



12 Appendices to the business report

Appendix A – Glossary of selected terms and calculation methodologies for indicators

Adriatic region. The countries of southeastern Europe along the Adriatic Sea.

Assets under management. Assets of the pension companies' pension funds, the assets of mutual funds managed by the Group's asset management company and the assets of the policyholders who bear the investment risk.

Book value per share. Ratio of total equity to the weighted average number of shares outstanding.

Business volume. Gross premiums written and non-insurance revenue.

Combined ratio. The sum of the loss ratio and the expense ratio. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments. Sava Re's ratio does not include expenses arising from holding activities.

Contractual Service Margin (CSM). An estimate of the unearned profit on groups of insurance contracts that has not been recognised in the income statement at a reporting date because it relates to future services.

Cost-to-Income Ratio (CIR). Administrative expenses as a percentage of net operating revenue and net other income/expenses.

Dividend yield. Ratio of the dividend per share to the rolling 12-month average share price.

Emerging risks. New risks, or risks that have been identified previously but which arise in new or unknown circumstances and the impact of which is not fully understood.

Expense ratio. Attributable expenses plus non-attributable expenses plus net operating income or expenses plus net other income or expenses plus net impairment losses and reversals of impairment losses on non-financial assets as a percentage of insurance revenue. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments. In the reinsurance segment, insurance revenue is reduced by the costs of fixed commissions.

Finance result. Net insurance and finance result, including finance costs and share of profit or loss of investments accounted for using the equity method.

FVTPL (Fair Value Through Profit or Loss) investments. Financial investments measured at fair value through profit or loss.

Gross premiums written. The total premiums from all policies written or renewed during a given period, regardless of what portions have been earned.

Highly liquid assets. Highly liquid investments include L1A assets (ECB methodology), investments in US bonds, investments in sovereign and supranational issuers rated AA+ or better, and cash and cash equivalents.

IBOR (Interbank Offered Rate). An interbank reference interest rate is the average interest rate at which banks borrow money (e.g., LIBOR, EURIBOR).

Insurance result. Insurance service result, excluding non-attributable operating expenses of insurance companies.



Investment portfolio. It includes investment property, investments in associates and subsidiaries, financial investments other than unit-linked assets, and cash and cash equivalents other than those related to unit-linked life insurance contracts.

Loss ratio. Insurance service expenses, excluding operating expenses, plus net result from reinsurance contracts held as a percentage of insurance revenue. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

Net contractual service margin. Contractual service margin, net of reinsurance.

Net earnings or loss per share. Ratio of net profit or loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding. The Company and the Group have no potentially dilutive ordinary shares, therefore basic earnings per share equal diluted earnings per share.

Net investment income on investment portfolio. The investment result plus the share of the profit or loss of subsidiaries and associates. It is calculated excluding the return on life insurance policies where policyholders bear the investment risk, the impact of foreign exchange differences and the cost of subordinated debt.

NSLT health insurance. Health insurance provided on a technical basis similar to that of non-life insurance.

Own risk and solvency assessment (ORSA). Own assessment of the risks associated with a company's or the Group's business and strategic plan and assessment of the adequacy of own funds to cover them.

Return on equity. Net profit for the period as a percentage of average equity during the period, excluding accumulated other comprehensive income.

Return on investment portfolio. The ratio of net investment income on the investment portfolio to average invested assets. The investment portfolio position includes the following items of the statement of financial position: investment property, investments in associates and subsidiaries, financial investments other than unit-linked assets, and cash and cash equivalents other than those related to unit-linked life insurance contracts. The average balance is calculated on the basis of the investment portfolio positions over the last five quarters.

SLT health insurance. Health insurance provided on a technical basis similar to that of life insurance.

Solvency ratio. The ratio of eligible own funds to the solvency capital requirement, expressed as a percentage. A solvency ratio greater than 100% indicates that the company has sufficient resources to meet the solvency capital requirement.

Total shareholder return. The ratio of the difference between the share price at the end and beginning of the period, plus the dividend, to the share price at the beginning of the period.

Ultimate loss. Total amount of loss after all claims have been paid. Prior to final settlement, the estimated ultimate loss includes reported claims and provisions for incurred but not reported (IBNR) claims.

Appendix B – Alternative performance measures

The Sava Insurance Group uses alternative performance measures (APMs) throughout its financial publications, in addition to figures prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. We believe that these measures provide investors with useful information and contribute to a better understanding of our business performance. These financial measures are designed to assess business volume and growth, performance, profit generation and capital efficiency. The APMs should be considered alongside, rather than as a replacement for, the figures determined in accordance with IFRS.

The Sava Insurance Group uses the following APMs:

- business volume,
- gross premiums written,
- insurance result,
- combined ratio,
- cost-to-income ratio (CIR),
- finance result,
- return on investment portfolio (ROI),
- return on equity (ROE),
- assets under management,
- solvency ratio.

Business volume. A measure of the overall amount of business generated during a specific reporting period.

Business volume is the sum of gross premiums written and non-insurance revenue.

Limitations on usefulness: Business volume does not provide any information on the profitability of the Sava Insurance Group, nor on the timing of services related to business operations. It should always be considered alongside other IFRS categories, such as insurance revenue or net profit for the period.

Gross premiums written. A measure of the business volume generated by the Group's operating segments during a specific period. While a gross written premium approach may not be used to present IFRS insurance revenue, it may still serve as a measure of growth. In accordance with this, we consider gross written premiums to be a key performance indicator in addition to IFRS insurance revenue. We believe this indicator is useful and meaningful to our external audience as it represents an important financial measure of the Sava Insurance Group's growth during a given period.

Limitations on usefulness: Gross written premiums do not provide any information as to the profitability of the Sava Insurance Group. They also do not provide information on when the insurance services are provided and included in insurance revenue under IFRS 17. It should always be considered alongside other IFRS categories, such as insurance revenue or net profit for the period.

Insurance result. A measure that reflects the level of revenue generated by underwriting performance.

It is calculated as the insurance service result under IFRS 17, minus non-attributable operating expenses of insurance companies, which are not included in the insurance service result under IFRS 17. The Sava Insurance Group believes that presenting the insurance result in this way is more appropriate, given that the premiums included in insurance revenue are intended to cover all costs of insurance contracts.

Limitations on usefulness: The insurance service result under IFRS 17 does not include finance expenses related to insurance contract liabilities (i.e., the effects of discounting), which are included in the finance result.

Combined ratio. A measure of underwriting profitability used in non-life insurance and reinsurance operating segments. It is typically expressed as a percentage. A ratio of below 100% indicates that the underwriting result is profitable, whereas a ratio of above 100% indicates a negative underwriting result.

The combined ratio is calculated as the sum of the loss ratio and the expense ratio. The loss ratio represents claims and related reinsurance/retrocession costs as a percentage of insurance revenue. It is calculated by dividing claims, including the reinsurance result, by insurance revenue. The expense ratio is the sum of attributable and non-attributable expenses, including net other income/expenses, divided by insurance revenue. Sava Re's ratio does not include expenses arising from holding activities.

Limitations on usefulness: The combined ratio is used to measure underwriting profitability, but it does not capture the profitability of the finance result. Even in case of a combined ratio of above 100%, the net profit for the period can still be positive due to a positive finance result. As a ratio it does not provide information on the absolute amount of the insurance result.

Cost-to-income ratio (CIR). A measure of the profitability of the Sava Insurance Group's activities in the pensions and asset management operating segment.

It is calculated as administrative expenses as a percentage of the segment's net operating revenue.

Limitations on usefulness: As a ratio, CIR does not provide information on the absolute amount of the operating revenue and expenses.

Finance result. A measure used to assess the part of the total profit which is generated from the investing activities after covering finance costs, including finance expenses for insurance contracts.

In addition to net investment income, as defined by IFRS 9, and net finance expenses from insurance contracts, as defined by IFRS 17, the finance result of the Sava Insurance Group also includes the costs of (subordinated) debt and the share of profit distributions of associates.

Limitations on usefulness: The finance result should not be used to predict the future performance of the Sava Insurance Group.

Return on investment portfolio (ROI). A performance ratio that measures how much investment income has been generated relative to the position of the Sava Insurance Group's investment portfolio.

It is calculated as the ratio of net investment income on the investment portfolio to the average investment portfolio position. The net investment income on the investment portfolio includes the investment result plus the share of the gains/losses of associates and subsidiaries. It is calculated excluding the net investment income on life insurance policies where policyholders bear the investment risk, the impact of foreign exchange differences and the cost of subordinated debt. The investment portfolio position includes the following items of the statement of financial position: financial investments other than unit-linked assets, cash and cash equivalents other than those related to unit-linked life insurance contracts, investments in associates and subsidiaries, and investment property. The average balance is calculated based on the investment portfolio positions over the last five quarters.

Limitations on usefulness: ROI should not be used to predict the future performance of the Sava Insurance Group's investment portfolio.

Return on equity (ROE). A performance ratio that measures how effectively the Sava Insurance Group uses shareholders' equity to generate net profit.

It is calculated as the net profit for the period as a percentage of average equity during the period, excluding accumulated other comprehensive income.

Limitations on usefulness: ROE does not provide any information on the absolute amount of shareholders' net profit or shareholders' equity.

Assets under management. The amount of financial assets that the Sava Insurance Group manages on behalf of and for the account of its customers, and the amount of assets used to cover liabilities to policyholders who bear the investment risk.

This includes the assets of the pension companies' pension funds, the assets of mutual funds managed by the Group's asset management company and the assets held for the benefit of policyholders who bear the investment risk.

Limitations on usefulness: As an absolute amount, assets under management do not provide information on the profitability of the Sava Insurance Group, nor on the returns to customers.

Solvency ratio. In accordance with Solvency II legislation, it is calculated as the ratio of eligible own funds to the solvency capital requirement (SCR) and must be at least 100% as required by the legislation. The solvency ratio measures the Company's solvency position and the effectiveness of its capital management.

Limitations on usefulness: Eligible own funds are based on the market valuation of assets and liabilities, so major changes in market conditions (e.g., changes in interest rates) may quickly and materially impact the solvency ratio. The SCR estimates the risks (taking into account the standard formula methodology) to which the Company is exposed over a one-year time horizon and does not take into account risks that may significantly affect the Company's performance over the long term. As a result, certain risks may not be adequately assessed or included in the calculation at all, meaning the solvency ratio should be used alongside other risk indicators, the own risk and solvency assessment (ORSA), and other risk assessments.