

# Sava Insurance Group

## 1–6/2021 unaudited results

2-3 September 2021



### Presenting:



Polona Pirš  
Zupančič,  
Member of the  
Management  
Board



Mateja Živec,  
Head of Asset  
Management

# Contents

- Group results
- Segment reporting
- Financial investments
- POSR share and dividend policy
- Solvency position
- Achievement of strategic goals in key focus areas
- 2021 plan

# Highlights 1–6/2021

Growth in operating revenue of **14.7%**

Net profit of **€43.5 million**, which represents **82.3%** of planned net profit for 2021

Net expense ratio of **27.7%** (last year 30.0%)

Net combined ratio (excluding FX differences) of **85.3%** (last year 91.7%)

Improved performance of all segments as a result of favourable claims developments and favourable conditions in stock markets with a positive impact on assets under management

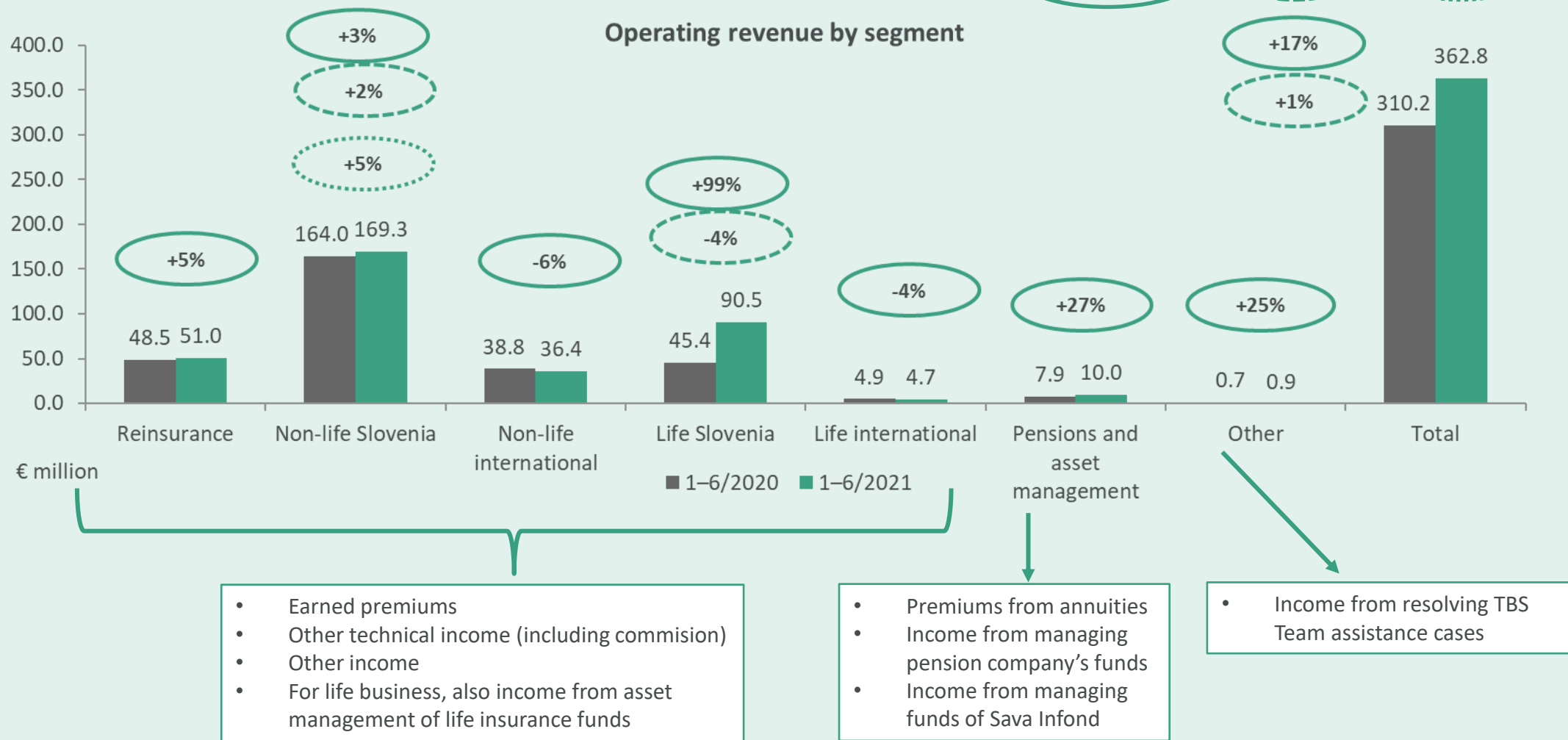
# Key figures

€ million, except %	1–6/2020	1–6/2021	2021 plan	Change 2021/2020
<b>Group</b>				
Operating revenue	317.1	363.7	> 685	14.7%
Gross premiums written, (re)insurance part	372.3	412.4	> 685	10.8%
Net expense ratio, including operating revenue*	30.0%	27.7%	32–33%	-2.3 p.p.
Return on the investment portfolio*	1.5%	1.7%	1.5%	+0.2 p.p.
Profit, net of tax	32.2	43.5	> 53	35.3%
Return on equity	14.3%	17.8%	>= 11,5%	+3.5 p.p.
<b>Reinsurance and non-life insurance</b>				
Net combined ratio, excl. FX**	91.7%	85.3%	< 94%	-6.4 p.p.
	<b>31/12/2020</b>	<b>30/6/2021</b>		
Shareholders' equity	460.2	483.3		5.0%
Total assets of the investment portfolio	1,535.3	1,566.2		2.0%
Assets for the benefit of policyholders who bear the inv. risk	420.7	484.0		15.0%
Assets in pension company savings funds	831.8	903.7		8.6%
Sava Infond AUM	409.2	490.8		20.0%

\* 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. The net expense ratio for the Group 1–6/2020 does not include the positive difference between the fair value of net assets acquired and the purchase price of the investment in Vita.

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

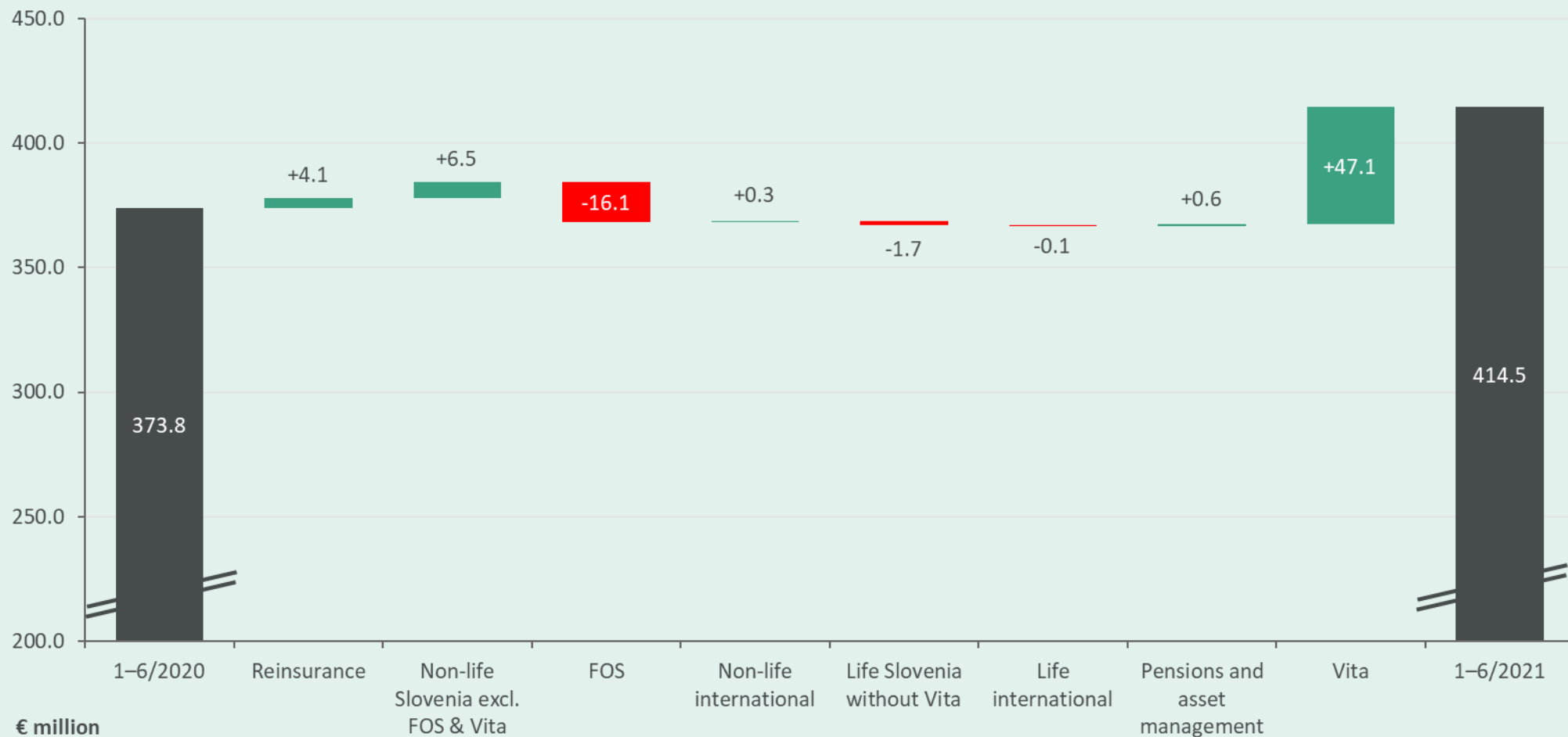
# Breakdown of consolidated revenue



\* Without one-off positive effect of Vita.



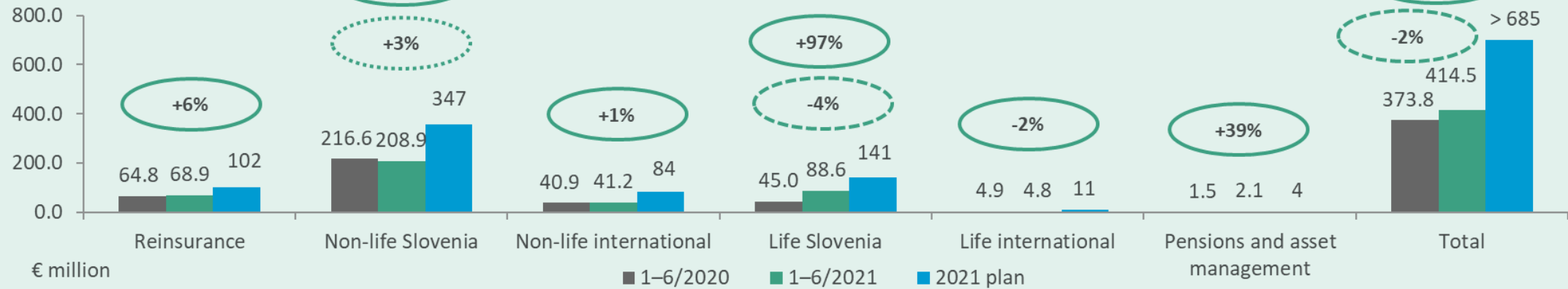
# Growth in consolidated GPW of 10.9%



# Breakdown of consolidated GPW

Without Vita  
Without FOS and Vita  
Growth/decline compared to the previous year

## Gross premiums written by segment



## Consolidated gross premiums written by class of insurance

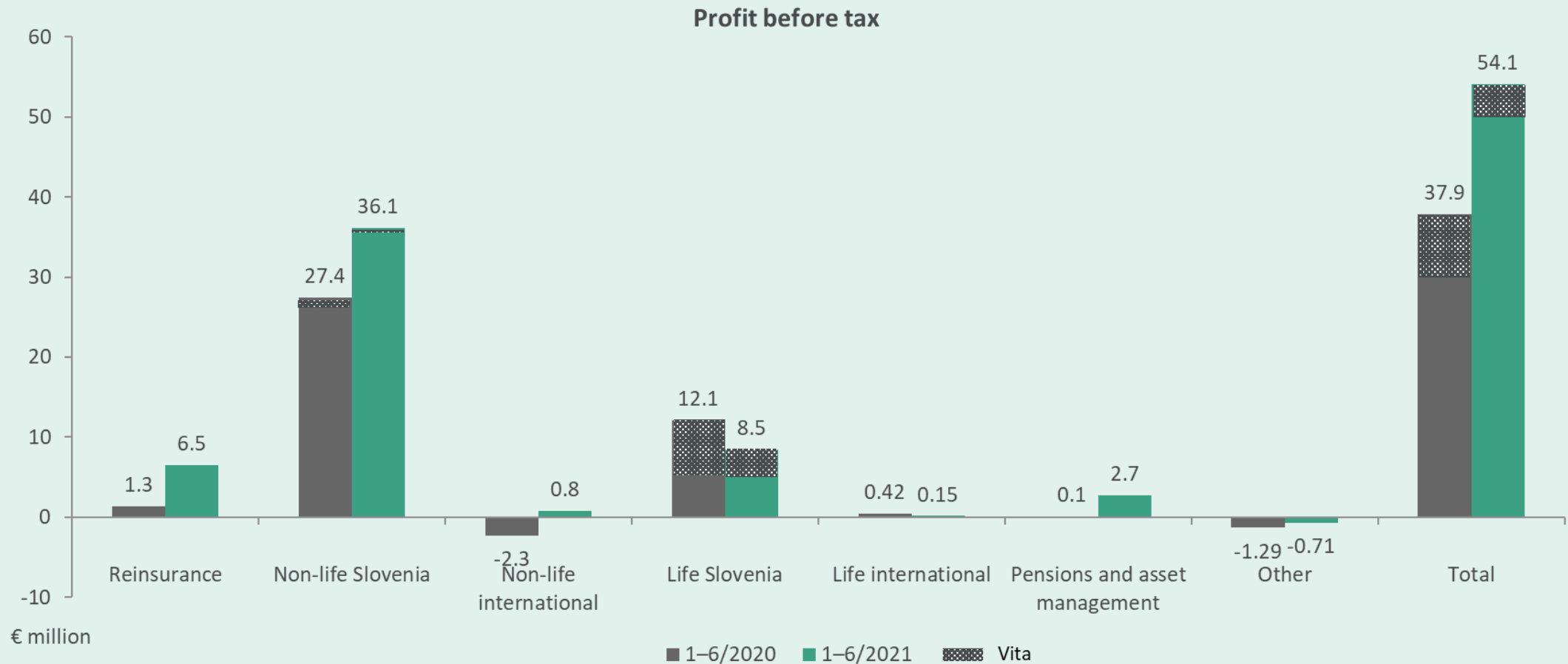


# Growth in profit before tax of 42.8%





# Consolidated profit before tax by segment

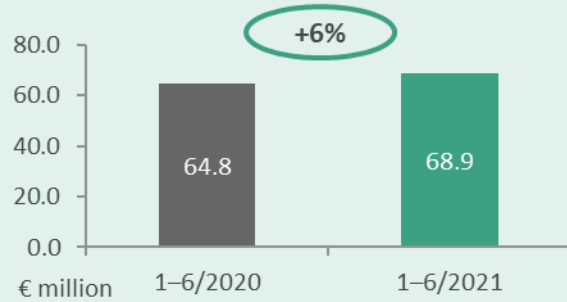


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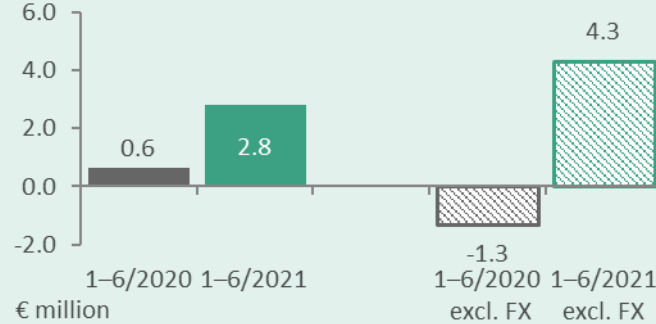
# Results by operating segment – reinsurance

Gross premiums written



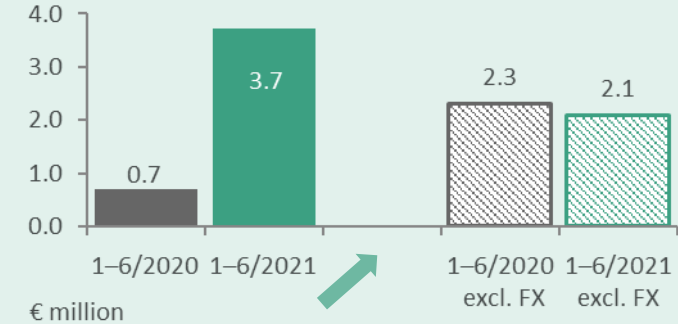
- GPW grew by 6%, non-proportional reinsurance by 9% and proportional by 5%
- U/W year 2021 premiums rose by 3% (€1.4 million), while premiums for the previous U/W year grew by €3.2 million (mostly proportional reinsurance)

Underwriting result



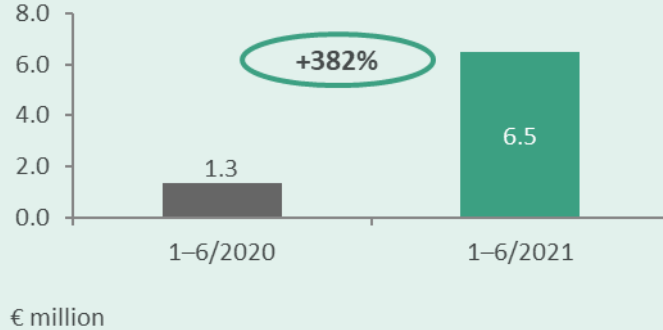
- Improvement in underwriting result mainly due to higher premium income and positive effect of change of other provisions

Investment result

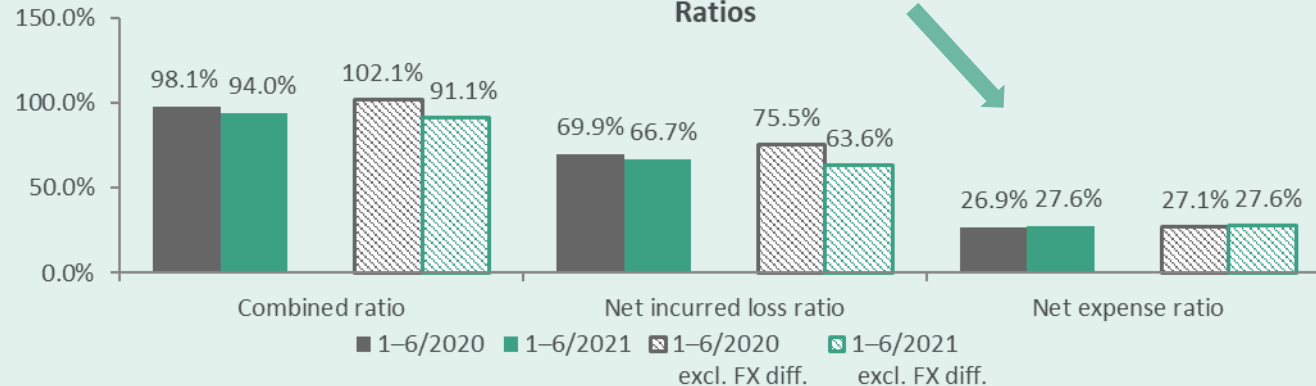


- Somewhat lower investment result, excluding FX differences, mainly due to lower interest income and lower gains on disposals
- Higher net expense ratio due to higher growth in acquisition costs compared to premium income

Profit before tax

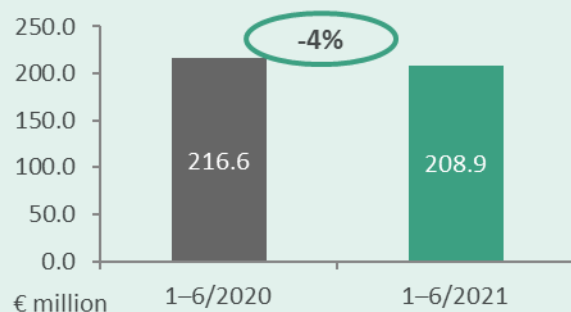


Ratios



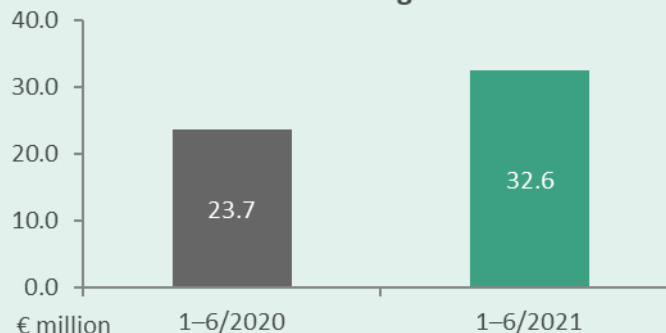
# Results by operating segment – non-life Slovenia

Gross premiums written



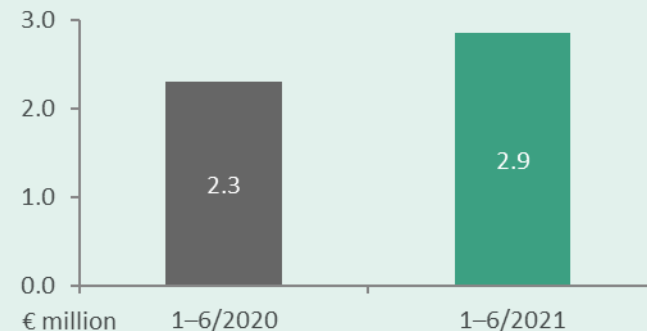
- Decline in FoS business (down €16.1 million)
- GPW of non-FoS business (growth of €6.5 million, impact of Vita €1.8 million) – growth in motor vehicle insurance of mainly private sector as a result of more policies sold and in property insurance because of increase in premiums of large policyholders due to a larger number of insured items and higher sums insured

Underwriting result



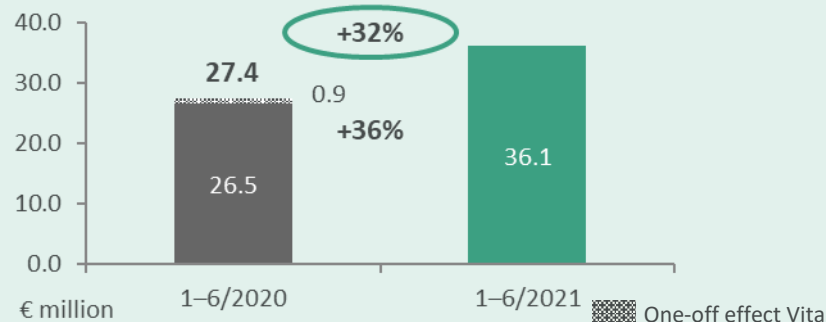
- Stronger technical result of Slovenian part because of lower claims frequency due to the Covid-19 pandemic
- Improved underwriting result of FoS business due to the measures taken – termination of cooperation with partners with poor technical results

Investment result

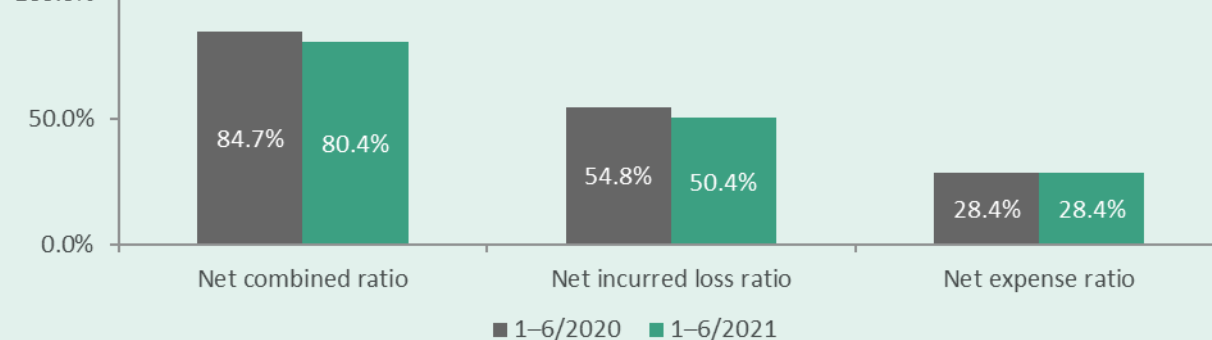


- Better investment result as a consequence of lower investment expenses; in 1-6/2020, higher expenses were affected by negative exchange rate differences and expenses from change in fair value of FVPL assets due to the onset of the Covid-19 pandemic

Profit before tax

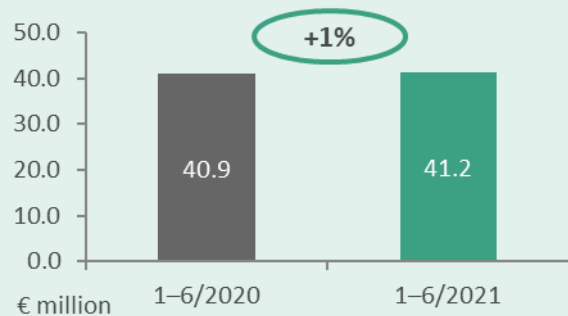


Ratios



# Results by operating segment – non-life international

Gross premiums written



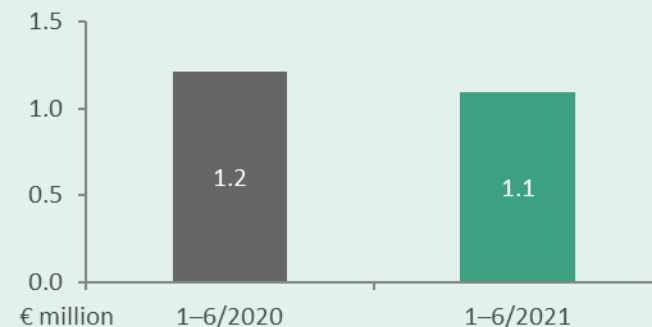
- Growth in GPW, except Croatia, (of 10%), mainly in health insurance in Kosovo and Serbia due to an increase in the number of insured persons and motor insurance, where premiums fell last year due to Covid-19; premiums in Croatia fell by 26%, mainly MTPL due to portfolio cleaning

Underwriting result



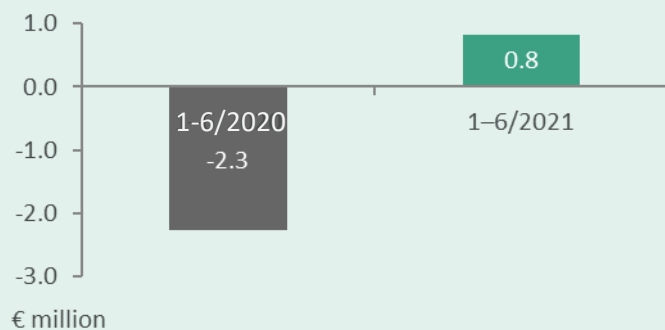
- Stronger technical result mainly due better result of Croatian branch office (in 2020: negative impact of court judgement regarding the payment of bodily injury claims in the amount of €3.5 million)

Investment result

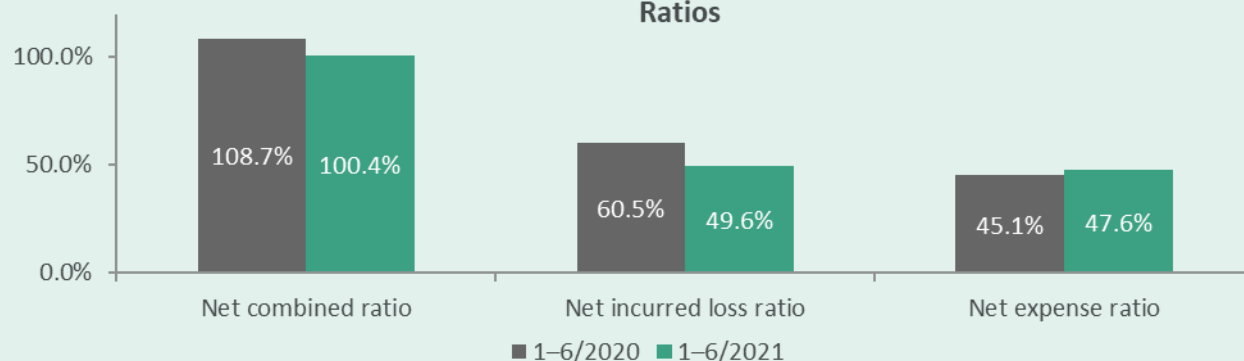


- Lower investment result due to lower interest income

Profit before tax

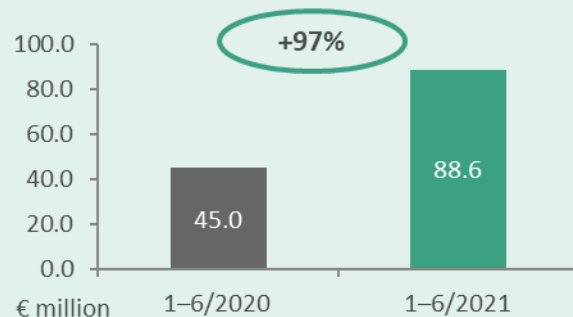


Ratios



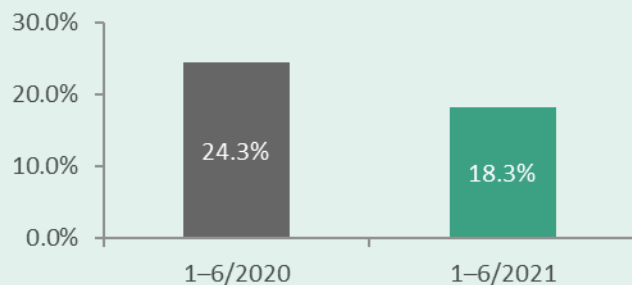
# Results by operating segment – life Slovenia

Gross premiums written



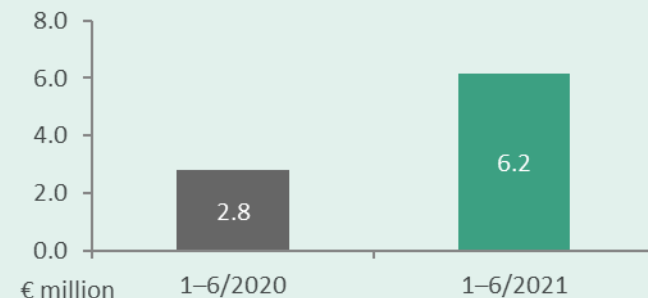
- Vita part of Group since 31 May 2020; GPW contribution in 1-6/2020 €7.3 million, in 1-6/2021 €52.6 million; GPW without Vita fell by 4.5%
- 12% growth in new annual premiums excluding Vita

Net expense ratio



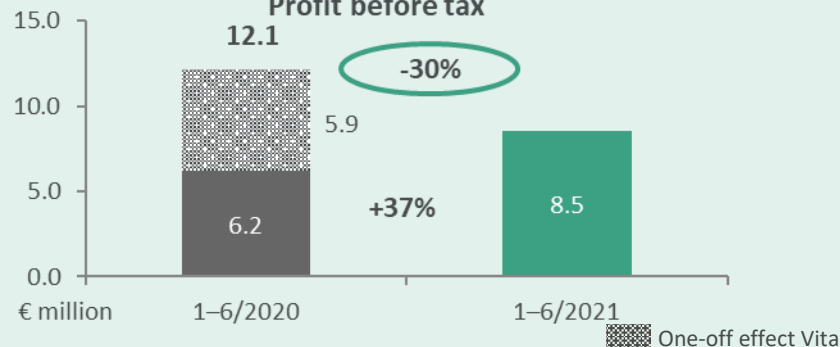
- Net expense ratio down due to the inclusion of Vita, which operates at a lower expense ratio

Investment result



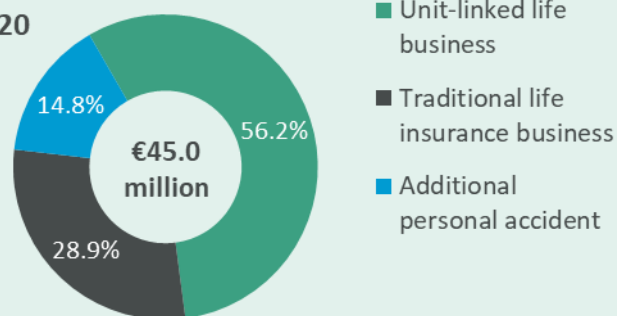
- Higher return influenced by the inclusion of Vita (2.1% return in 1-6/2021 compared to 1.6% in 1-6/2020)

Profit before tax

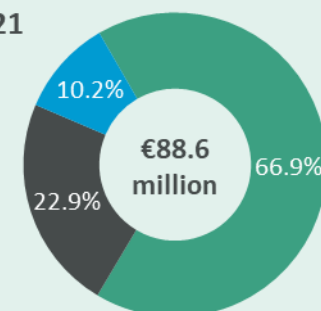


Gross premiums written by class of insurance

1-6/2020



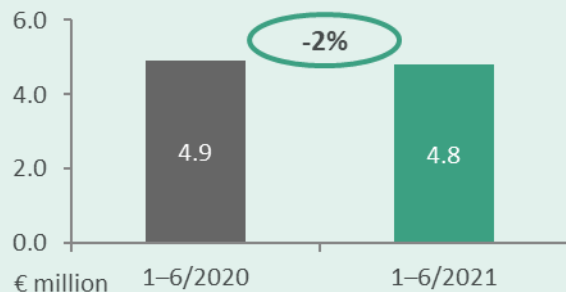
1-6/2021



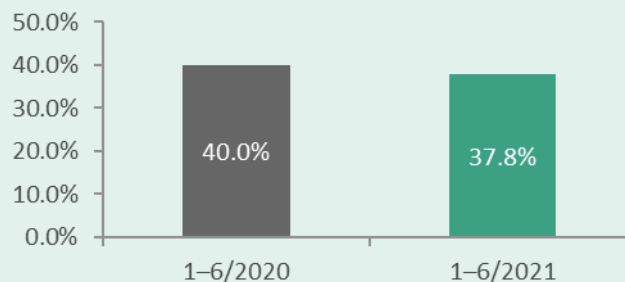


# Results by operating segment – life international

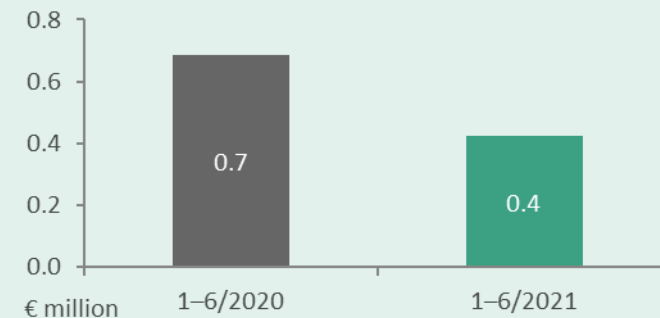
Gross premiums written



Net expense ratio



Investment result

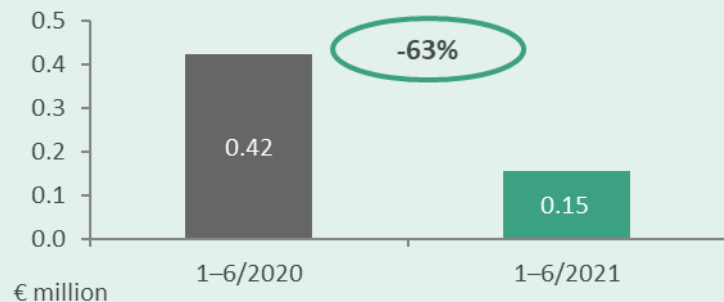


- Strong decline in GPW in Croatian part of Zavarovalnica Sava due to lower sales through bank sales channels and portfolio optimisation with the aim of improving business profitability; Serbian and Kosovan insurance companies grew despite the difficulties in taking out new insurance policies
- Growth in new annual premiums by 12% despite lower sales in Croatia

- Lower cost ratio mainly due to increased premium income from Serbian and Kosovo life insurance companies
- Decrease in profit before tax due to slightly lower results in most companies – more claims (especially in Serbian company because of increased mortality due to Covid-19) and lower investment result

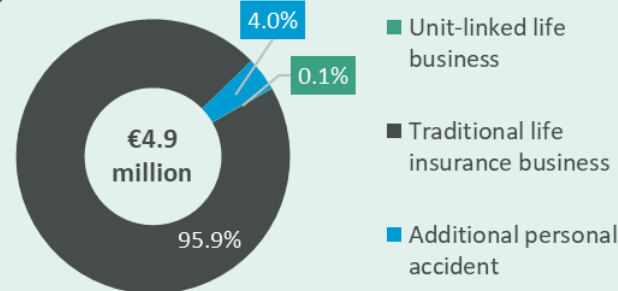
- Investment result is lower due to lower net income from foreign exchange differences of Zavarovalnica Sava in Croatia

Profit before tax

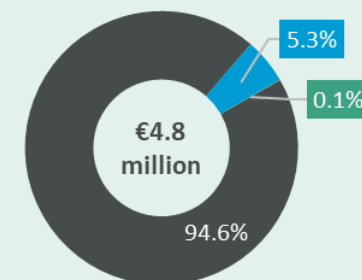


Gross premiums written by class of insurance

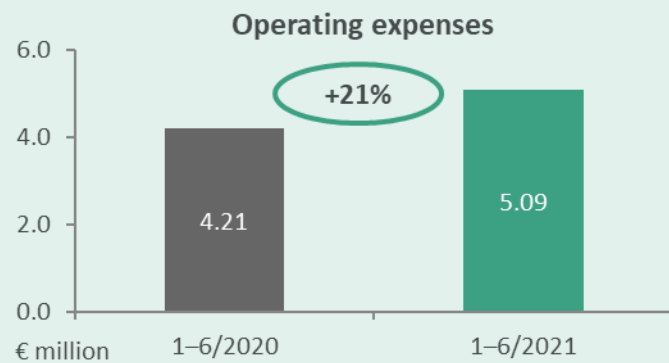
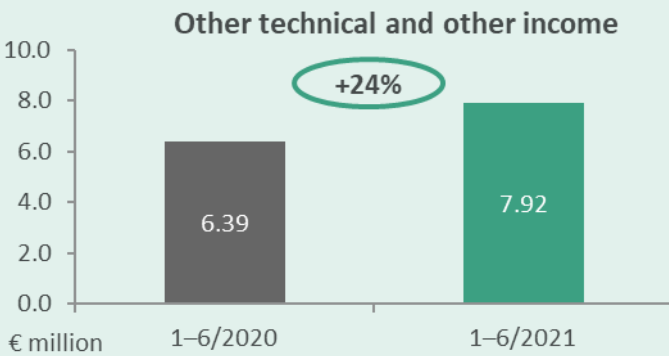
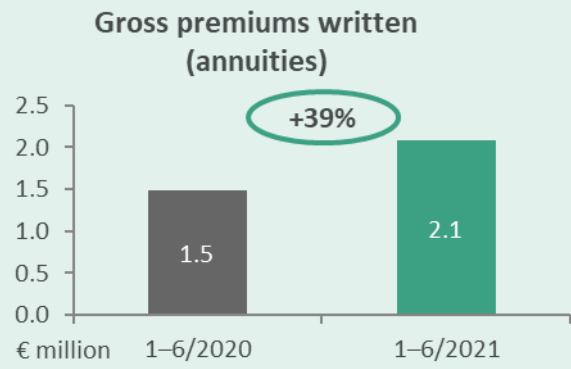
1-6/2020



1-6/2021



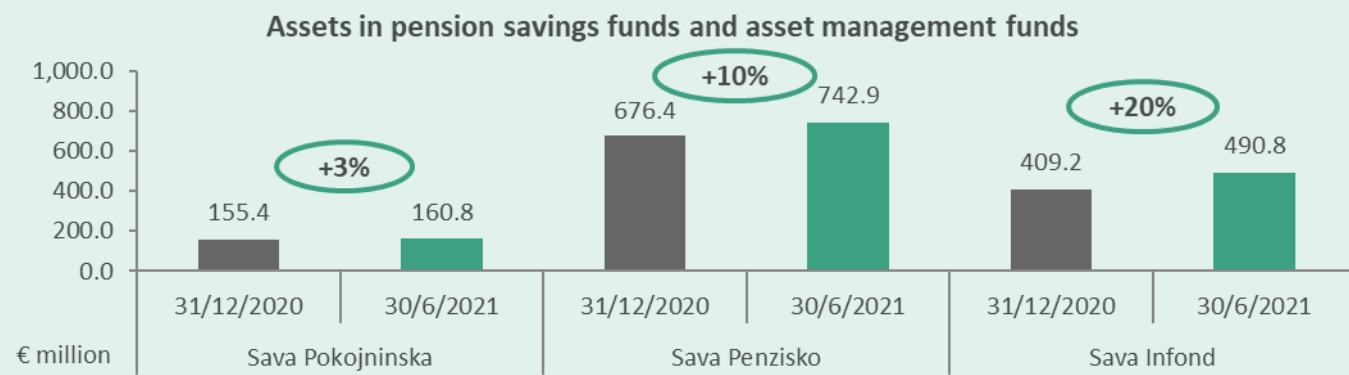
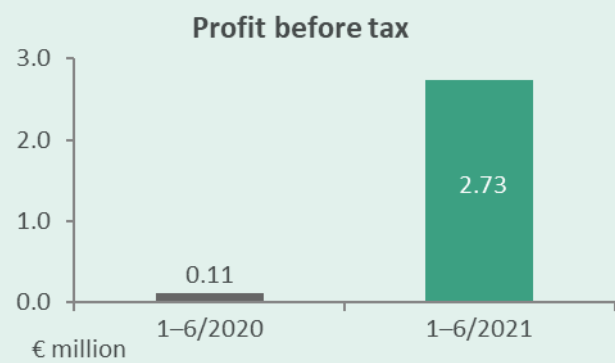
# Results by operating segment – pensions and asset management



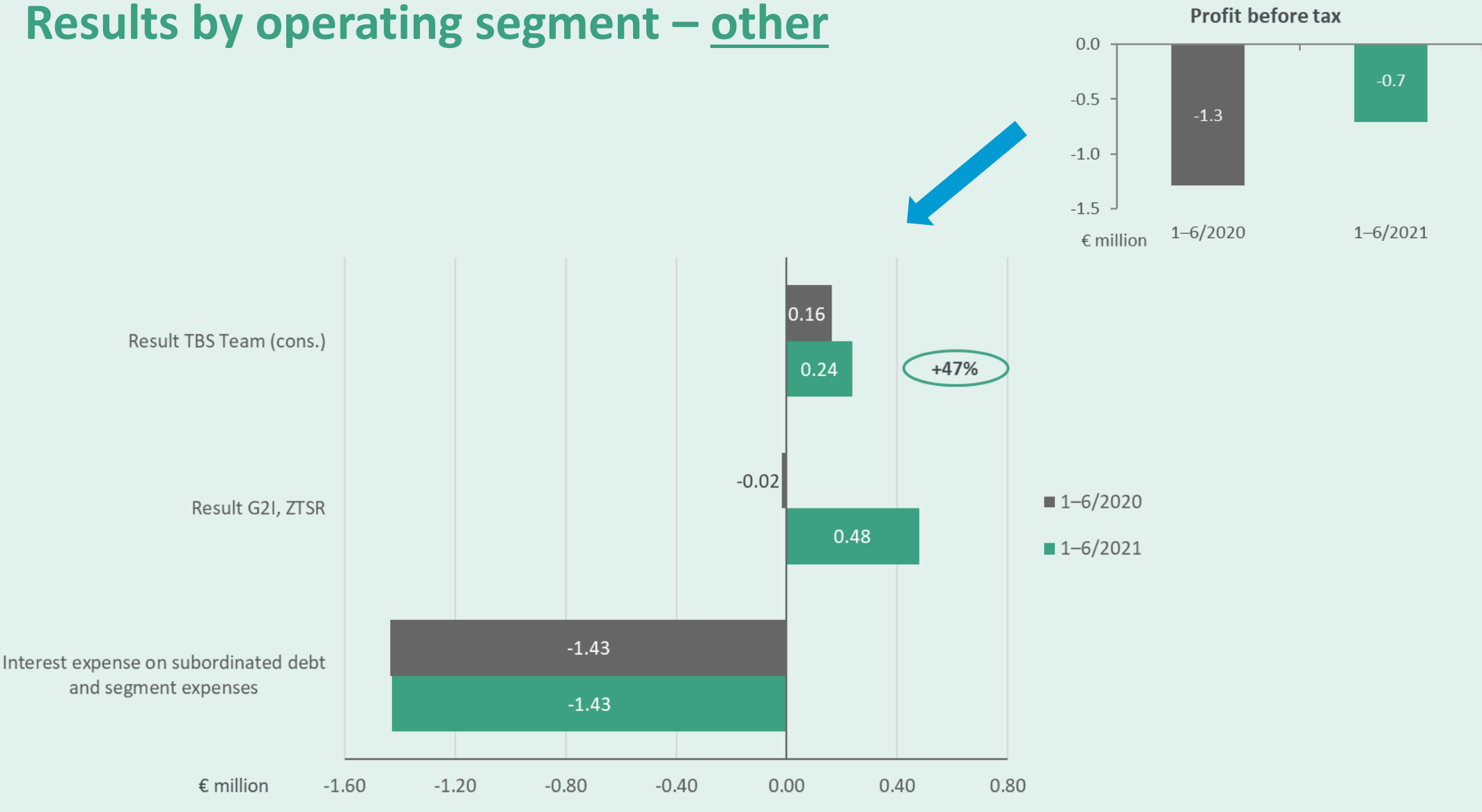
- The annuity insurance portfolio has grown in line with the number of policyholders eligible for retirement; a significant part of premiums in 1-6/2021 came from policyholders who are members of other contractors
- The result follows positive developments in capital markets and growth in assets under management

- Increase in revenues due to increased assets under management, most notably at Sava Infond

- Increase in operating costs due to growth in business volume, increase in assets under management and depreciation of the Sava Infond contractual relations expenses



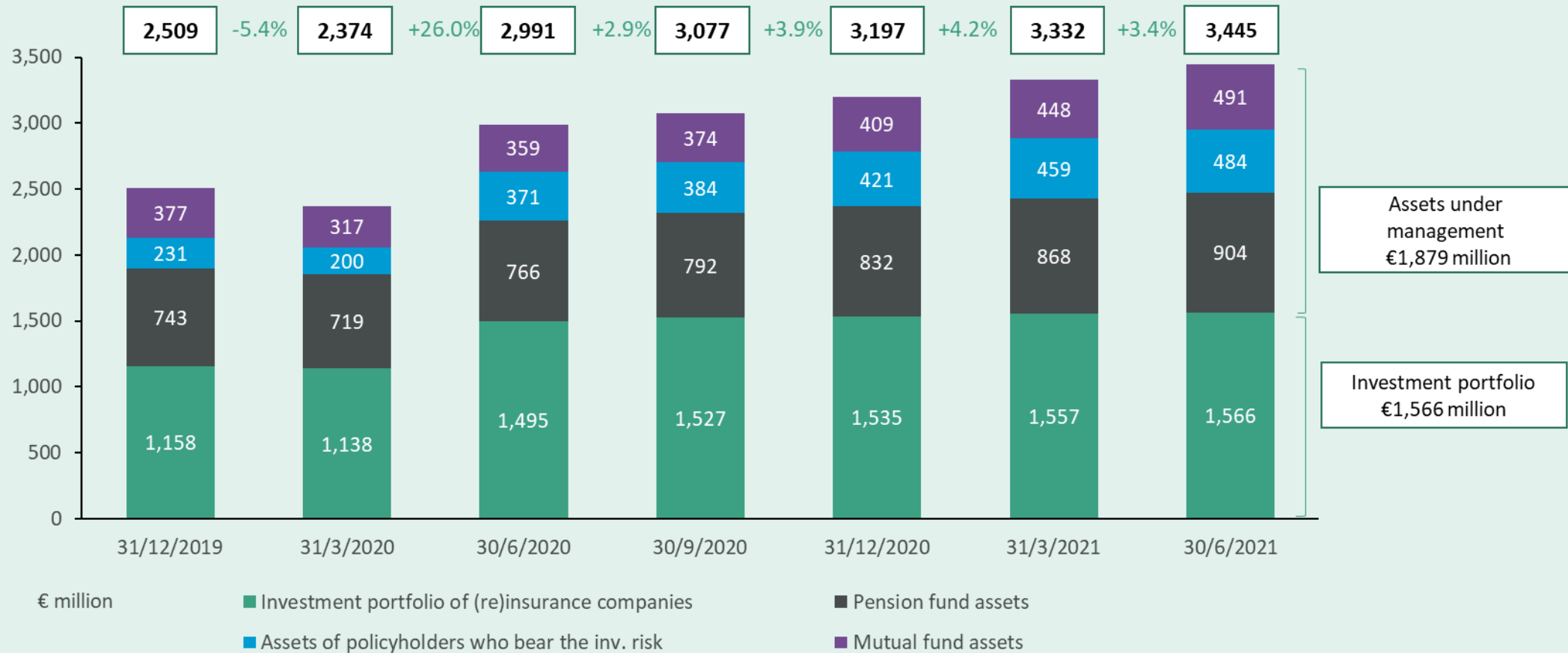
# Results by operating segment – other



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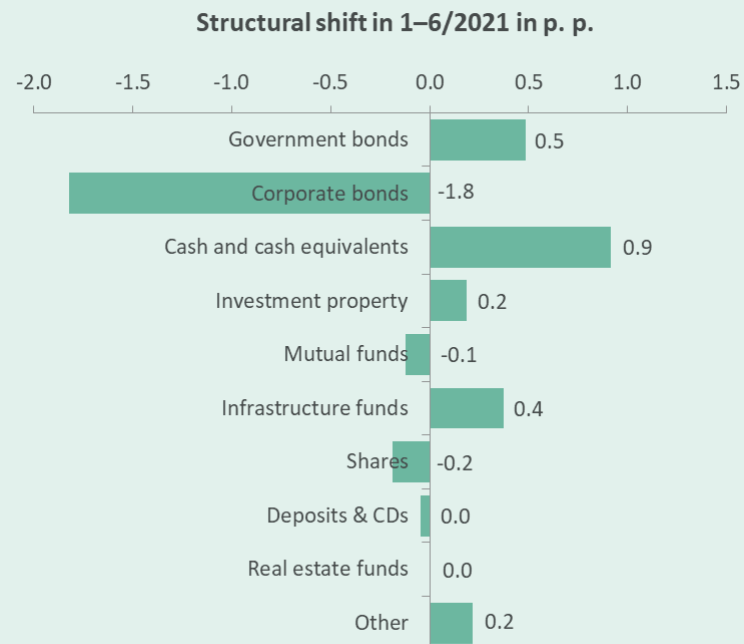
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# Investment portfolio and AuM



# Structure of the investment portfolio

	31/12/2020	30/6/2021
<b>Investment portfolio (€ million)</b>	<b>1,535.3</b>	<b>1,566.2</b>
Government bonds	43.0%	43.5%
Corporate bonds	40.3%	38.5%
Cash and cash equivalents	4.8%	5.7%
Investment property	2.5%	2.7%
Mutual funds	2.5%	2.4%
Infrastructure funds	1.8%	2.2%
Shares	1.5%	1.3%
Deposits & CDs	1.1%	1.0%
Real estate funds	0.9%	0.9%
Other	1.6%	1.8%
<b>Total investment portfolio</b>	<b>100.0%</b>	<b>100.0%</b>



**Reduced percentage of investments in business bonds by 1.8 p.p.** is due to maturities and sales as well as lower market value of corporate bonds. This has led to an increase in the share of government bonds and cash and cash equivalents.



# Net inv. income of and return on the investment portfolio

€ million, except %	1–6/2020	1–6/2021	Absolute change
Net investment income relating to the investment portfolio	6.3	13.7	7.4
Net inv. income of the investment portfolio, excl. FX diff.	8.1	11.6	3.5
Return on the inv. portfolio, excl. FX diff. and subordinated debt expense	1.5%	1.7%	0.2 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

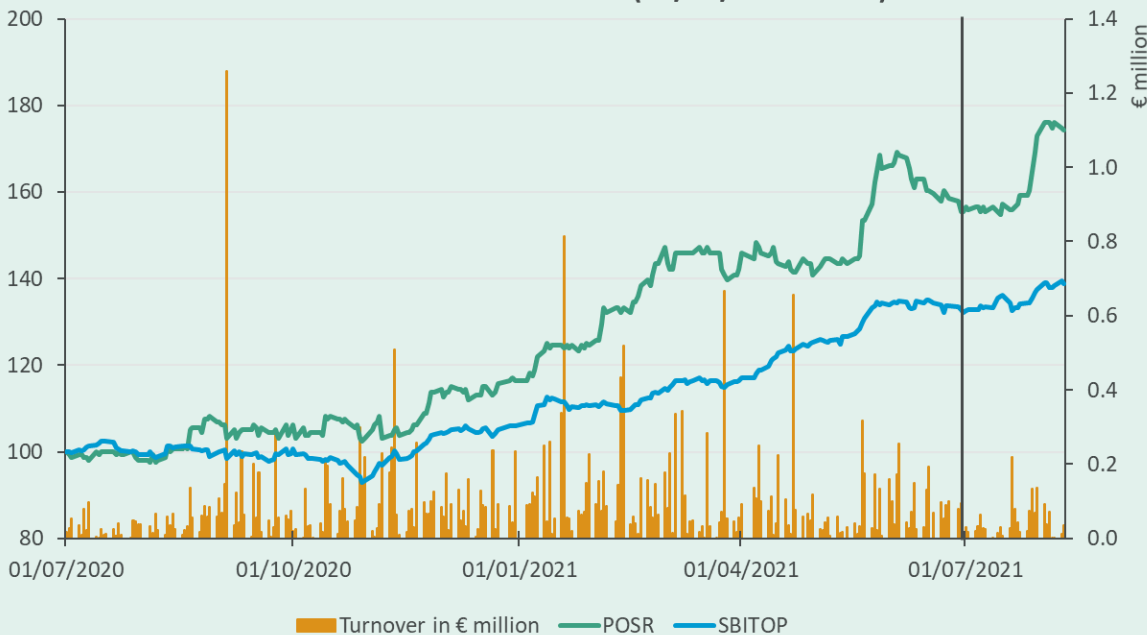
Book value per share

€31.19

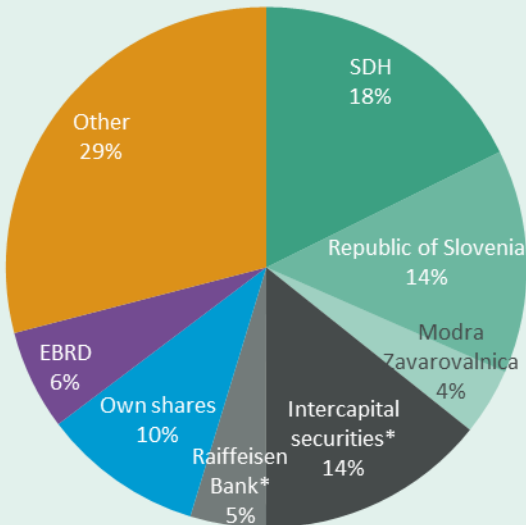
30 Jun 21 / 31 Dec 20: +5.0%

30/6/2021	
Share capital (€ million)	71.9
Market capitalisation (€ million)	425.3
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,229

Performance and turnover (01/07/2020 = 100)

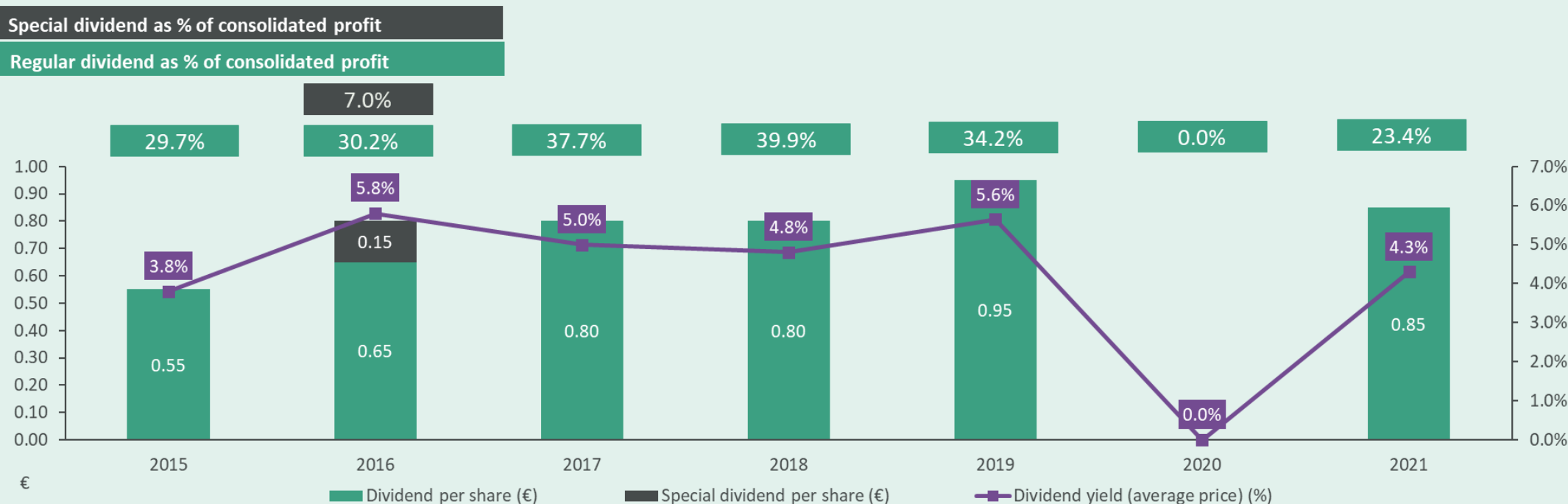


Shareholders as at 30 June 2021



\* Custody account.

# 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.
- On 25 May 2021, the general meeting of shareholder adopted the proposal of the management and supervisory boards to use €13,173,041.60 of the profits for dividends. The dividend was **€0.85** gross per share and was paid out on 10 June 2021 to the shareholders entered in the shareholders' register as at 9 June 2021.
- Sava Re 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) took into consideration the special business model of the Company (as reinsurer and parent). The Sava Re management board believes that the dividend of €0.85 per share did not compromise the Company's solvency, liquidity or financial stability.

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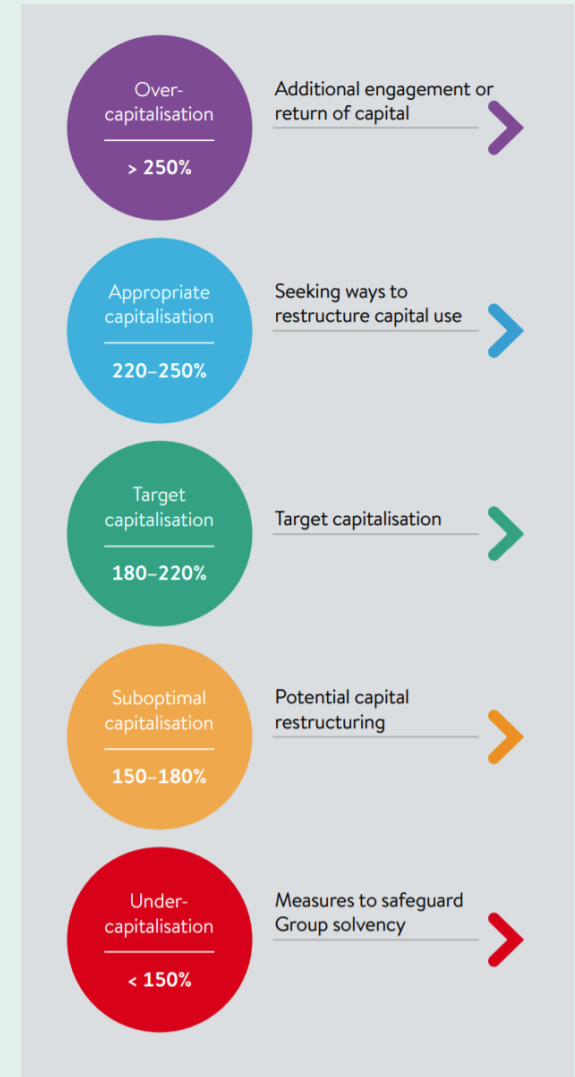
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# Capital adequacy

€ million	31/12/2020
Eligible own funds	567.8
Solvency capital requirement	287.4
<b>Solvency ratio</b>	<b>198%</b>

€ million	31/3/2021 (unaudited)
Eligible own funds	599.2
Solvency capital requirement	287.4
<b>Solvency ratio</b>	<b>208%</b>

The Sava Insurance Group's Solvency and financial condition report 2020 was posted on the Sava Re website and that of the Ljubljana stock exchange (SEONet) on 20 May 2021.

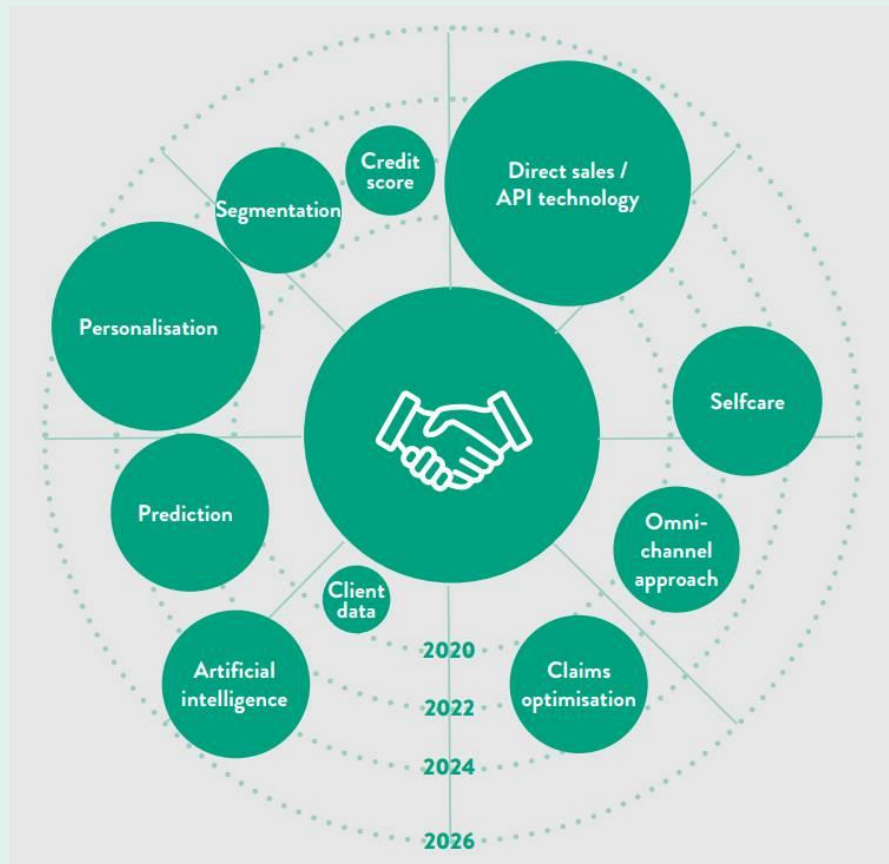




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# Digital transformation, technology upgrades & customer at the centre



- As part of its 2020–2022 strategy, the Group has embarked on large-scale projects aimed towards digital transformation and customer-centricity.
- The Group is also undergoing significant technological upgrades to support the digital transformation and to develop an even more modern and flexible IT system.
- The results of these intensive developments have been wrapped up into a short video. It presents activities carried out and planned to achieve the strategic goals and is available at <https://www.sava-re.si/en-si/investor-relations/strategy/>.

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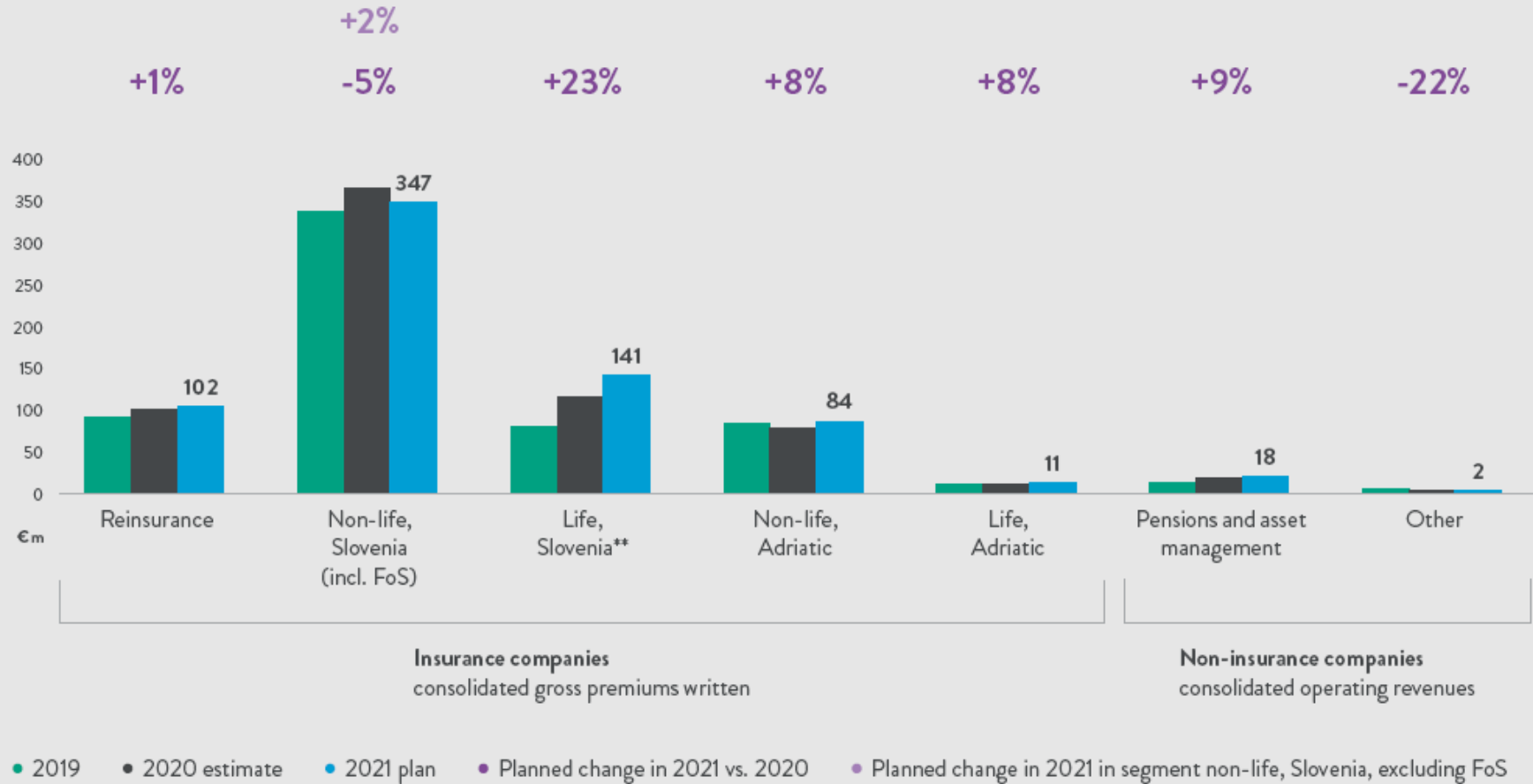
# Key group performance metrics

€	2019 actual	2020 actual	2021 plan
<b>Group</b>			
Operating revenue	€588.5 m	€680.8 m	> €685 m
Profit or loss, net of tax	€50.2 m	€56.4 m	> €53 m
Return on equity	13.8%	13.3%	>= 11.5%
Net expense ratio*	31.6%	29.5%	32–33%
Investment return*	1.9%	1.6%	1.5%
<b>(Re)insurance part</b>			
Gross premiums written	€596.2 m	€676.5 m	> €685 m
Net incurred loss ratio* (reins. + non-life)	61.7%	61.6%	59–60%
Net combined ratio* (reins. + non-life)	93.8%	93.9%	< 94%

Estimate:  
> €60 m

\* Excluded effect of exchange differences. The investment return does not include subordinated debt expenses. The net expense ratio does not include any gains on acquisitions (2019: ERGO, 2020: Vita) or amortisation of customer lists.

# Consolidated GPW / operating revenue by segment

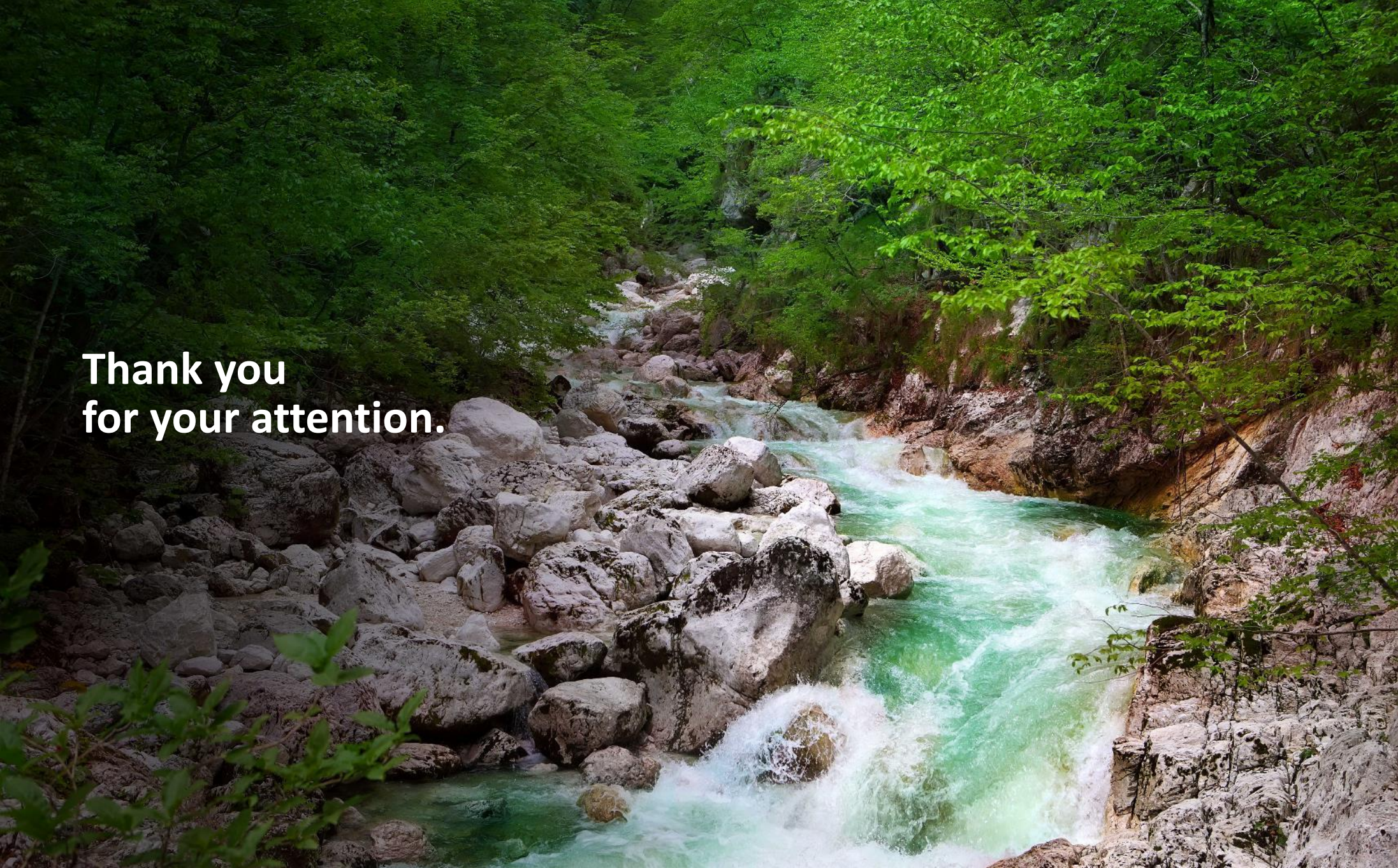


\* FoS business. Freedom of Services business. Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.

\*\* Vita included as from 31 May 2020.



**Thank you  
for your attention.**





# Disclaimer

## Forward-looking statements

This document may contain forward-looking statements relating to Sava Re's expectations, plans or goals, which are based on assumptions made by Sava Re management. By their nature, forward-looking statements involve risk and uncertainty. As a result, actual developments, in particular performance, may differ materially from expectations, plans and goals set out in this document; therefore, persons should not rely on forward-looking statements.

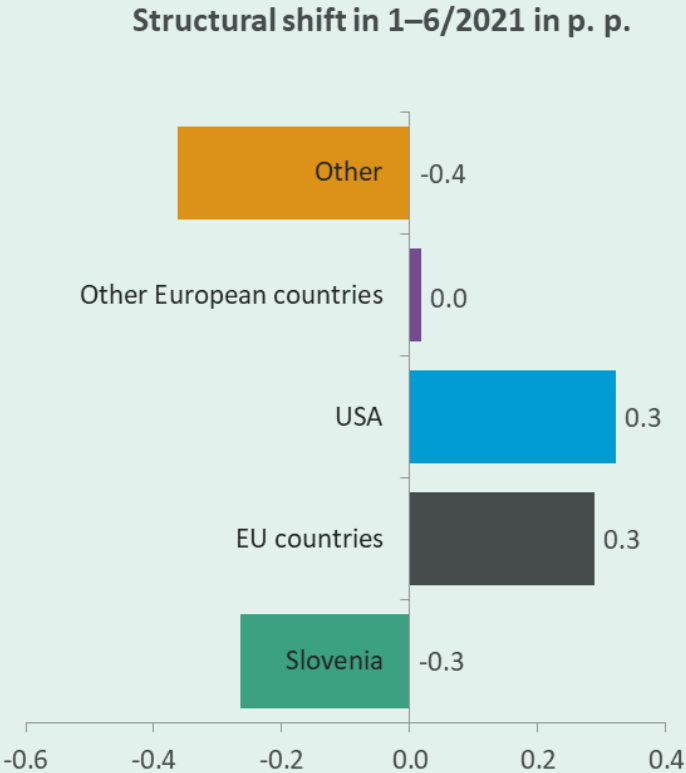
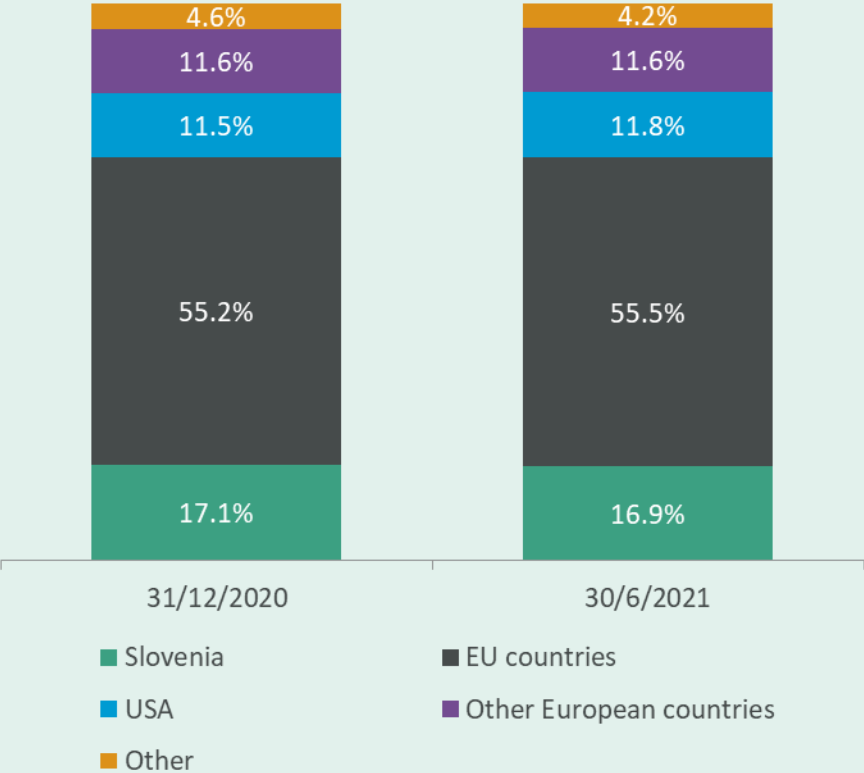
## Duty to update

Sava Re assumes no obligation to adjust any forward-looking statements or other information contained in this document to future events or developments.

# Appendix

# Group exposure by region

Exposure to individual regions did not change significantly in the period under review compared to the end of 2020.



# Group exposure to Slovenia

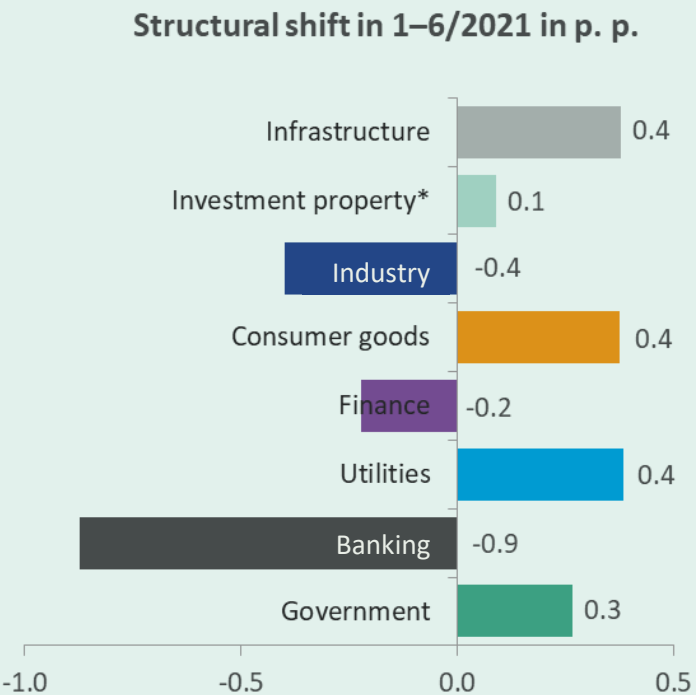
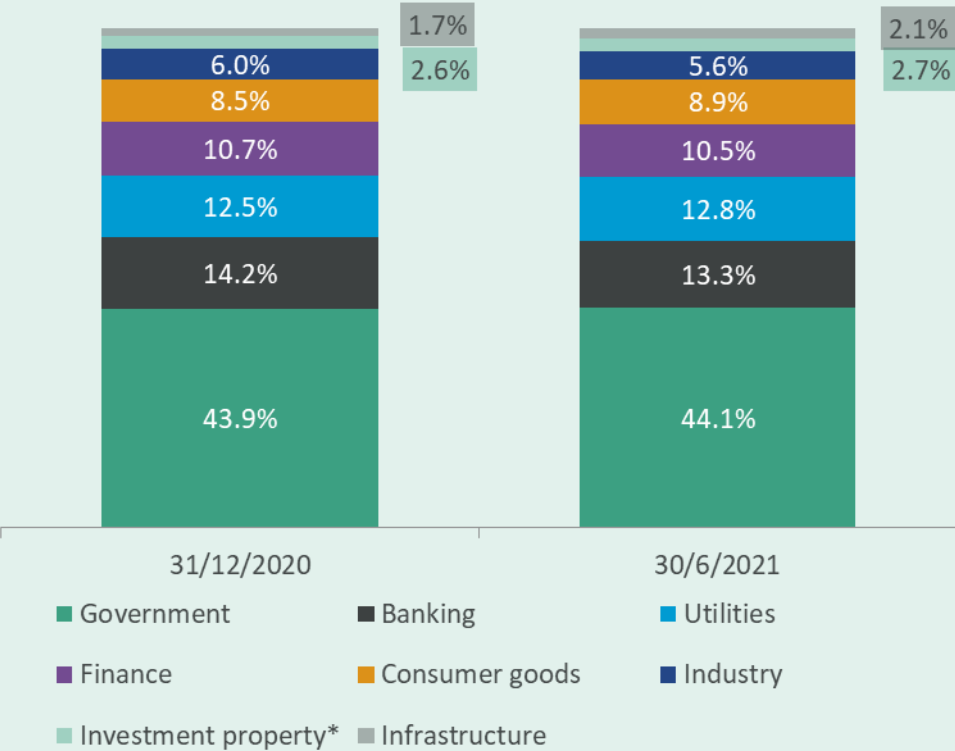
€ million	31/12/2020		30/6/2021		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Government bonds	148.5	9.2%	133.9	8.2%	-1.0
Cash and cash equivalents	69.2	4.3%	81.7	5.0%	0.7
Shares	18.4	1.1%	19.7	1.2%	0.1
Corporate bonds	20.5	1.3%	19.3	1.2%	-0.1
Investment property	11.8	0.7%	11.6	0.7%	0.0
Mutual funds	2.2	0.1%	4.5	0.3%	0.1
Deposits	4.0	0.2%	2.0	0.1%	-0.1
Given loans	1.7	0.1%	1.6	0.1%	0.0
Infrastructural funds	0.5	0.0%	0.6	0.0%	0.0
<b>Total</b>	<b>276.7</b>	<b>17.1%</b>	<b>275.0</b>	<b>16.9%</b>	<b>-0.3</b>

Exposure to Slovenia did not change significantly compared to the end of 2020.

Compared to the end of the year, the share of government bonds maturing in the period under review decreased, while the share of cash and cash equivalents increased.

# Group exposure by industry

The decrease in exposure to the banking industry is due to the maturity of deposits and covered bonds.



\* Includes direct investments in real estate and property funds. Also included are corporate bonds classified as real estate under GICS.

# Solid rating profile maintained despite Covid-19

The share of the investment class represents 85.9% of fixed income investments and is 3.0 percentage points higher than at the end of the previous year.

The decline in A-grades is due to the maturity of government bonds and the downgrading of credit ratings due to the situation with Covid-19; the decrease in the BB rating class is due to the improvement of the credit rating of some Slovenian banks at BBB; as a result, the BBB rating class increased.

The unrated rating increased by 0.9 p.p. compared to the end of the year due to the higher share of cash in the structure of the investment portfolio and is of a short-term nature.

