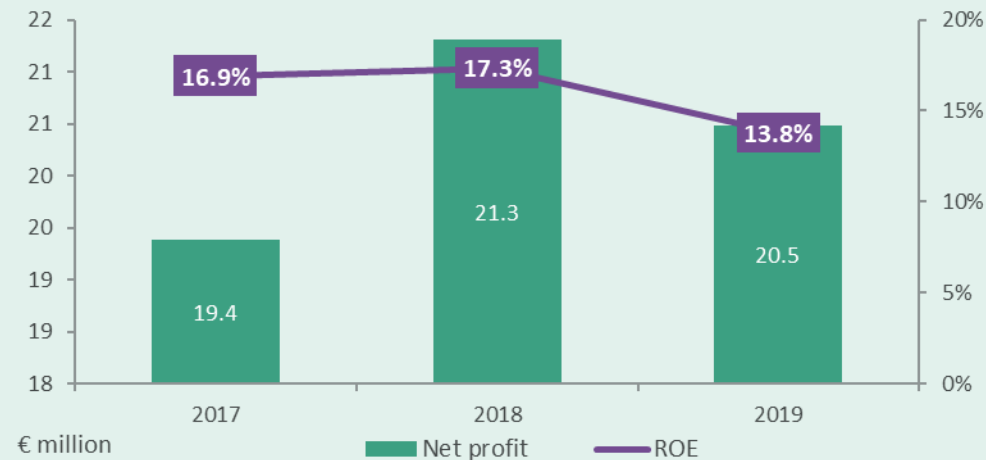
Structure of GWP 2020 by sales channel



Gross premiums written

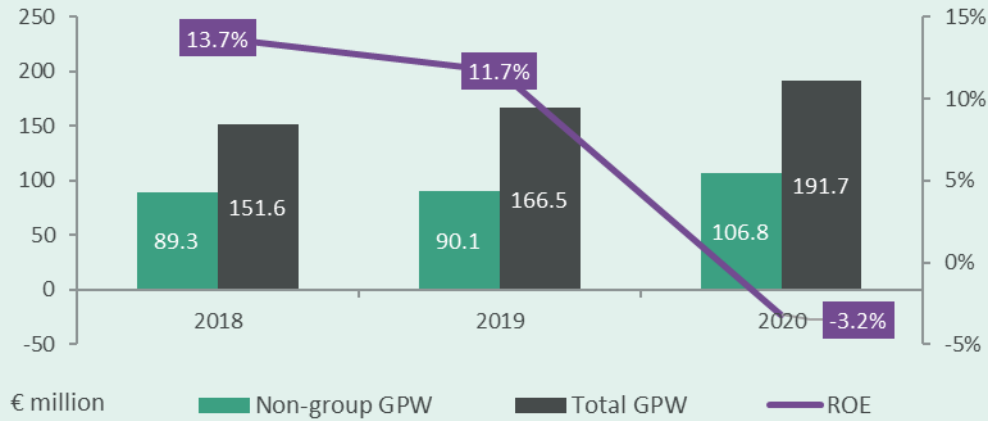


Net profit and ROE

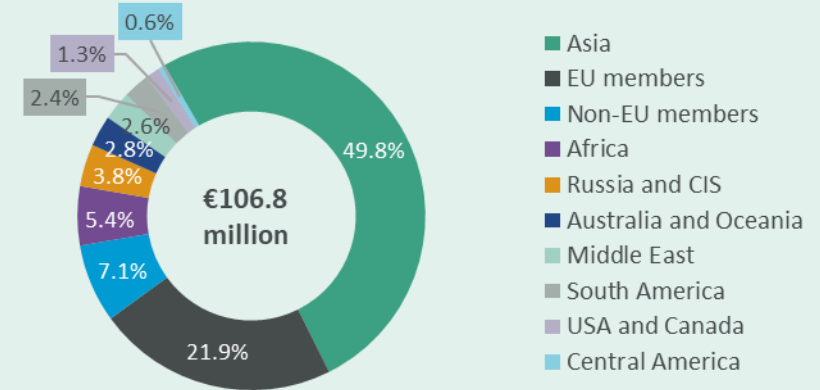


Sava Re (non-consolidated)

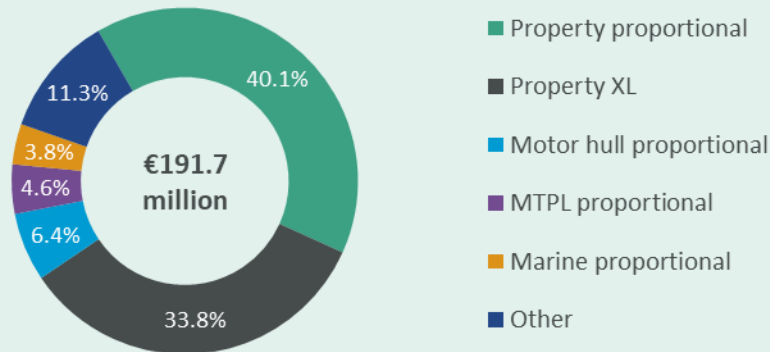
Gross premiums written and ROE



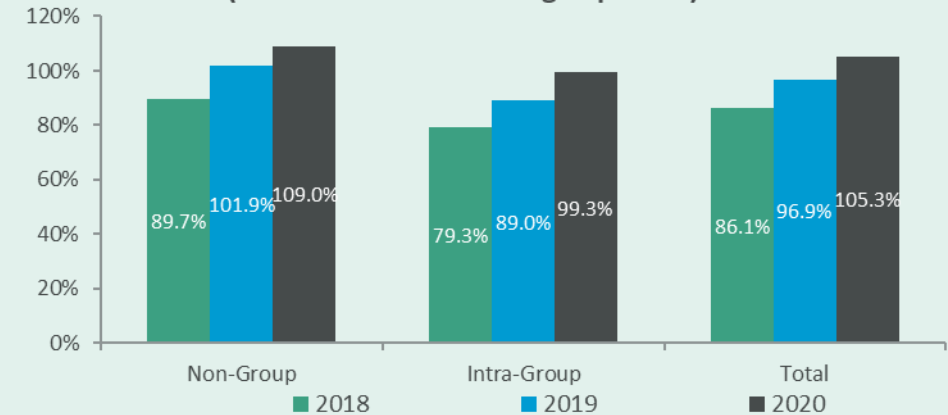
Geographical split of non-group GPW 2020



Split of total GPW 2020 by type

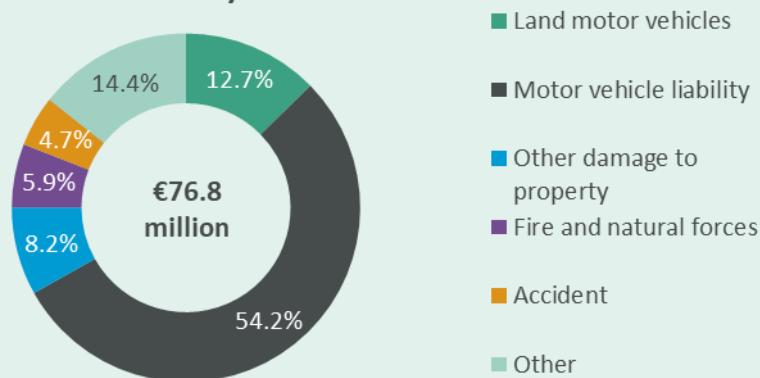


Combined ratio
(excl. FX diff. and holding expenses)

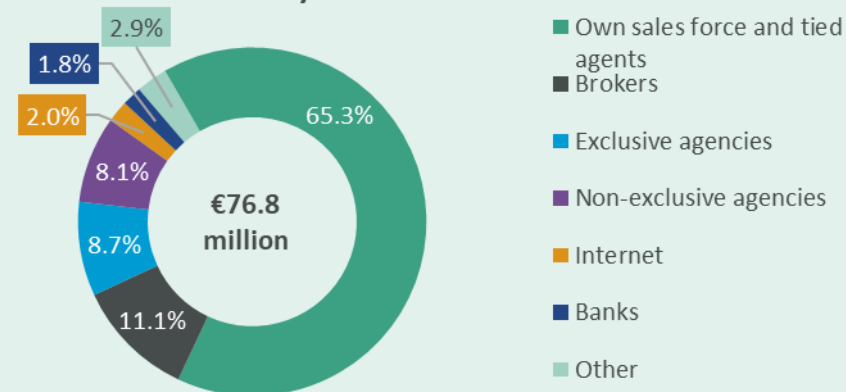


International insurance business – non-life (non-consolidated)

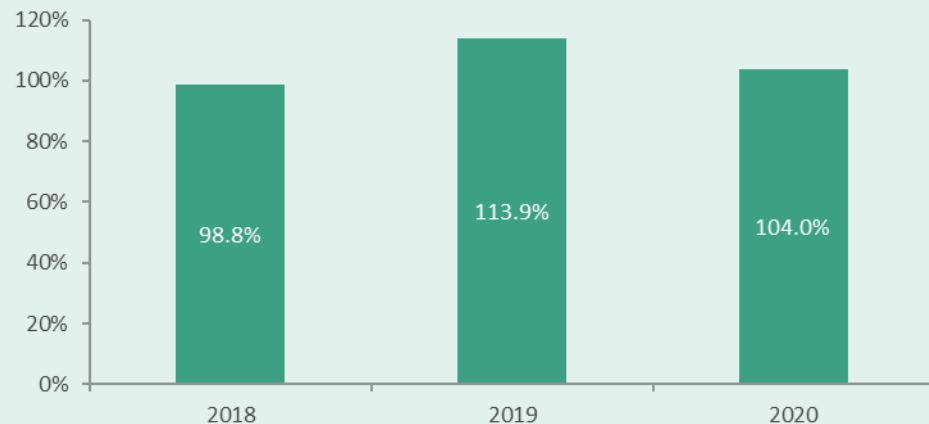
Structure of GWP 2020 by class of insurance



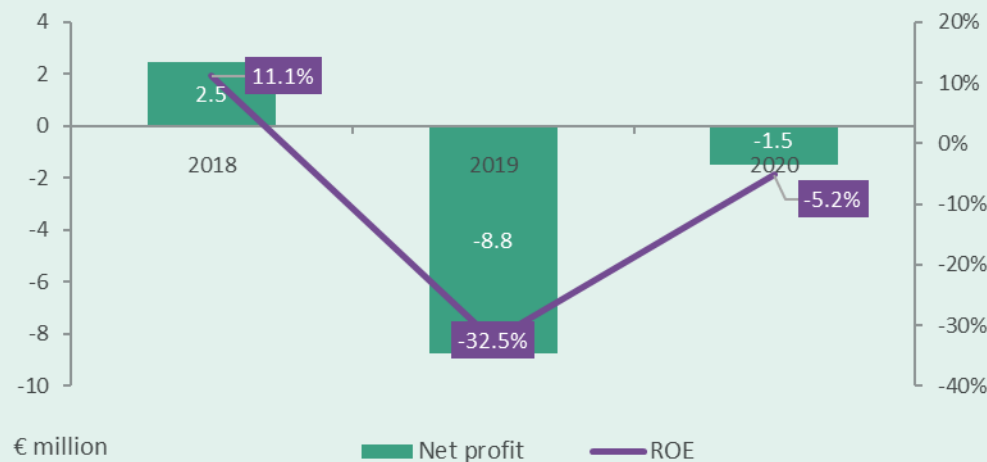
Structure of GWP 2020 by sales channel



Combined ratio

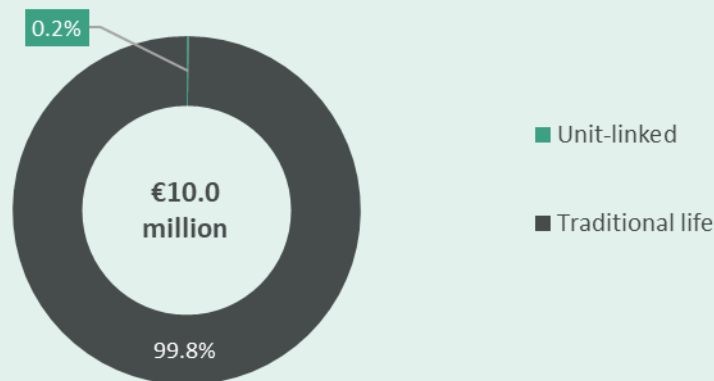


Net profit and ROE

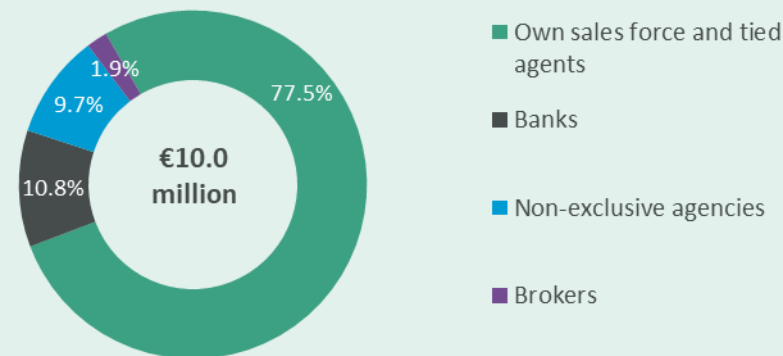


International insurance business – life (non-consolidated)

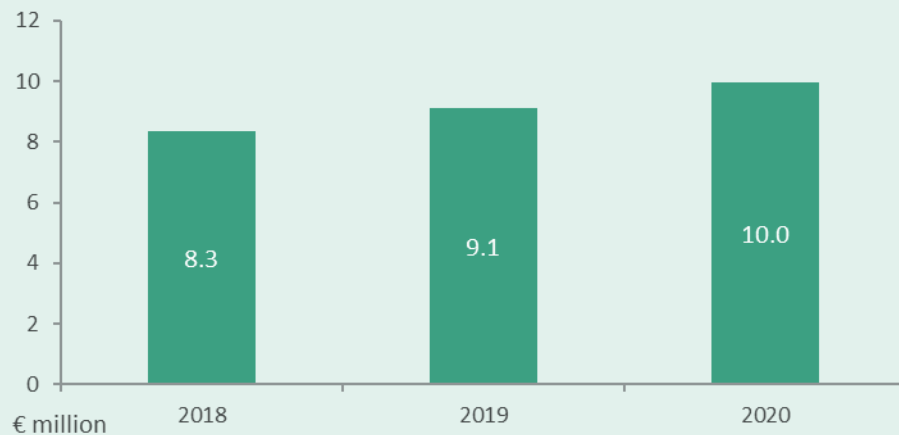
Structure of GWP 2020 by class of insurance



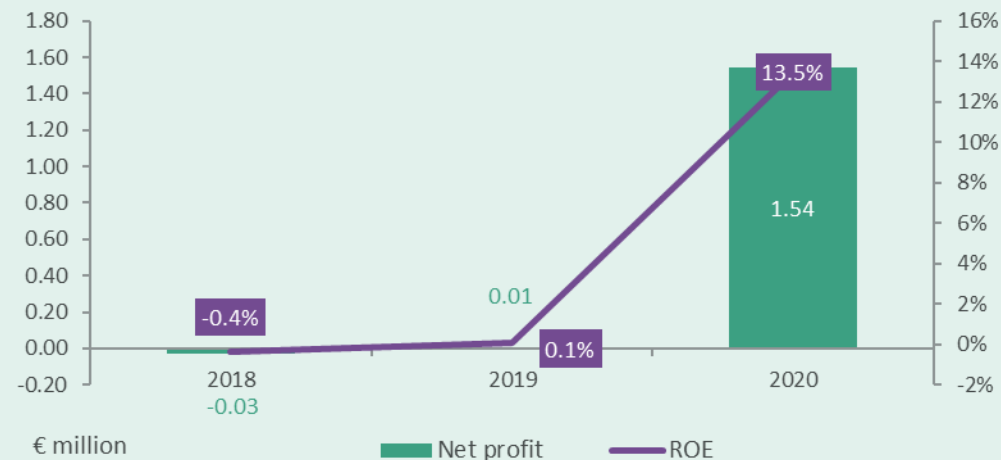
Structure of GWP 2020 by sales channel



Gross premiums written



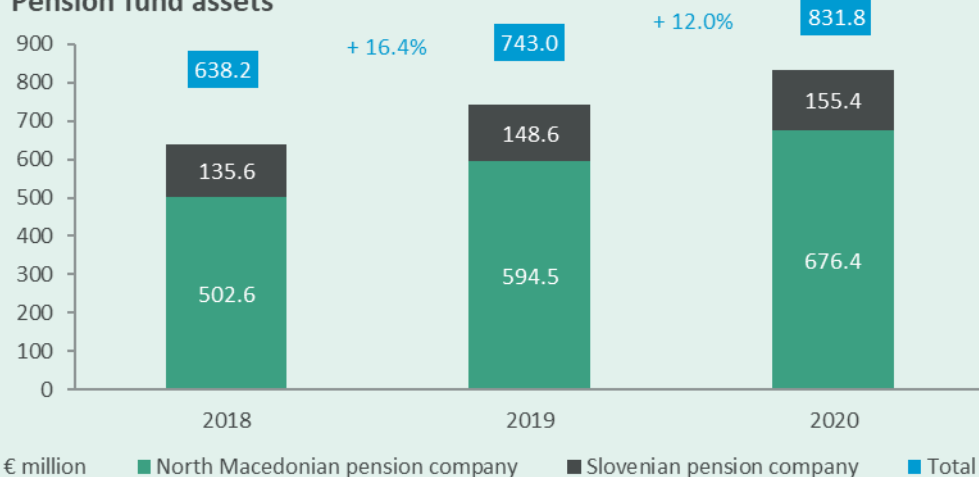
Net profit and ROE



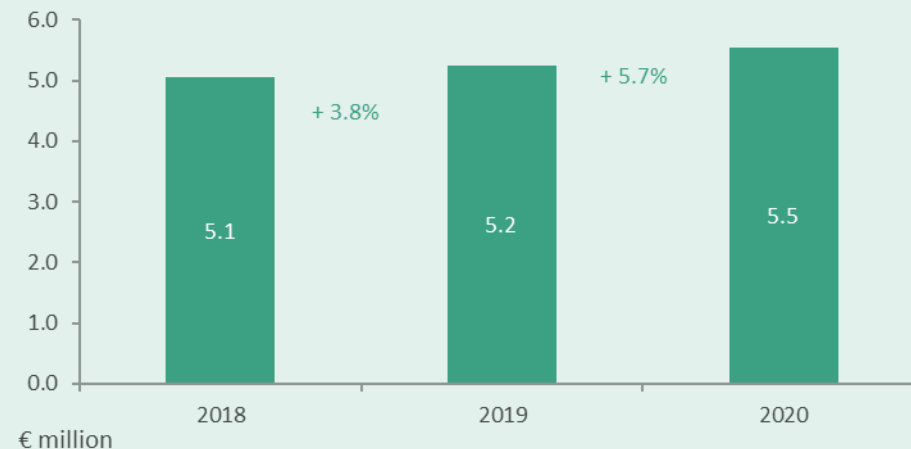
Pension business (non-consolidated)

Sava Penzisko from North Macedonia has been included in all years, even though it was included in the consolidated accounts in April 2018.

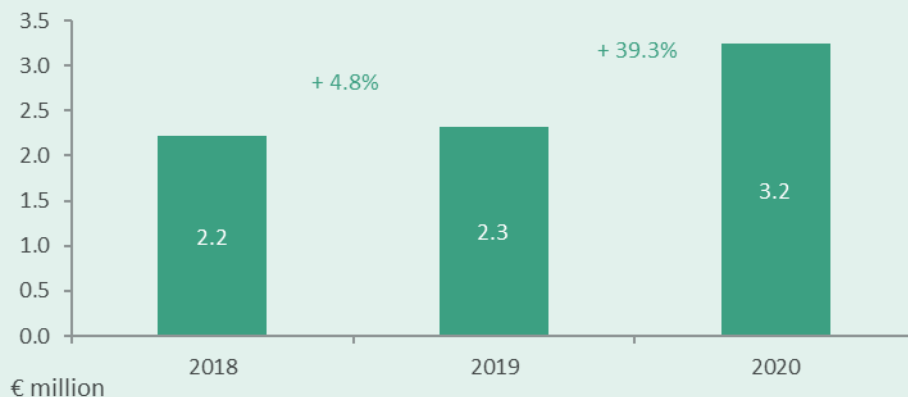
Pension fund assets



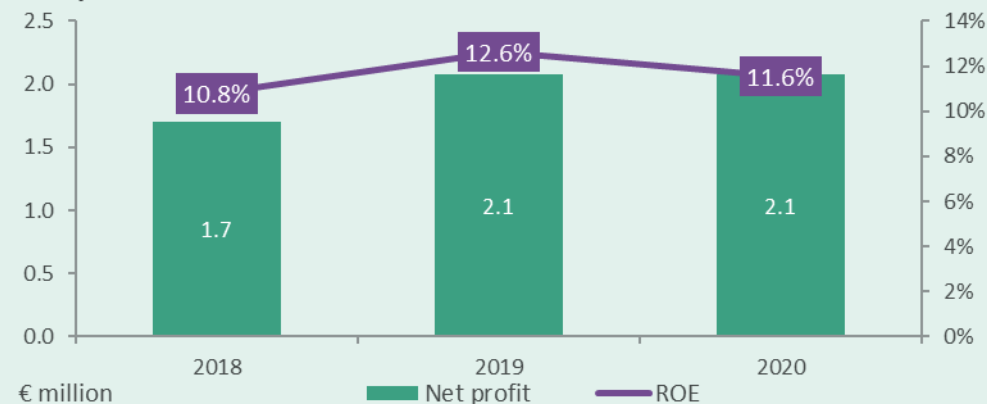
Revenue from managing funds



Gross premiums written (Slovenian company annuities)



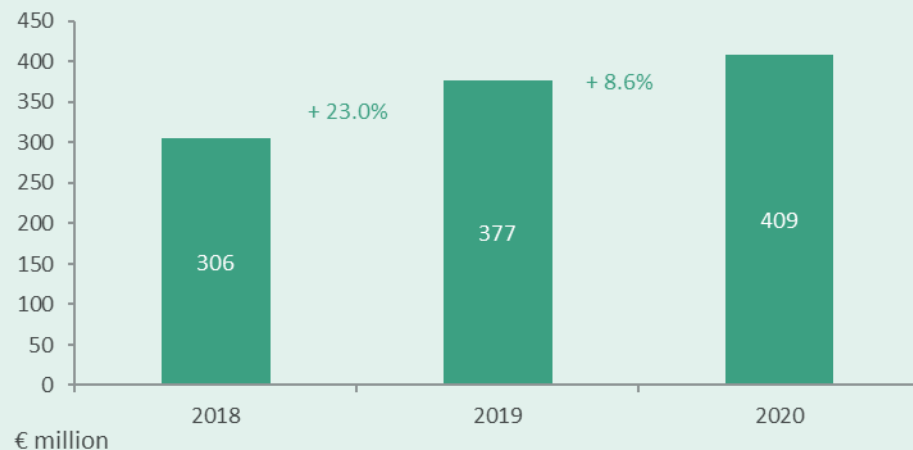
Net profit and ROE



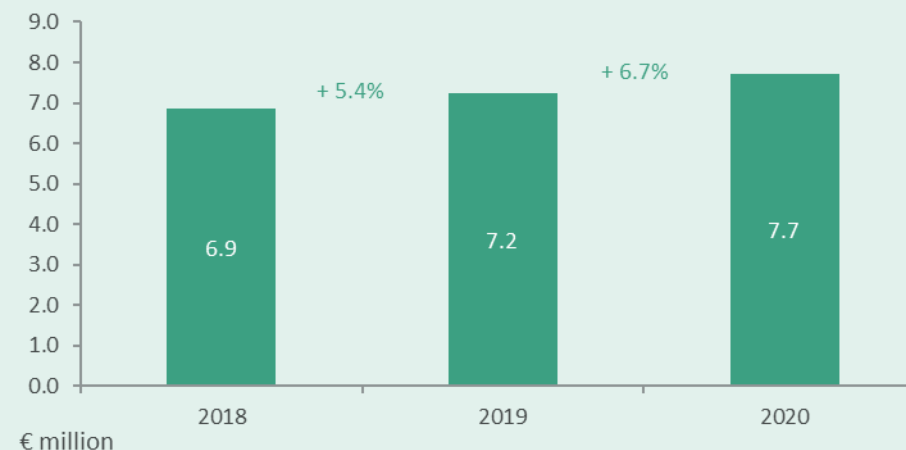
Mutual fund management (non-consolidated)

Data shown for all years, even though Sava Infond was included in the consolidated accounts in July 2019.

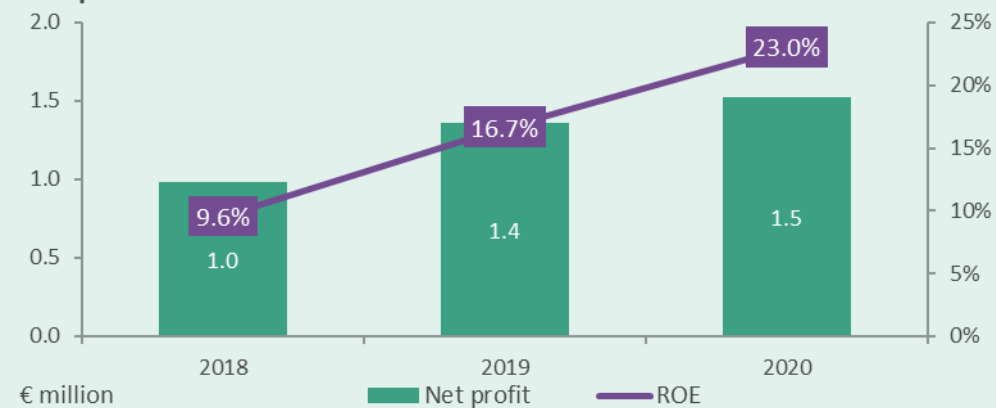
Mutual fund assets



Revenues from managing funds



Net profit and ROE



Financial statements

Consolidated statement of financial position

€	31/12/2019	31/12/2020
ASSETS	1,885,953,003	2,467,251,303
Intangible assets	61,060,069	64,278,611
Property and equipment	47,615,710	48,336,491
Right-of-use assets	9,974,252	8,648,594
Deferred tax assets	2,044,124	4,924,819
Investment property	16,695,132	16,121,079
Financial investments in associates	581,104	15,056,143
Financial investments	1,064,874,239	1,430,149,336
Assets held for the benefit of policyholders who bear the investment risk	213,159,889	411,224,812
Reinsurers' share of technical provisions	38,620,539	42,609,217
Investment contract assets	151,197,102	158,765,028
Receivables	159,413,917	153,871,498
Deferred acquisition costs	23,500,521	24,278,003
Other assets	2,841,516	4,240,414
Cash and cash equivalents	93,804,031	83,458,594
Non-current assets held for sale	570,858	1,288,664
EQUITY AND LIABILITIES	1,885,953,003	2,467,251,303
Equity	384,776,847	460,214,488
Subordinated liabilities	74,822,710	74,804,974
Technical provisions	933,952,709	1,233,312,054
Technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	409,604,428
Other provisions	8,705,469	9,287,735
Deferred tax liabilities	5,294,664	14,901,575
Investment contract liabilities	151,040,643	158,596,453
Other financial liabilities	355,908	470,937
Liabilities from operating activities	61,290,549	58,412,273
Lease liabilities	10,448,915	8,255,225
Other liabilities	34,650,891	39,391,161

Consolidated income statement

€	2019	2020
Net earned premiums	548,040,035	635,361,568
Income from investments in subsidiaries and associates	2,717,909	142,088
Investment income	20,273,977	26,449,203
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	23,278,584	23,043,525
Other technical income	12,736,452	14,544,056
Other income	27,693,576	30,895,868
Net claims incurred	-399,191,460	-426,695,412
Change in other technical provisions	46,506,883	40,613,572
Change in technical provisions for policyholders who bear the investment risk	-12,825,182	-35,479,642
Expenses for bonuses and rebates	227,917	-103,253
Operating expenses	-186,955,234	-203,216,146
Expenses for investments in associates and impairment losses on goodwill	-54,721	-2,096,868
Expenses for financial assets and liabilities	-1,707,664	-13,122,281
Other technical expenses	-15,435,751	-19,324,402
Other expenses	-4,561,305	-3,265,162
Profit/loss before tax	60,744,016	67,746,714
Income tax expense	-10,549,428	-11,360,415
Net profit/loss for the period	50,194,588	56,386,299

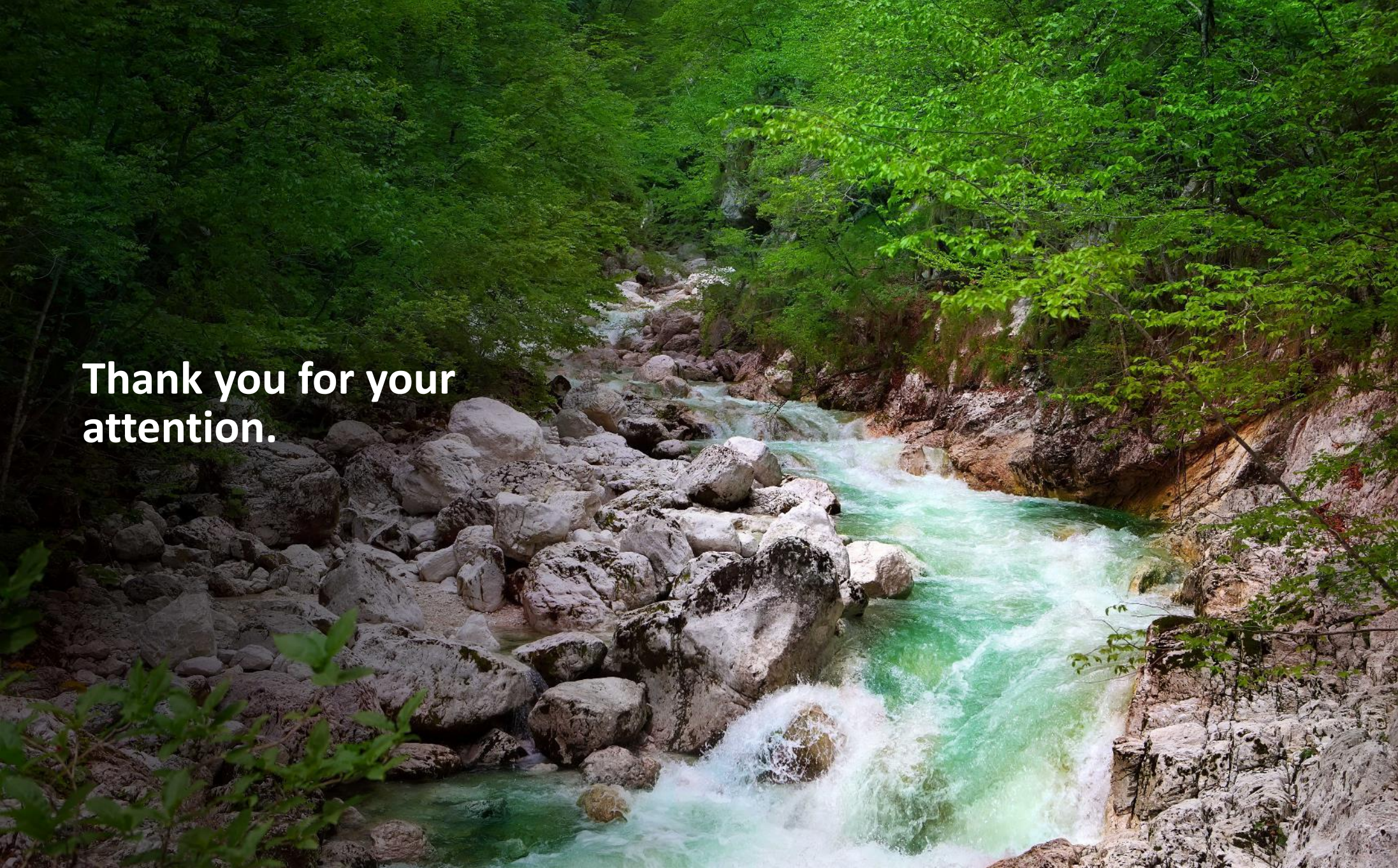
Statement of financial position – Sava Re d.d.

€	31/12/2019	31/12/2020
ASSETS	735,585,561	756,640,585
Intangible assets	1,294,110	1,947,056
Property and equipment	2,507,611	2,356,848
Right-of-use assets	115,400	89,258
Deferred tax assets	1,141,098	3,487,337
Investment property	8,142,714	8,031,875
Financial investments in subsidiaries and associates	238,177,654	319,097,412
Financial investments	296,096,594	269,537,788
Reinsurers' share of technical provisions	31,159,308	31,935,116
Receivables	97,024,000	86,753,033
Deferred acquisition costs	6,554,598	5,837,477
Other assets	441,253	487,239
Cash and cash equivalents	52,931,222	27,080,146
EQUITY AND LIABILITIES	735,585,561	756,640,585
Equity	343,920,689	333,869,060
Subordinated liabilities	74,822,710	74,804,974
Technical provisions	261,338,591	297,882,871
Other provisions	466,901	424,345
Deferred tax liabilities	76,227	76,227
Other financial liabilities	87,504	0
Liabilities from operating activities	51,086,602	45,389,434
Lease liabilities	115,491	87,834
Other liabilities	3,670,845	4,105,840

Income statement – Sava Re d.d.

€	2019	2020
Net earned premiums	137,446,312	157,398,793
Income from investments in subsidiaries and associates	36,947,895	2,589,986
Investment income	7,075,808	6,064,021
Other technical income	3,785,460	4,554,918
Other income	804,538	860,650
Net claims incurred	-94,118,562	-115,737,981
Change in other technical provisions	-777,682	209,214
Expenses for bonuses and rebates	128,731	-4,427
Operating expenses	-50,458,512	-54,637,288
Expenses for investments in subsidiaries and associates	0	-2,570,083
Expenses for financial assets and liabilities	-892,197	-8,801,803
Other technical expenses	-425,566	-3,213,645
Other expenses	-289,185	-242,087
Profit/loss before tax	39,227,041	-13,529,732
Income tax expense	-645,328	2,539,116
Net profit/loss for the period	38,581,713	-10,990,617

**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.