

6 Mission, vision, strategic focus and goals

6.1 Mission and vision²⁰

We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, to become recognised as a company that communicates fairly and transparently, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organisation's values and to integrate these into core business policies and the way people conduct themselves.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to the continuous development of insurance and ancillary products and to more optimal business processes. We are developing a Group-specific corporate culture that will be reflected in the quality of services and in the loyalty of our employees to their company and the Group.

By definition, insurance is the provision of economic security through the spreading of financial risk, which is why the industry is tightly intertwined with the larger overall economy. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area to which the Company is increasingly committed.

Special attention is given to the exchange of knowledge, permanent training of employees and external stakeholders and the utilization of synergies among Sava Insurance Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.



Through commitment and continuous progress, we ensure **security and quality of life.**



We are building a customer-centric, modern, digital, community-minded and sustainability-oriented insurance group.



We grow relationships with our colleagues in a responsible, frank and respectful manner.
We exceed client expectations with our ongoing efforts to improve and strengthen relationships.
We are active in relation to our social and natural environment.

6.2 Goals achieved in 2019²¹

The Sava Insurance Group achieved the following targets in 2019:

| EUR million | 2019 | 2019 plan | As % of plan |
|--|-------|------------|--------------|
| Sava Insurance Group | | | |
| Operating revenues | 584.2 | > 535 | 109.2% |
| Profit or loss, net of tax | 50.2 | ≥ 43.0 | 116.7% |
| Return on equity (ROE) | 13.8% | > 12 % | ✓ |
| Return on the investment portfolio* | 1.9% | 1.7% | ✓ |
| (Re)insurance part | | | |
| Gross premiums written | 596.2 | > 555 | 107.4% |
| Net premiums earned | 545.7 | > 515 | 106.0% |
| Net expense ratio (reins. + non-life + life) | 31.7% | 32.4–33.0% | ✓ |
| Net incurred loss ratio (reins. + non-life)* | 61.7% | 59.2–59.7% | ✗ |
| Net combined ratio* (reins. + non-life)* | 93.8% | 93.6–94.1% | ✓ |

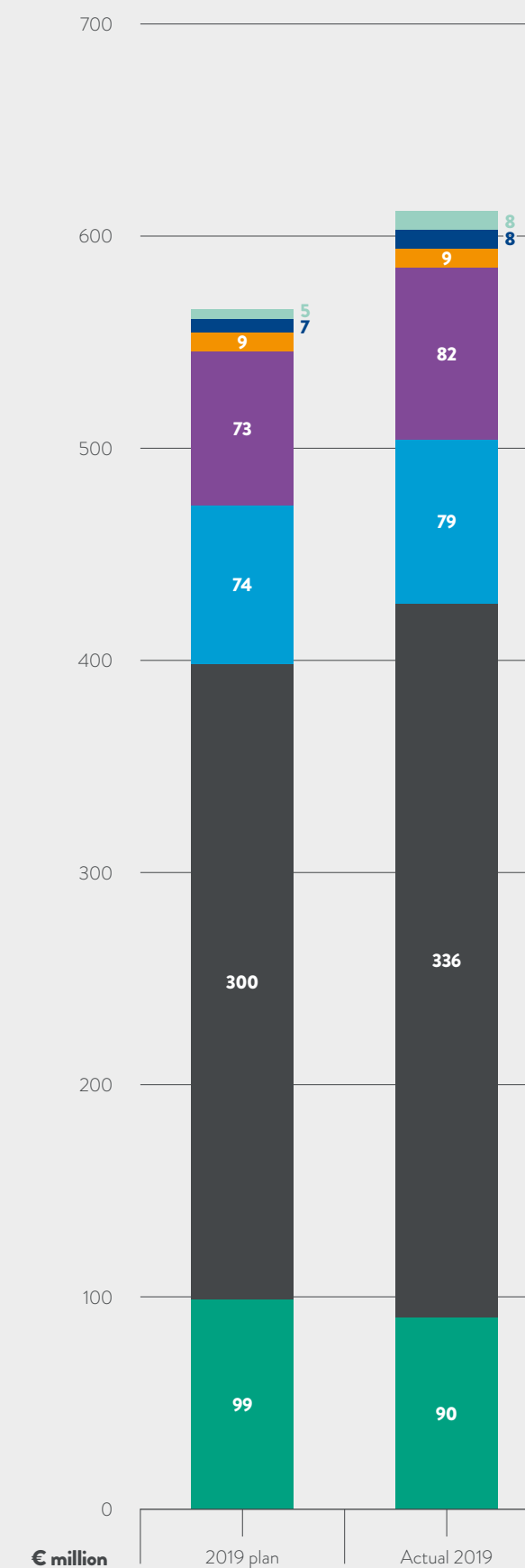
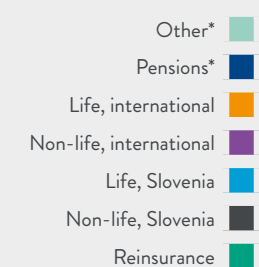
* Excluding the effect of exchange differences. The return on the investment portfolio does not include subordinated debt expenses.

In 2019, the Sava Insurance Group surpassed the planned gross premiums. Gross premiums surpassed planned volumes in practically all insurance markets. The greatest such case in absolute terms was Zavarovalnica Sava in Slovenia, due primarily to the growth in the sale of new vehicles, growth in average premiums, and FoS operations (freedom of services), written by the non-life insurer in Slovenia in cooperation with various companies within EU Member States. Gross premiums written by reinsurance operations fell slightly short of targets.

The expense ratio was lower than expected, while the net incurred loss ratio was higher than expected due to higher claims frequency in reinsurance markets, and in Croatia and Kosovo. The combined ratio was within the target range.

Net investment income slightly exceeded the planned value, which was partly due to one-time business events (revaluation of the 15% share of Sava Infond in the amount of EUR 2.7 million, and a partial repayment of the previously impaired corporate bond in the amount of EUR 0.4 million).

Expected gross premiums written by insurance companies and revenues of non-insurance companies (Sava Insurance Group)

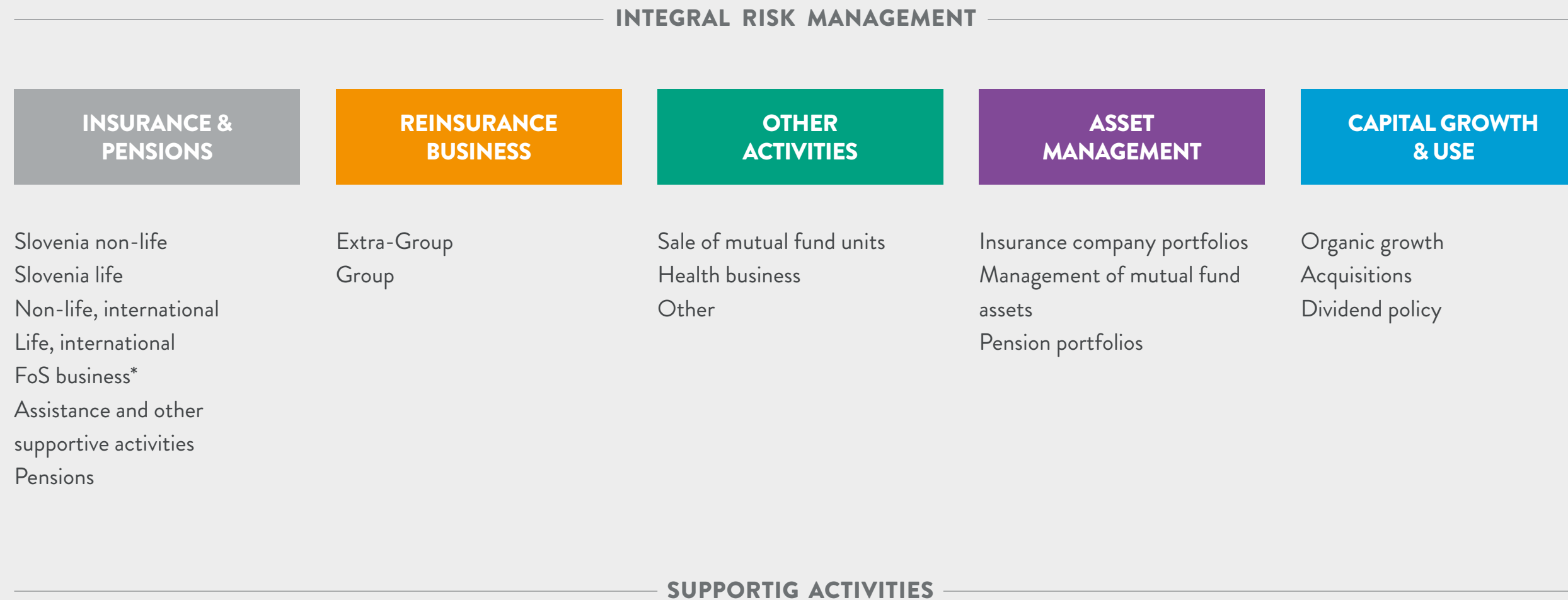


* Operating revenues.

6.3 Strategic focus of the Sava Insurance Group

The strategy of the Sava Insurance Group is based on the pillars as shown below:

PILLARS OF BUSINESS OPERATIONS



* 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.



DIGITAL TRANSFORMATION & PLACING THE CUSTOMER AT THE CENTRE



IT-TRANSFORMATION



GROWTH THROUGH ACQUISITIONS

Key guidelines set out in the strategy:

- **Digital transformation & placing the customer at the centre:** We want to make it easier for policyholders to take out and manage insurance and to file claims, which also includes adapting our services to the needs and wishes of our clients. The new generation of digital customers is accustomed to fast and easy online shopping with as few clicks as possible. The Sava Insurance Group is adapting to this reality; therefore, we have placed our core strategic focus on digital transformation and customer-centred orientation.
- **IT transformation:** Developing a modern and flexible IT system will give us a competitive advantage in the future through the overhaul of our central systems, which includes replacements, upgrades and the introduction of new IT solutions.
- **Growth through acquisitions:** In addition to effective organic growth during the strategic period, the Sava Insurance Group will continue its acquisition activities in the industries and markets where it is already present, and it will also look for growth opportunities in the insurance industry in other EU countries.

Long-term strategic targets:

- The long-term objective is to achieve a return on equity of at least 11% at both the Group level and as a 3-year average. The internal calculation of the weighted average cost of capital (WACC) of the Sava Insurance Group as at 31 December 2019, which includes the subordinated debt, totals 7.6%, with a cost of equity of 8.5%.
- In the period 2020–2022, a solvency ratio of 180% to 220% (between the lower end of the target range and the upper end of the adequate capital range) is expected at the Sava Insurance Group level.
- The combined ratio of non-life business in Slovenia will not exceed 94%, while the combined ratio abroad will not exceed 95%, with the exception of the Croatian market, where the combined ratio will not exceed 100%. The five-year average combined ratio of reinsurance business (total Group and non-Group business) will not exceed 93%.
- With regard to life insurance in Slovenia, profitability (the ratio of the value of new policies to the present value of the expected premiums of such new policies) of the portfolio of new life policies will be at least 9%, and in Croatia and on other markets at least 5% and 7.5%, respectively.
- The return on the Group's investment portfolio will average at least 1.0% over three years.

6.4 Plans of the Sava Insurance Group concerning the financial year 2020

Key targets for 2020

| EUR million | 2018 | 2019 | 2020 plan | Index/difference in p.p. P2020/19 |
|--|-------|-------|-----------|-----------------------------------|
| Sava Insurance Group | | | | |
| Operating revenues | 531.3 | 584.2 | > 610 | 104.4 |
| Profit or loss, net of tax | 43.0 | 50.2 | > 45 | 89.7 |
| Return on equity (ROE) | 13.1% | 13.8% | > 11% | -2.8 p.p. |
| Return on revenue* | 8.1% | 8.6% | > 7% | -1.6 p.p. |
| Net expense ratio | 32.8% | 31.3% | 33–34%** | 2.8 p.p. |
| Return on the investment portfolio* | 1.7% | 1.9% | 1.3% | -0.6 p.p. |
| (Re)insurance part | | | | |
| Gross premiums written | 544.1 | 596.2 | > 620 | 104.0 |
| Net incurred loss ratio (reins. + non-life)* | 57.0% | 61.7% | 59–60% | -1.7 p.p. |
| Net combined ratio* (reins. + non-life)* | 92.9% | 93.8% | < 94% | 0.2 p.p. |

* Excluding the effect of exchange differences. The return on the investment portfolio does not include subordinated debt expenses.
 ** About 2 p.p. relate to the cost of digitalisation and the IT transformation.

Target gross premiums written of insurance companies and revenues of non-insurance companies (Sava Insurance Group)

