



Sava Insurance Group

1–6/2022 unaudited results

17 August 2022



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- Major development areas in 2022

Highlights 1–6/2022

4.5% growth in gross premiums written – largest growth in motor business, reflecting more policies sold and higher average premiums; growth also in the reinsurance segment, driven by favourable price developments in global reinsurance markets, and in foreign life business because of good bancassurance sales

Despite challenging conditions, net profit at **€28.9 million**, which represents almost one-half of planned net profit for **2022**. Significant impacts compared to the previous year:

- Negative impact on claims: claims provisions increased due to claims inflation, storms, and post-pandemic normalisation of claims frequency in Slovenia's motor insurance
- Positive impact on the underwriting result: improved underwriting results in FoS business, non-Slovenian subsidiaries and reinsurance business
- Negative impact on the investment result: unfavourable financial market developments affected the result of the Slovenian pension company, as well as the investment return due to fair value changes of FVTPL assets

Positive outcome of test case before the Hight Court of Dublin deciding that Zavarovalnica Sava policy does not cover business interruption claims arising out of Covid-19

As from 5 May 2022, Jošt Dolničar was appointed as the chairman of the management board of Zavarovalnica Sava, with Sava Re's management board remaining in a three-member composition for the time being.

The general meeting of 23 June 2022 approved a dividend of **€1.50** per share, which translates into a 5.5% dividend yield.

Key figures

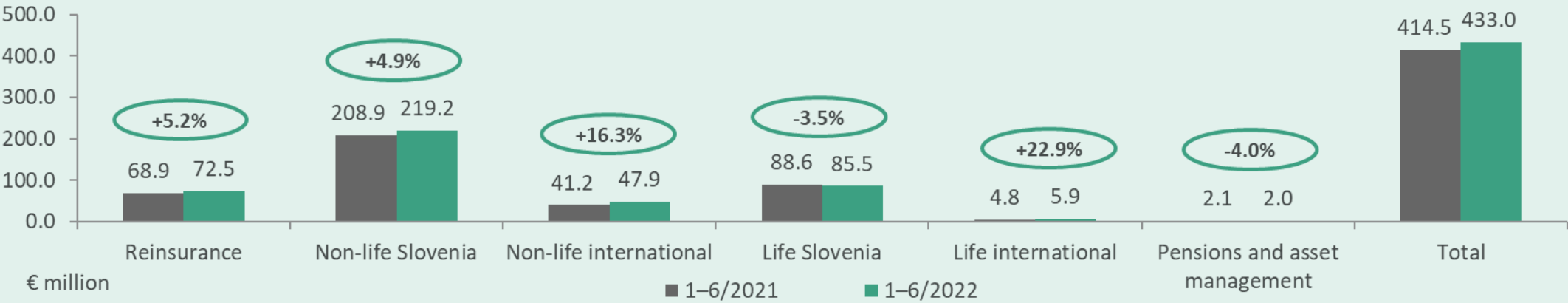
€ million, except %	1–6/2021	1–6/2022	2022 plan	Change 2022/2021
Group				
Operating revenue	363.7	364.2	> 700	0.1%
Gross premiums written	414.5	433.0		4.5%
Net expense ratio, including operating revenue*	27.7%	28.5%	31–32%	+0.9 p.p.
Return on the investment portfolio*	1.7%	1.4%	1.4%	-0.3 p.p.
Profit, net of tax	43.5	28.9	> 60	-33.4%
Return on equity	17.8%	12.1%	>= 11.5%	-5.7 p.p.
Reinsurance and non-life insurance				
Net combined ratio, excl. FX**	85.1%	92.3%	< 94%	+7.2 p.p.
	31/12/2021	30/6/2022		
Shareholders' equity	504.1	412.7		-18.1%
Total assets of the investment portfolio	1,581.4	1,466.1		-7.3%
Assets for the benefit of policyholders who bear the investment risk	532.1	479.2		-9.9%
Assets in pension company savings funds	971.1	967.1		-0.4%
Assets under management at investment funds management company	570.5	497.6		-12.8%

* 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

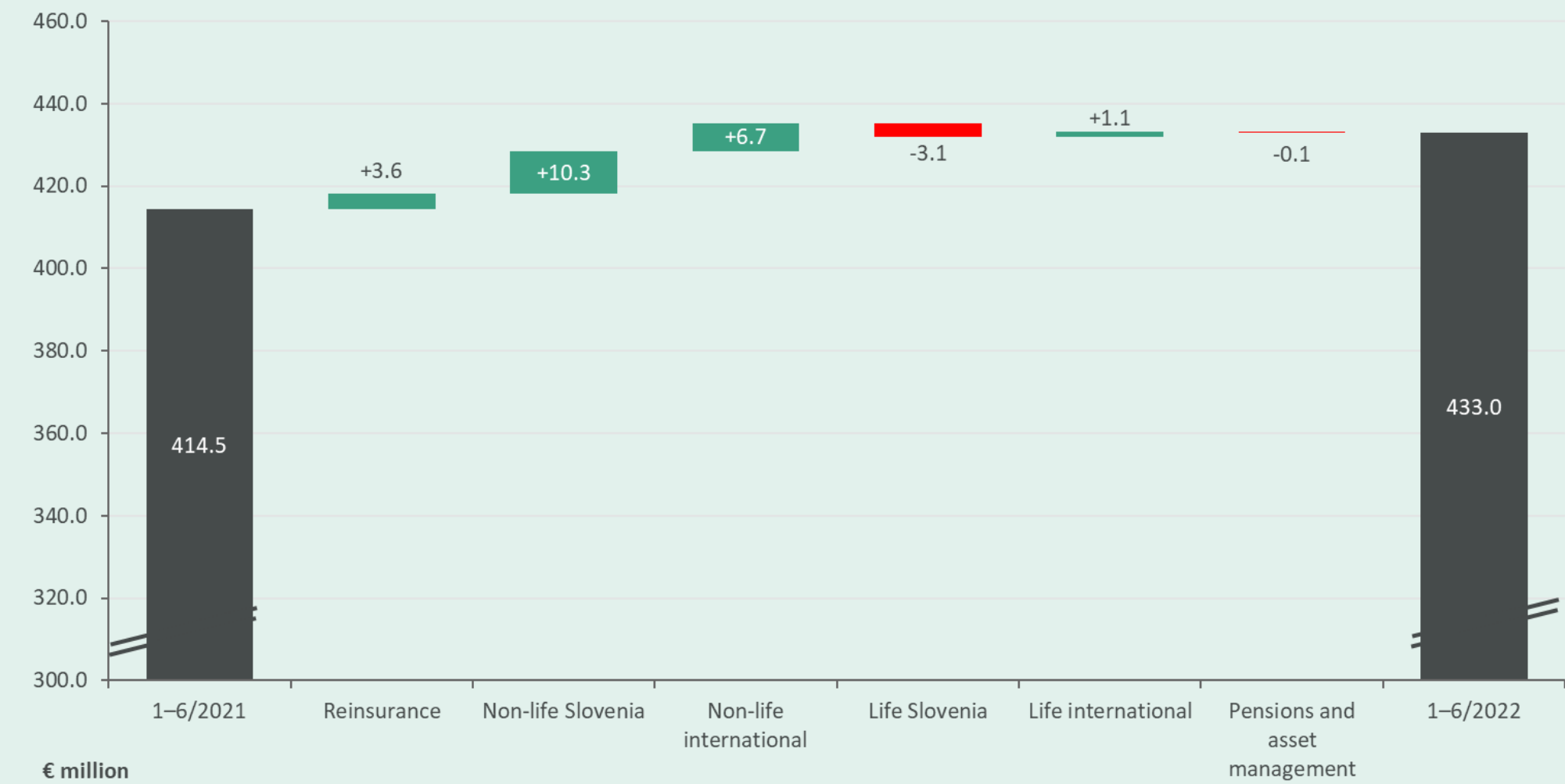
Gross premiums written by segment



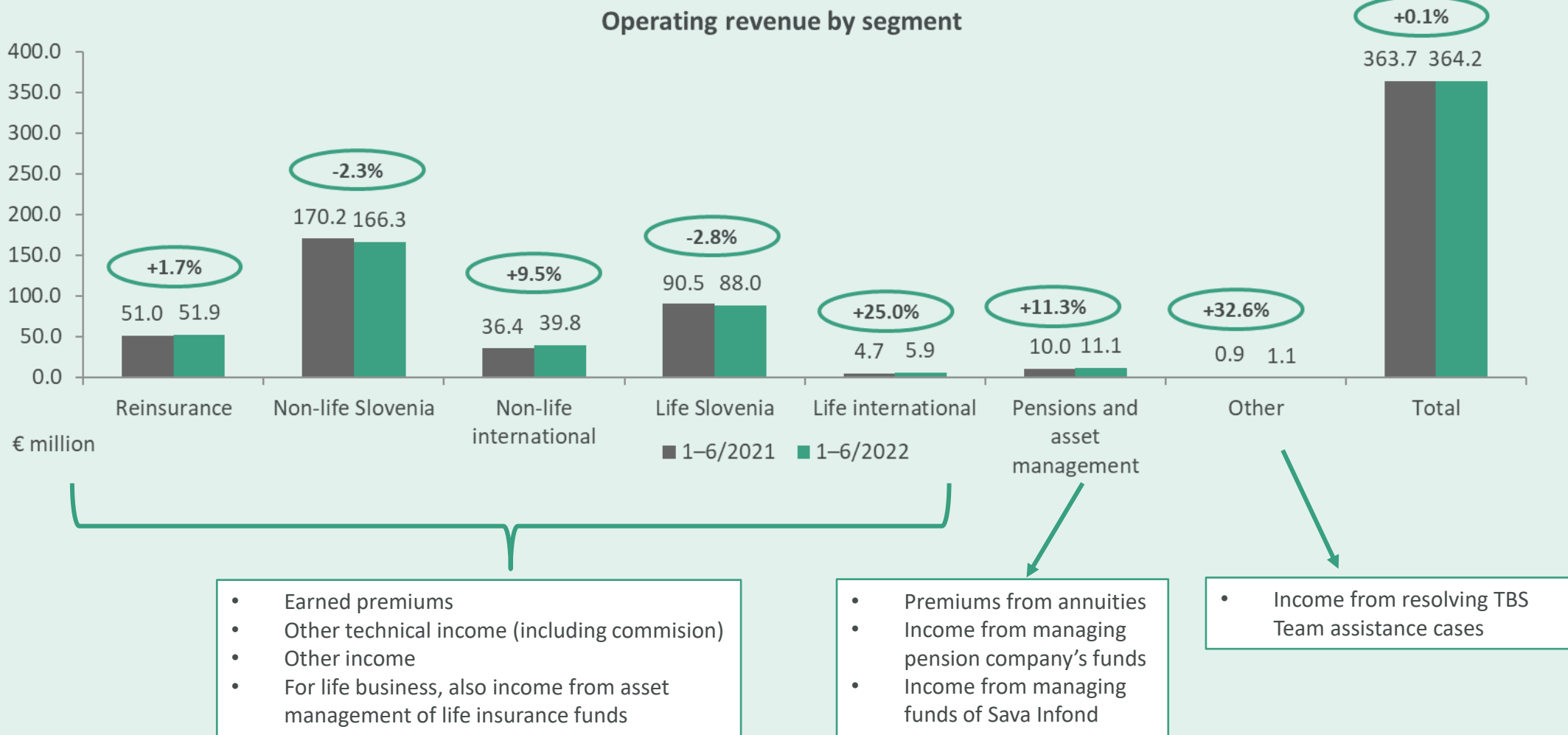
Consolidated gross premiums written by class of insurance



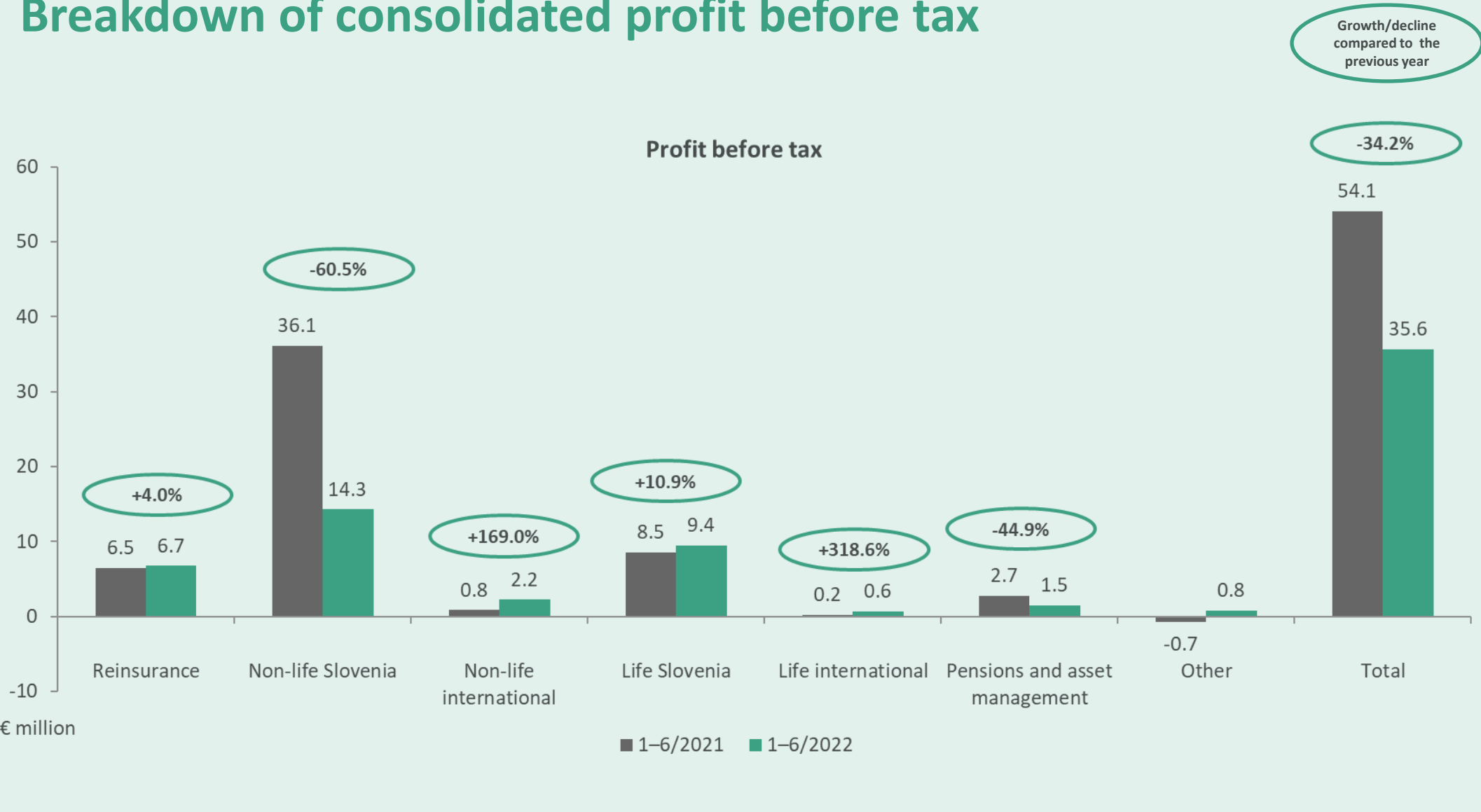
Growth in consolidated GPW of 4.5%



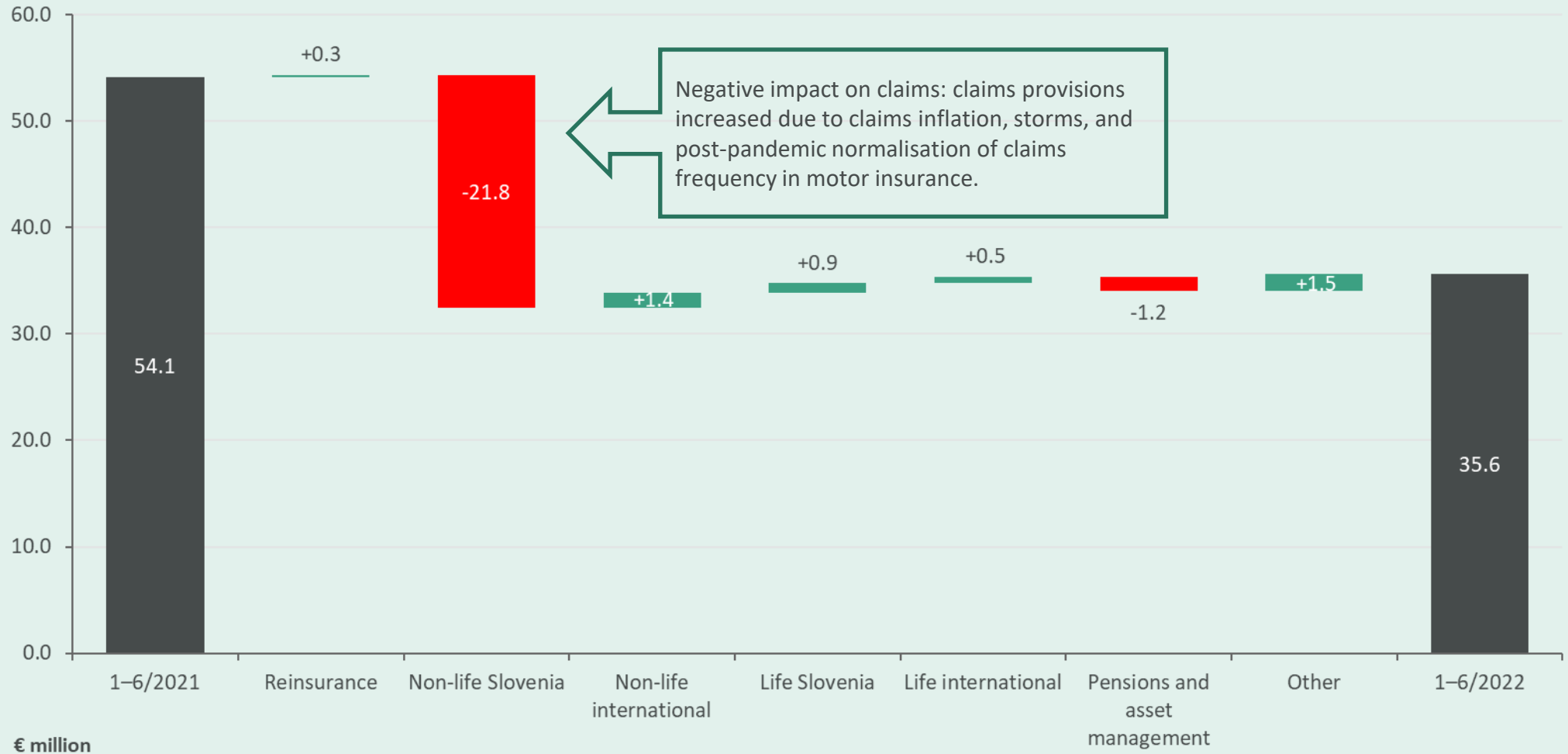
Breakdown of consolidated revenue



Breakdown of consolidated profit before tax



Decrease in profit before tax of 34.2% (after benefitting from lower claims frequency in 2020 and 2021)



Despite the drop, the result is still above that recorded in the last pre-pandemic year

Consolidated half-year profit before tax

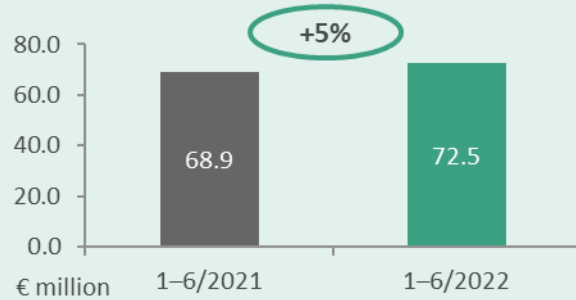


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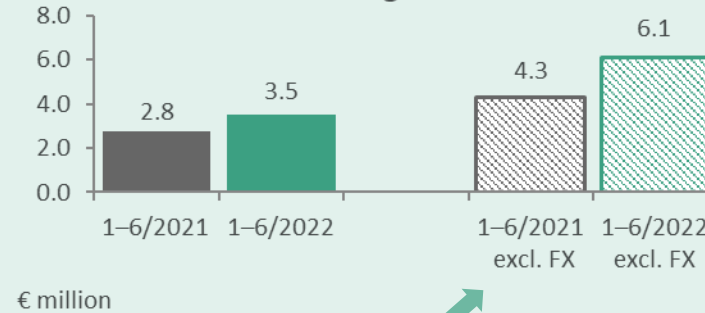
Results by operating segment – reinsurance

Gross premiums written



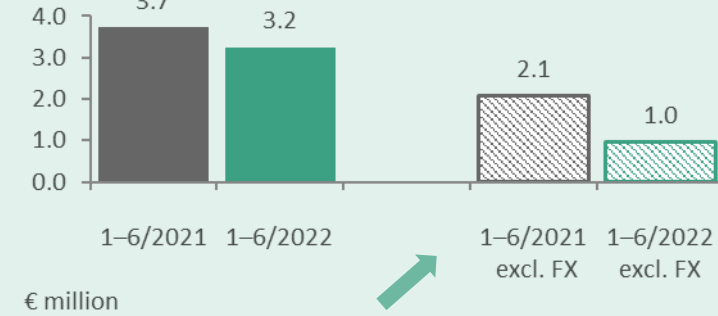
- Growth in gross premiums written due to new business and price rises in international reinsurance markets
- Stronger growth in non-proportional insurance (17%)

Underwriting result



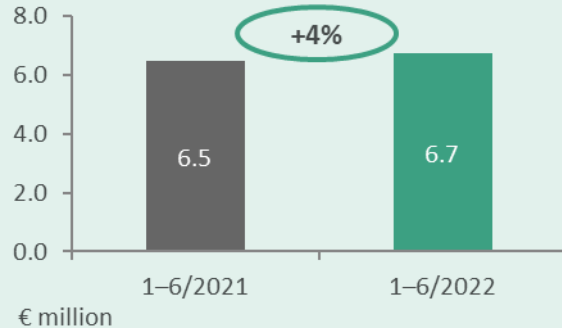
- Stronger underwriting result owing to lower net claims incurred and higher net premiums earned, which reflects price rises in international reinsurance markets, favourable claims developments and an appropriate reinsurance protection

Investment result

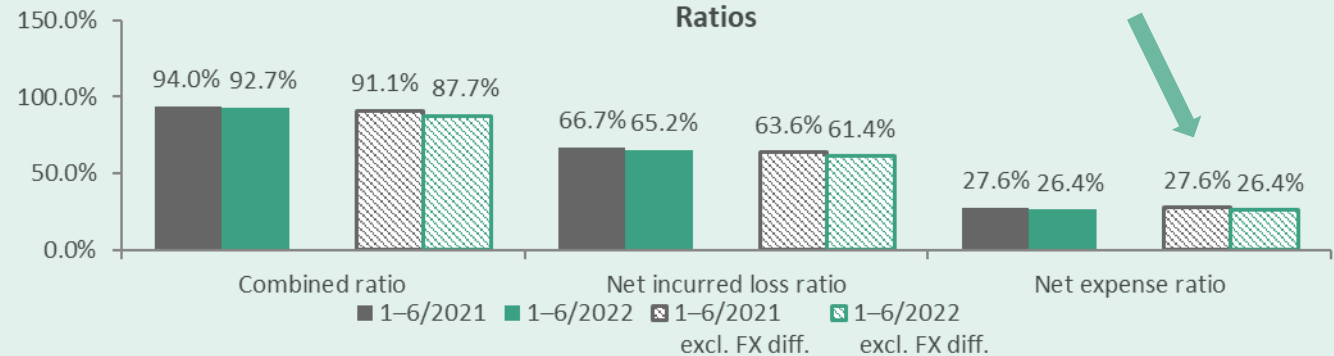


- Weaker investment result due to higher expenses for fair value changes of FVTPL assets
- Improved net expense ratio reflecting lower acquisition costs as a result of higher growth in non-proportionate reinsurance business characterised by lower commission rates

Profit before tax

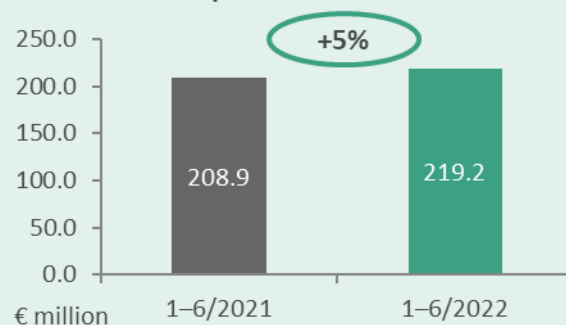


Ratios



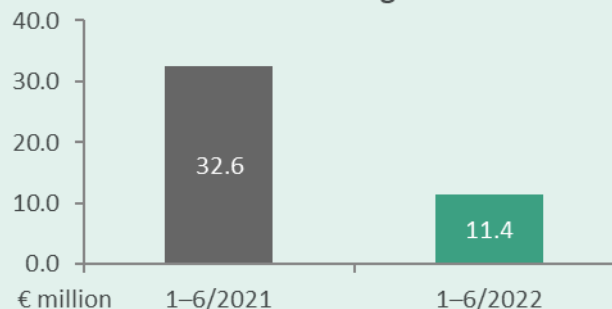
Results by operating segment – non-life Slovenia

Gross premiums written



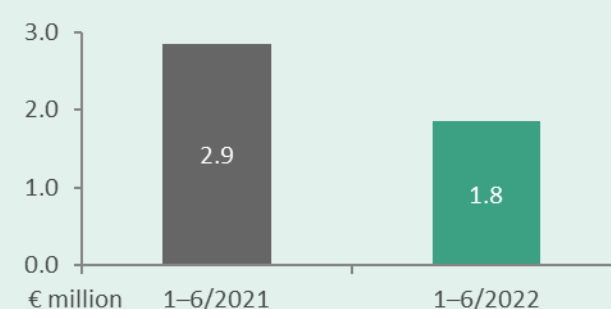
- Growth in gross premiums written in motor insurance, mainly in the private motor segment, owing to more policies sold and higher average premiums

Underwriting result



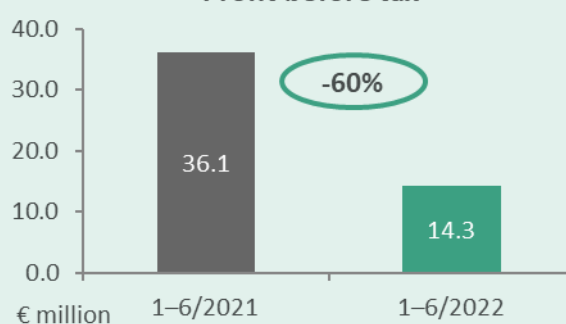
- Weaker underwriting result owing to lower net premiums earned and higher net claims incurred, which increased because of higher claims frequency after the lifting of Covid-19 precautions resulted in heavier traffic and hence more accidents Net claims incurred increased also because of the increase in claims provisions due to claims inflation, and because of increased storm losses due to a significantly increased event frequency year on year

Investment result

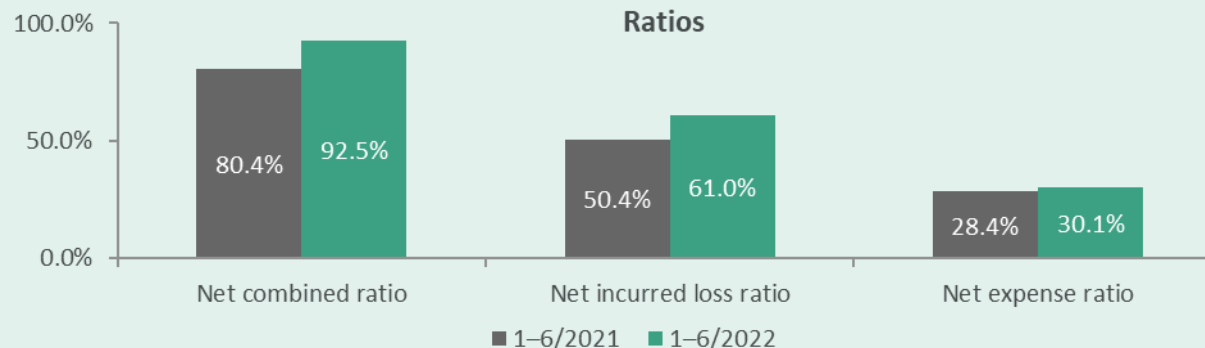


- Weaker result chiefly due to higher expenses for fair value changes of FVTPL assets

Profit before tax

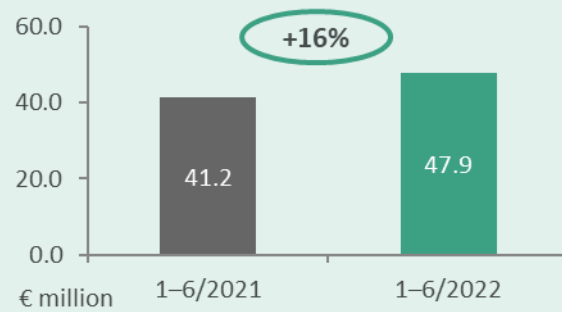


Ratios



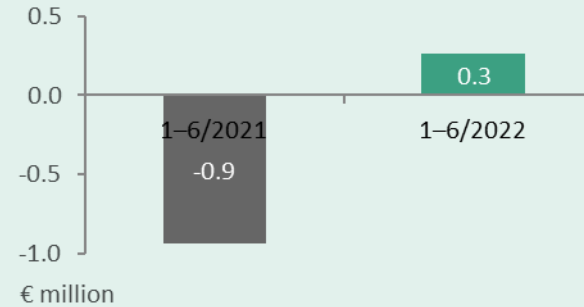
Results by operating segment – non-life international

Gross premiums written



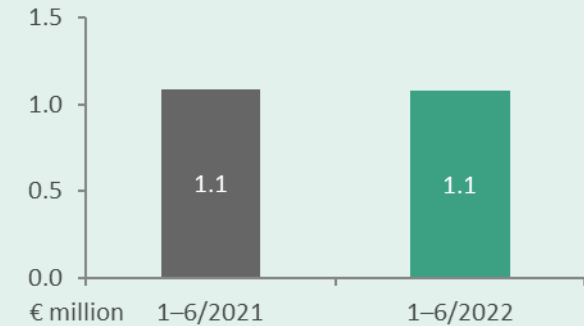
- Growth in gross premiums across all companies; motor insurance experienced the strongest growth, property insurance and assistance insurance also grew, the latter following the easing of covid-19 measures and the resulting increase in the number of trips

Underwriting result



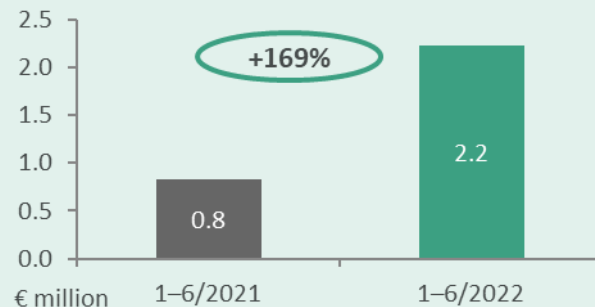
- Stronger underwriting result owing to net premiums earned growing faster than net claims incurred and costs – strong premium growth allowed companies to improve their loss ratios, at largely unchanged fixed costs

Investment result

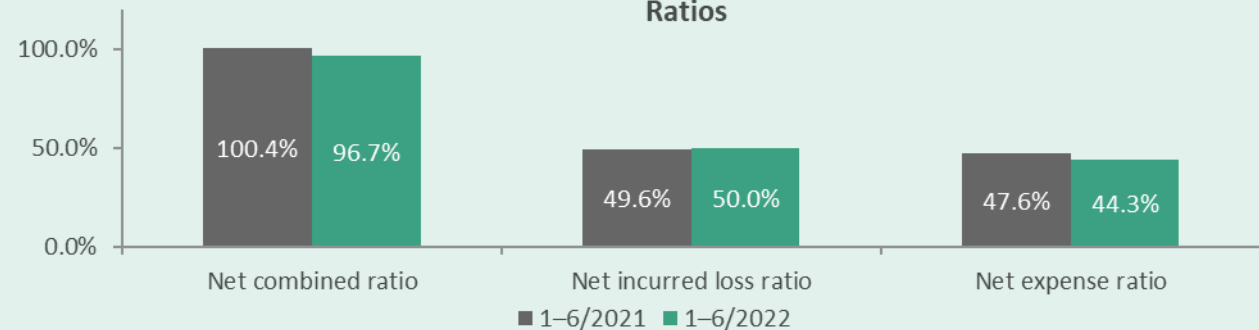


- Investment result at the year-on-year level

Profit before tax

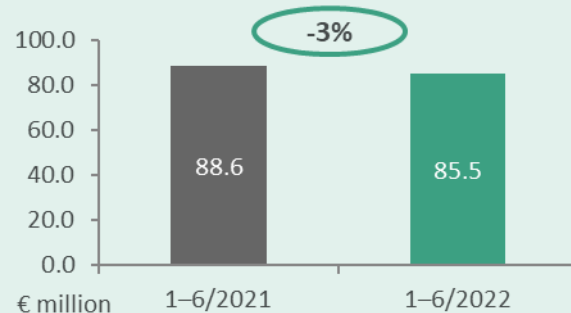


Ratios



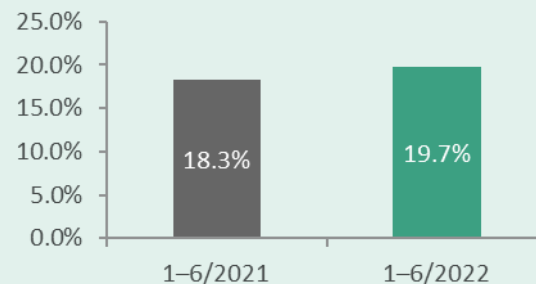
Results by operating segment – life Slovenia

Gross premiums written



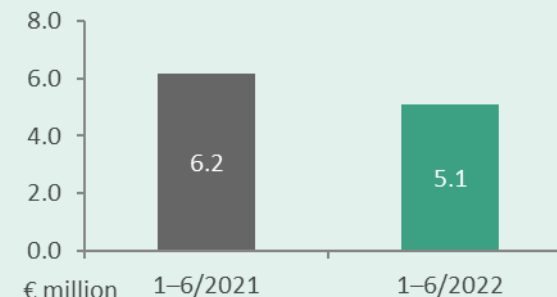
- Weaker gross premiums written due to less single premium payments compared to the same period a year earlier

Net expense ratio



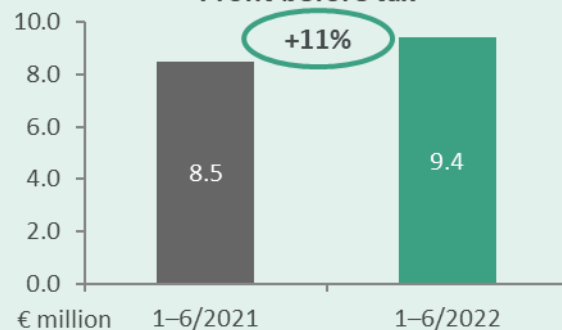
- Net expense ratio increased as gross premiums written decreased while costs, mainly acquisition costs, increased

Investment result

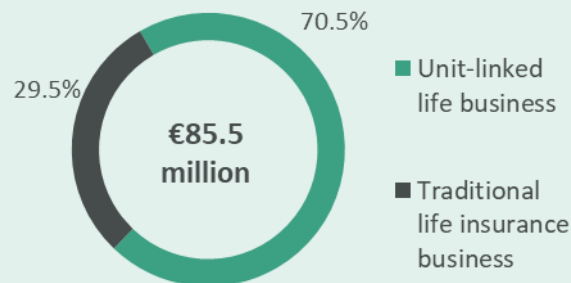


- Lower net investment income, chiefly due to higher expenses for fair value changes of FVTPL assets

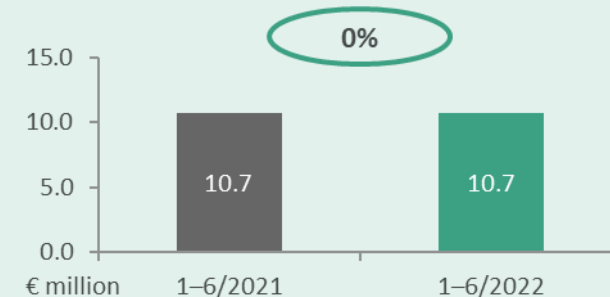
Profit before tax



Structure of GPW 1-6/2022

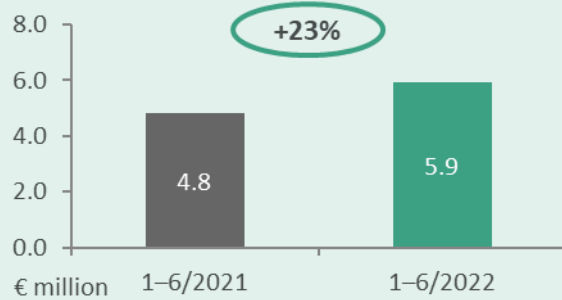


New annual premiums written



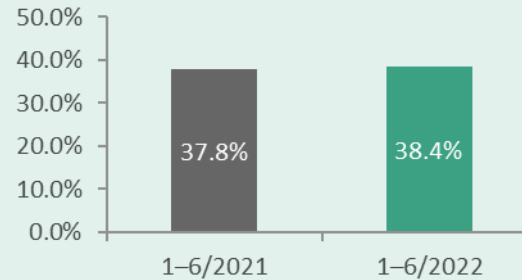
Results by operating segment – life international

Gross premiums written



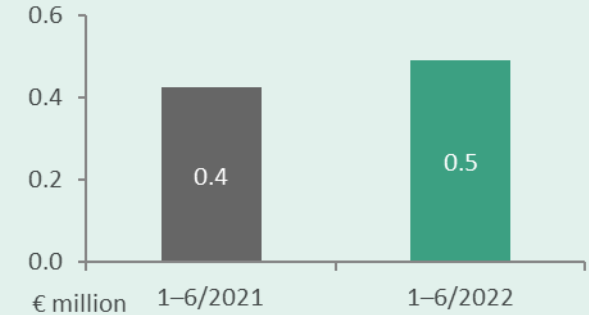
- Growth in gross premiums written owing to increased sales of own network and sales through a new bank channel from mid-2021

Net expense ratio



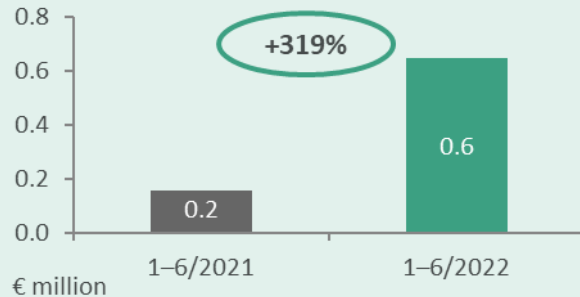
- Increase in expense ratio due to higher costs, both acquisition costs and other operating costs, among the latter above all labour costs following new employments in sales and also other costs due to inflation

Investment result

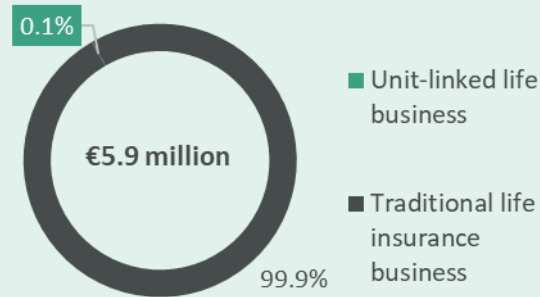


- Stronger investment result owing to higher interest income (from a larger investment portfolio fuelled by cash flows from operations) and a positive impact of exchange differences

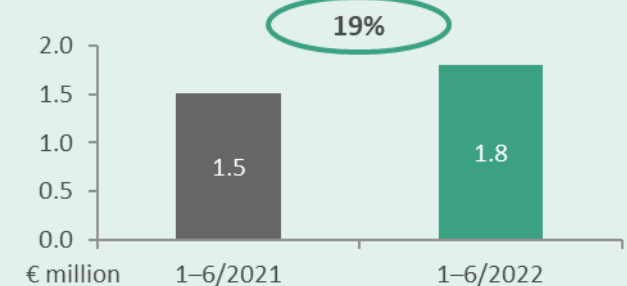
Profit before tax



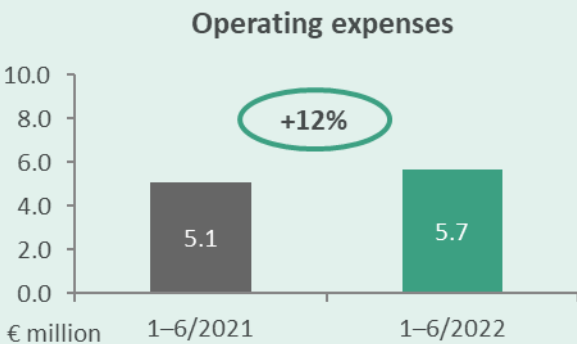
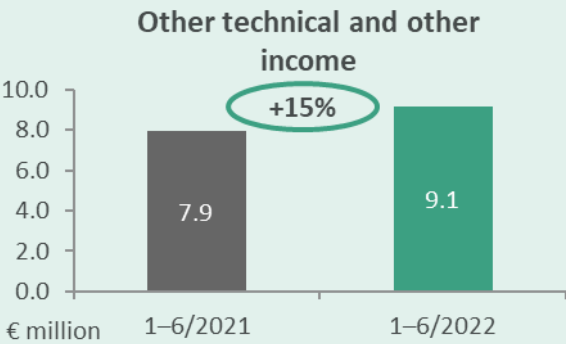
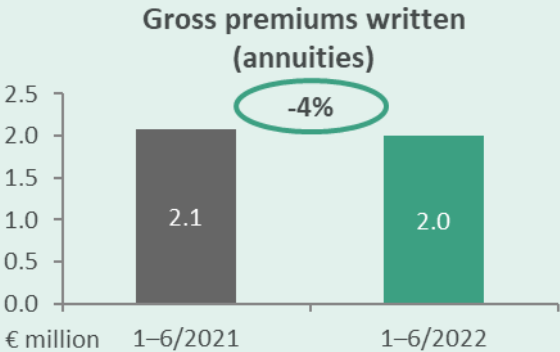
Structure of GPW 1-6/2022



New annual premiums written



Results by operating segment – pensions and asset management

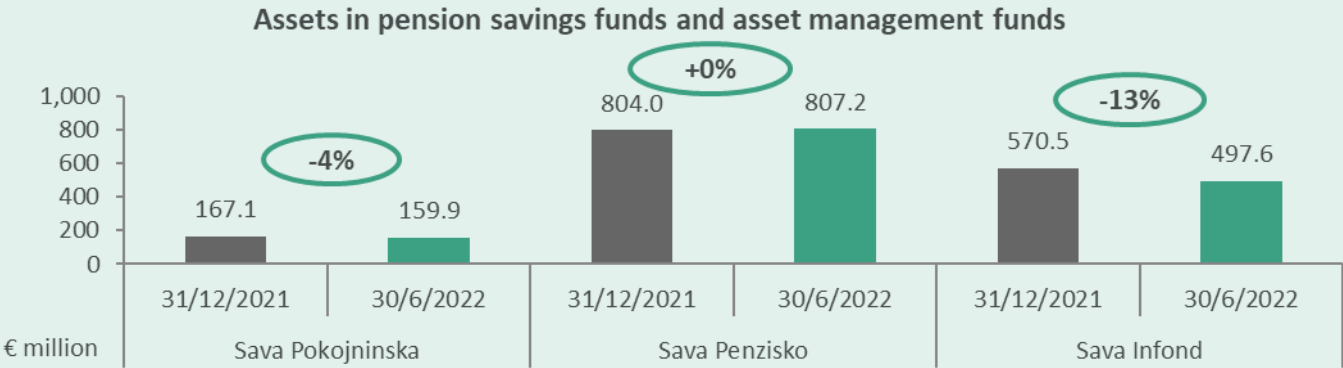
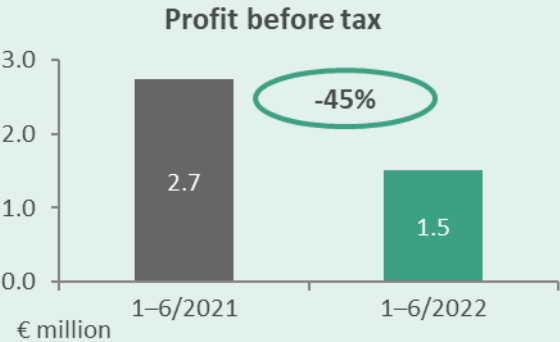


- Recently, more insured persons remained in the accumulation part of the pension plan after meeting retirement conditions
- Weaker result due to adverse developments in financial markets and strengthening of provisions for non-achievement of the guaranteed return at the Slovenian pension company

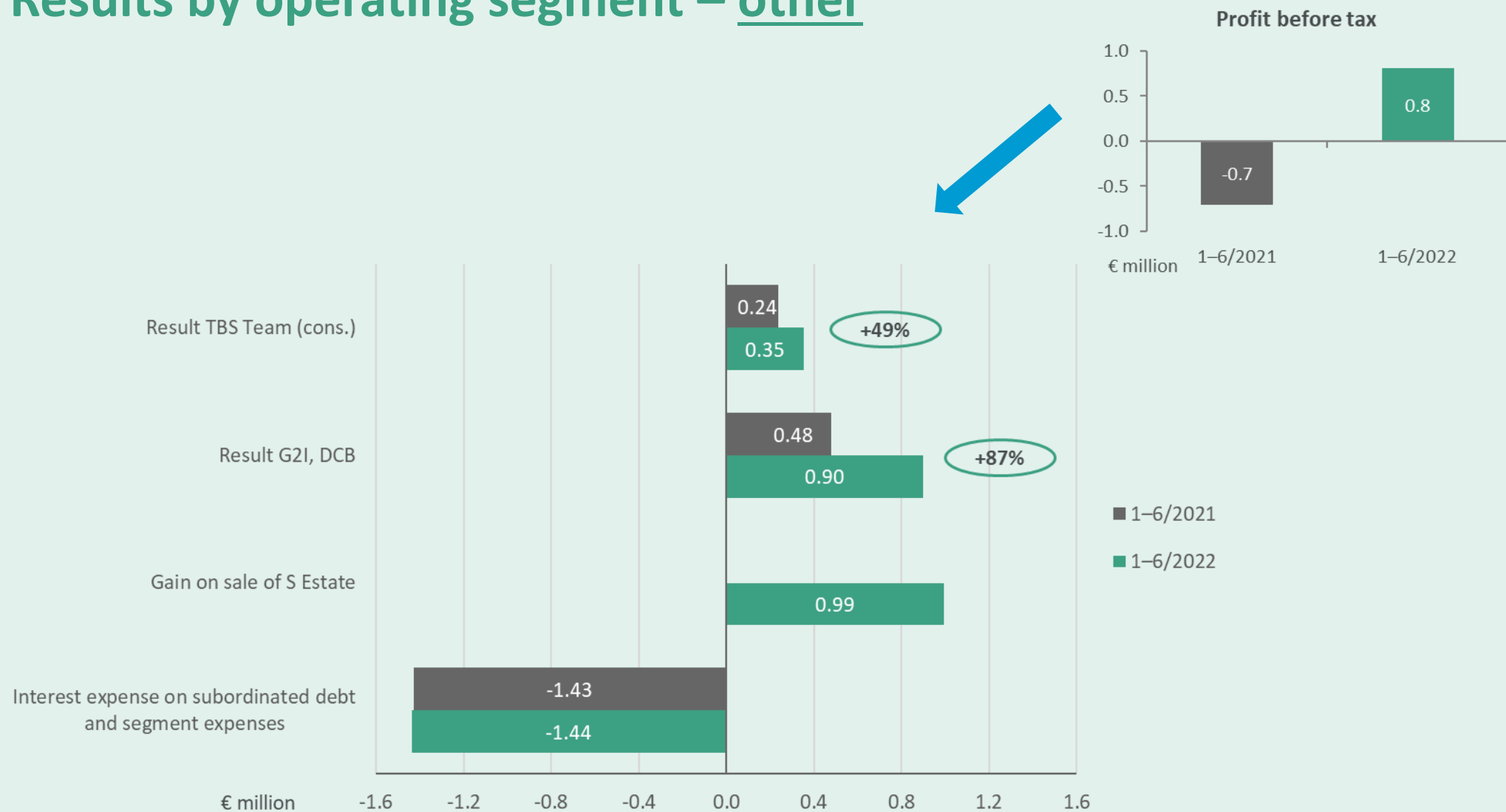
- Increase in revenues owing to more assets under management compared to a year earlier

- Increase in operating costs due to growth in business volume

- Decrease in fund assets entirely due to adverse financial market developments; all the companies have net inflows. Average month-end fund assets increased by 19.3% over the last 12 months (to €1,479.9 million in July 2021 – June 2022 from €1,240.8 million in July 2020 – June 2021)



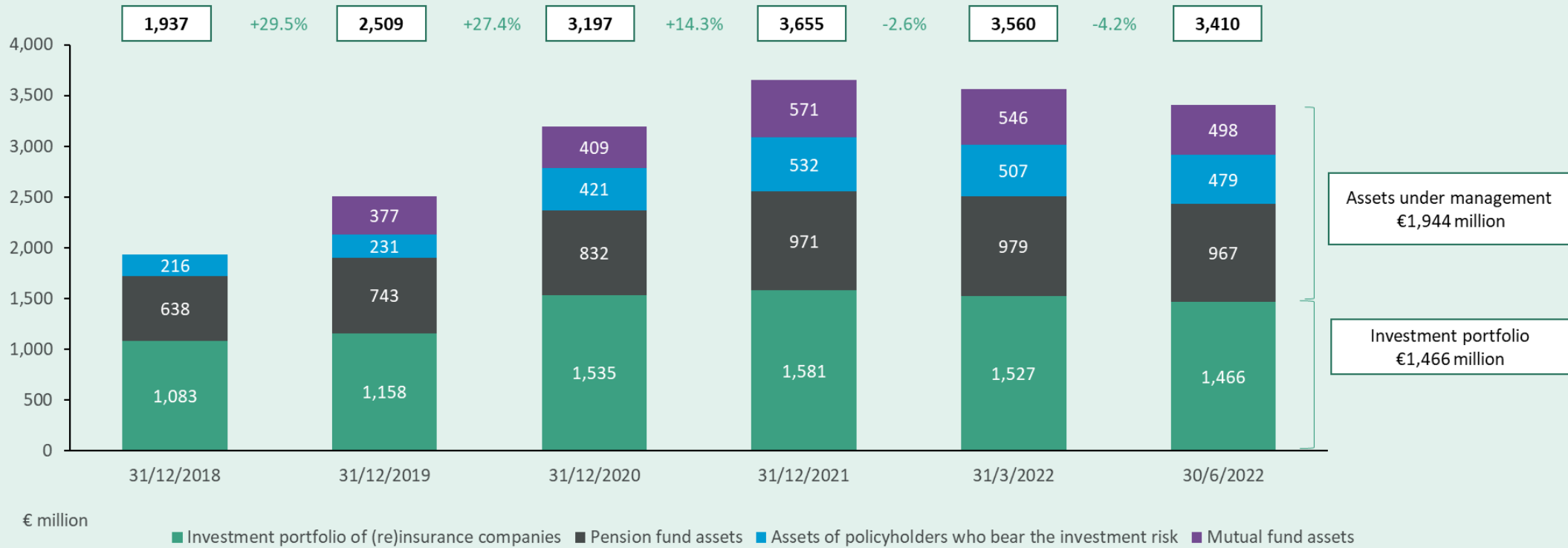
Results by operating segment – other



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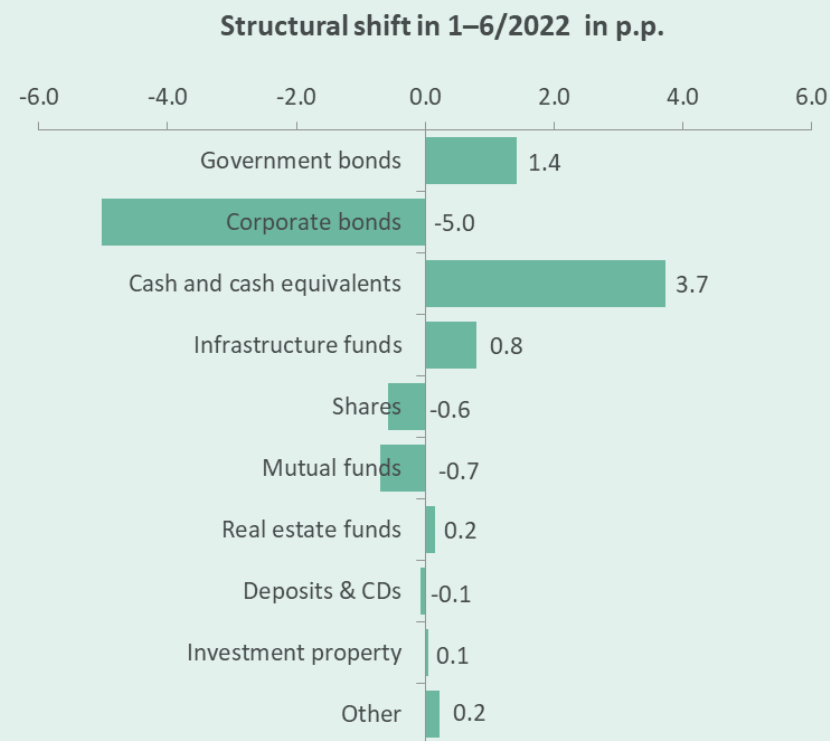
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Investment portfolio and AuM



Structure of the investment portfolio

€ million	31/12/2021	30/6/2022
Government bonds	718.5	686.9
Corporate bonds	592.1	475.4
Cash and cash equivalents	74.0	123.2
Infrastructure funds	44.5	53.0
Shares	36.0	24.8
Mutual funds	35.9	22.9
Real estate funds	15.8	17.0
Deposits & CDs	18.6	16.1
Investment property	14.3	14.0
Other	31.8	32.7
Total investment portfolio	1,581.4	1,466.1



Share of corporate bonds down by 5.0 p.p., reflecting negative change in fair value reserve, maturities and sales, which led to an increase in the share of cash and cash equivalents. Part of funds from maturities and sales was invested in government bonds.

Net inv. income of and return on the investment portfolio

€ million	1–6/2021	1–6/2022	Absolute change
Net investment income relating to the investment portfolio	13.7	11.2	-2.5
Net investment income of the investment portfolio, excluding FX differences	11.6	9.0	-2.6
Return on the investment portfolio, excluding FX differences and subordinated debt expense	1.7%	1.4%	-0.3 p.p.

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

€26.63

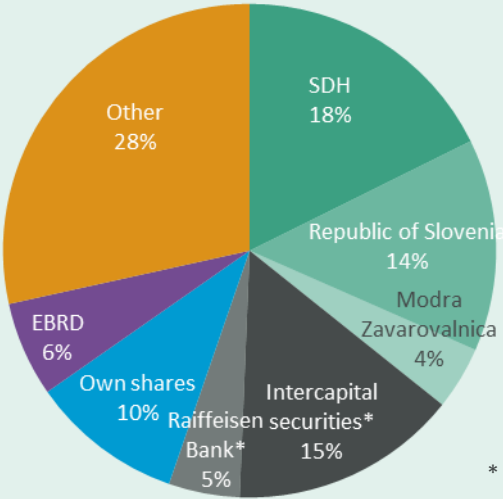
30 Jun 22 / 31 Dec 21: -18.1%

30/6/2022	
Share capital (€ million)	71.9
Market capitalisation (€ million)	387.4
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,288

Performance and turnover (30/06/2021 = 100)



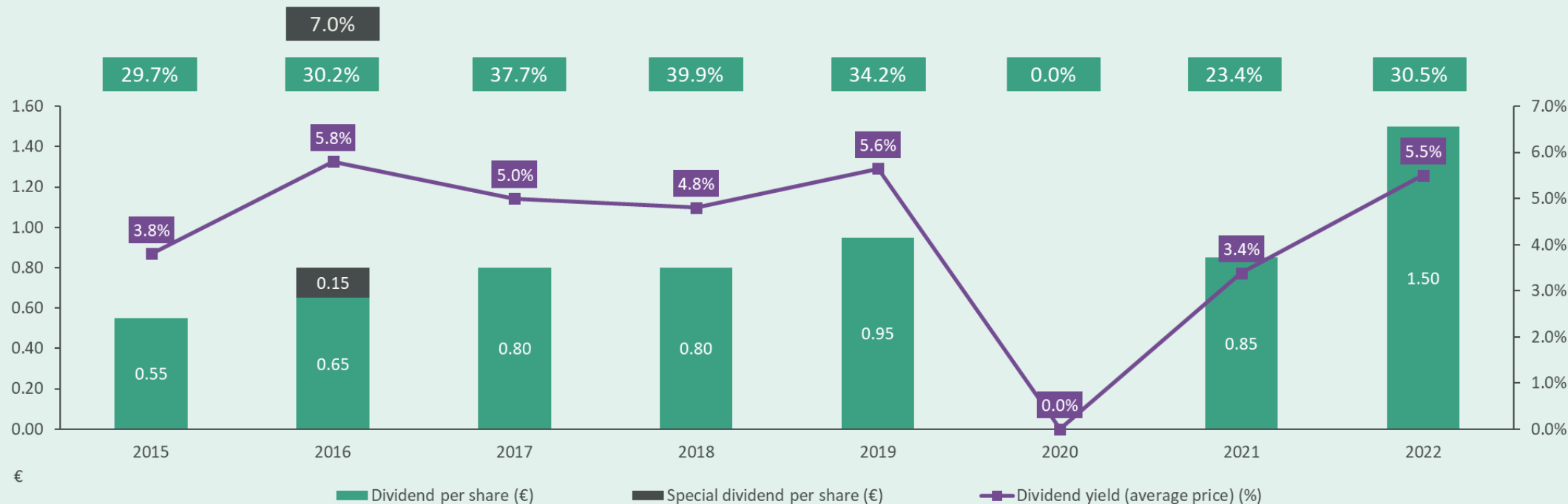
Shareholders as at 30 June 2022



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.

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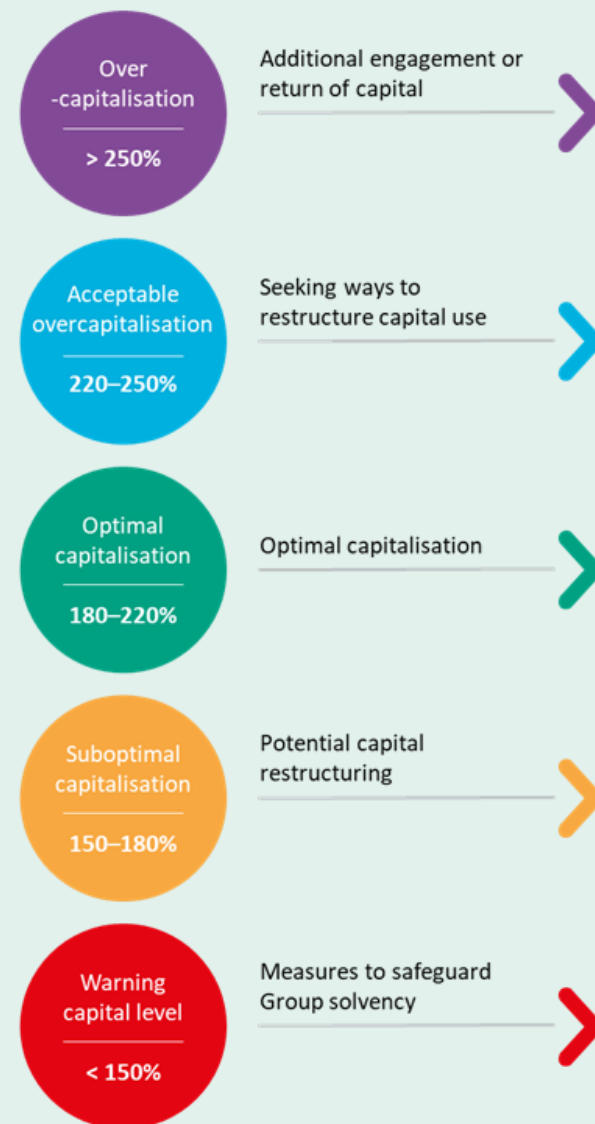
Capital adequacy

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

€ million	31/3/2021 (unaudited)
Eligible own funds	597.2
Solvency capital requirement (SCR)	304.4
Solvency ratio	196%*

* The ratio reflects the value of eligible own funds at 31 March 2022 and the value of solvency capital requirements from the annual calculation as at 31 December 2021. Foreseeable dividends of the current year are not subtracted from eligible own funds in this calculation.

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.



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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

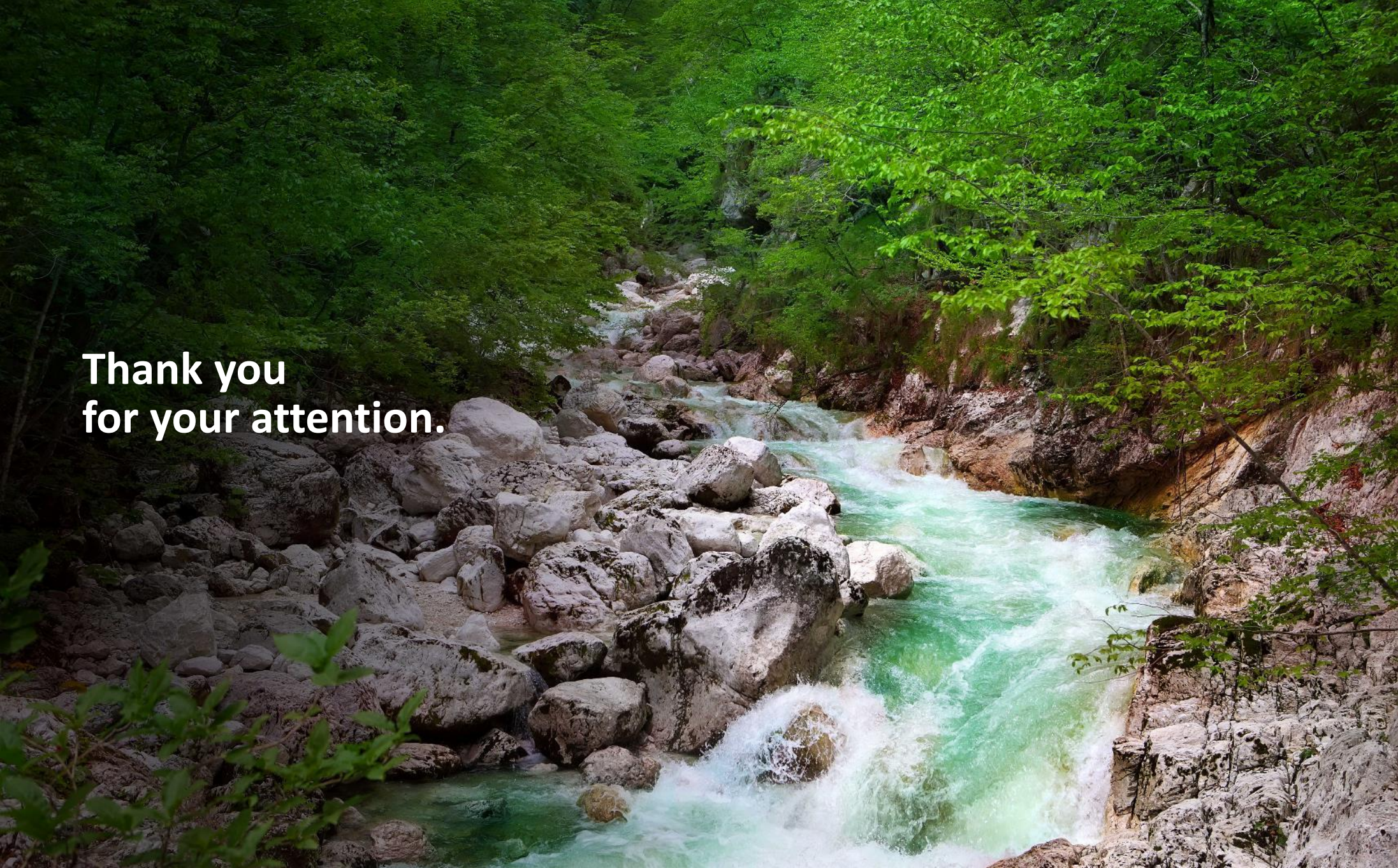
- Overhaul activities on the core IT solution supporting reinsurance operations
- Completed overhaul of the core IT solution for the Croatian branch office of Zavarovalnica Sava
- Work on the content expansion of data warehouses relating to insurance business
- Continuing technological and process upgrades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

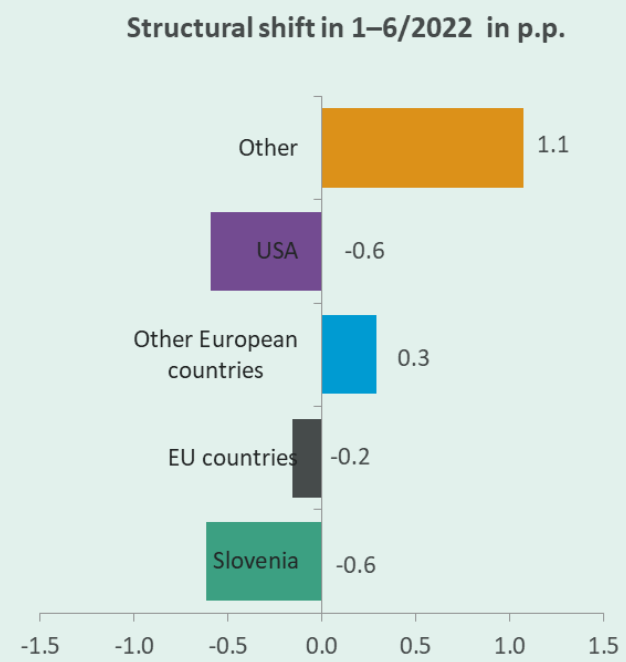
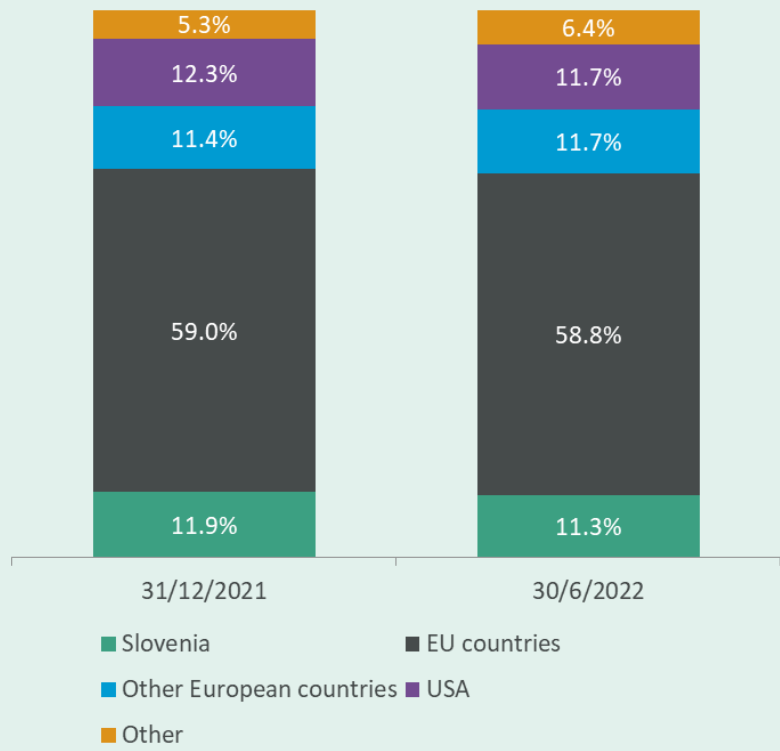
Appendix

Group exposure by region

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

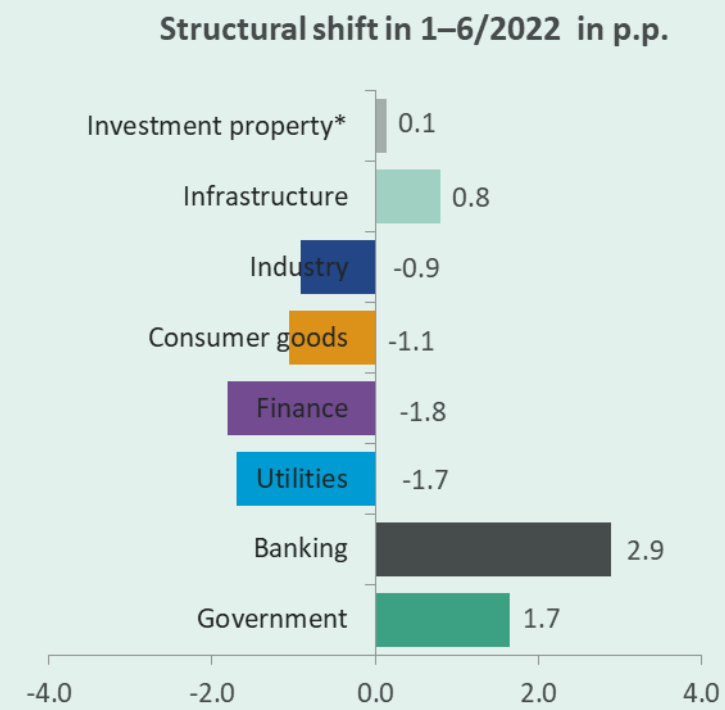
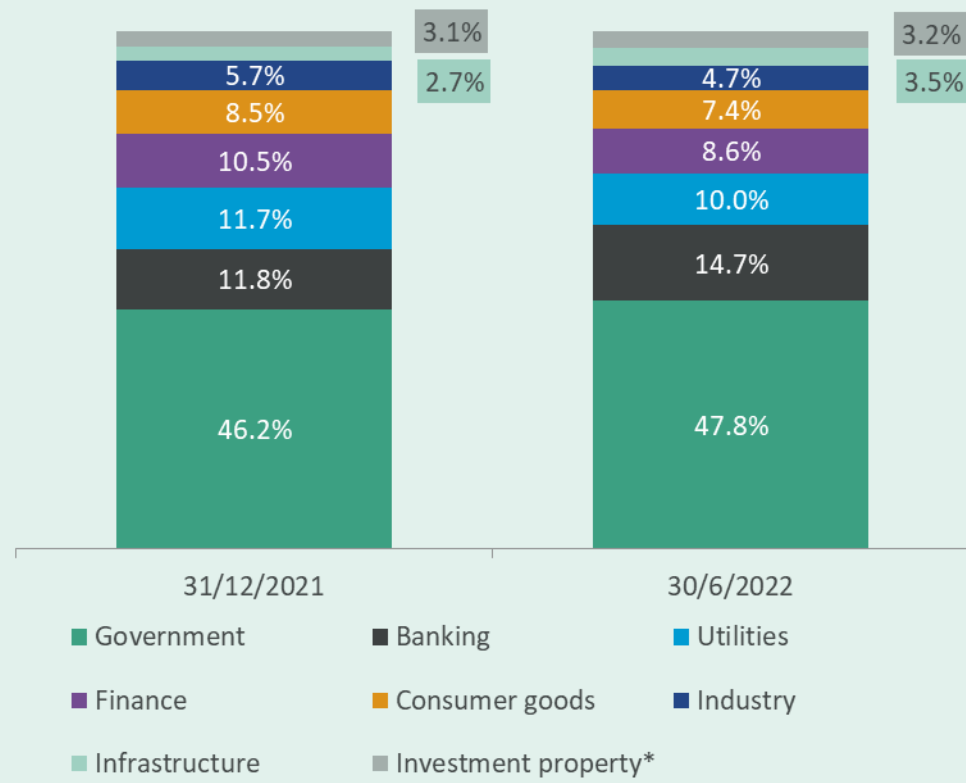
The exposure to Slovenia decreased due to government bonds maturing, while the exposures to EU member states and USA decreased due to securities maturing or being sold, and negative revaluation of debt investments.

The exposures to the rest of the world increased mainly due to securities of issuers from other regions maturing or being sold.



Group exposure by industry

The exposure to the banking industry increased due to the increase in the item cash and cash equivalents and decreased following dividend payment after the end of the period. Part of the assets from maturing 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 85.8% of fixed-income investments, down 0.9 p.p. from year-end 2021.

The share of A-rated asset classes remained largely the same as at year-end 2021.

The share of non-rated assets increased by 0.9 p.p from year-end 2021, mainly due to a decrease in other asset classes.

