

8 Review of operations of the Sava Insurance Group and Sava Re⁴⁵

8.1 Sava Insurance Group

8.2 Sava Re

⁴⁵ A glossary of selected insurance terms and calculation methods for ratios is appended to this annual report.



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8.1 Sava Insurance Group

The operations of the Sava Insurance Group are organised by these segments: reinsurance, non-life (insurance), life (insurance), pensions and asset management, and the “other” segment. The non-life and life segments are further broken down by geography into Slovenia and international.

The operating segments include the following companies⁴⁶:

- reinsurance: Sava Re (non-Group business);
- non-life, Slovenia: Zavarovalnica Sava (the Slovenian part of non-life insurance business, including FOS business), Vita (non-life insurance business);
- non-life, international: Zavarovalnica Sava (the Croatian part of non-life insurance business), Sava Neživotno Osiguranje (SRB), Illyria (RKS), Sava Osiguranje (MNE), Sava Osiguruvanje (MKD), Sava Car (MNE), Sava Agent (MNE), Sava Station (MKD);
- life, Slovenia: Zavarovalnica Sava (the Slovenian part of life insurance business), Vita (life insurance business), ZS Svetovanje (SVN), Ornatus KC (SVN);
- life, international: Zavarovalnica Sava (the Croatian part of life insurance business), Sava Životno Osiguranje (SRB), Illyria Life (RKS);
- pensions and asset management: Sava Pokojninska (SVN), Sava Penzisko Društvo (MKD), Sava Infond (SVN);
- other: TBS Team 24 (SVN), S Estate (RKS), DCB (SVN) and G2I (GBR) using the equity method. This segment also includes expenses on subordinate debt.

⁴⁶ From the first quarter of 2021 onwards, the Group presents Sava Infond in the pensions and asset management segment. In the 2020 annual report, Sava Infond was part of the “other” segment.

The following reallocations were made in the consolidated income statement:

- The effects of reinsurance (retrocession) relating to business with subsidiaries are reallocated to the other segments (Sava Re as the parent company handles the reinsurance of most business of its subsidiaries): in the segment reporting information, reinsurance premiums accepted by the reinsurer from its subsidiaries are reallocated to the segments from where they have arisen. The same applies, by analogy, to reinsurance claims, commission income, the change in unearned premiums, claims provisions and deferred acquisition costs due to reinsurance.
- Operating expenses of the reinsurance segment are reduced by the portion of expenses attributable to the administration of the Sava Insurance Group. Sava Re operates as a virtual holding company; hence, a part of its expenses relates to the administration of the Group. Such expenses relating to the reinsurance segment are allocated to other segments based on each subsidiary’s revenue. Operating expenses associated with reinsurance business within the Group are also reallocated to other segments. In this way, 66.7% of operating expenses were allocated to the segments in 2021 (2020: 68.4%). In addition, there were reallocations of operating expenses of the company TBS Team 24 associated with the companies conducting business in the Slovenian or international non-life segments from the “other” segment to these two segments.

- Investment income and expenses are reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).
- In 2020, other income included the extraordinary income relating to positive difference between the fair value of net assets acquired and the purchase price of the investment on the acquisition of Vita, which was taken from the reinsurance segment and allocated to the Slovenian life and non-life segments (EUR 9.9 million).

The following reclassifications were made in the consolidated statement of financial position:

- Goodwill was attributed to the segment where it arose.
- The balance of financial investments associated with the Group’s reinsurance share of technical provisions is reallocated from the reinsurance segment to the non-life and life segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).
- The reinsurers’ share of technical provisions (reinsurers’ share of unearned premiums, claims provisions and other provisions) and deferred acquisition expenses are reallocated to other segments in the same way as described in indent one of reallocations of income statement items.
- Subordinated liabilities are shown in the “other” segment.

Vita (SVN) has been included in the consolidated financial statements since 31 May 2020.

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Summary of the consolidated income statement

EUR	2021	2020	Index
Net premiums earned	686,574,317	635,361,568	108.1
Income from investments in subsidiaries and associates	772,886	142,088	543.9
Investment income	34,057,270	26,449,203	128.8
Net realised and unrealised gains on investments of life insurance policyholders who bear the investment risk	68,719,103	23,043,525	298.2
Other technical income	19,101,970	14,544,056	131.3
Other income	27,037,764	30,895,868	87.5
Net claims incurred	-408,814,273	-426,695,412	95.8
Change in other technical provisions	23,872,769	40,613,572	58.8
Change in technical provisions for policyholders who bear the investment risk	-115,064,830	-35,479,642	324.3
Expenses for bonuses and rebates	-276,004	-103,253	267.3
Operating expenses	-219,931,765	-203,216,146	108.2
Expenses for investments in subsidiaries and associates and impairment losses on goodwill	0	-2,096,868	-
Expenses for financial assets and liabilities	-5,710,086	-13,122,281	43.5
Other technical expenses	-14,337,516	-19,324,402	74.2
Other expenses	-2,466,335	-3,265,161	75.5
Profit or loss before tax	93,535,270	67,746,715	138.1

Effect of exchange differences on the consolidated income statement

EUR	2021			2020		
	Basic statement	Adjusted statement	Effect of exchange differences	Basic statement	Adjusted statement	Effect of exchange differences
Net premiums earned	686,574,317	686,786,173	-211,856	635,361,568	634,906,031	455,537
Commission income	8,640,223	8,651,903	-11,680	5,899,388	5,855,379	44,009
Net claims incurred	408,814,273	404,337,874	-4,476,399	426,695,412	433,597,971	6,902,559
Change in deferred acquisition costs	1,926,381	1,967,868	41,487	-1,561,215	-1,664,874	-103,659
Investment result	29,120,070	25,413,605	3,706,465	11,372,142	16,003,872	-4,631,730
Net other technical income/ expenses	-3,875,769	-4,057,525	181,756	-10,679,734	-6,560,995	-4,118,739
			-770,227			-1,452,023

According to the prescribed income statement scheme, exchange rate differences are shown within individual business categories and not only under net exchange rate differences, as is the practice in other industries. Although the Group follows a policy of asset and liability currency matching, certain impacts on individual business categories do not reflect their trends and results appropriately. The table below therefore offers an overview of the effect of exchange differences on these categories; these categories are then presented, excluding the effect of exchange rate differences.

Most of the net exchange differences of EUR 0.4 million relate to the reinsurance segment (2020: EUR 0.3 million).

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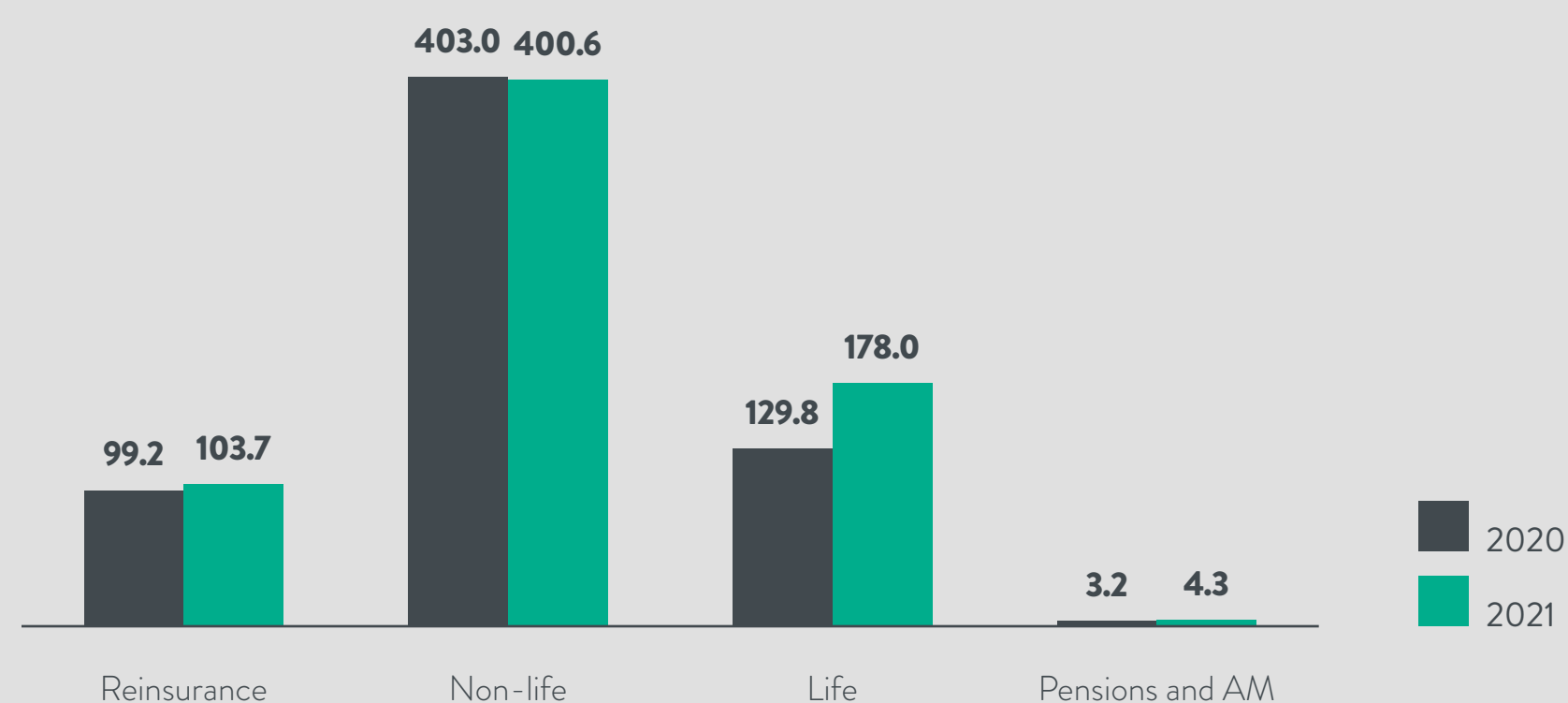
Net premiums earned⁴⁷

Net premiums earned

EUR	2021	2020	Index
Gross premiums written	729,898,408	679,749,305	107.4
Net premiums earned	686,574,317	635,361,568	108.1

Net premiums earned by operating segment

(€m)



Net premiums earned by class of business

EUR	2021	2020	Index
Property	147,320,253	139,177,737	105.9
Land motor vehicles	128,913,705	123,767,411	104.2
Motor vehicle liability	123,475,030	135,518,450	91.1
Unit-linked life	117,255,228	75,972,838	154.3
Traditional life	65,171,980	57,332,429	113.7
Accident, health and assistance	62,387,121	58,144,415	107.3
General liability	24,899,714	25,789,787	96.5
Marine, suretyship and goods in transit	14,133,958	15,447,706	91.5
Other insurance	3,017,328	4,210,795	71.7
Total	686,574,317	635,361,568	108.1

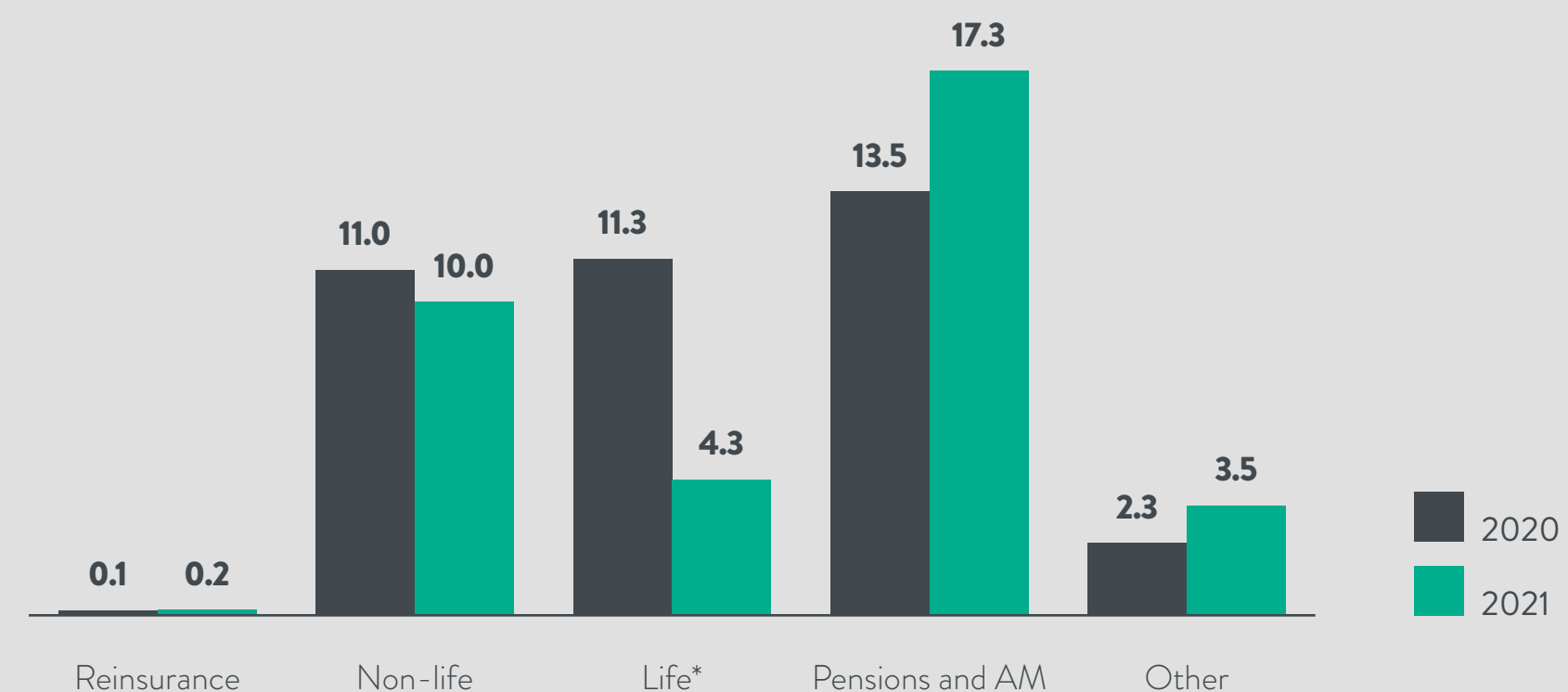
⁴⁷ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

⁴⁸ Other technical income does not include income from reinsurance commissions.

Other technical income and other income

Other technical income and other income by segment (excluding the effect of exchange differences)⁴⁸

(€m)



* The 2020 figure included extraordinary income relating to positive difference between the fair value of net assets acquired and the purchase price of the investment on the acquisition of Vita (EUR 9.0 million).

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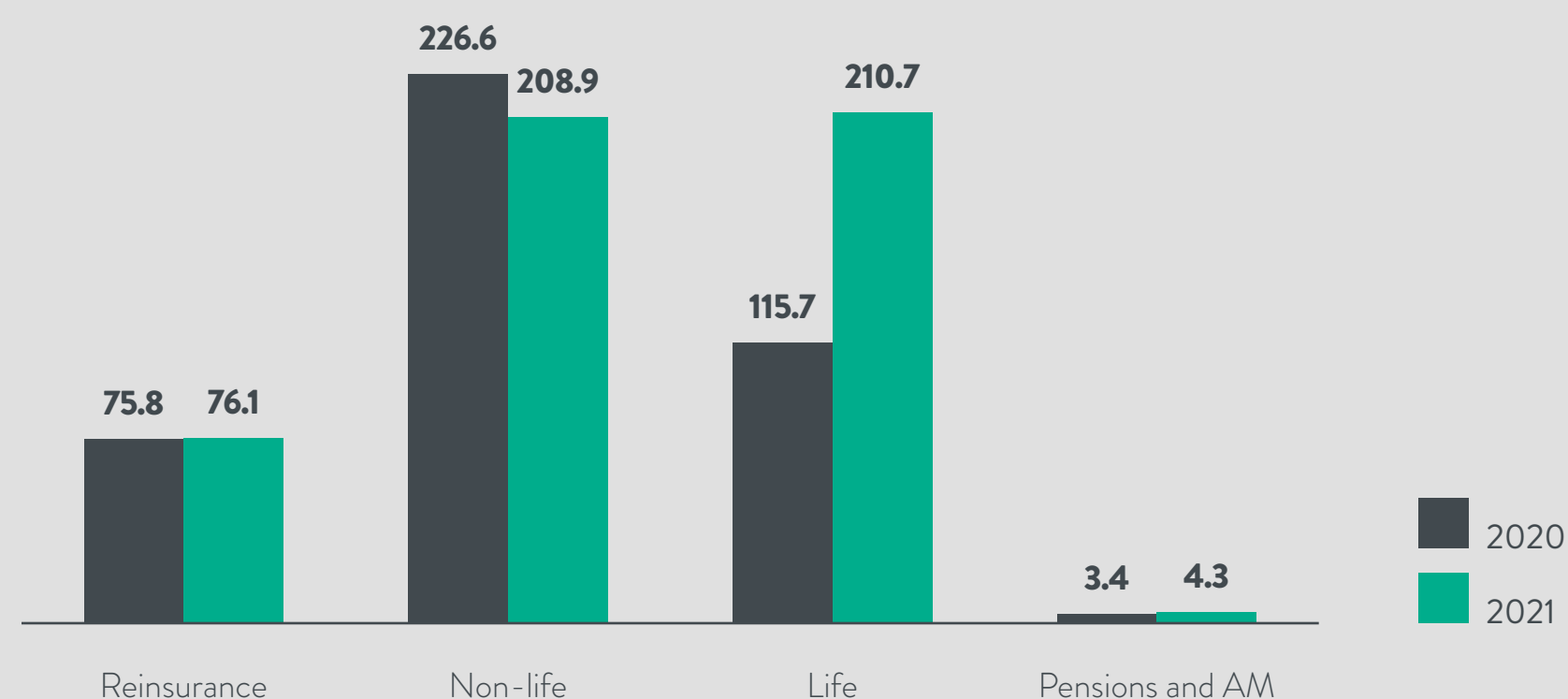
Net claims incurred⁴⁹

Net claims incurred, including the change in provisions related to life business

EUR	2021	2020	Index
Gross claims paid	406,908,665	399,532,382	101.8
Net claims incurred	408,814,273	426,695,412	95.8
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	500,006,334	421,561,482	118.6

* This largely comprises mathematical provisions.

Composition of net claims incurred, including the change in life insurance provisions⁵⁰ (€m)



⁴⁹ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

⁵⁰ The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

Net claims incurred, including the change in provisions related to life business, by class of business

EUR	2021	2020	Index
Unit-linked life	177,111,476	83,170,182	213.0
Property	95,963,434	109,352,787	87.8
Land motor vehicles	76,600,918	72,360,216	105.9
Motor vehicle liability	60,539,139	83,728,019	72.3
Traditional life	36,716,601	33,745,772	108.8
Accident, health and assistance	23,153,641	20,201,288	114.6
Marine, suretyship and goods in transit	13,764,801	12,347,228	111.5
General liability	16,552,288	7,223,986	229.1
Other insurance	-395,964	-567,996	69.7
Total	500,006,334	421,561,482	118.6

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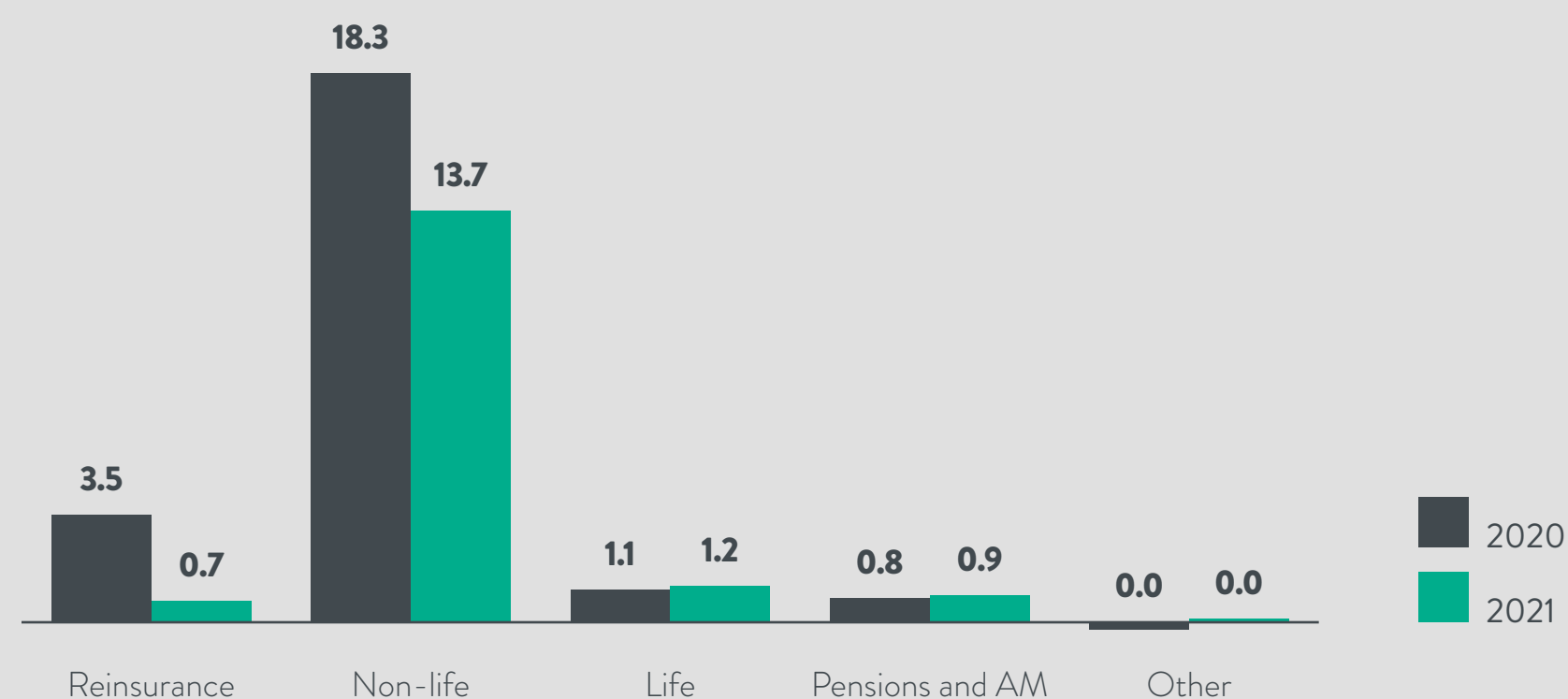
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Other technical expenses and other expenses

Composition of other technical expenses and other expenses by segment (excluding the effect of exchange differences) (€m)

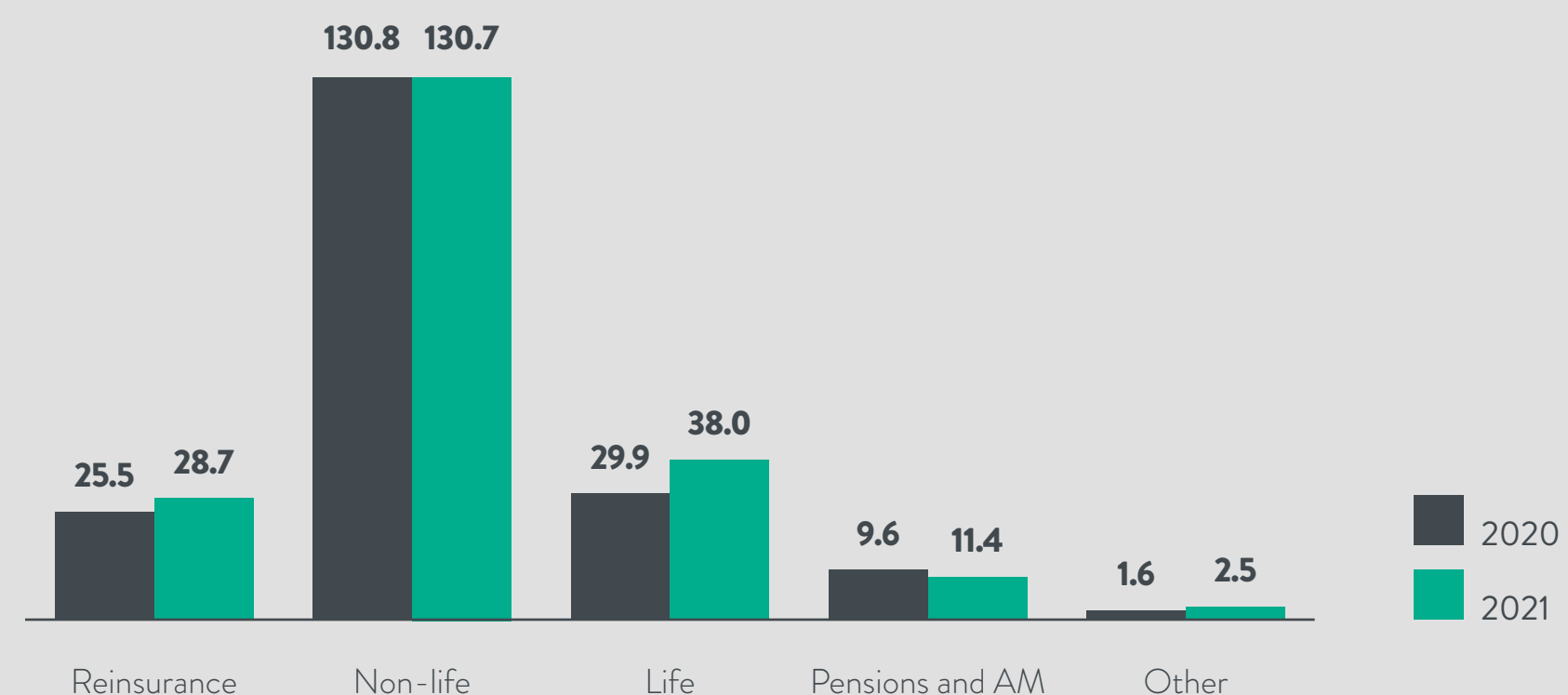


Operating expenses

Operating expenses

EUR	2021	2020	Index
Acquisition costs	77,684,219	74,410,866	104.4
Change in deferred acquisition costs (+/-)	1,926,381	-1,561,215	-123.4
Other operating expenses	140,321,165	130,366,495	107.6
Operating expenses	219,931,765	203,216,146	108.2
Reinsurance commission income	-8,640,223	-5,899,388	146.5
Net operating expenses	211,291,542	197,316,758	107.1

Net operating expenses by segment (€m)



Net investment income

Net investment income of the investment portfolio also includes the income and expenses relating to investment property. In the income statement these are part of the “other income/expenses” item.

Net investment income relating to investment portfolio, excluding the effect of exchange differences

EUR	2021	2020	Absolute change
Net investment income relating to investment portfolio, excluding the effect of exchange differences	25,985,446	18,683,872	7,301,574

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Income and expenses relating to investment portfolio⁵¹

EUR	2021	2020	Absolute change
Income			
Interest income at effective interest rate	16,842,749	16,151,438	691,311
Gains on change in fair value FVTPL	1,302,423	2,538,803	-1,236,380
Gains on disposal of FVTPL assets	2,486	0	2,486
Gains on disposal of other IFRS asset categories	7,783,807	4,906,973	2,876,834
Income from associate companies	772,886	142,088	630,798
Income from dividends and profit distributions – other investments	1,847,602	1,173,588	674,014
Other income	1,647,566	1,970,213	-322,647
Other income from alternative funds	1,756,597	1,013,972	742,625
Income relating to investment portfolio	31,956,116	27,897,075	4,059,041
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	68,719,103	23,043,525	45,675,578
Expenses			
Interest expenses	2,989,466	2,977,680	11,786
Losses on change in fair value of FVTPL assets	913,879	2,300,188	-1,386,309
Losses on disposals of FVTPL assets	4,401	0	4,401
Losses on disposal of other IFRS asset categories	326,305	1,439,986	-1,113,681
Impairment losses on subsidiaries and associates	0	567,048	-567,048
Impairment losses on other investments	161,960	1,099,794	-937,834
Other	1,574,659	828,022	746,637
Other expenses for alternative funds	0	485	-485
Expenses relating to investment portfolio	5,970,670	9,213,203	-3,242,533

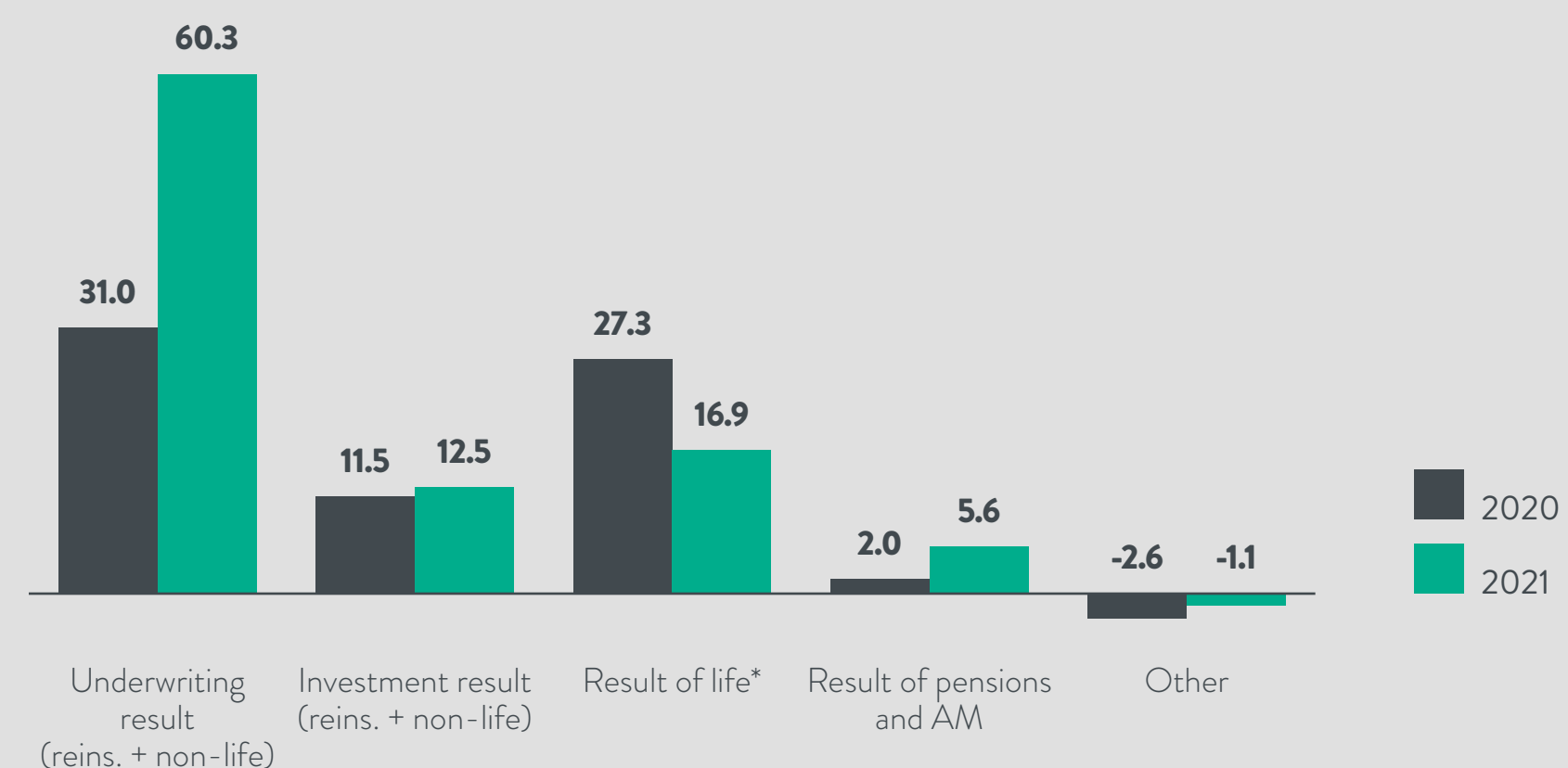
⁵¹ Investment portfolio expenses do not include impairment losses on goodwill of Sava Pokojninska recognised in the second quarter of 2020 in the amount of EUR 1.5 million.

** Expenses for financial investments differ from the expenses in the income statement item “interest expenses” because they also include expenses for right-of-use assets (31 December 2021: EUR 139.5 thousand; 31 December 2020: EUR 174.9 thousand).

⁵¹ The net effect of exchange differences is presented.

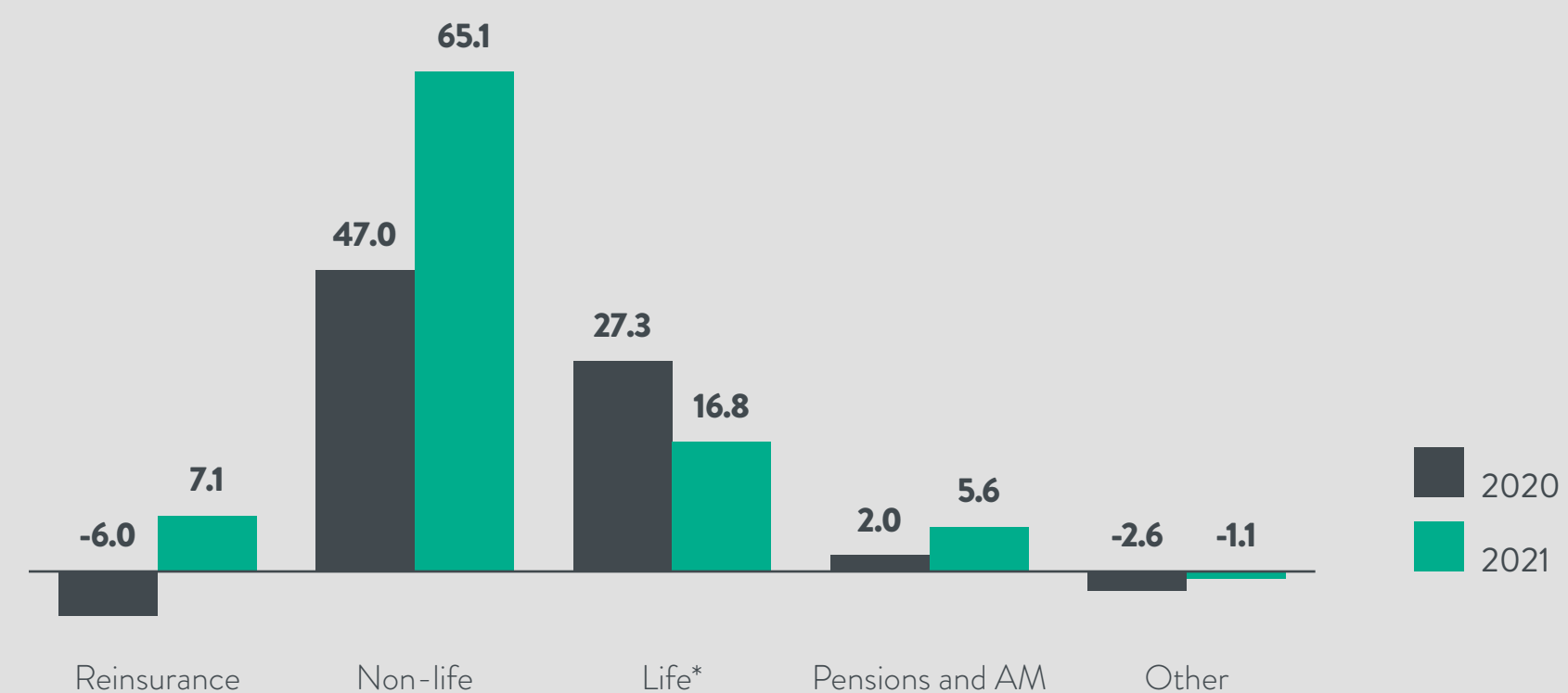
Gross profit/loss for the period

Composition of the gross result (excluding the effect of exchange differences) (€m)



* The 2020 figure included extraordinary income relating to the positive difference between the fair value of net assets acquired and the purchase price of the investment on the acquisition of Vita (EUR 9.0 million).

Gross profit or loss by segment (€m)



* The 2020 figure included extraordinary income relating to the positive difference between the fair value of net assets acquired and the purchase price of the investment on the acquisition of Vita (EUR 9.0 million).

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€13.1m

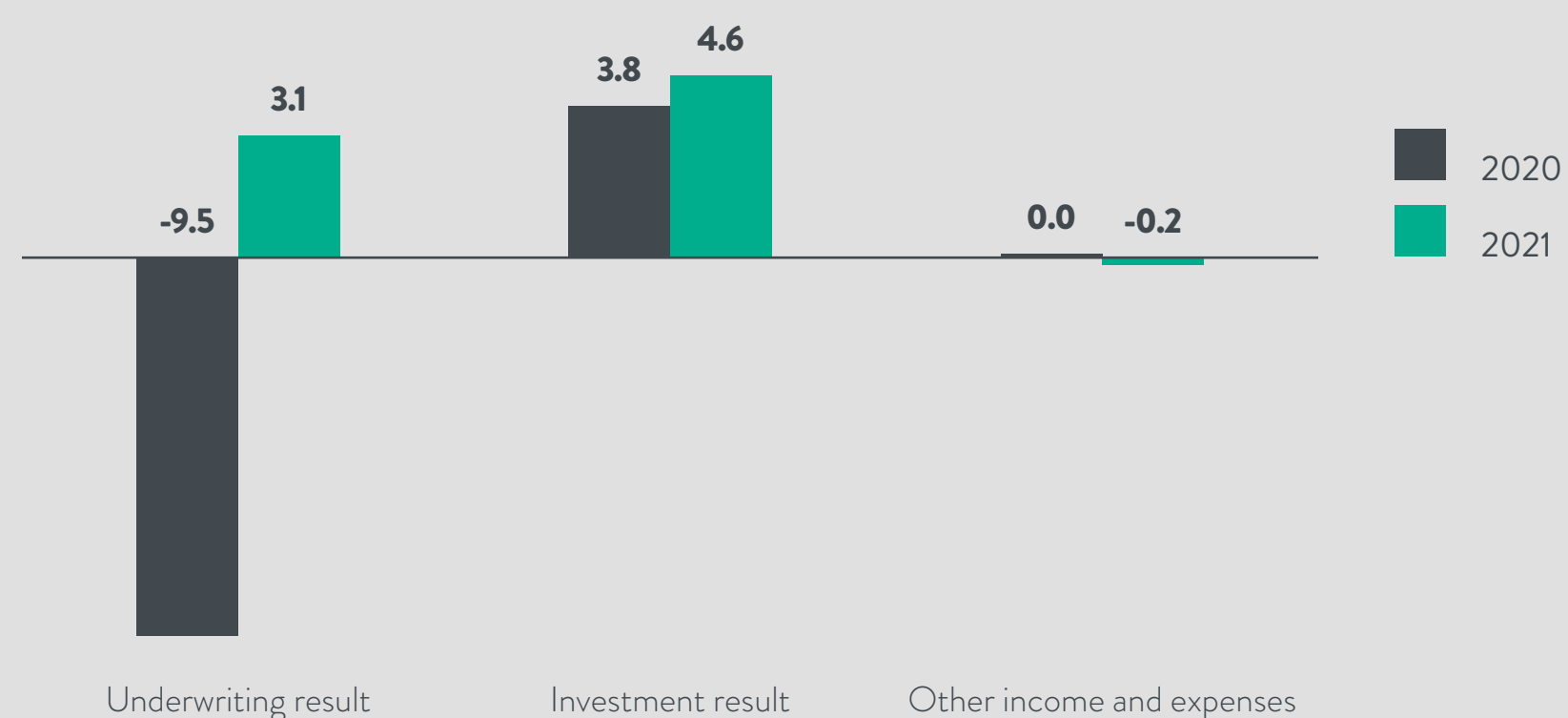
better pre-tax profit

8.1.1 Reinsurance

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.37 “Segment reporting”. The reinsurance segment primarily reflects the developments in the portfolio that Sava Re writes outside Slovenia with non-Group companies.

Composition of the gross income statement; reinsurance business (excluding the effect of exchange differences)

(€m)



The underwriting result, excluding the effect of exchange differences, was better than in 2020, mainly on account of lower claims incurred. The investment result in 2021 improved, mainly due to higher gains on the sale of and dividend income from financial investments.

Net premiums earned

Net premiums earned, reinsurance

EUR	2021	2020	Index
Gross premiums written	112,091,269	106,792,968	105.0
Net premiums earned	103,729,231	99,243,228	104.5

Gross premiums written grew by 5.0%. Proportional reinsurance achieved growth of 11.2%, whereas non-proportional reinsurance business grew 1.5%. Premiums for past underwriting years were EUR 7.3 million higher in 2021, mainly for proportional reinsurance, whereas premiums for the current underwriting year were slightly lower (by 2.1% and EUR 2.0 million, respectively). After the outbreak of the Covid-19 pandemic in 2020, we estimated that, due to the expected decline in the GDPs of the countries where we have clients, the premium volume for the financial year would be 10% below the target figure set when underwriting the business based on cedant figures. In 2021, we abandoned this assumption based on the economic situation and treated the premiums for the 2020 underwriting year the same way as for other underwriting years. We have seen similar responses from other reinsurers in international markets. The growth in premiums earned was in line with gross premium growth.

Unconsolidated premiums earned are presented in more detail in section 8.2 “Sava Re”.

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Net claims incurred⁵²

Net claims incurred, excluding the effect of exchange differences; reinsurance

EUR	2021	2020	Index
Gross claims paid	58,451,182	56,510,782	103.4
Net claims incurred	72,431,519	82,871,811	87.4

Gross claims paid rose by 3.4%, whereas net claims incurred fell by 12.6% (premiums earned increased by 4.5%). In 2021, higher gross claims paid were the result of storms and floods in western Europe (notably in Germany, Belgium and Austria) and China, as well as a fire loss in Suriname. Despite the high gross claims paid related to the floods in western Europe, their impact on net claims incurred was relatively low owing to reinsurance protection. Developments in past underwriting years had a positive effect on the movement of net claims incurred in 2021. The drop in relation to 2020 was also the result of the detrimental effect of Covid-19 in 2020.

The net incurred loss ratio relating to the reinsurance segment thus improved by 14.6 p.p. year on year to 69.0% (2020: 83.6%).

Unconsolidated claims incurred are presented in more detail in section 8.2 “Sava Re”.

Operating expenses

Operating expenses, reinsurance

EUR	2021	2020	Index
Acquisition costs	24,777,943	22,148,662	111.9
Change in deferred acquisition costs (+/-)	-162,604	-238,147	68.3
Other operating expenses	4,927,409	4,180,146	117.9
Operating expenses	29,542,748	26,090,661	113.2
Reinsurance commission income	-798,567	-638,027	125.2
Net operating expenses	28,744,181	25,452,634	112.9

Acquisition costs (commissions) increased due to higher growth in proportional than in non-proportionate reinsurance characterised by considerably lower commission rates. The share of acquisition costs as a percentage of gross premiums written was 22.1% in 2021 (2020: 20.7%). The average value of the ratio was around 21% in the recent quarters.

Other operating expenses increased due to costs of services related to Group corporate governance, the introduction of international financial reporting standards IFRS 17 and IFRS 9, and the upgrade and introduction of new IT solutions and services associated with the Sustainable Finance Disclosure Regulation (SFDR).

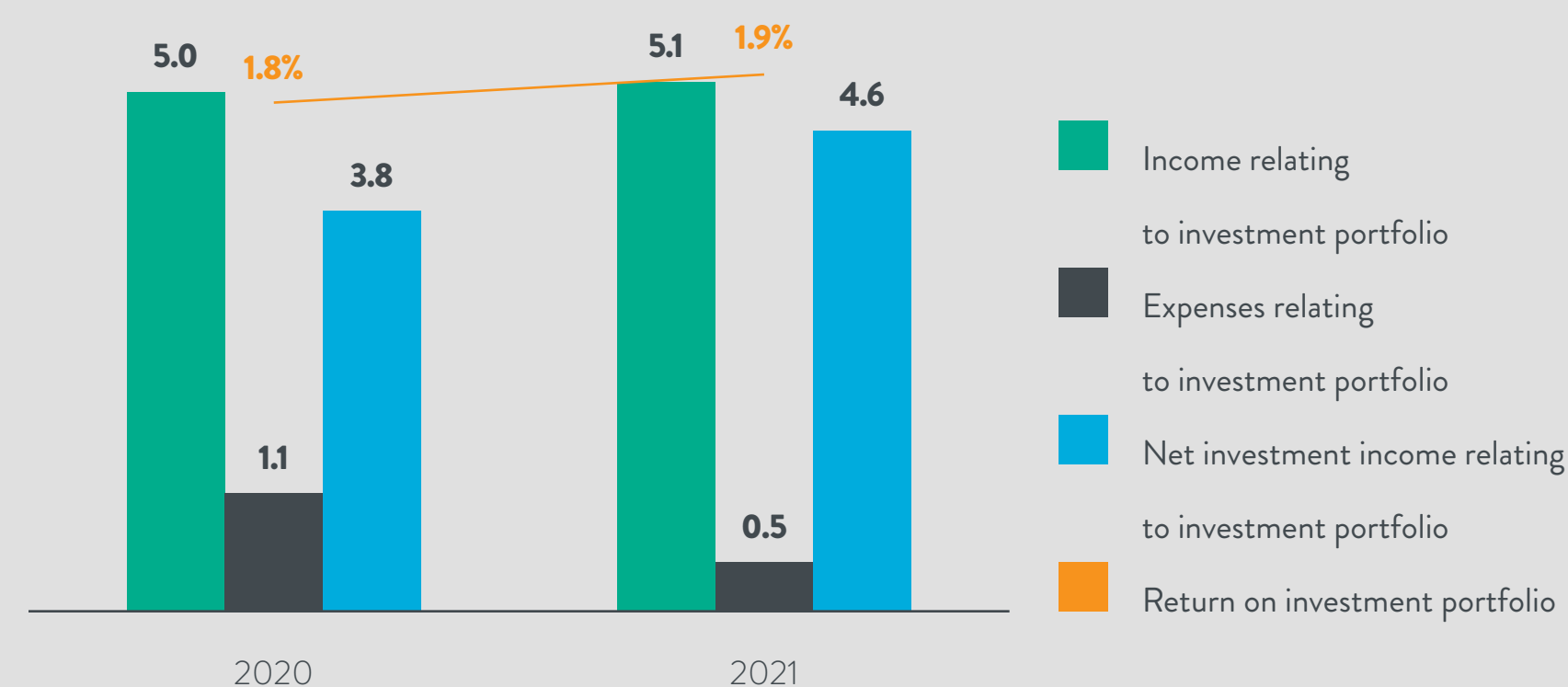
Consequently, the net expense ratio was 2.1 p.p. higher than in the previous year.

Unconsolidated operating expenses are presented in more detail in section 8.2 “Sava Re”.

Net investment income

Income, expenses and net investment income of the investment portfolio, excluding the effect of exchange differences; reinsurance

(€m)



Compared to the previous year, the Group generated a EUR 0.8 million higher net investment income in the reinsurance segment, mainly due to higher gains on sales and dividends on financial investments. Thus, the return on investment in 2021 amounted to 1.9%.

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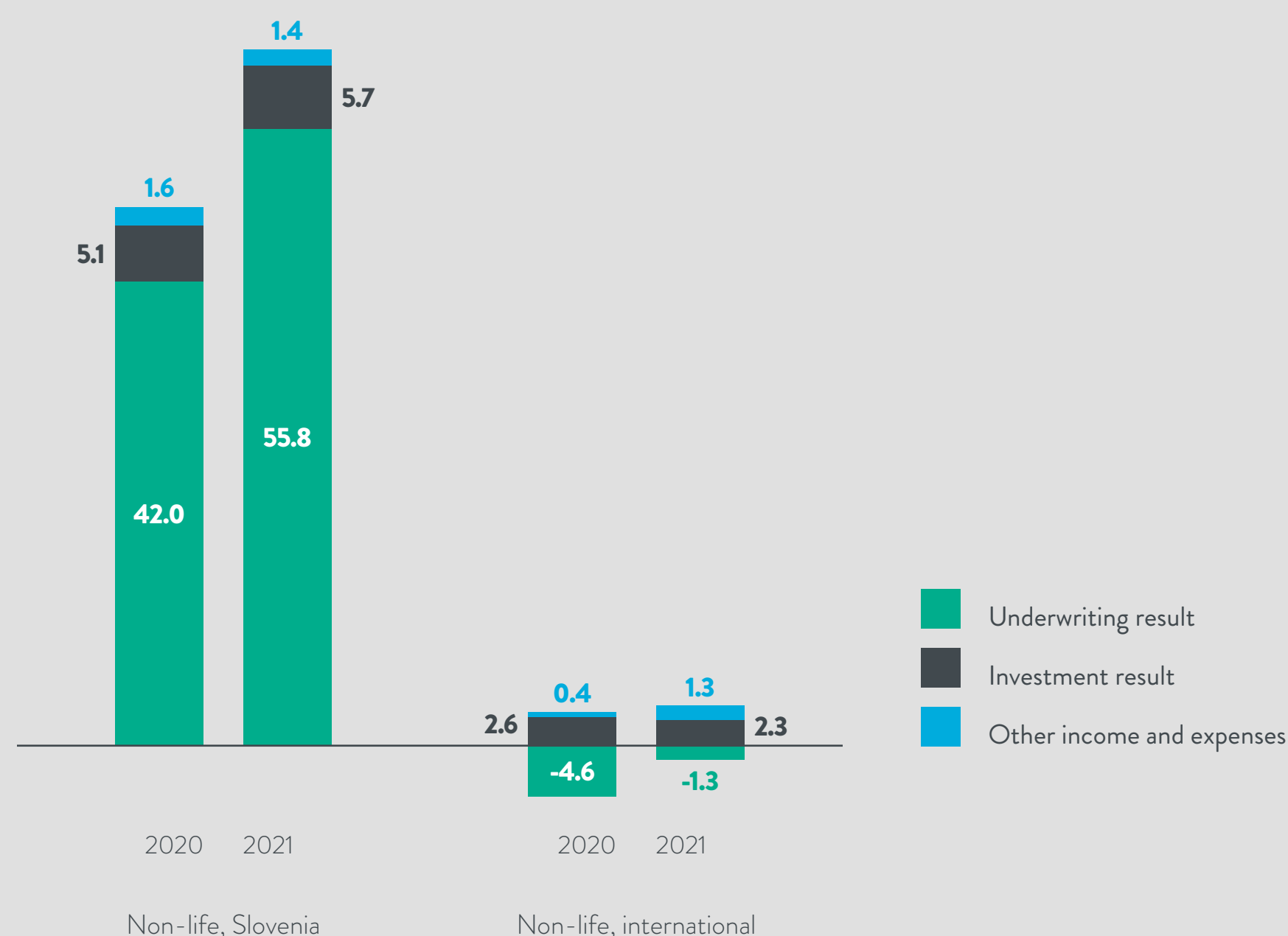
8.1.2 Non-life

Income statement and statement of financial position items by operating segment are presented in the notes to the financial statements, section 17.4.37.

4.1 p.p.

better net incurred loss ratio

Composition of gross profit or loss, non-life insurance business (€m)



Profit or loss before tax for the non-life operating segment improved in 2021 by EUR 18.1 million relative to the previous year. The largest part of the improvement in the amount of EUR 14.2 million arose from the operations of the Slovenian part of the segment, while the rest of the improvement in the amount of EUR 3.9 million derived from the international non-life segment.

The underwriting result of Slovenian non-life business improved by EUR 13.8 million, largely due to lower net claims incurred from FoS business. The improvement in the non-Slovenian underwriting result of non-life insurers of EUR 3.3 million is chiefly attributable to the better results of the Croatian branch of Zavarovalnica Sava.

Net investment income from Slovenian non-life business grew by EUR 0.6 million in 2021, mainly due to higher income from alternative funds. Net investment income from non-Slovenian non-life insurers was EUR 0.3 million lower as the result of higher gains on the disposal of investments and interest income in 2020 compared to 2021.

The result of other income and expenses of the Slovenian non-life insurers declined by EUR 0.6 million because the result in the same period last year also included extraordinary income of EUR 0.9 million recognised due to the positive difference between the fair value of net assets acquired and the purchase price of the investment in Vita. The result of other income and expenses of foreign non-life insurers rose by EUR 0.9 million, reflecting higher “other income” and lower “other expenses” of the Serbian non-life insurer.

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Net premiums earned

Net premiums earned, non-life insurance business

EUR	2021	2020	Index
Gross premiums written	434,834,569	439,449,438	98.9
Net premiums earned	400,601,653	403,034,775	99.4

Net premiums earned, non-life insurance business

EUR	Slovenia			International		
	2021	2020	Index	2021	2020	Index
Gross premiums written	354,307,808	362,663,027	97.7	80,526,761	76,786,411	104.9
Net premiums earned	332,570,848	329,789,367	100.8	68,030,805	73,245,407	92.9

Unconsolidated gross non-life premiums of Sava Insurance Group members

EUR	2021	2020	Index
Zavarovalnica Sava, Slovenian part (non-life)	350,060,589	360,542,946	97.1
Zavarovalnica Sava, Croatian part (non-life)	14,173,280	18,160,216	78.0
Sava Neživotno Osiguranje (SRB)	23,121,941	20,674,714	111.8
Illyria (RKS)	13,567,221	11,372,461	119.3
Sava Osiguruvanje (MKD)	15,280,678	13,760,537	111.0
Sava Osiguranje (MNE)	14,406,332	12,837,141	112.2
Vita (SVN)	4,497,864	2,299,559	195.6
Total	435,107,905	439,647,573	99.0

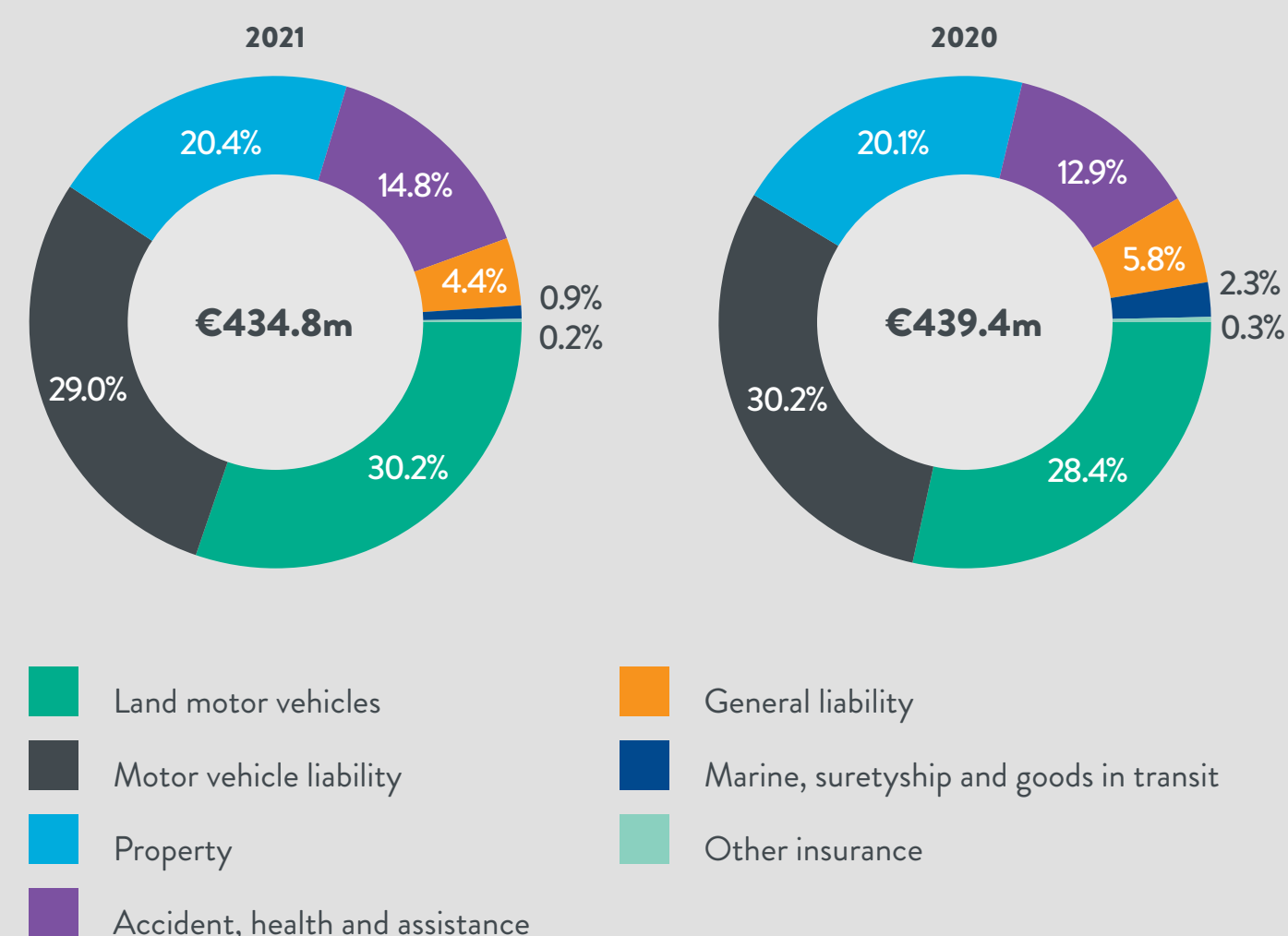
Gross non-life insurance premiums decreased slightly in 2021 due to the cancellation of FoS business, while net premiums earned remained at the previous year's level.

In 2021, gross motor insurance premiums written within non-life insurance business remained at the previous year's level. The EUR 8.2 million drop in gross premiums written in FoS business was offset by higher gross motor insurance premiums written in Slovenia, especially in personal lines due to an increase in the number of insurance policies sold. Gross motor insurance premiums outside Slovenia increased in all foreign markets, except in Croatia, where the drop in gross premiums written was due to portfolio cleaning.

The EUR 6.7 million drop in gross premiums written in ship insurance and the EUR 6.0 million drop in general liability business mainly relates to FoS business.

In 2021, gross premiums written in the property insurance segment increased by only EUR 0.3 million due to lower premiums from FoS business. Excluding FoS business, property insurance premiums written in Slovenia increased by EUR 4.2 million on account of both personal property business, where the number of insurance policies sold increased, as well as of commercial property, mainly due to the increase in premiums paid by major clients.

Gross non-life insurance premiums by class of business



The composition of gross premiums written according to class of business did not change significantly in 2021.

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Net claims incurred

Net claims incurred, non-life insurance business

EUR	2021	2020	Index
Gross claims paid	224,433,036	217,100,863	103.4
Net claims incurred	209,570,019	228,653,533	91.7

Net claims incurred, non-life insurance business

EUR	Slovenia			International		
	2021	2020	Index	2021	2020	Index
Gross claims paid	183,096,666	179,754,178	101.9	41,336,370	37,346,685	110.7
Net claims incurred	175,224,523	187,440,684	93.5	34,345,496	41,212,849	83.3

Net claims incurred declined mainly due to a smaller increase in claims provisions compared to last year, due mainly to the run-off and smaller inwards portfolio with most partners transacting FoS business with the insurance company.

In the international non-life segment, net claims incurred decreased mainly because the Croatian branch of Zavarovalnica Sava had to set up additional claims provisions for the payment of non-pecuniary damages in 2020 due to regulatory requirements, and in 2021 claims provisions

decreased due to the smaller volume of the portfolio. In addition, the Kosovo insurer reduced its claims provisions in 2021 due to the successful settlement of older insurance claims.

Unconsolidated gross non-life claims paid by Sava Insurance Group companies

EUR	2021	2020	Index
Zavarovalnica Sava, Slovenian part (non-life)	185,208,122	183,260,143	101.1
Zavarovalnica Sava, Croatian part (non-life)	11,102,532	12,115,435	91.6
Sava Neživotno Osiguranje (SRB)	8,906,619	9,481,072	93.9
Illyria (RKS)	7,500,271	4,921,317	152.4
Sava Osiguruvanje (MKD)	7,381,844	5,890,171	125.3
Sava Osiguranje (MNE)	6,553,001	5,038,314	130.1
Vita (SVN)	846,278	597,062	141.7
Total	227,498,668	221,303,514	102.8

In 2021, gross non-life claims grew as a result of the growth in gross non-life claims, i.e. by 1.9% in Slovenian non-life insurers and by 10.7% in non-Slovenian non-life insurers.

Gross claims paid from FoS business increased by EUR 6.2 million, whereas gross claims of Slovenian insurers decreased by EUR 4.2 million, mainly in motor insurance, due to a lower number of claims.

Gross claims paid by non-domestic insurers rose by EUR 4.0 million. The largest rise in claims was posted in property business, as some non-domestic insurers suffered major claims in this area.

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Operating expenses

Operating expenses, non-life segment

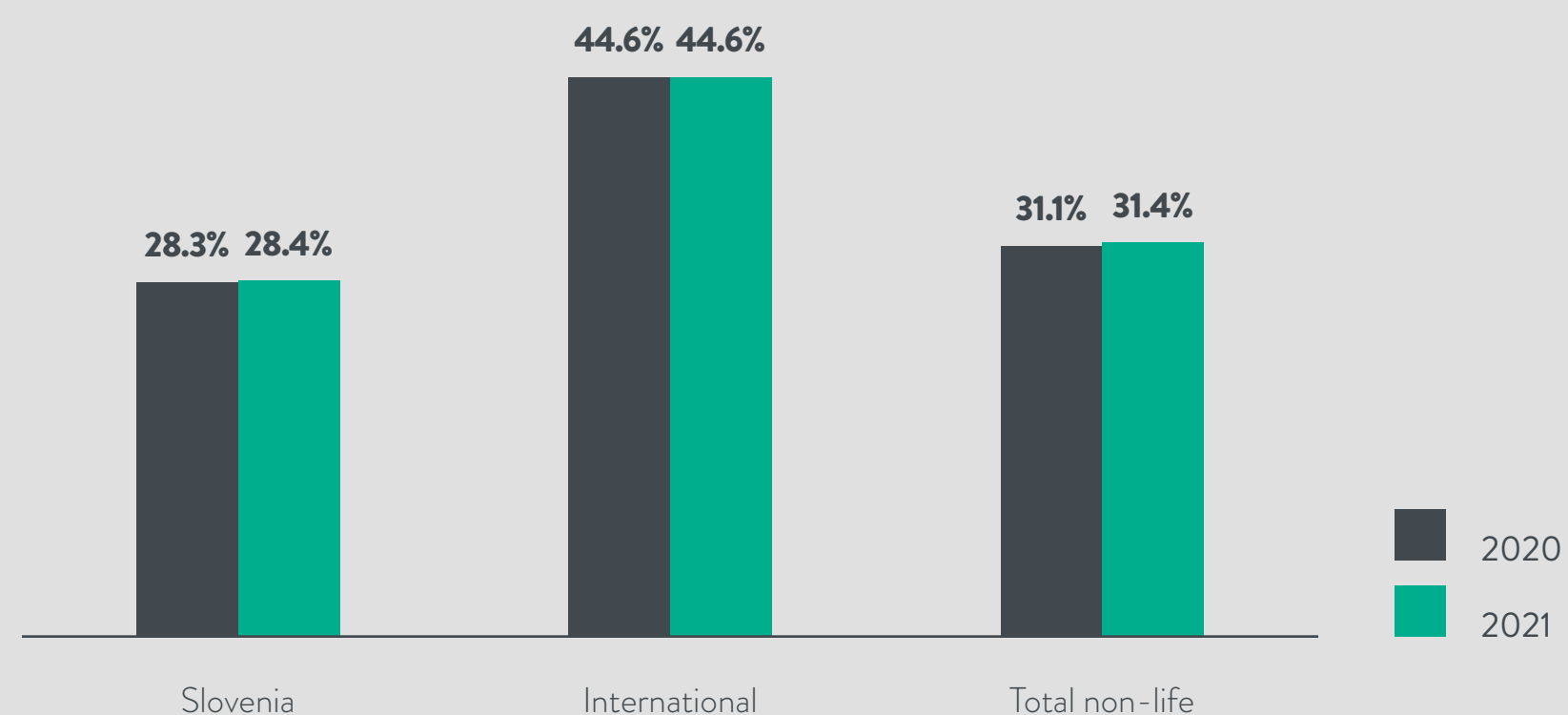
EUR	2021	2020	Index
Acquisition costs	40,079,961	43,476,553	92.2
Change in deferred acquisition costs (+/-)	1,876,856	-779,852	-240.7
Other operating expenses	96,396,661	93,332,965	103.3
Operating expenses	138,353,478	136,029,666	101.7
Reinsurance commission income	-7,682,695	-5,192,462	148.0
Net operating expenses	130,670,783	130,837,204	99.9

Gross operating expenses, non-life segment

EUR	2021	2020	Index
Non-life, Slovenia	100,554,013	102,549,440	98.1
Non-life, international	35,922,609	34,260,077	104.9

Policy acquisition costs declined due to lower gross premiums written in FoS business. Other operating expenses increased by 3.3%, which was affected by the higher labour costs incurred by the Slovenian part of Zavarovalnica Sava and the full-year consolidation of Vita.

Gross expense ratio, non-life segment

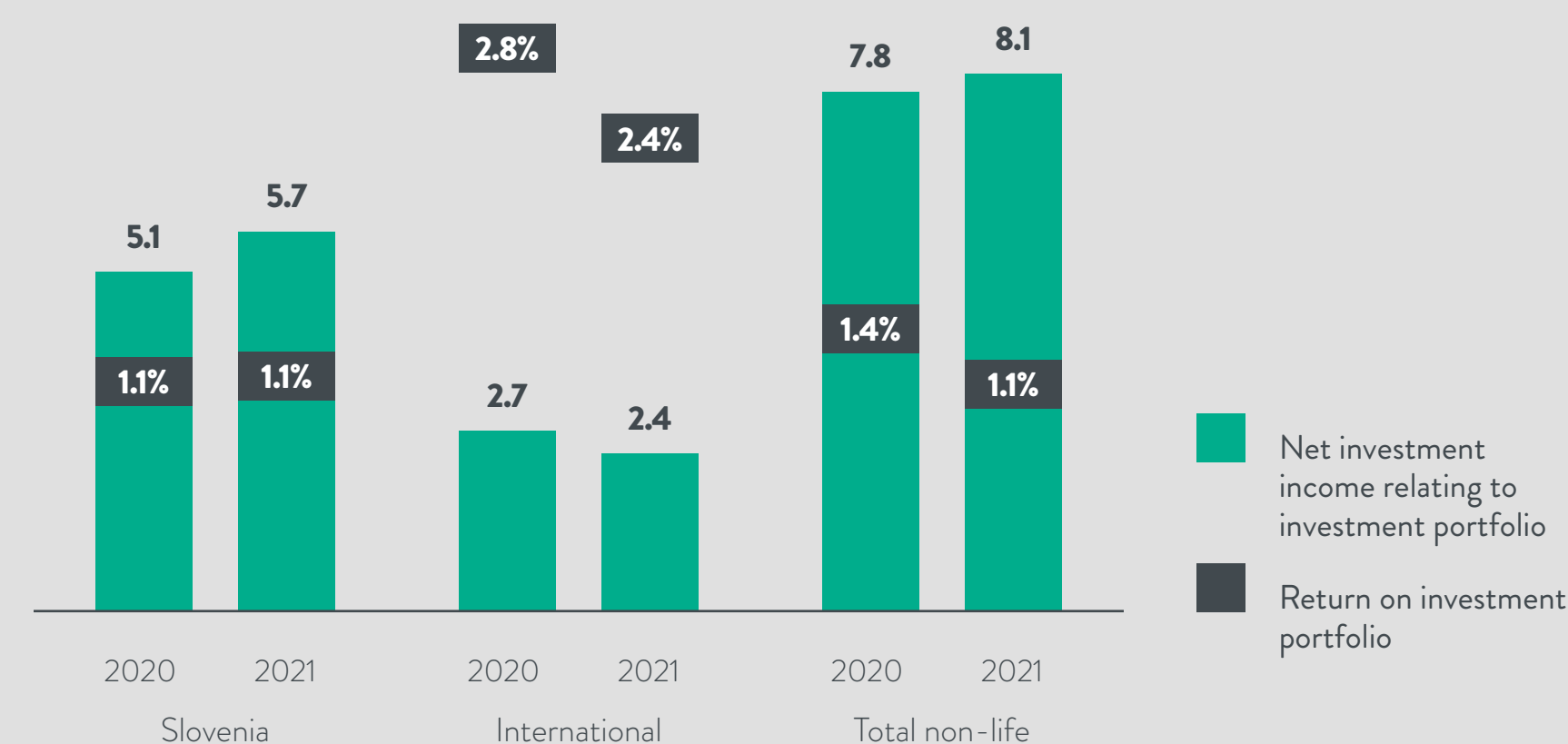


The gross expense ratio of the non-life segment rose by 0.3 p.p., as the relative decrease in gross premiums written exceeded the relative decrease in the gross operating expenses. The gross expense ratio of the Slovenian non-life insurers increased slightly. This increase stems from FoS business, whereas the gross expense ratio of the non-life segment in Slovenia, excluding FoS business, decreased. The gross expense ratio of the non-Slovenian non-life insurers remained at the level of the previous year.

Net investment income

Net investment income and investment return relating to the investment portfolio, non-life insurance business

(€m)



Net investment income of the investment portfolio of non-life insurance business totalled EUR 8.1 million in 2021, down by EUR 0.3 million from 2020, which is largely due to higher income from alternative investments. The investment return for the period was 1.1% (the higher average volume of the investment portfolio resulted in a lower return than in 2020).

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37.2%

higher gross premiums written

8.1.3 Life

On 31 May 2020, Vita was included in the Slovenian life segment, with life insurance representing the majority of its portfolio.

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.37 “Segment reporting”. As evident from the income statement, the 2021 gross result of the Slovenian life segment declined by EUR 9.7 million year on year, which is chiefly the result of one-off income of EUR 9.0 million in 2020 recognised due to the positive difference between the fair value of net assets acquired and the purchase price of the investment in Vita.

Net premiums earned

Net premiums earned, life insurance business

EUR	2021	2020	Index
Gross premiums written	178,707,830	130,266,058	137.2
Net premiums earned	177,978,693	129,842,724	137.1

Net premiums earned, life insurance business

EUR	Slovenia			International		
	2021	2020	Index	2021	2020	Index
Gross premiums written	168,474,253	120,314,520	140.0	10,233,577	9,951,538	102.8
Net premiums earned	167,917,411	119,935,665	140.0	10,061,282	9,907,058	101.6

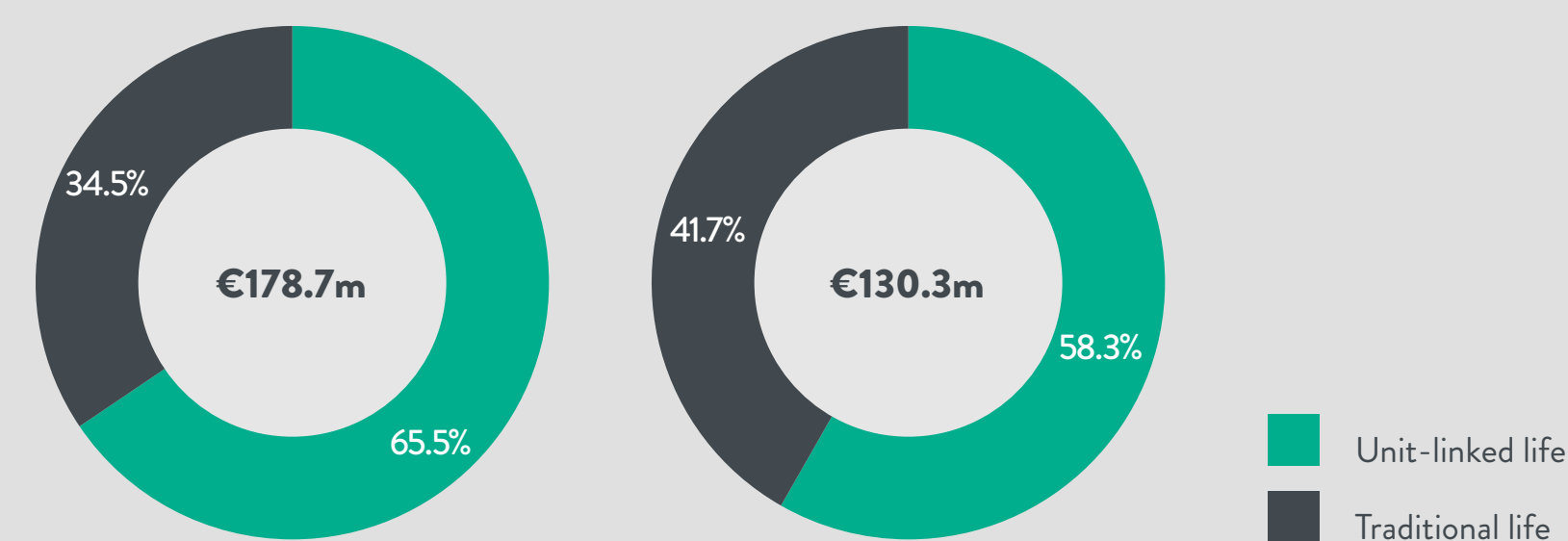
Unconsolidated gross life premiums of Sava Insurance Group companies

EUR	2021	2020	Index
Zavarovalnica Sava, Slovenian part (life)	71,863,249	74,196,468	96.9
Zavarovalnica Sava, Croatian part (life)	2,212,715	3,610,582	61.3
Illyria Life (RKS)	3,416,263	2,502,635	136.5
Sava Životno Osiguranje (SRB)	4,604,599	3,845,773	119.7
Vita (SVN)	96,611,004	46,118,052	209.5
Total	178,707,830	130,273,510	137.2

As a result of the acquisition of Vita, gross premiums written of Slovenian life insurers increased by 40.0% compared to the previous year. In 2021, gross premiums written by the life insurance part of Zavarovalnica Sava in Slovenia dropped by 3.1% year on year. Despite favourable sales of new policies, the companies did not manage to write sufficient new business to fully offset premiums lost due to policy maturities, surrenders and deaths.

Non-Slovenian life insurers managed to increase gross premiums written by 2.8%. The Kosovo and Serbian insurers increased gross premiums written through their own sales network and enhanced cooperation with external sales channels, posting large growth in gross premiums written (Kosovo by 36.5%, Serbia by 19.7%). Lower overall growth was the result of lower gross premiums written at the Croatian branch of Zavarovalnica Sava due to lower sales through bank sales channels and the optimisation of the portfolio with the aim of improving operating profitability.

Gross life insurance premiums by class of business, including riders



The composition of gross life premiums written changed upon the acquisition of Vita, as it has a larger share of unit-linked policies in its portfolio, while the proportion of traditional insurance at Zavarovalnica Sava has been decreasing.

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Net claims incurred

Net claims incurred, life insurance business

EUR	2021	2020	Index
Gross claims paid	122,750,241	124,952,168	98.2
Net claims incurred	121,119,510	121,061,560	100.0
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	210,699,192	115,697,826	182.1

* This largely comprises mathematical provisions.

Net claims incurred, life insurance business

EUR	Slovenia			International		
	2021	2020	Index	2021	2020	Index
Gross claims paid	118,261,277	120,316,271	98.3	4,488,964	4,635,897	96.8
Net claims incurred	116,910,249	116,246,007	100.6	4,209,261	4,815,553	87.4
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	204,131,384	110,202,692	185.2	6,567,808	5,495,134	119.5

* This largely comprises mathematical provisions.

Unconsolidated gross life claims paid by Sava Insurance Group companies

EUR	2021	2020	Index
Zavarovalnica Sava, Slovenian part (life)	79,756,136	103,279,107	77.2
Zavarovalnica Sava, Croatian part (life)	1,908,286	2,883,719	66.2
Illyria Life (RKS)	712,346	602,967	118.1
Sava Životno Osiguranje (SRB)	1,868,332	1,149,211	162.6
Vita (SVN)	38,505,141	17,037,164	226.0
Total	122,750,241	124,952,168	98.2

Gross claims paid in Slovenia declined year on year, even though Vita was part of the Group portfolio for a longer time, because maturity payments decreased by EUR 21.1 million in the Slovenian part of Zavarovalnica Sava. Maturity payments declined in traditional life insurance (EUR 32.4 million in 2021), down EUR 22.3 million year on year. Unit-linked life business, where policyholders bear the investment risk, paid out EUR 15.8 million in maturity benefits, up EUR 1.2 million from the previous year.

The reasons for the difference between net claims incurred, including the change in net other provisions, and unit-linked provisions of Slovenian com-

panies are the full-year inclusion of Vita and the movement in unit prices of unit-linked life funds. Fund unit prices move in line with developments in the financial markets, which were more favourable in 2021 than in the previous year (downturn in equity markets in April 2020). While this does not affect the result of unit-linked life insurance, it is reflected in the movement of provisions.

Gross claims paid by non-Slovenian insurers were lower than in the previous year, as the Croatian branch office made fewer maturity payments on life insurance policies.

Net claims incurred, including the change in other provisions and the change in the provision for unit-linked business in 2021, rose mainly reflecting the events of the previous year – the Croatian part of Zavarovalnica Sava saw more of credit life policy expire in 2020, and the volume of surrenders increased as well, which reduced mathematical provisions and consequently reduced net claims incurred, including the change in other provisions and the change in the provision for unit-linked business.

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Operating expenses

Operating expenses, life segment

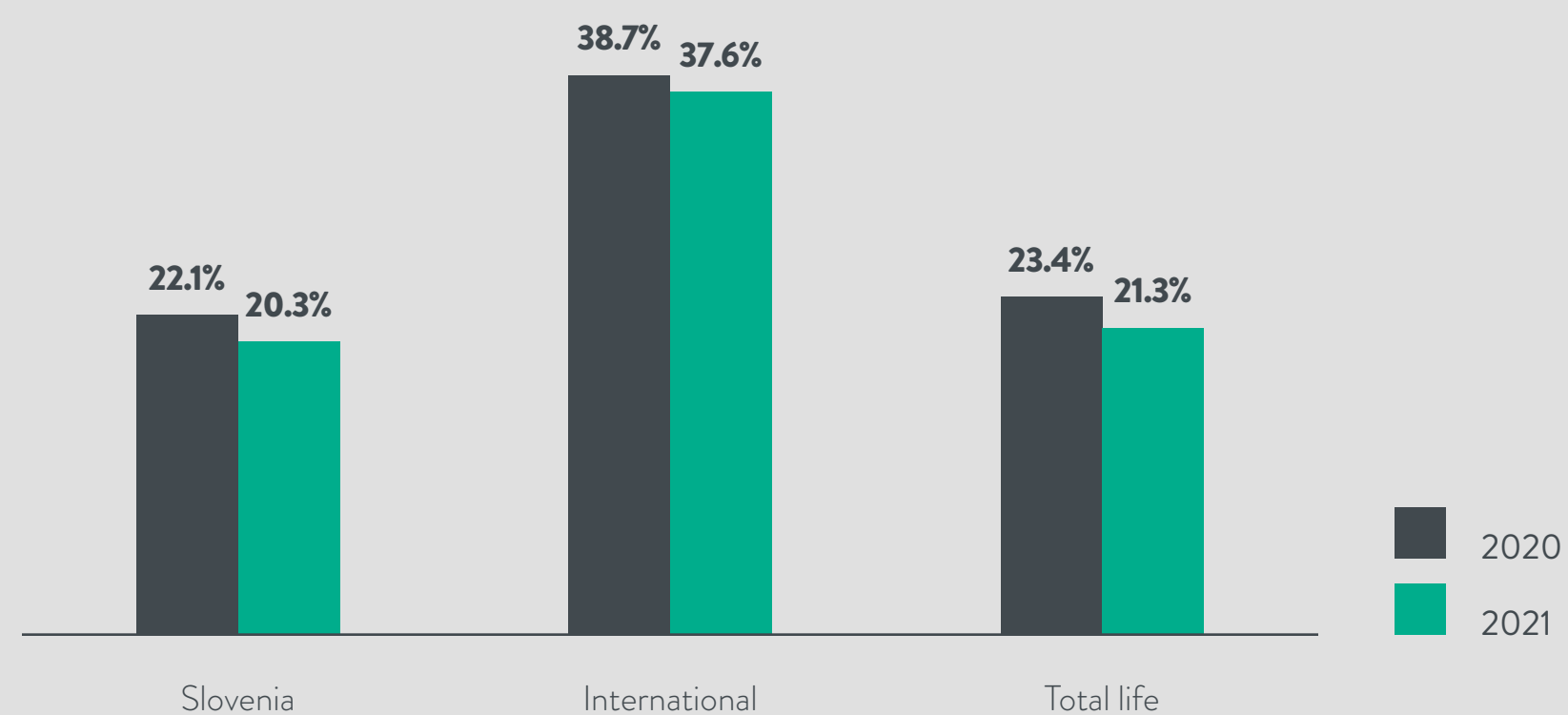
EUR	2021	2020	Index
Acquisition costs	12,787,016	8,766,579	145.9
Change in deferred acquisition costs (+/-)	212,129	-543,216	-39.1
Other operating expenses	25,199,764	21,700,767	116.1
Operating expenses	38,198,909	29,924,130	127.7
Reinsurance commission income	-158,961	-68,899	230.7
Net operating expenses	38,039,948	29,855,231	127.4

Gross operating expenses, life segment

EUR	2021	2020	Index
Life, Slovenia	34,140,052	26,613,942	128.3
Life, international	3,846,728	3,853,404	99.8

Acquisition costs and other operating expenses were higher than in the previous year, mainly due to Vita's consolidation period.

Gross expense ratio, life segment

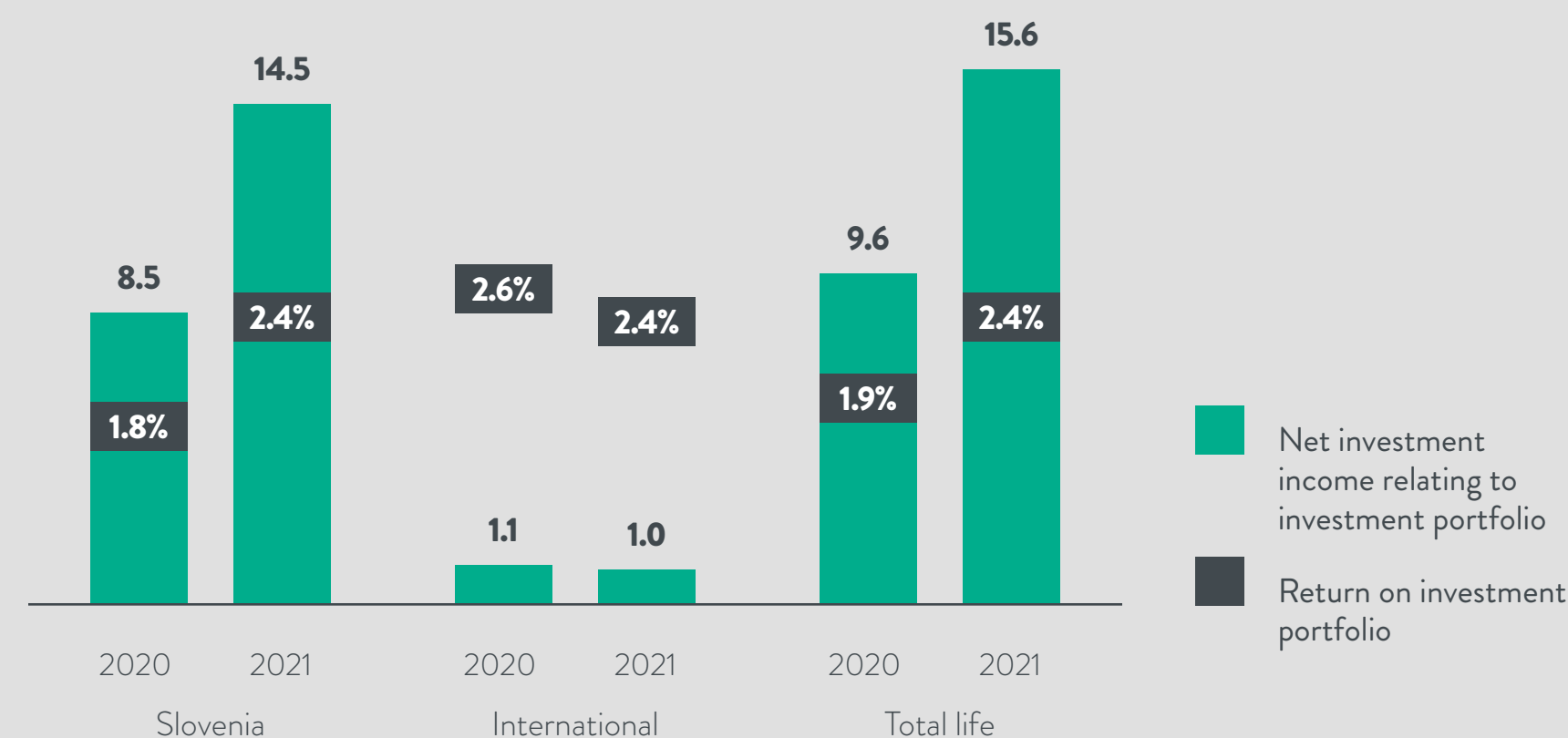


The gross expense ratio dropped by 2.1 p.p. year on year as the result of the inclusion of Vita, which, thanks to its specific sales model, operates on a lower gross expense ratio. Life insurance companies outside Slovenia saw a decline in the gross expense ratio of 1.1 p.p. as premiums in Serbia and Kosovo grew faster than expenses.

Net investment income

Net investment income and investment return relating to the investment portfolio, life insurance business

(€m)



Net investment income of the life insurance investment portfolio declined by EUR 5.9 million compared to 2021, as Zavarovalnica Sava generated higher gains on the disposal of financial investments and higher interest income due to the full consolidation of Vita. As a result, net investment income also improved by 0.5 p.p.

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8.1.4 Pensions and asset management

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.37 “Segment reporting”.

Annuity part

EUR	2021	2020	Index
Gross premiums written	4,264,740	3,240,841	131.6
Gross claims paid	-1,274,206	-968,569	131.6
Change in other net technical provisions (+/-)	-2,994,194	-2,453,481	122.0

The annuity part of this segment comprises the operations of Sava Pokojninska. This company’s policyholders were the main contributors to gross premiums written, which were higher than those of the previous year. Some premiums were also contributed by policyholders who were members of other pension insurance providers and who, at retirement, chose to have their pension paid out by Sava Pokojninska (transfer of assets).

The increase in assets in annuity funds due to policyholders reaching retirement age is also reflected in annuity payouts, which is recorded under gross claims paid.

The change in other net technical provisions is the result of premiums paid in and claims paid out.

Accumulation part

Other technical income and other income (accumulation part, pensions and asset management segment)

EUR	2021	2020	Index
Other technical income and other income	17,309,584	13,480,150	128.4

Other technical income and other income include:

- income of the Slovenian pension company relating to client entry and exit charges, management fees earned for managing a group of liability funds and overheads charged to customers on transferring assets from the accumulation scheme to the payout scheme;

- income of the North Macedonian pension company relating to client entry charges and management fees to which the company is entitled for the management of mandatory and voluntary pension funds; and
- income of the Slovenian asset management company mainly relating to entry and exit charges, and management fees charged for managing mutual funds.

Other technical income and other income increased in all companies in this segment, with the largest increase at Sava Infond, which demonstrates their strong performance in 2021, when the value of assets under management increased significantly.

Performance of funds under management (accumulation part, pensions and asset management segment)

EUR	2021	2020	Index
Opening balance of fund assets (31 December)	1,241,028,424	1,119,667,192	110.8
Fund inflows	204,484,308	140,345,215	145.7
Fund outflows	-42,472,037	-54,407,350	78.1
Asset transfers	-10,015,759	-3,442,487	290.9
Net investment income of fund	150,668,253	42,220,138	356.9
Entry and exit charges	-2,504,467	-2,037,891	122.9
Exchange differences and fair value reserve	481,853	-1,316,394	-
Closing balance of fund assets (31 December)	1,541,670,574	1,241,028,424	124.2

* The difference in the balance of fund assets and the balance sheet item assets of financial investments are the receivables from financial investments.

Inflows into the group of life cycle funds of the Slovenian pension company were up 6.0% due to the increased average value of inflows in 2021, and inflows into the mandatory and voluntary funds of the North Macedonian pension company increased by 3.3%. Inflows into the mutual funds of the Slovenian investment management company achieved growth of 111%.

16.7%

increase in pension company savings funds

39.4%

more mutual fund assets under management

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The liability funds of the Slovenian pension company generated a 3.4% return in 2021 (2020: -0.3%), and the mandatory and voluntary pension funds managed by the North Macedonian pension company achieved a return of 9.1% (2020: 3.3%); the Slovenian company for managing mutual funds achieved a high return of 15.9% on mutual funds (2020: 5.6%). The relatively poor net investment income generated in 2020 mostly reflected unfavourable developments in financial markets, whereas financial market trends in 2021 were very favourable.

Funds under management at period end (accumulation part, pensions and asset management segment)

EUR	31 December 2021	31 December 2020	Index
Sava Pokojninska	167,095,042	155,439,532	107.5
Sava Penzisko Društvo	804,026,425	676,400,347	118.9
Sava Infond	570,549,108	409,188,545	139.4
Total	1,541,670,574	1,241,028,424	124.2

Since the Slovenian mutual fund manager and the North Macedonian pension company manage client assets separately from company assets and have no insurance function, assets under management are not shown in the statement of financial position.

Operating expenses

Operating expenses, pensions and asset management segment

EUR	2021	2020	Index
Operating expenses	11,362,609	9,595,326	118.4

Operating expenses rose reflecting growth in business volumes and increase in assets under management, with the rise in operating expenses lagging well behind growth in revenue, which boosted profitability in this operating segment.

Profit or loss for the period

Profit or loss before tax, pensions and asset management segment

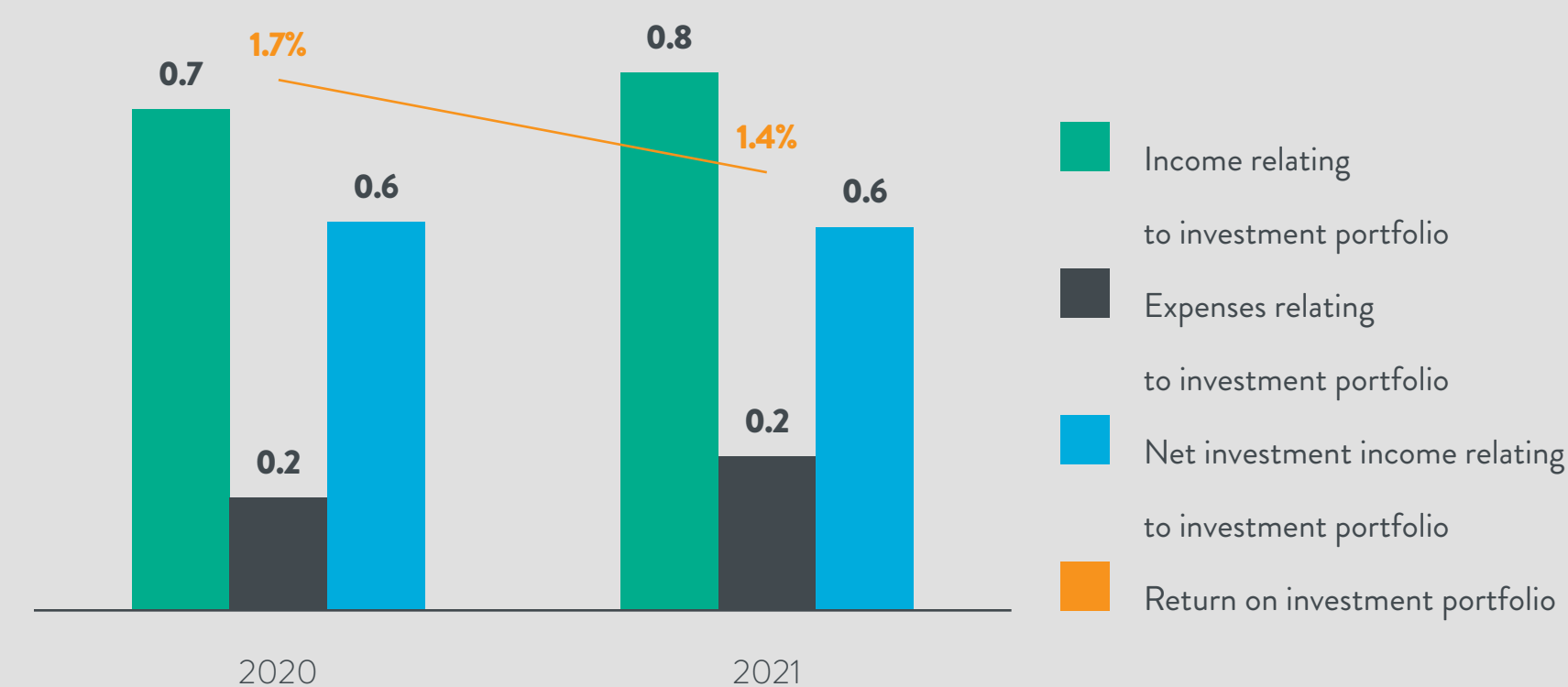
EUR	2021	2020	Index
Profit or loss before tax	5,644,703	1,961,393	287.8

⁵³ The figure includes the portfolios of Sava Pokojninska (excluding investment contracts), Sava Penzisko Društvo (excluding the return on the funds because the assets managed by Sava Penzisko Društvo are not stated in its statement of financial position) and Sava Infond (excluding net investment income generated by funds because fund assets managed by Sava Infond are not stated in the company's statement of financial position).

The pensions and asset management segment improved its pre-tax profit by EUR 3.7 million in 2021 year on year. This pre-tax profit stems from growth in assets under management due to increasing inflows and positive developments in capital markets, as well as from improved cost efficiency of operations. All companies in this segment improved their results.

Net investment income

Income, expenses and net investment income relating to the investment portfolio (pensions and asset management segment)⁵³



Net investment income of the investment portfolio of pension companies remained at the same level as in 2020. The investment return for the period was 1.4% (the higher average volume of the investment portfolio resulted in a lower return than in 2020).

8.1.5 Other

TBS Team 24 contributed EUR 1.1 million to the consolidated result of the segment in 2021 (2020: EUR 0.8 million), and the companies DCB and G2I contributed EUR 0.8 million (2020: EUR -0.4 million).

Interest expense on subordinated debt totalled EUR 2.9 million in 2021 (2020: EUR 2.9 million).

52.2%
growth in operating revenue

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8.2 Sava Re

Net premiums earned

Gross premiums written

EUR	2021	2020	Index
Non-Group	112,059,053	106,768,149	105.0
Group	77,992,670	84,915,103	91.8
Total	190,051,724	191,683,253	99.1

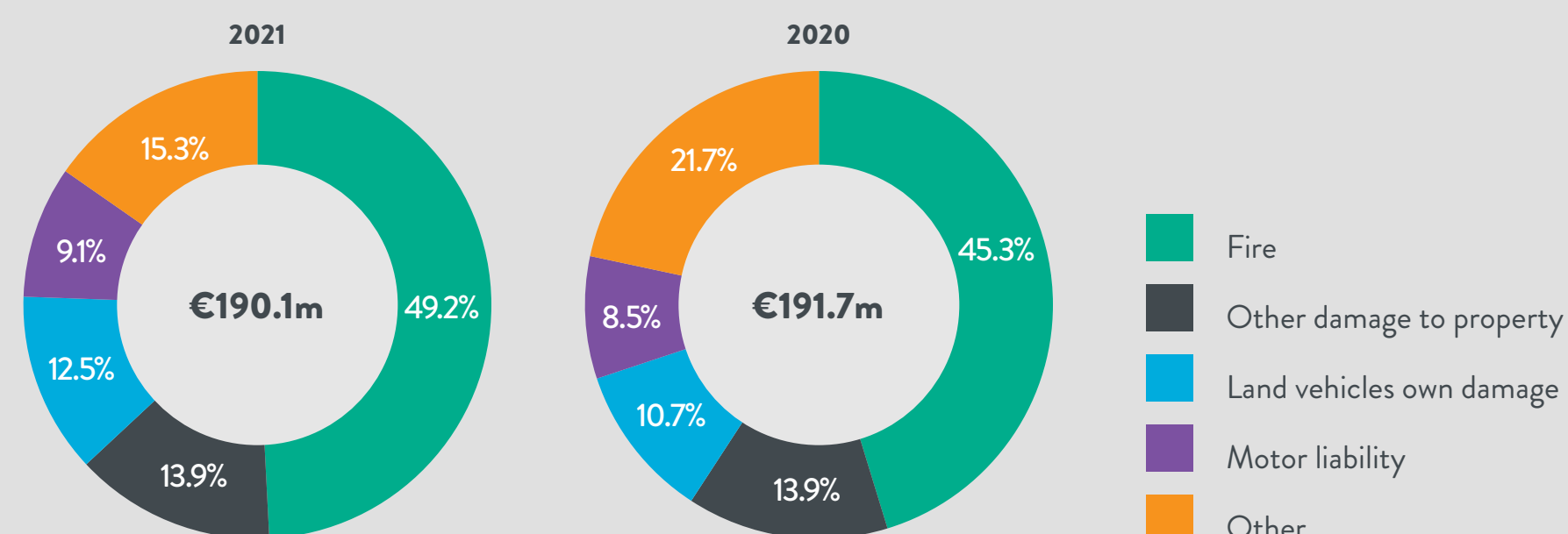
Net premiums earned

EUR	2021	2020	Index
Gross premiums written	190,051,724	191,683,253	99.1
Net premiums earned	162,736,587	157,398,793	103.4

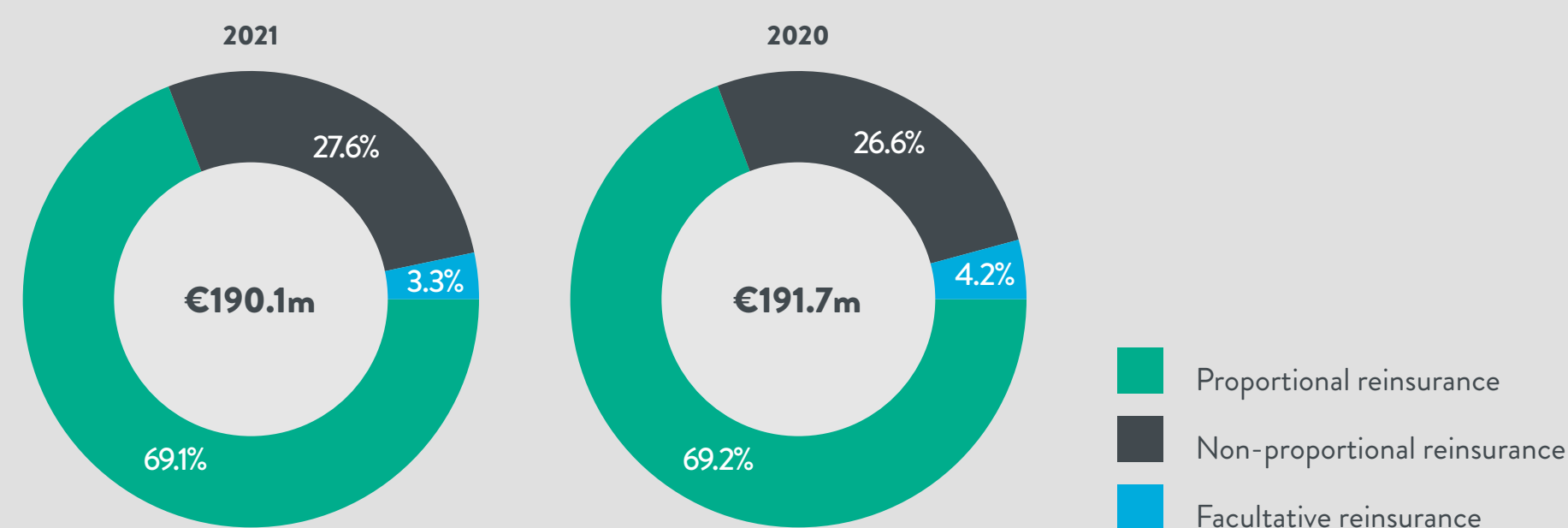
Gross premiums written sourced outside the Group grew by EUR 5.3 million. Premiums for past underwriting years grew by EUR 7.3 million in 2021, mainly for proportional reinsurance, while premiums for the current underwriting year were slightly lower (by 2.1% and EUR 2.0 million, respectively). After the outbreak of the Covid-19 pandemic in 2020, we estimated that, due to the expected decline in the GDPs of the countries where we have clients, the premium volume for the financial year would be 10% below the target figure set when underwriting the business based on cedant figures. In 2021, we abandoned this assumption in view of the economic situation and treated premiums for the 2020 underwriting year the same as the premiums of other underwriting years. We have seen similar responses from other reinsurers in international markets.

Group gross premiums written decreased by EUR 6.9 million in 2021 as a result of the cancellation of FoS business due to deteriorating market conditions and stricter Company criteria.

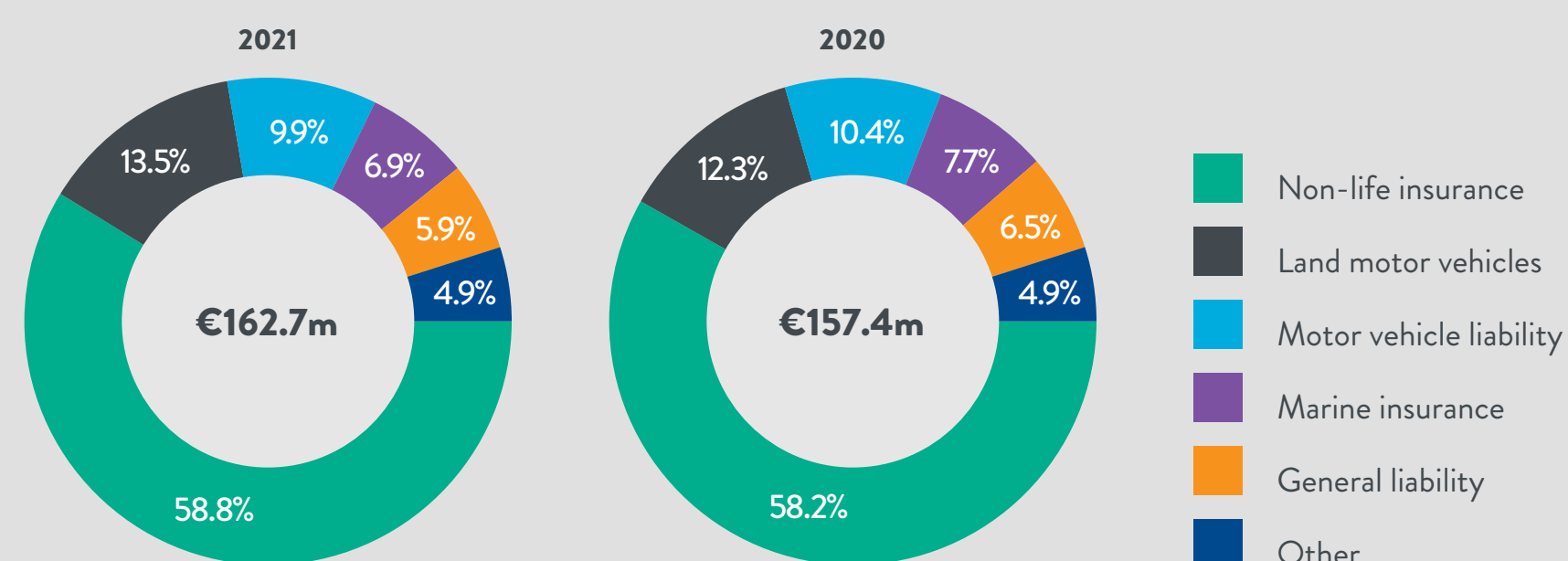
Gross premiums written by class of insurance



Gross premiums written by form of reinsurance



Net premiums earned by class of business



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Net claims incurred⁵⁴

Gross claims paid

EUR	2021	2020	Index
Non-Group	58,451,181	56,510,782	103.4
Group	40,791,635	33,792,224	120.7
Total	99,242,817	90,303,006	109.9

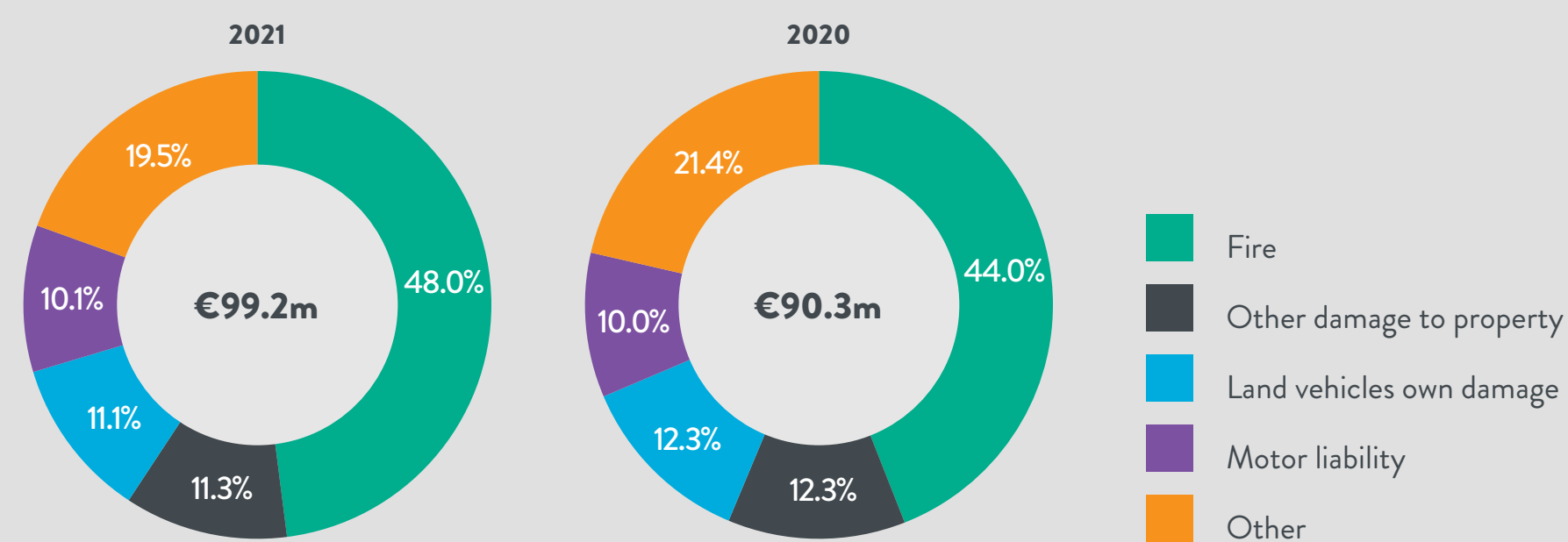
Net claims incurred, excluding the effect of exchange differences

EUR	2021	2020	Index
Gross claims paid	99,242,817	90,303,006	109.9
Net claims incurred	107,116,357	122,640,541	87.3

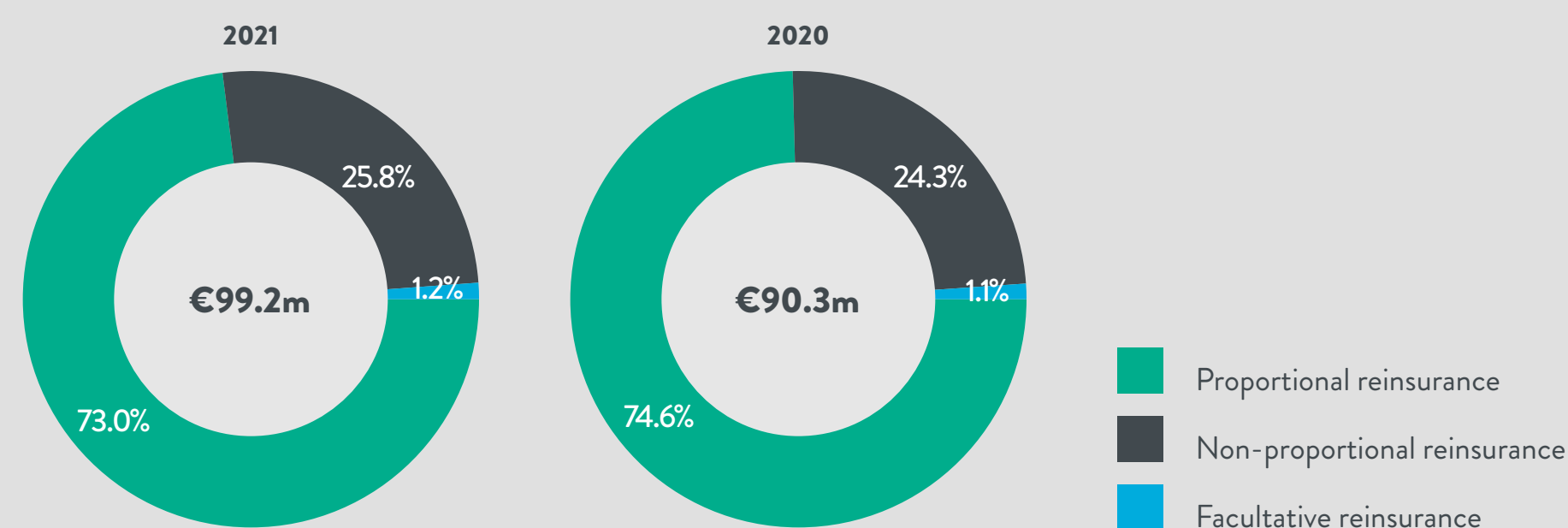
Net claims incurred decreased by 12.7% compared to 2020. Gross claims paid increased in 2021 because of storm and flood events in western Europe (mainly in Germany, Belgium and Austria) and China as well as a fire loss in Suriname. Despite the high gross claims paid related to the floods in western Europe, their impact on net claims incurred was relatively low owing to reinsurance protection. Developments of past underwriting years also had a positive effect on the movement of claims incurred in 2021. The decrease compared with 2020 was also the result of the detrimental effects of Covid-19 and FoS business in 2020.

Sava Re's net incurred loss ratio was 65.3% in 2021, an improvement of 12.7 p.p. compared to the previous year.

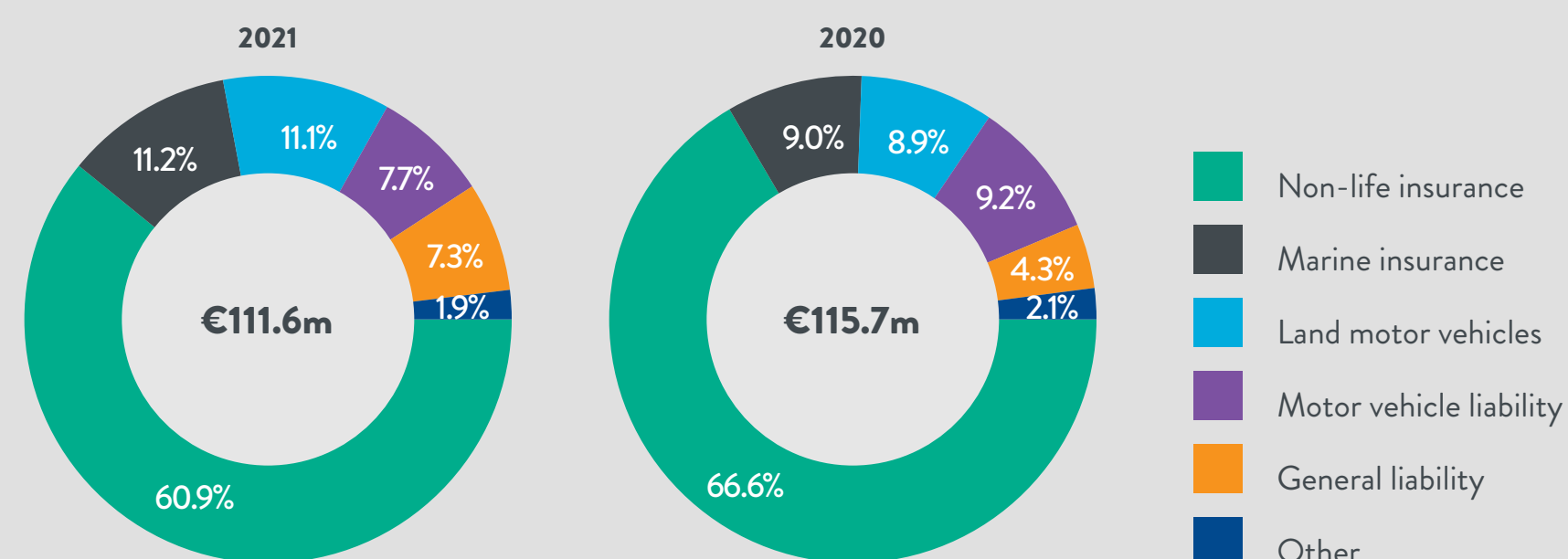
Gross claims paid by class of insurance



Gross claims paid by form of reinsurance



Net claims incurred by class of business



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Operating expenses

In 2021, policy acquisition expenses (commissions) rose by 11.7%, reflecting higher commissions for the Slovenian part of the portfolio, which are higher when business performs better. We see favourable developments in old underwriting years and have high expectations for the results of more recent years. Consequently, the share of

Operating expenses

EUR	2021	2020	Index
Acquisition costs	45,244,305	40,497,640	111.7
Change in deferred acquisition costs (+/-)	968,321	717,122	135.0
Other operating expenses	15,055,471	13,422,527	112.2
Operating expenses	61,268,097	54,637,288	112.1
Reinsurance commission income	-4,870,965	-4,140,292	117.6
Net operating expenses	56,397,131	50,496,996	111.7

Sava Re's net investment income from the investment portfolio, excluding the effect of exchange differences

EUR	2021	2020	Absolute change	Index
Income from financial investments	6,980,109	6,847,259	132,850	101.9
Expenses for financial investments	572,939	1,517,552	-944,613	37.8
Net investment income relating to financial investments, including investment property	6,407,170	5,329,707	1,077,463	120.2
Net investment income of financial investments in subsidiaries and associates	50,417,783	19,903	50,397,879	253,316.6
Net investment income relating to the investment portfolio	56,824,952	5,349,610	51,475,342	1,062.2
Expenses relating to financial liabilities	2,871,050	2,871,406	-356	100.0
Net inv. income of the investment portfolio, excluding exchange differences but including subordinated debt expenses	53,953,902	2,478,204	51,475,699	2,177.1
Net inv. income of the investment portfolio, excluding exchange differences and subordinated debt expenses	56,824,952	5,349,610	51,475,342	1,062.2

Income/expenses include income/expenses relating to investment property.

acquisition costs as a percentage of gross premiums written increased by 2.7 p.p. year on year to 23.8%.

Other operating expenses of Sava Re comprise expenses relating to reinsurance business (51%) and expenses associated with the administration of the Group (49%). Only the former expenses are included in the calculations of the combined ratios of reinsurance business. Compared

to 2020, total other operating expenses rose by 12.2% due to higher costs of labour and services related to the Group's administration, the introduction of international financial reporting standards IFRS 17 and IFRS 9, the upgrade and introduction of new IT solutions and services linked to the Sustainable Finance Disclosure Regulation (SFDR), which aims to increase transparency related to sustainability features and investments for end consumers. Expenses by nature are shown in note 36 of the notes to the financial statements.

Reinsurance commission income grew primarily because of higher commission income that Sava Re received from its retrocessionaires participating in the reinsurance programmes of the Slovenian cedants.

Net investment income

Due to the prescribed income statement scheme, net investment income and return on investment also include exchange differences. The effect of exchange differences does not impact profit or loss, since the Company strives for maximum currency matching of investments and liabilities. For this reason, net investment income and return on investment are shown below, excluding foreign exchange differences. The total impact of exchange differences on the result is set out in the notes to the financial statement of the annual report, section 17.6.4.1.4 "Currency risk".

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Sava Re income, expenses and net investment income of the investment portfolio, excluding the effect of exchange differences⁵⁵

EUR	2021	2020	Absolute change
Income			
Interest income at effective interest rate	2,569,728	3,047,007	-477,280
Gains on change in fair value of FVTPL assets	480,579	1,029,035	-548,456
Gains on disposal of FVTPL assets	2,200	0	2,200
Gains on disposal of other IFRS asset categories	1,927,703	1,053,834	873,869
Income from dividends and profit distributions of subsidiary and associate companies	50,417,783	2,589,986	47,827,796
Income from dividends and profit distributions – other investments	518,598	233,582	285,017
Other income	874,008	1,173,261	-299,253
Other income from alternative funds	607,293	310,540	296,753
Total income from the investment portfolio	57,397,891	9,437,246	47,960,646
Expenses			
Interest expenses	2,898,611	2,895,813	2,798
Losses on change in fair value of FVTPL assets	307,819	772,645	-464,826
Losses on disposals of FVTPL assets	3,423	0	3,423
Losses on disposal of other IFRS asset categories	28,537	7,044	21,492
Expenses relating to investments in subsidiary and associate companies	0	2,570,083	-2,570,083
Impairment losses on investments	0	429,356	-429,356
Other	205,599	283,615	-78,017
Other expenses for alternative funds	0	485	-485
Total expenses for the investment portfolio	3,443,989	6,959,042	-3,515,053
Net investment income relating to investment portfolio, excluding the effect of exchange differences	53,953,902	2,478,204	51,475,699
Return on the investment portfolio, excluding the effect of exchange differences	8.2%	0.4%	7.8

Income/expenses include income/expenses relating to investment property. In the income statement these are part of the “other income/expenses” item.

Net investment income of the investment portfolio is significantly higher because the Group companies did not pay any dividends in 2020 owing to the Covid-19 situation. This is also why income from investments in subsidiary companies were lower than in the previous year.

Compared to 2020, investment portfolio expenses, excluding exchange differences, dropped by EUR 3.5 million. Compared to 2020, the Company did not realise the expenses of subsidiary and associate companies (2020: EUR 2.6 million) or impairments of financial investments EUR 0.4 million).

⁵⁵ The net effect of exchange differences is presented.

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9.2 Sava Re



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9.1 Sava Insurance Group

Total assets of the Sava Insurance Group increased by 7.7% as a result of organic growth of business and stood at EUR 2,658.3 million as at 31 December 2021. Below we provide explanations

to asset and liability items in excess of 5% of total assets at the end of the year or when items in the reporting period changed by more than 2% of equity.

7.7%

growth in total assets

9.1.1 Assets

Total assets by type

EUR	31 December 2021	As % of total 31 December 2021	31 December 2020	As % of total 31 December 2020
ASSETS	2,658,322,359	100.0%	2,467,251,303	100.0%
1 Intangible assets	67,306,775	2.5%	64,278,611	2.6%
2 Property, plant and equipment	56,337,174	2.1%	48,336,491	2.0%
3 Right-of-use assets	7,386,426	0.3%	8,648,594	0.4%
4 Deferred tax assets	5,487,403	0.2%	4,924,819	0.2%
5 Investment property	14,281,192	0.5%	16,121,079	0.7%
6 Financial investments in associates	20,479,729	0.8%	15,056,143	0.6%
7 Financial investments	1,472,688,443	55.4%	1,430,149,336	58.0%
8 Assets held for the benefit of policyholders who bear the investment risk	517,439,592	19.5%	411,224,812	16.7%
9 Reinsurers' share of technical provisions	57,767,056	2.2%	42,609,217	1.7%
10 Investment contract assets	172,836,349	6.5%	158,765,028	6.4%
11 Receivables	149,940,870	5.6%	153,871,498	6.2%
12 Deferred acquisition costs	22,572,741	0.8%	24,278,003	1.0%
13 Other assets	4,380,387	0.2%	4,240,414	0.2%
14 Cash and cash equivalents	88,647,678	3.3%	83,458,594	3.4%
15 Non-current assets held for sale	770,544	0.0%	1,288,664	0.1%

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9.1.1.1 Investment portfolio

The investment portfolio of the Sava Insurance Group is made up of financial investments (7), investment property (5), financial investments in associates (6), and cash and cash equivalents (14).

Sava Insurance Group investment portfolio

EUR	31 December 2021	31 December 2020	Absolute change	Index
Deposits	18,561,697	22,415,444	-3,853,747	82.8
Government bonds	718,499,980	660,779,506	57,720,474	108.7
Corporate bonds	592,136,103	618,881,506	-26,745,403	95.7
Shares	35,965,685	38,602,296	-2,636,611	93.2
Mutual funds	35,861,078	38,313,074	-2,451,996	93.6
Infrastructure funds	44,532,966	27,436,469	17,096,497	162.3
Real estate funds	15,846,059	14,340,307	1,505,752	110.5
Loans granted and other investments	1,674,538	2,119,569	-445,031	79.0
Deposits with cedants	9,610,337	7,261,165	2,349,172	132.4
Total financial investments	1,472,688,443	1,430,149,336	42,539,107	103.0
Financial investments in associates	20,479,729	15,056,143	5,423,586	136.0
Investment property	14,281,192	16,121,079	-1,839,887	88.6
Cash and cash equivalents	73,977,512	73,956,821	20,691	100.0
Total investment portfolio	1,581,426,876	1,535,283,379	46,143,497	103.0
Assets held for the benefit of policyholders who bear the investment risk	532,109,758	420,726,585	111,383,173	126.5
- Financial investments	517,439,592	411,224,812	106,214,780	125.8
- Cash and cash equivalents	14,670,166	9,501,773	5,168,393	154.4
Investment contract assets	172,836,349	158,765,028	14,071,321	108.9

* Cash and cash equivalents of policyholders who bear the investment risk (2021: EUR 14.7 million; 2020: EUR 9.5 million) are excluded from the investment portfolio.

The investment portfolio grew driven by cash flow generated by the core (re)insurance business. Financial investments in associates grew as the result of investments in the Group's healthcare business. Investments in infrastructure funds increased in nominal

terms and as a percentage of the entire investment portfolio in accordance with the risk strategy of the Sava Insurance Group or the Company.

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Composition of the investment portfolio

	31 December 2021	31 December 2020	Structure change, p.p.
Fixed-rate financial investments	88.7%	89.6%	-0.9
Infrastructure funds	2.8%	1.8%	1.0
Shares	2.3%	2.5%	-0.2
Mutual funds	2.3%	2.5%	-0.2
Real estate funds	1.0%	0.9%	0.1
Property	0.9%	1.1%	-0.1
Other*	2.0%	1.6%	0.4
Total	100.0%	100.0%	

* The "other" item comprises deposits with cedants, loans granted and financial investments in associates.

Composition of fixed-rate investments

EUR	31 December 2021	As % of total 31 December 2021	31 December 2020	As % of total 31 December 2020	Structure change, p.p.
Government bonds	660,649,307	41.8%	608,936,869	39.7%	2.1
Regular corporate bonds	502,924,829	31.8%	504,024,657	32.8%	-1.0
Cash and cash equivalents	41,333,802	4.7%	64,985,112	4.8%	-0.1
Government-guaranteed bonds	57,850,673	3.7%	51,842,637	3.4%	0.3
Subordinated bonds	47,877,472	3.0%	49,871,737	3.2%	-0.2
Covered bonds	73,977,512	2.6%	73,956,821	4.2%	-1.6
Deposits	18,561,697	1.2%	22,415,444	1.5%	-0.3
Total	1,403,175,292	88.7%	1,376,033,277	89.6%	-0.9

The share of fixed-rate investments declined slightly compared to the previous year, mainly due to investments in infrastructure funds.

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9.1.1.2 Assets held for the benefit of policyholders who bear the investment risk

Life policies where the investment risk is born by policyholders are marketed by Zavarovalnica Sava and Vita. Most funds of these policyholders, i.e. EUR 517.4 million, were invested in financial investments, whereas EUR 14.7 million was held in cash. The EUR 111.4 million increase in assets compared to the previous year was due to inflows from life insurance policies and the appreciation of these investments thanks to favourable conditions in the capital markets.

9.1.1.3 Reinsurers' share of technical provisions

The reinsurers' share of technical provisions (9) increased by EUR 15.2 million or 35.6% compared to the previous year, which is wholly related to the reinsurance segment and is a result of the storm losses in western Europe reinsured against catastrophic events.

9.1.1.4 Investment contract assets

Investment contract assets (10) comprise liability fund assets relating to the group of life cycle funds managed by the Sava Pokojninska pension company for the benefit of policyholders and assets of the annuity fund the policies of which do not qualify as insurance contracts. As at 31 December 2021, investment contract assets totalled EUR 172.8 million, up 8.9% compared to 31 December 2020.

This increase in investment contract assets was mainly due to net flows of EUR 6.4 million (in 2021 inflows totalled EUR 15.2 million and outflows including entry and exit charges were EUR 8.8 million), net investment income of EUR 5.5 million generated in 2021 and EUR 2.1 million relating to appreciation of assets backing annuity policies.

Assets under the management of Sava Penzisko Društvo are not included in the Group's statement of financial position; these amounts are disclosed in section 8.1.4 "Pensions and asset management".

9.1.1.5 Receivables

Total receivables (11) were down 2.6%, or EUR 3.9 million, year on year. Receivables arising out of primary insurance operations decreased by EUR 6.7 million, owing mainly to the non-life segment and the withdrawal from FoS business. Receivables arising out of primary insurance operations over 90 days decreased (by EUR 7.2 million), whereas not-past-due receivables arising out of primary insurance operations increased.

Receivables arising out of reinsurance and co-insurance business increased by EUR 3.0 million, mainly not-past-due claims receivables. Receivables arising out of reinsurance and co-insurance business saw the largest increase (EUR 1.9 million) in Slovenian non-life business; receivables relating to the reinsurance segment grew by EUR 0.7 million, and in the international non-life segment by EUR 0.5 million.

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9.1.2 Equity and liabilities

Composition of equity and liability items by type

EUR		As % of total		As % of total	
		31 December 2021	31 December 2021	31 December 2020	31 December 2020
EQUITY AND LIABILITIES		2,658,322,359	100.0%	2,467,251,303	100.0%
1	Shareholders' equity	504,077,018	19.0%	460,214,488	18.7%
	Share capital	71,856,376	2.7%	71,856,376	2.9%
	Capital reserves	42,702,320	1.6%	43,035,948	1.7%
	Profit reserves	229,008,079	8.6%	202,285,580	8.2%
	Own shares	-24,938,709	-0.9%	-24,938,709	-1.0%
	Fair value reserve	21,246,888	0.8%	40,173,090	1.6%
	Reserve due to fair value revaluation	1,300,871	0.0%	964,485	0.0%
	Retained earnings	116,166,406	4.4%	73,413,529	3.0%
	Net profit or loss for the period	49,623,843	1.9%	56,197,540	2.3%
	Translation reserve	-3,256,354	-0.1%	-3,266,013	-0.1%
	Equity attributable to owners of the controlling company	503,709,720	18.9%	459,721,826	18.6%
	Non-controlling interests in equity	367,298	0.0%	492,662	0.0%
2	Subordinated liabilities	74,863,524	2.8%	74,804,974	3.0%
3	Technical provisions	1,237,500,117	46.6%	1,233,312,054	50.0%
4	Technical provisions for the benefit of life insurance policyholders who bear the investment risk	524,183,338	19.7%	409,604,428	16.6%
5	Other provisions	9,018,106	0.3%	9,287,735	0.4%
6	Deferred tax liabilities	11,387,395	0.4%	14,901,575	0.6%
7	Investment contract liabilities	172,660,266	6.5%	158,596,453	6.4%
8	Other financial liabilities	584,924	0.0%	470,937	0.0%
9	Liabilities from operating activities	54,783,379	2.1%	58,412,273	2.4%
10	Lease liability	7,224,138	0.3%	8,255,225	0.3%
11	Other liabilities	62,040,154	2.3%	39,391,161	1.6%

9.1.2.1 Shareholders' equity

Shareholders' equity (1) increased by EUR 43.9 million due to the net profit for the year, which more than offset the decrease in the fair value reserve and the dividend payout.

9.1.2.2 Technical provisions

Gross technical provisions (3)

EUR	31 December 2021	31 December 2020	Index
Gross unearned premiums	207,022,452	210,614,842	98.3
Gross mathematical provisions	443,577,279	465,641,679	95.3
Gross provision for outstanding claims	578,713,597	547,764,679	105.7
Gross provision for bonuses, rebates and cancellations	1,530,854	1,300,797	117.7
Other gross technical provisions	6,655,935	7,990,057	83.3
Gross technical provisions	1,237,500,117	1,233,312,054	100.3

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Gross provisions for the reinsurance segment rose by EUR 35 million due to adverse claims development (described in more detail in section 8.1.1 “Reinsurance: Net claims incurred”). Unearned premiums were EUR 0.2 million lower, mainly on account of the dynamics of reinsurance underwriting (2020: increase of EUR 2.2 million).

Gross provisions for the non-life segment contracted by EUR 7.8 million. Of which the growth in unearned premiums was EUR 3.5 million (2020: increase of EUR 0.3 million).

Gross mathematical provisions contracted by EUR 22.1 million, largely as a result of policy maturities and a shift to unit-linked insurance.

The provision for bonuses, rebates and cancellations accounts for only a small proportion of provisions and remained flat compared to year-end 2020.

Other gross technical provisions include gross provisions for unexpired risks. These dropped by EUR 1.3 million from year-end 2020, which mainly relates to the Slovenian non-life segment (discontinuation of FoS business) and, to a minor extent, to the reinsurance segment (a smaller volume of marine reinsurance business with results poorer than expected).

9.1.2.3 Technical provisions for the benefit of life insurance policyholders who bear the investment risk

Gross technical provisions for unit-linked life insurance (4) increased by EUR 114.6 million, which is due to portfolio growth, including single premium policies, movement in fund unit prices and the additional effect of the diversion of assets from guaranteed traditional life (policies with expired guaranteed periods) to unit-linked life business of Vita.

9.1.2.4 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska rose by EUR 14.1 million in line with investment contract assets, driven largely by new premium contributions, payouts, and changes in the unit prices of funds.

9.1.2.5 Other liabilities

Other liabilities (11) rose by EUR 22.6 million due to other accrued costs (expenses) and deferred revenue in Slovenian non-life business (a high-value insurance policy was taken out in 2021, effective in 2022).

9.1.3 Financing sources and their maturity

As at 31 December 2021, the Sava Insurance Group held EUR 504.1 million in equity and EUR 74.9 million in subordinated liabilities. In October 2019, the parent company issued subordinated bonds with a scheduled maturity in 2039 and an early recall option for 7 November 2029. The bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange. As at 31 December 2021, the market price of the bond was 103.532% and the market value EUR 78,065,096 (31 December 2020: the market price 100.353%, the market value EUR 75,680,846).

9.1.4 Cash flow

In 2021, the Sava Insurance Group generated an operating cash flow of EUR 121.0 million (2020: EUR 62.5 million). Net cash from operating activities was positively impacted by the inclusion of Vita in the consolidated financial statements and fewer policy maturities at Zavarovalnica Sava.

In the same period, the Sava Insurance Group recorded negative net investment cash flow of EUR 97.0 million (2020: EUR 79.7 million) due to the purchase of securities as the result of higher cash flow and the purchase of property and equipment assets (office building of a subsidiary). Excluding the receipts and disbursements relating to the investments of life insurance policyholders who bear the investment risk, the negative net cash flow would have totalled EUR 54.5 million.

The Group posted net cash used in financing activities in the amount of EUR 18.8 million (2020: EUR 6.0 million). In June 2021, Sava Re paid out dividends in the amount of EUR 13.2 million (2020: EUR 0 million) and paid interest on subordinated debt in the amount of EUR 2.9 million (2020: EUR 2.9 million).

The closing balance of cash and cash equivalents increased by EUR 5.2 million. The net cash flow for 2021 was EUR 28.4 million above the year-on-year figure.

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9.2 Sava Re

As at 31 December 2021, total assets of Sava Re stood at EUR 832.1 million, an increase of 10.0% over year-end 2020. Below, we set out items of assets and liabilities in excess of 5%

of total assets as at 31 December 2021, and items that changed by more than 2% of equity.

9.2.1 Assets

Total assets by type

EUR	31 December 2021	As % of total 31 December 2021	31 December 2020	As % of total 31 December 2020
ASSETS	832,078,756	100.0%	756,640,585	100.0%
1 Intangible assets	3,194,031	0.4%	1,947,056	0.3%
2 Property, plant and equipment	2,464,213	0.3%	2,356,848	0.3%
3 Right-of-use assets	204,879	0.0%	89,258	0.0%
4 Deferred tax assets	3,688,957	0.4%	3,487,337	0.5%
5 Investment property	7,899,693	0.9%	8,031,875	1.1%
6 Financial investments in subsidiaries and associates	324,129,991	39.0%	319,097,412	42.2%
7 Financial investments	327,784,595	39.4%	269,537,788	35.6%
9 Reinsurers' share of technical provisions	48,486,444	5.8%	31,935,116	4.2%
11 Receivables	79,803,172	9.6%	86,753,033	11.5%
12 Deferred acquisition costs	4,869,156	0.6%	5,837,477	0.8%
13 Other assets	746,808	0.1%	487,239	0.1%
14 Cash and cash equivalents	28,806,817	3.5%	27,080,146	3.6%

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9.2.1.1 Investment portfolio

The investment portfolio is made up of financial investments (7), investments in subsidiaries and associates (6), investment property (5), and cash and cash equivalents (14).

The Sava Re investment portfolio totalled EUR 688.6 million as at 31 December 2021 (31 December 2020: EUR 623.7 million).

Sava Re investment portfolio by asset class

EUR	31 December 2021	31 December 2020	Absolute change	Index
Government bonds	179,718,397	132,857,699	46,860,698	135.3
Corporate bonds	104,042,314	98,807,709	5,234,605	105.3
Shares	6,850,703	9,256,913	-2,406,210	74.0
Mutual funds	6,011,306	3,216,524	2,794,781	186.9
Infrastructure funds	14,554,843	9,200,979	5,353,864	158.2
Real estate funds	4,423,724	3,969,161	454,563	111.5
Loans granted	2,572,971	4,967,639	-2,394,666	51.8
Deposits with cedants	9,610,337	7,261,165	2,349,172	132.4
Total financial investments	327,784,595	269,537,788	58,246,807	121.6
Financial investments in subsidiaries and associates	324,129,991	319,097,412	5,032,579	101.6
Investment property	7,899,693	8,031,875	-132,181	98.4
Cash and cash equivalents	28,806,817	27,080,146	1,726,671	106.4
Total investment portfolio	688,621,097	623,747,221	64,873,876	110.4

Compared to the previous year, the investment portfolio grew by EUR 64.9 million. The increase was largely due to dividend income from subsidiaries (EUR 50.4 million). Other growth drivers were positive cash flow from the core reinsurance business (EUR 17.8 million) and net exchange gains (EUR 3.7 million). The negative effects include the payment of interest on Sava Re's subordinated bond issued (EUR 2.9 million) and the negative fair value reserve (EUR 2.4 million).

The largest share of the investment portfolio as at 31 December 2021 were financial investments in subsidiary and associate companies, which accounted for 47.1% (31 December 2020: 51.2%). Their share in the composition of the investment portfolio decreased by 4.1 p.p. Fixed-rate financial investments accounted for 45.4% and increased by 3.9% compared to the previous year end, mainly due to dividends from subsidiaries. There was an increase in alternative investments, specifically infrastructure

and real-estate funds, which totalled EUR 19.0 million, accounting for 2.8% of the investment portfolio as at 31 December 2021. Owing to the time lag between the commitment and the actual investing, the uncalled commitment relating to infrastructure and real-estate funds is disclosed off the balance sheet (amounting to EUR 8.5 million as at 31 December 2021). The lower balance of loans granted is linked to the maturity of loans granted to subsidiaries.

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Composition of the investment portfolio

	31 December 2021	31 December 2020	Change in composition in p.p.
Fixed-rate financial investments	45.4%	41.5%	3.9
Financial investments in subsidiaries and associates	47.1%	51.2%	-4.1
Infrastructure funds	2.1%	1.5%	0.6
Shares and mutual funds	1.9%	2.0%	-0.1
Property	1.1%	1.3%	-0.1
Real estate funds	0.6%	0.6%	0.0
Other*	1.8%	2.0%	-0.2
Total	100.0%	100.0%	

* The "other" item comprises loans granted and deposits with cedants.

Composition of fixed-rate investments as part of the investment portfolio

EUR	31 December 2021	As % of total 31 December 2021	31 December 2020	As % of total 31 December 2020	Change in composition in p.p.
Government bonds	163,554,849	23.8%	120,267,937	19.3%	4.5
Regular corporate bonds	89,467,085	13.0%	78,818,544	12.6%	0.4
Government-guaranteed bonds	16,163,547	2.3%	12,589,762	2.0%	0.3
Cash and cash equivalents	28,806,817	4.2%	27,080,146	4.3%	-0.2
Covered bonds	7,145,039	1.0%	12,245,853	2.0%	-0.9
Subordinated bonds	7,430,189	1.1%	7,743,312	1.2%	-0.2
Total	312,567,526	45.4%	258,745,554	41.5%	3.9

The proportion of corporate bonds in the composition of fixed-rate investments saw the greatest increase, whereas the proportion of covered bonds decreased. The proportion of other fixed-rate investments remained similar to that at year-end 2020.

9.2.1.2 Reinsurers' share of technical provisions

The reinsurers' share of technical provisions (9) increased by 51.8%, or EUR 16.6 million, compared to year-end

2020 due to higher claims provisions (by EUR 17.0 million) resulting from claims related to the storms in western Europe and reinsured against catastrophic events.

9.2.1.3 Receivables

Receivables (11) at year-end 2021 showed a decrease of 8.0%, or EUR 6.9 million. Receivables arising out of primary insurance business decreased by EUR 5.3 million. In the ageing analysis, the largest decrease (of EUR 4.6

million) was in past due receivables over 90 days. Receivables arising out of reinsurance and co-insurance business increased by EUR 0.7 million (an increase in receivables for reinsurers' shares in claims); there were no current tax assets (31 December 2020: EUR 0.3 million), whereas other receivables decreased by EUR 2.0 million (receivables from investments).

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9.2.2 Equity and liabilities

Composition of equity and liability items by type

EUR	31 December 2021	As % of total 31 December 2021	31 December 2020	As % of total 31 December 2020
EQUITY AND LIABILITIES	832,078,756	100.0%	756,640,585	100.0%
1 Shareholders' equity	371,166,000	44.6%	333,869,060	44.1%
Share capital	71,856,376	8.6%	71,856,376	9.5%
Capital reserves	54,239,757	6.5%	54,239,757	7.2%
Profit reserves	229,238,622	27.6%	202,818,558	26.8%
Own shares	-24,938,709	-3.0%	-24,938,709	-3.3%
Fair value reserve	3,619,684	0.4%	6,039,787	0.8%
Reserve due to fair value revaluation	96,544	0.0%	46,586	0.0%
Retained earnings	10,633,662	1.3%	34,797,321	4.6%
Net profit or loss for the period	26,420,064	3.2%	-10,990,617	-1.5%
2 Subordinated liabilities	74,863,524	9.0%	74,804,974	9.9%
3 Technical provisions	331,812,724	39.9%	297,882,871	39.4%
5 Other provisions	421,865	0.1%	424,345	0.1%
6 Deferred tax liabilities	76,227	0.0%	76,227	0.0%
9 Liabilities from operating activities	46,543,595	5.6%	45,389,434	6.0%
10 Lease liability	203,730	0.0%	87,834	0.0%
11 Other liabilities	6,991,091	0.8%	4,105,840	0.5%

9.2.2.1 Shareholders' equity

Shareholders' equity (1) increased by 11.2%, or EUR 37.3 million, compared to year-end 2020, due to higher net profit, which more than offset the decrease in the fair value reserve and the dividend payout.

9.2.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity in 2039 and with an early recall option for 7 November 2029. The subordinated bond is discussed in greater detail in section 9.2.4 "Financing source and their maturity".

9.2.2.3 Technical provisions

Movement in gross technical provisions

EUR	31 December 2021	31 December 2020	Index
Gross unearned premiums	52,775,034	57,411,109	91.9
Gross provision for outstanding claims	278,281,619	238,990,653	116.4
Gross provision for bonuses, rebates and cancellations	272,725	274,368	99.4
Other gross technical provisions	483,346	1,206,740	40.1
Gross technical provisions	331,812,724	297,882,870	111.4

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Technical provisions (3), the second-largest item on the liabilities side, increased by 11.4%, or EUR 33.9 million, compared to 31 December 2020. This is largely due to the growth in the gross claims provision (16.4% or EUR 39.3 million), which increased in the non-Group business portfolio by EUR 35.9 million due to portfolio growth and major loss events over the recent years. The claims provision in the Group's portfolio increased by EUR 3.4 million, chiefly on account of claims from FoS business. The movement in technical provisions is discussed in detail in note 24 of the notes to the financial statements.

9.2.2.4 Liabilities from operating activities

Liabilities from operating activities (9) as at year-end 2021 decreased by 2.5%, or EUR 1.2 million, from 31 December 2020. Liabilities from insurance business decreased by EUR 1.0 million due to lower commission liabilities. Liabilities from reinsurance and co-insurance business increased by EUR 1.8 million as a result of higher liabilities for premiums. Tax liabilities increased by EUR 0.4 million (loss in 2020, profit in 2021).

9.2.3 Other investments of Sava Re in the insurance industry

As at 31 December 2021 Sava Re held, in addition to its investments in subsidiaries, investments in other companies in the insurance industry.

9.2.4 Financing sources and their maturity

As at 31 December 2021, Sava Re held EUR 371.2 million in equity capital and EUR 74.9 million in subordinated liabilities. In October 2019, it issued subordinated bonds with a scheduled maturity date of 2039 and with an early recall option for 7 November 2029. The bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange. As at 31 December 2021, the market price of the bond was 103.532% and the market value EUR 78,065,096 (31 December 2020: the market price 100.353%, the market value EUR 75,680,846).

9.2.5 Cash flow

In 2021, the Company had a positive cash flow from operating activities in the amount of EUR 26.5 million (2020: EUR 33.3 million). Net cash from financing activities declined, reflecting lower net premiums and higher net claims.

In the same period, Sava Re recorded negative net investment cash flow of EUR 8.7 million (2020: EUR 56.2 million). Net cash used decreased because of dividends received from subsidiaries in 2021. 2020 was impacted by the acquisition of Vita.

In June 2021, Sava Re paid out dividends in the amount of EUR 13.2 million (2020: EUR 0 million) and paid interest on subordinated debt in the amount of EUR 2.9 million (2020: EUR 2.9 million), which resulted in net cash used in financing activities.

The closing balance of cash and cash equivalents at year-end 2021 showed an increase of EUR 1.7 million. The net cash flow for the first half of 2021 was EUR 27.6 million above the year-on-year figure.

Other investments of Sava Re in the insurance industry

	Holding (%) as at 31 December 2021
Slovenia	
Skupina Prva, zavarovalniški holding, d.d.	4.04%
Zavarovalnica Triglav d.d.	0.29%
EU and other international	
Bosna Reosiguranje d.d., Sarajevo, Bosnia and Herzegovina	0.51%
Dunav Re a.d.o., Belgrade, Serbia	1.12%

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