

Modra Annual report 2020

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List of Abbreviations Used

Abbreviation	Note
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ATVP	Securities Market Agency
AZN	Insurance Supervision Agency
CBBT	Composite Bloomberg Bond Trader
DPJU	Dynamic Civil Servants Sub-fund
DDV	Value added tax
EAPSPI	European Association of Public Sector Pension Institution
ECB	European Central Bank
EU	European Union
EUR	Euro – the currency of the European Union
EURIBOR	Euro Interbank Offered Rate
EAD	Exposure at Default

The table continues on the next page.

Abbreviation	Note
EWS	Early Warning System
iBoxx	The reference index of liquid investment grade bond issues
IDD	Insurance Distribution Directive
IORP	Institutions for occupational retirement provision
KPSJU	Life-Cycle Civil Servants Pension Fund
KS MR	Modra renta guarantee fund
KS MR II	Modra renta II guarantee fund
KS PPS	Guarantee fund for the First Pension Fund of the Republic of Slovenia
KVPS	Capital Mutual Pension Fund
LGD	Exposure at Default
MDDSZ	Ministry of Labour, Family Social Affairs and Equal Opportunities
MKPS	Life-Cycle Pension Fund
MDP	Dynamic Sub-Fund
MPP	Prudent Sub-Fund
MZP	Guaranteed Sub-Fund
MSCI Index	Morgan Stanley Capital International Index
MSRP	International Financial Reporting Standards as adopted by the EU
OPMSRP	International Financial Reporting Interpretations Committee
OTC	Over-the-Counter
PD	Probability of Default
PNMZ K	Pension scheme for collective supplementary pension insurance (MKPS)
PNMZ P	Pension scheme for individual voluntary supplementary pension insurance (MKPS)
PPJU	Prudent Civil Servants Sub-Fund
PPS	First Pension Fund of the Republic of Slovenia
RS	Republic of Slovenia
SBI TOP	Central Slovenian stock market index
SFDR	Sustainable Finance Disclosure Regulation
USD	US dollar
VEP	Net asset value
VPS	Mutual pension fund
ZDA	United States of America
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42-1799/2006)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012)
ZPJU	Guaranteed Civil Servants Sub-Fund
ZSDH-1	Slovenian Sovereign Holding Act (Official Gazette of the RS, No. 25/2014)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015)

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Address by the Management Board

2020 was an unusual year. It was marked by the COVID-19 pandemic that had a major impact on economic activity and movements on financial markets. Stunted operation of companies, difficulties in doing business on the international stage and the stoppage of public life caused a severe drop in economic activity, while financial markets recovered after the fall in stock prices in March 2020 and surpassed the values from the end of 2019.

Modra zavarovalnica finished the year with a positive operating result of EUR 4.0 million. The Company's capital, which represents the foundation of the security of the insured persons' funds, also increased. The value of AUM, number of mutual pension fund members and the number of annuity recipients increased.

In 2020, Modra zavarovalnica generated EUR 72.9 million in premium income and other technical income. Most of the said income is income from guarantee fund premiums, while the remainder is represented by income from the management of mutual pension and guarantee funds. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 111 million in the reporting period, up 4% compared to 2019.

Technical expenses, which include the annuities written, operating costs and other technical expenses, reached EUR 43.8 million, while mathematical provisions increased by EUR 36.8 million. Profit was the result of financial income amounting to EUR 15.7 million, while expenses for investments reached EUR 4.1 million. The profit from investment activities recognised in other comprehensive income was positive in the year and reached EUR 1 million.

The capital of Modra zavarovalnica used by the Company to ensure security for its insured persons' funds reached EUR 274.2 million at the

end of 2020, up 2% on the end of the previous year. The value of assets under management increased, reaching more than EUR 1.8 billion at the end of 2020, i.e. EUR 1.27 billion was collected in mutual pension funds, EUR 266 million in guarantee funds, and EUR 307 million in own funds.

2020 began optimistically, but it became clear in early spring that the pandemic would have a strong impact on economic activity. It changed our habits and way of life. The euro denominated MSCI stock index lost nearly 34% of its value from the local top in February, which happened in a span of just a few weeks. Thanks to the rapid intervention of monetary authorities, stock and bond prices rose as the year continued. In 2020, the value of the MSCI global stock index grew by 6.5% in euros. The European government bond index gained 5%, while the corporate bond index gained 2.7%.

Mutual pension funds that are managed by Modra zavarovalnica recorded positive returns despite extensive fluctuations over the year. The Guaranteed Sub-Fund and the Guaranteed Civil Servants Pension Sub-Fund recorded returns of 0.75% and 0.9% respectively in 2020, thus exceeding the guaranteed return in the period. The returns of funds pursuing a prudent or dynamic investment policy were slightly higher. The Prudent Sub-Fund achieved a return rate of 1.65%, while the Dynamic Sub-Fund achieved a return rate of 1.73%. The Prudent Civil Servants Sub-Fund achieved a return rate of 1.59%, while the Dynamic Civil Servants Sub-Fund achieved a return rate of 2.11%.

Modra zavarovalnica did not record a major impact of the COVID-19 pandemic on its financial result as both the operations of the Company and its funds under management were positive despite a significant fluctuation of results. The Company was well prepared for the changed conditions for operations and ensured digital accessibility for its customers in

accordance with the trends and needs of the market. When the epidemic was declared in Slovenia and after the subsequent measures intended to contain the spread of the virus, we adjusted our operations by enabling employees to work from home.

Marketing activities in 2020 were geared towards supporting sales activities and the positioning of Modra zavarovalnica as the main specialist in social security in stages of life. By adding communication content and channels we are building comprehensive consideration of customers and introducing omnichannel communication with them. Owing to the health-related conditions, we transferred most activities to digital channels. We designed and recorded video presentations of the Company, while our explainer videos on savings and supplementary pension insurance serve to promote an individual's social security planning. We included our most successful communication approaches into ordinary work processes and increased both the extent of online service usage and the sale of products. In addition to different visual communication approaches, we additionally checked the response to the offer of other insurance products. As one of the largest data processors, we ensure the highest level of security and confidentiality of all available data as well as compliance with statutory and other provisions governing consumer protection.

We will adjust marketing activities in 2021 to the conditions on the market and respond to the identified needs of the customers. Additional special offers and the development and offer of complementary products and services as well as social security services will be the focus for the growth of our market share. By improving the recognisability of the Company, maintaining confidence and improving the user experience, we will support the attainment of strategic goals. Customer satisfaction, their user experience and accessibility will serve as important performance and adaptability indicators.

Expectations with regard to economic trends for 2021 are moderately optimistic as recovery of economic activity and growth of stock and bond indices are expected. There is nevertheless the risk of forecasts related to the duration and depth of the pandemic coming true. On the one hand, there is the concern of their being eventual new waves of infections and the associated restrictive measures, while on the other, there is hope for a lasting improvement of epidemiological conditions thanks to the broader use of vaccines. In view of the developments on financial markets over the first three months of 2021, we believe there will be positive developments.



Boštjan Vovk
MEMBER OF THE
MANAGEMENT BOARD



Matija Debelak, MSc
MEMBER OF THE
MANAGEMENT BOARD



Borut Jamnik
CHAIRMAN OF THE
MANAGEMENT BOARD

Presentation of the Company

General Information

Company name: Modra zavarovalnica, d. d.

Registered office: Dunajska cesta 119, Ljubljana, Slovenia

Registration ID number: 6031226

VAT ID No.: SI21026912

Number of employees: 64 people

Share capital: EUR 152.2 million

Assets under management: EUR 1.8 billion

Number of persons insured in the mutual pension fund (VPS): 294,225

Number of retirement annuity recipients: 32,602

Mission

We create accessible insurance and other financial solutions aimed at increasing an individual's social security in all stages of life.

We build our competitive advantages on the partnership established with key stakeholders, knowledge, authentic relations and innovation.

Vision

We are a reliable and innovative driver of supplementary social security tailored to the individual.

Strategic Goals

Based on the identified gaps between the existing and target structure, the SWOT analysis, and the analysis of technological, demographic, macroeconomic and microeconomic trends, Modra zavarovalnica has classified its strategic goals into the following areas:

- maintaining the priority of the assurance of AUM and personal data security;
- the leading competence for the area of an

- individual's supplementary social security;
- important financial intermediary with a comprehensive additional offer of financial solutions;
- innovative ecosystem of supplementary social security services.

Ownership Structure and Capital

As at 31 December 2020, the sole shareholder of Modra zavarovalnica d.d. was Kapitalska družba, d.d. The share capital of the Company amounts to EUR 152,200,000 and is divided into 152,200,000 ordinary registered no par value shares. Each share represents an equal stake and an associated amount in the share capital. The share of an individual no par value share in the share capital is determined according to the number of no par shares issued.

Company's Activity

Modra zavarovalnica performs activities within the group of life insurance products pursuant to the Insurance Act and the decision issued by the Insurance Supervision Agency allowing the Company to perform insurance transactions in the following insurance segments:

- accident insurance – point 1 of paragraph 2 of Article 7 of ZZavar-1,
- life insurance – point 19 of paragraph 2 of Article 7 of ZZavar-1.

The activities of Modra zavarovalnica are laid down by the law and its Articles of Association. According to the Articles of Association and in line with its purpose, Modra zavarovalnica performs the following activities:

- 65.110 – Life insurance;
- 65.120 – Non-life insurance (only transactions within insurance types of accident and health insurance);
- 65.300 – Pension funding;
- 66.210 – Risk and damage evaluation;

- 66.220 – Activities of insurance agents and brokers;
- 66.290 – Other activities auxiliary to insurance and pension funding;
- 66.300 – Fund management activities.

Bodies of the Company

Management Board

Pursuant to the Company's Articles of Association, the Management Board comprises three members. In 2020, Modra zavarovalnica was run by the Management Board composed of:

- **Borut Jamnik**, Chairman of the Management Board, 5-year term of office starting on 29 August 2016,
- **Matija Debelak**, Member of the Management Board, 5-year term of office starting on 14 September 2016,
- **Boštjan Vovk**, Member of the Management Board, 4-year term of office starting on 1 October 2018.

The Management Board runs the Company in the best interest of the Company, independently and at its own responsibility. The Management Board represents and presents the Company without limitations. In legal transactions, the Company is represented by two Management Board members jointly, i.e. the Chairman and one member, a member with the Chairman or another member of the Management Board. The Company's Articles of Association lay down the transactions and decisions that are subject to approval by the Supervisory Board. In 2020, the Management Board executed its powers in line with the Management Board's Rules of Procedure, made regular reports to the Supervisory Board and, in line with the Articles of Association, fulfilled its obligations to the shareholder as laid down by the Companies Act.

Supervisory Board

The business policy of Modra zavarovalnica is co-developed by insured persons or their respective representatives.

The Supervisory Board comprises six members. Kapitalska družba, d.d., proposes three members of the Supervisory Board according to the procedure and in the manner defined by the general acts of the

Company. Half the Supervisory Board members were proposed by insured persons based on a public call to submit their candidate proposals. Two members were proposed by the Board of the Life-Cycle Civil Servants Pension Fund on behalf of the insured, while the third member was proposed by the Board of the Life-Cycle Pension Fund on behalf of other insured persons. In 2020, the Supervisory Board comprised the following members:

- **Branimir Štrukelj**, member of the Supervisory Board from 9 December 2016 and from 9 December 2020, Chairman of the Supervisory Board from 23 December 2019 to 22 December 2020, and Deputy Chair of the Supervisory Board as of 23 December 2020;
- **Bachtiar Djalil**, member of the Supervisory Board as of 14 January 2019, served as Deputy Chair of the Supervisory Board from 23 December 2019 to 22 December 2020 and Chairman of the Supervisory Board as of 23 December 2020;
- **Goran Bizjak**, member from 9 December 2016 to 9 December 2020;
- **Bojan Zupančič**, member from 9 December 2016 and as of 9 December 2020;
- **dr. Janez Prašnikar**, member as of 9 June 2017;
- **Roman Jerman**, member from 9 December 2019 and as of 9 December 2020;
- **Marko Cvetko**, member as of 9 December 2020.

The powers of the Supervisory Board are laid down in the Company's Articles of Association, while the method of its work is governed by the Supervisory Board's Rules of Procedure. A detailed description of the activities and the method of Supervisory Board operations in 2020 is provided in the Report of the Supervisory Board. The Audit Committee of the Supervisory Board was active in 2020; its composition and work are presented in the Supervisory Board Report.

General Meeting of Shareholders

Voting rights at the 2020 General Meeting of Shareholders were exercised by Kapitalska družba d.d. as the sole shareholder.

Report of the Supervisory Board

Report of the Supervisory Board

Pursuant to the provisions of Article 282 of the Companies Act (hereinafter referred to as: "ZGD-1"), the Supervisory Board of Modra zavarovalnica submits the following report to the General Meeting of the Company:

a) Supervisory Board's Report on the Method and Scope of Review of the Company's Management during the Financial Year

Based on the provisions of the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (hereinafter the "ZPKDPIZ") and the Company's Articles of Association. Half (3) of the Supervisory Board members are proposed by persons insured with the Company. Three Supervisory Board members represent the interests of the sole shareholder, i.e. Kapitalska družba pokojninskega in invalidskega zavarovanja d.d., and are appointed at the proposal of the latter.

The Supervisory Board operated in the following composition in 2020: Branimir Štrukelj (Chair), Bachtiar Djalil (Deputy Chair), Goran Bizjak, Roman Jerman, Dr. Janez Prašnikar and Bojan Zupančič. On 9 December 2020, the term of office of Supervisory Board member Marko Cvetko began while the term of Supervisory Board member Goran Bizjak ended.

At the 129th regular meeting of the Supervisory Board held on 12 December 2019, Branimir Štrukelj was appointed Chairman of the Supervisory Board and Bachtiar Djalil was appointed Deputy Chair of the Supervisory Board for the period from 23 December 2019 to 22 December 2020 pursuant to the provisions of the Company's Articles of Association. At the 140th meeting of the Supervisory Board held on 16 December 2020, Bachtiar Djalil was appointed Chairman of the Supervisory Board and Branimir Štrukelj was appointed Deputy Chair of the Supervisory Board for the period from 23 December 2020 to 22 December 2021.

Over the course of the 2020 financial year, the Supervisory Board met at 11 regular meetings. The members of the Supervisory Board acted independently when adopting decisions. The members attended meetings well prepared in regard to the topics discussed, put forth constructive proposals and remarks, and adopted decisions pursuant to their competences. The members of the Supervisory Board acted pursuant to the rules on professional secrecy and conduct in case of conflict of interests. Supervision over the Company's operations was carried out in line with the powers and competences, as laid down by the Companies Act and Insurance Act ("ZZavar-1") and further specified by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board.

Operations monitoring encompassed both the monitoring of the management of the Company's underlying assets and monitoring of the management and implementation of supplementary pension insurance of the pension funds managed by Modra zavarovalnica (First Pension Fund of the Republic of Slovenia (PPS), Life-Cycle Civil Servants Pension Fund (KPSJU) with three sub-funds: Dynamic Civil Servants Sub-Fund, Prudent Civil Servants Sub-Fund and Guaranteed Civil Servants Sub-Fund; and the Life-Cycle Pension Fund with three sub-funds: Dynamic Sub-Fund, Prudent Sub-Fund and Guaranteed Sub-Fund) and the disbursement of pension annuities (the guarantee fund of the First Pension Fund (KS PPS), the Modra renta I guarantee fund and the Modra renta II guarantee fund).

At its 132nd meeting held on 6 April 2020, the Supervisory Board confirmed the Annual Report of Modra zavarovalnica for the 2019 financial year, including the Auditor's Report and the Report of the Supervisory Board regarding the review of the Company's Annual Report, was briefed on the Company's annual internal audit report for 2019, the report made by a certified actuary and the annual reports of the mutual pension funds managed by Modra zavarovalnica. It also agreed to the proposal made by the Management Board regarding distributable profit. Pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD) and the Benchmarks for variable remuneration of Members of the Management Board of Modra zavarovalnica, also taking into account qualitative and quantitative criteria, the Supervisory Board assessed the work performed by the Management Board in 2019 and approved the payment of variable remuneration to Members of the Management Board.

In 2020, Supervisory Board members observed the provisions of the Company's Articles of Association and the Insurance Act when deciding on the award of consent to the Management Board to amend and supplement the policies of the Company's governance system according to the Insurance Act, performed a fit and proper assessment of the candidates for the position of Supervisory Board member of Modra zavarovalnica, d.d. and Management Board member of Modra zavarovalnica, d.d. and also performed a fit and proper assessment of the Supervisory Board and Management Board as a collective body. The Supervisory Board regularly monitored the Company's operations, discussed quarterly reports on Company operations and was kept informed of reports to the Insurance Supervision Agency based on the Insurance Act and Solvency II Directive.

In 2020, the Supervisory Board carried out the procedure for the appointment of two members of the Management Board of Modra zavarovalnica in accordance with the applicable legislation and other applicable regulations and the Company's internal acts. At its 138th meeting of the Supervisory Board held on 22 October 2020, Borut Jamnik was appointed Chairman of the Management Board for a 4-year term of office beginning on 29 August 2021, while Matija Debelak was appointed Management Board member with his term commencing on 14 September 2021.

Based on the Pension and Disability Insurance Act and the Rules of the Life-Cycle Pension Fund, the Supervisory Board members appointed board members for the Life-Cycle Pension Fund.

At its 139th meeting held on 19 November 2020, the Supervisory Board granted its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2021, to the Action Plan of the Internal Audit Department for 2021, and to the Strategic Business Plan of Modra zavarovalnica for the 2021–2023 Period.

The remuneration of Supervisory Board members complies with the General Meeting decision and is disclosed in detail in the Annual Report of Modra zavarovalnica, d. d. among other disclosures in the chapter entitled Other Disclosures.

Work of the Audit Committee of the Supervisory Board

A 3-member Audit Committee comprising Goran Bizjak (Chairman), Bojan Zupančič (member) and Dragan Martinović (independent external auditor) was a permanent operative body of the Supervisory Board in 2020 and

monitored the Company's operations and the work performed by the Management Board in the course of the financial year to aid the Supervisory Board in its decision-making process. After the expiry of the term of office of Goran Bizjak on 9 December 2020, Dr. Janez Prašnikar became the Chairman of the Audit Committee. The Audit Committee met 6 times in 2020. In its work, it observed the recommendations of the Slovenian Directors' Association for audit committees and of the Slovenian Institute of Auditors, as well as the Rules of Procedure of the Audit Committee as adopted by the Supervisory Board. The Audit Committee cooperated with the selected independent auditor in the discussion of the unaudited Annual Report of Modra zavarovalnica d.d. for 2019.

The Audit Committee also reviewed the Company's Annual Report and the Auditor's Report provided by the external auditor, and discussed the annual Action Plan of the Internal Audit Department, and the Business and Financial Plan of Modra zavarovalnica d.d. for 2021, to which the Supervisory Board gave its consent. The Audit Committee carried out an assessment of the effectiveness of its work.

The Audit Committee monitored the autonomy of the auditor of the Annual Report.

During the meetings of the Supervisory Board, the Audit Committee regularly reported about its work.

Assessment of the Work Performed by the Management Board and Supervisory Board

Based on the above-mentioned regular monitoring and supervision of the operations and management of Kapitalska družba d.d. over the course of the financial year, and based on the review of the Annual Report, which was drawn up and submitted by the Management Board, the Supervisory Board hereby assesses that the Annual Report and the disclosures contained therein give a true and fair view of the status and position of the Company. The Supervisory Board estimates that the Company's Management Board managed the Company's operations in 2020 successfully and properly, and successfully realised the set business goals. It prepared materials with quality information and in-depth discussions of all major operating categories in due time, and provided elaborate answers to subsequent questions and motions put forward by the members of the Supervisory Board. The Management Board's reports to the Supervisory Board in 2020 allowed the latter to perform its supervisory function appropriately.

b) Supervisory Board's Position on the Auditor's Report on the Audit of the Financial Statements of Modra zavarovalnica for 2020

Based on paragraph 2 of Article 282 of the Companies Act, the Supervisory Board reviewed and discussed the Auditor's Report regarding the audit of the Company's financial statements for 2020, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed its assignment in line with the law, rules on auditing, and the International Standards on Auditing. The Supervisory Board has no objections to the Auditor's Report.

c) Decision on the Confirmation of the Annual Report for 2020

Based on the provisions of Article 282 of the Companies Act, the Supervisory Board hereby confirms the Annual Report of Modra zavarovalnica for 2020. Based on paragraph 2 of Article 282 of the Companies Act, the Supervisory Board has reviewed and discussed the Auditor's Report regarding the audit of the Company's financial statements for 2020, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed its assignment in line with the law, rules on auditing, and the International Standards on Auditing. The Supervisory Board has no objections to the Auditor's Report.

d) Supervisory Board's Position on the Auditor's Report on the Results of the Audit of the Report on Related-Party Transactions

Based on paragraph 3 of Article 546.a of the Companies Act, the Supervisory Board reviewed and discussed the Auditor's Report on the results of the audit of the Report on Related-Party Transactions, as performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board has no objections to the Auditor's Report. Based on paragraph 2 of Article 282 of the Companies Act, the Supervisory Board reviewed and discussed the Auditor's Report regarding the audit of the Company's financial statements for 2020, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed its assignment in line with the law, rules on auditing, and the International Standards on Auditing. The Supervisory Board has no objections to the Auditor's Report.

e) Resolution on the Verification of the Report on Related-Party Transactions for 2020

Based on the provisions of Article 546.a of the Companies Act, the Supervisory Board reviewed the Report on Related-Party Transactions for 2020 and has no comment on the management's statement in the Report on Related-Party Transactions for 2020.

f) Proposal to the General Meeting on the Granting of a Discharge from Liability to the Management and Supervisory Boards

Based on the above-stated under points a), b), and c), and based on the provisions of Article 294 of the Companies Act, the Supervisory Board proposes that the General Meeting of Modra zavarovalnica adopt a resolution to grant a discharge to the Management Board and Supervisory Board of the Company for the work performed in the 2020 financial year, namely:

To the members of the Management Board:

- Borut Jamnik, for the period 1 January 2020 to 31 December 2020;
- Matija Debelak, MSc, for the period 1 January 2020 to 31 December 2020;
- Boštjan Vovk, for the period 1 January 2020 to 31 December 2020.

To the members of Supervisory Board:

- Branimir Štrukelj, for the period 1 January 2020 to 31 December 2020;
- Bachtiar Djalil, for the period 1 January 2020 to 31 December 2020;
- Bojan Zupančič, for the period 1 January 2020 to 31 December 2020;
- Goran Bizjak, for the period 1 January 2020 to 9 December 2020;
- Prof. Dr Janez Prašnikar, for the period 1 January 2020 to 31 December 2020;
- Roman Jerman, for the period 1 January 2020 to 31 December 2020;
- Marko Cvetko, for the period 9 December 2020 to 31 December 2020.

Bachtiar Djalil



Chairman of the Supervisory Board

In Ljubljana, 6 April 2021

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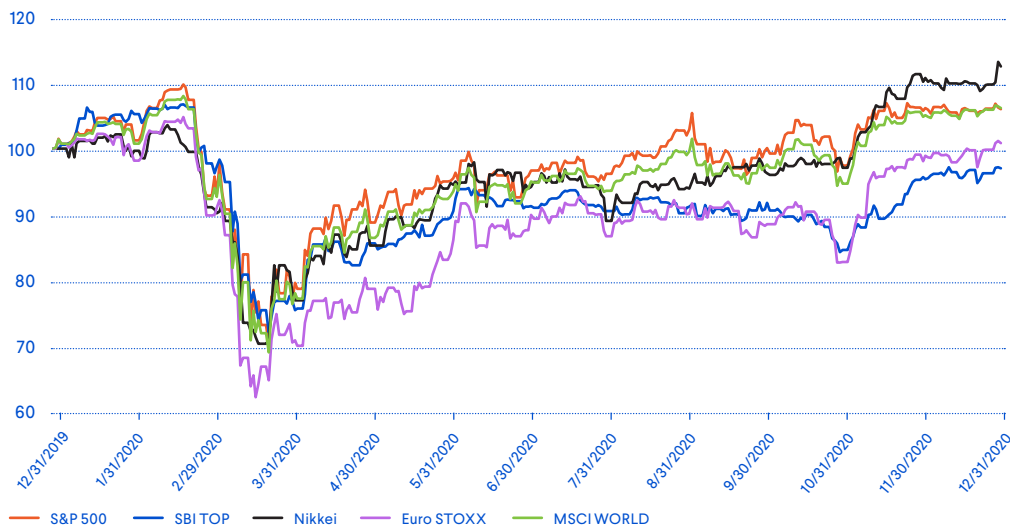
Business Environment

Economic Environment in Slovenia

In 2020, the GDP in current prices amounted to EUR 46,297 million according to initial estimates, a nominal decrease of 4.3% over 2019. The GDP grew by 5.5% in real terms. The biggest impact on the drop in GDP came from the decrease in final consumption, mainly household consumption. The drop in foreign trade was also significant, whereby imports declined more than exports meaning that the foreign trade balance increased.

The number of people in the workforce was 891,227 in December of 2020. The registered unemployment rate was 8.9% in December 2020, up 0.7 percentage points compared January 2020. The average monthly gross wage in December of 2020 was EUR 2,021, up 11.9% compared to January 2020.

Figure 1: Comparison of changes in the SBI TOP Slovenian stock index and selected foreign stock indices in the January–December 2020 period in euros (Index: 31 December 2019 = 100)



Trends on Financial Markets

Money Market

The interbank reference rate in the Eurozone, the 6-month EURIBOR, decreased from -0.324% to -0.562% in 2020. The yield to maturity (YTM) of the 10Y German Bund decreased in 2020, from -0.188 to -0.572%, while the YTM of the Slovenian 10Y government bond decreased from -0.267 to 0.187%.

Foreign Exchange Rates

The EUR/USD rate in 2020 declined by 8.9%. In 2020, the USD was 1.9% less expensive on average in euro terms than in 2019. The USD exchange rates were most affected by the expectations about the future interest rate developments, the US presidential elections and the epidemiological conditions as well as the measures to curb the spread of the epidemic on both sides of the Atlantic.

Debt Market

The prices of both government and corporate bonds increased significantly in 2020. The European government bond index (IBOXX Euro Sovereign Overall Total Return Index) gained 5% in this period, while the corporate bond index (IBOXX Euro Corporates Overall Total Return Index) gained 2.7%. Bond price movements were affected mainly by the monetary policy, fiscal incentives to companies and the epidemiological situation.

Equity Market

In 2020, the value of the MSCI global stock index grew by 6.5% (measured in €). The highest returns in this period were recorded by the Nikkei (11.6%), followed by the S&P 500 (growth of 6.8%) and the European Euro STOXX index (growth of 0.2%). Slovenian stocks measured by the SBI TOP index lost 2.7%.

Figure 2: Comparison of changes in the yield to maturity (YTM) of the 10-year German Bund, the Slovenian government bond and the 6-month EURIBOR in the January–December 2020 period (in %)



Going from strength to strength, we are realising our vision of providing additional social security, while recognising that changes are a driving force of development. We have built solid foundations to help us face a difficult environment. Our main competitive advantages are financial strength, savings safety, and a competent team.



Operations in 2020

Financial Result and Financial Position

In 2020, Modra zavarovalnica generated EUR 72.9 million in premium income and other technical income. Most of the said income is income from guarantee fund premiums, while the remainder is represented by income from the management of mutual pension and guarantee funds. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 111 million in the reporting period, not taking into account transfers between funds or sub-funds, and increased by 4% compared to 2019.

In 2020, expenses for claims including expenses arising from the annuities paid reached EUR 30.1 million, while other technical charges amounted to EUR 6.6 million, whereby EUR 5.3 million is represented by provisions for the liability adequacy test. Changes in technical provisions represent an expense due to increased mathematical provisions deriving from the pension annuity insurance sold in 2020. Operating costs include the costs of labour, services, material, amortisation/ depreciation and the like. Profit or loss from investment activities recognised in profit or loss reached EUR 11.6 million in 2020. The profit or loss from investment activities recognised in other comprehensive income was positive in the year.

Table 1: Financial result of Modra zavarovalnica

in EUR

Item	2020	2019
Premium income and other technical income	72,920,494	65,650,888
Expenses for claims and other technical charges	-36,774,002	-25,959,455
Change in technical provisions	-36,786,633	-33,315,899
Operating costs	-6,991,348	-6,916,018
Profit or loss from investment activities recognised in profit or loss	11,596,645	15,337,130
Other net income/expenses	72,153	-80,084
Profit or loss before tax	4,037,308	14,716,562
Income Tax	-56,197	-2,474,847
Net profit or loss	3,981,111	12,241,715
Profit or loss recognised in equity	994,594	24,397,950
Total comprehensive income	4,975,705	36,639,665

Table 2: Financial position of Modra zavarovalnica

in EUR

Item	31 December 2020	31 December 2019
Financial assets	566,443,891	523,915,886
Other assets	6,970,556	6,863,956
Total assets	573,414,447	530,779,842
Technical provisions	260,225,821	223,389,538
Other provisions	16,548,727	12,180,626
Other liabilities	22,426,861	25,972,345
Equity	274,213,038	269,237,333
Total equity and liabilities	573,414,447	530,779,842
Off-balance sheet items	1,268,619,686	1,190,362,967

The largest share of Modra zavarovalnica assets are financial assets, which reached EUR 566.4 million at the end of 2020, while technical provisions for annuity insurance account for the largest share of liabilities alongside equity. The bulk of off-balance sheet items is the sum total of the assets of the mutual pension funds managed by Modra zavarovalnica. The Company's solvency position is presented in detail in the chapter dealing with risk management.

Effect of the COVID-19 Pandemic on Operations

Effect on the Financial Result

Modra zavarovalnica did not observe any major impact of COVID-19 on its financial result. The operations of the Company and the funds did feel a direct effect on trends on capital markets in the form of fluctuating financial results and profits during the year, however, the result from investments of own funds of the Company and the funds it manages was positive.

2020 began optimistically, but it became clear in early Spring that the pandemic would have a strong impact on economic activity. It changed our habits and way of life. The euro denominated MSCI stock index lost nearly 34% of its value from the local top in February, which happened in a span of just a few weeks. The rapid intervention of monetary authorities had a major effect on the recovery of markets as the year continued. In 2020, the value of the euro denominated MSCI global stock index grew by 6.5%. The European government bond index gained 5%, while the corporate bond index gained 2.7%.

Business Continuity

The Company was well prepared for the introduction of work from home as a result of the changed conditions for operations taking into account the strictest standards for the protection of personal data and care for a safe working environment. Internal controls were not abandoned in the remote implementation of processes and proceeded as usual and in the same scope as is the case with the work performed at the Company registered office. Risks relating to IT security and employee health were successfully managed and business continuity was ensured.

As part of the business continuity management process, the Company adopted relevant acts in previous years that ensure its business continuity in emergency situations. These include: Business Continuity Policy, Business Continuity Plan, Rules on Post-Catastrophe Recovery, Incident Response Plan – Crisis Plan and plans for the recovery of individual resources required for the company's operations (HR, system, application resources, internal providers, communication and other resources). Measures defined in the Business Continuity Plan are regularly tested as a basis for the adoption of additional measures to mitigate the risk of business disruption.

Upon the start of the epidemic in March 2020, the Company performed an in-depth review of the existing measures and the prescribed method of business process implementation in crisis conditions. In line with the adopted systemic measures at the State-level, we adopted further measures to additionally mitigate the risk of HR shortages and adapt to the implementation of business processes in the new conditions. The more important measures includes the appointment of a coordination group, additional technical equipment for employees, assurance of formal legal and technical options for work from home, setup of centralised document printing, call centre forwarding to the agents' mobile phones, adoption of preventive measures to mitigate the risk of infection, setup of a special webpage to provide information to employees and regular concurrent notification of members/the insured.

Changes in Operations

We estimate that COVID-19 did not have any major impact on the Company's operations as we ensured digital accessibility in accordance with the trends and customers' needs even before the epidemic.

Owing to the conditions, we suspended personal visits by members and employers during the epidemic and we moved communication to digital channels as far as possible. Consultants at the contact centre and key account managers were available to them at all times via telephone. We intensively encouraged registration and more frequent use of e.Modra and thus ensured uninterrupted communication and 24 hour a day access during the period of limited social contact. We provide new customers with the option of concluding savings contract online (the process is completed with communication via regular mail), and we also introduced electronic document signing. Payout request processing and payment are proceeding without interruption as is the payment of pension annuities.

Mutual Pension Fund Management

Market and Competition

Supplementary pension insurance was offered by eight providers on the Slovenian market in 2020. Three providers (Banka Intesa Sanpaolo, Generali zavarovalnica and Modra zavarovalnica) managed four mutual pension funds, while three pension companies (Pokojninska družba A, Triglav, pokojninska družba, and Sava pokojninska družba) and two insurance companies (Prva osebna zavarovalnica and Zavarovalnica Triglav) provide pension insurance in the form of a group of guarantee funds. In addition to a mutual pension fund, the Company also manages the AS pension insurance, which is a group of guarantee funds. All pension funds pursue the life-cycle policy, which provides the option to choose an investment policy and potentially higher yields and, hence, more funds saved for supplementary pension.

Following a significant drop in stock prices in March 2020 and extensive uncertainty about the recovery of financial markets, 2020 nevertheless ended on a positive note. The value of stock and bond indices rose in the period which was reflected in the positive pension fund returns.

Figure 3: Comparison of 12-month return rates of domestic pension funds pursuing a guaranteed rate investment policy

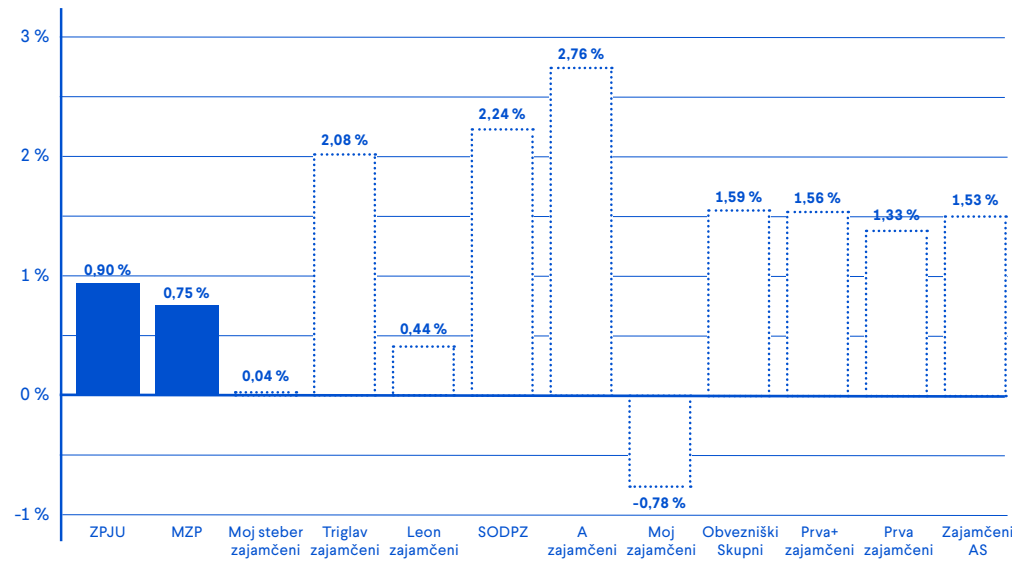


Figure 4: Comparison of 12-month return rates of domestic pension funds pursuing a balanced investment policy

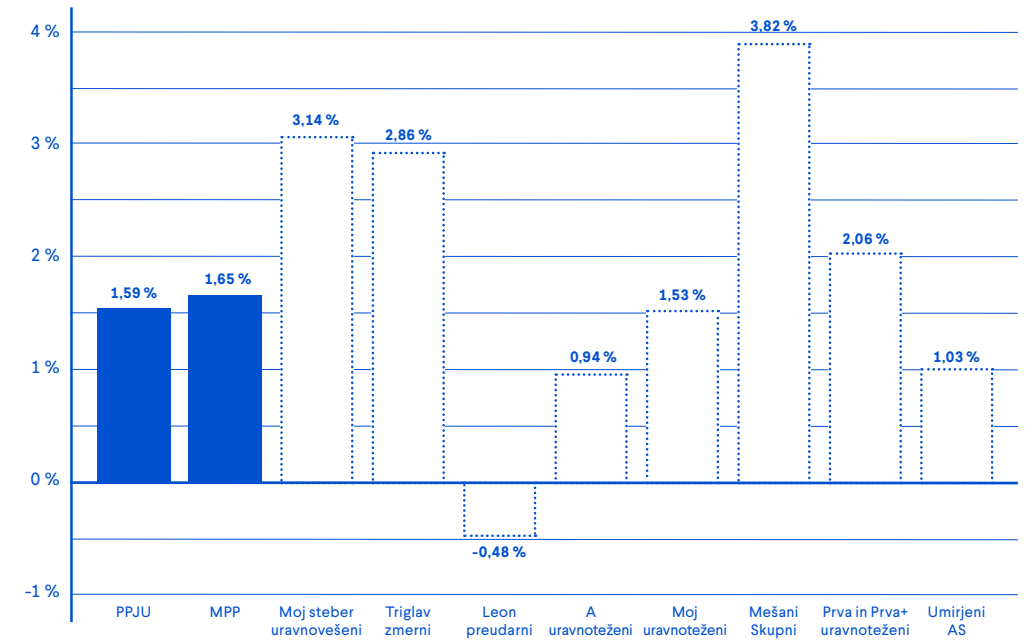
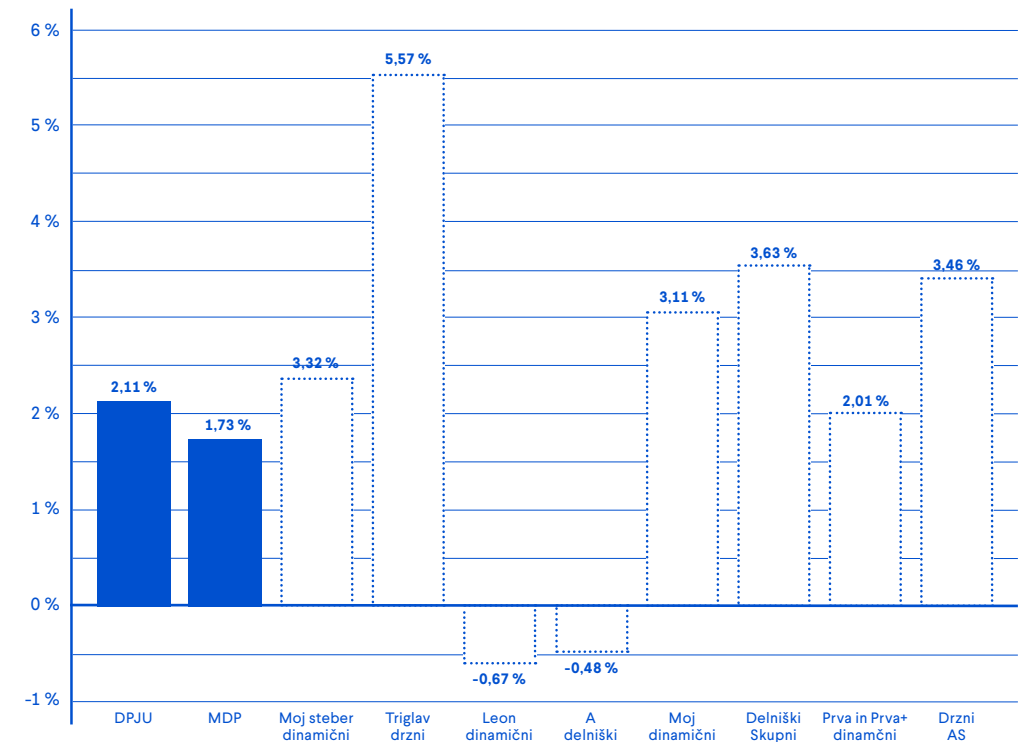


Figure 5: Comparison of 12-month return rates of domestic pension funds pursuing a dynamic investment policy



Mutual Pension Funds Under Management

Modra zavarovalnica is the largest provider of supplementary pension insurance in Slovenia and the main provider of old-age saving schemes within the scope of the second pension pillar. In December 2020, over 294 thousand individuals as well as the PPS policyholders saved in its mutual pension funds and the assets collected totalled nearly EUR 1.3 billion. Total supplementary pension insurance premium paid in, excluding asset transfers between the sub-funds, reached EUR 111 million in 2020.

Modra zavarovalnica manages three mutual pension funds that are run and disclosed as separate assets owned by the members of a particular fund:

- **Life-Cycle Civil Servants Pension Fund (KPSJU);**
- **Life-Cycle Pension Fund (MKPS) and**
- **First Pension Fund of the Republic of Slovenia (PPS) which was formed according to a special act through the exchange of pension vouchers.**

Table 3: Data on mutual pension funds managed by Modra zavarovalnica as at 31 December 2020

Fund	No. of members/ persons insured	No. of employers/ premium payers	Assets under management (in millions of EUR)
KPSJU	240,541	1,861	941.3
MKPS	36,492	397	308.9
PPS	17,192	0	16.2
Total	294,225	2,258	1,266.3

In the event that the actual net value of pension fund assets in an accounting period falls below the guaranteed value of the fund's assets, Modra zavarovalnica is obliged pursuant to Article 313 of ZPIZ-2 to form provisions for failing to achieve the guaranteed rate that are debited to equity and are equal to the sum total of all deficits in the value of a member's assets up to the guaranteed value of a member's assets. At the end of 2020, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed rate of return on mutual pension funds amounting to EUR 7,167,089, whereby almost all of these relate to the PPS fund.

Life-Cycle Civil Servants Pension Fund

The Life-Cycle Civil Servants Pension Fund (KPSJU) pursues a life-cycle investment policy and comprises three different sub-funds:

- **Dynamic Civil Servants Sub-Fund (DPJU)** is intended for young savers aged up to 50 years of age and pursues a higher risk investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- **The Prudent Civil Servants Sub-Fund (PPJU)** is intended for savers aged between 50 and 60 years of age and pursues a balanced investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- **The Guaranteed Civil Servants Sub-Fund (ZPJU)** is intended for the oldest savers aged over 60. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

The Life-Cycle Civil Servants Pension Fund (KPSJU) is a fund intended exclusively for civil servants. It provides them with the right to a supplementary old-age pension or other rights stipulated in the pension scheme. In addition to the premiums paid into the fund by employers, premiums can also be paid in by civil servants themselves, thus ensuring a higher supplementary pension and allowing them to claim a tax allowance.

Newly employed civil servants who join a sub fund subject to their age, unless they decided otherwise themselves, while members who saved in accordance with the guaranteed return policy upon the merger in the beginning of 2017 decided by themselves depending on their age whether to transition to a higher risk investments policy.

As the manager of KPSJU based on the KPSJU Rules, Modra zavarovalnica is entitled to an entry fee and management fee. Entry fees are calculated as a percentage of the paid-in premium amounted to 0.5% in 2020. The annual fee for the management of the KPSJU fund amounts to 0.5% of the average NAV of the KPSJU. All other direct operating costs of the fund are charged to the Company.

KPSJU is the largest Slovenian pension fund, both as regards the number of savers and the volume of the funds collected. At the end of 2020, 240,541 savers were included in it, with their funds amounting to EUR 941.3 million.

Life-Cycle Pension Fund

The Life-Cycle Pension Fund (MKPS) is an open-ended mutual pension fund intended for the implementation of supplementary pension insurance schemes. All persons in employment included in compulsory pension insurance can pay into this fund. The PNMZ K Pension Scheme for collective supplementary insurance is open to insured persons via their employer, just like the individual PNMZ P Pension Scheme, which is intended for individuals.

MKPS comprises three sub-funds that are established as separate assets, whereby each sub-fund is characterised by its own investment goal and investment policy and is intended for a target age group of members.

- **The Dynamic Sub-Fund (MDP)** is intended for younger savers aged up to 50 and pursues a more risky investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- **The Prudent Sub-Fund (MPP)** is intended for savers aged 50 to 60 years of age and pursues a prudent investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- **The Guaranteed Sub-Fund (MZP)** is intended for savers older than 60 years of age and pursues a guaranteed return investment policy. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

As the MKPS manager and based on the detailed MKPS Rules, Modra zavarovalnica is entitled to an entry fee and management fee, which are paid from the fund's assets. Entry fees are calculated as a percentage of the paid-in premium upon its payment and are remitted to the manager's account; in 2020, they amounted to 3%. The annual fee for the management of the MKPS amounted to 1% of the average net value of assets of an individual sub-fund.

At the end of 2020, 36,492 savers were included in it, with their assets amounting to EUR 308.9 million.

First Pension Fund of the Republic of Slovenia

PPS is a pension fund that obtained its assets through the exchange for pension vouchers. Since 1 January 2003, PPS has been a closed-ended mutual pension fund and further payments or enrolment in the fund have not been possible. Since August 2004, the funds collected by all members aged 60 or over, have been transferred to KS PPS, which is intended for the disbursement of supplementary pension annuities. If a member of PPS dies before acquiring the right to a pension annuity, the right to the payment of the surrender value of their policy is granted to their heirs.

Modra zavarovalnica is entitled to an annual fee for the management of PPS, which amounted to 1% of the average annual NAV in 2020, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

At the end of 2020, 17,192 savers were included in it, with their funds amounting to EUR 16.2 million.

Financial Assets of Modra zavarovalnica

The financial assets of Modra zavarovalnica include the financial assets of guarantee funds and the Company's own assets under the following items of the statement of financial position:

- **investments in Group companies and associates** (item F);
- **investments** (item G.b);
- **cash and cash equivalents** (item M).

Table 4: Company's financial assets as at 31 December 2020

in EUR

Item	Own financial assets	KS PPS assets	KS MR assets	KS MR II assets	Total
Investments in Group companies and associates	34,970,284	0	0	0	34,970,284
Investments	266,340,916	97,549,903	13,591,027	151,631,918	529,113,764
Cash and cash equivalents	1,775,329	262,321	79,847	242,346	2,359,843
Total	303,086,529	97,812,224	13,670,874	151,874,264	566,443,891

Management of guarantee funds for the disbursement of pension annuities

Modra zavarovalnica is the largest payer of supplementary pensions/pension annuities in the Republic of Slovenia, and in 2020 managed three guarantee funds for the disbursement of pension annuities, which are managed separately:

- **Modra Renta guarantee fund (KS MR)**, which collected insurance premiums between December 2011 and December 2015;
- **Modra Renta II guarantee fund (KS MR II)**, which was established on 1 January 2016 based on ZPIZ-2; since January 2016, funds are paid in this fund only and no longer in the Modra Renta guarantee fund, while annuities are disbursed from both funds;
- **Guarantee fund of the First Pension Fund (KS PPS)**, which has been used since August 2004 to disburse supplementary pension annuities deriving from the exchanged pension vouchers to all persons who have reached the age of 60.

Pursuant to the provisions of ZZavar-1, KS MR II and KS PPS funds are registered as ring-fenced funds.

In 2020, Modra zavarovalnica paid a sum of EUR 30.1 million for supplementary pensions to 32,602 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra Renta" and "Modra Renta II" annuities) was received by 22,683 insured persons, while 9,919 insured persons received annuities deriving from supplementary pension insurance in the First Pension Fund (exchange for pension vouchers).

Table 5: Basic information on Modra zavarovalnica guarantee funds

Guarantee fund	No. of annuity recipients at the end of 2020	Assets under management (in EUR million)	Expenses for annuities (in EUR million)
KS MR	7,114	14.3	2.9
KS MR II	15,569	154.0	20.6
KS PPS	9,919	98.0	6.6
Total	32,602	266.2	30.1

Modra renta Guarantee Fund

The KS MR represents separate assets intended for the disbursement of pension annuities to savers under supplementary pension insurance schemes who have exercised their right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute.

Payments in KS MR had been collected until the end of 2015 and, since 2016, KS MR has merely made disbursements of lifetime pension annuities. Upon taking out annuity pension insurance, each individual was able to select one of the forms of lifetime annuities, thereby exercising their right to a supplementary old-age pension.

As at 31 December 2020, the fund's assets amounted to EUR 14.3 million. Most of these assets are comprised of bonds, which account for 94% of total assets.

Table 6: Assets of the KS MR

in EUR

Assets	31 December 2020	31 December 2019
Bonds	13,413,800	15,284,248
Investment coupons	78,792	367,778
Commercial papers	98,436	495,894
Investment receivables	0	90,837
Cash	79,846	95,821
Receivables	580,671	476,011
Total	14,251,545	16,810,589

At the end of 2020, 35% of the assets of the KS MR were invested in the Republic of Slovenia and 65% of all assets were held in investments of foreign issuers.

Modra Renta II Guarantee Fund

The KS MR II represents separate assets intended for the disbursement of pension annuities to savers under supplementary pension insurance schemes who have exercised their right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute.

Upon taking out annuity pension insurance, each person insured may select one of the forms of lifetime pension annuities, thereby exercising their right to a supplementary old-age pension

Modra zavarovalnica provides a diverse selection of different pension annuity forms to retired savers:

- **Lifetime Modra renta:** this is a supplementary pension without a guaranteed period of disbursement that is disbursed to the end of one's life. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of funds collected. An individual disbursement may not be lower than EUR 30.
- **Lifetime Modra renta with a guaranteed disbursement period:** this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years. It is until an insured person's death or at least until the expiry of the selected guaranteed period of disbursement. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of the funds collected. An individual disbursement may not be lower than EUR 30.
- **Lifetime Modra renta with accelerated disbursement:** this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years, whereby the majority of the funds saved are drawn in the selected guaranteed period of disbursement, after which an amount not lower than EUR 30 is disbursed monthly (quarterly, semi-annually or annually) until the end of life.
- **Lifetime Modra renta with accelerated disbursement 2/1:** this is a supplementary pension with accelerated disbursements in a guaranteed period of 1 to 20 years, whereby the high monthly pension annuity in the accelerated period does not exceed twice the amount of the lifetime pension annuity after the expiry of the accelerated period.

From the start of operations of the KS MR II in 2016 until 31 December 2020, the right to supplementary old-age pension was exercised by 15,569 members with collected funds amounting to EUR 188.7 million who decided to receive the selected monthly pension annuity. Most insured persons opted for accelerated disbursement of annuities.

Table 7: Number of new members and amount of payments in KS MR II in 2020

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	628	8.4
KPSJU	3,412	29.3
Pension funds by other managers	670	18.9
Total	4,710	56.6

The amount of one's pension annuity depends on the supplementary pension insurance funds collected, the technical interest rate, unisex life expectancy tables, date of birth, age upon the effective date of annuity insurance and the cost of annuity payments. The average age of annuity recipients is 62 years, and 61% of all annuity recipients are female.

As at 31 December 2020, KS MR II held 15,569 insurance policies.

As at 31 December 2020, the fund's assets amounted to EUR 154.0 million. Most of these assets are represented by bonds, which account for 57% of total assets, and investment coupons which account for 33% of total assets.

Table 8: Assets of the KS MR II

in EUR

Assets	31 December 2020	31 December 2019
Bonds	87,135,145	68,237,654
Investment coupons	50,351,781	31,619,598
Commercial papers	2,863,413	2,767,801
Treasury bills	1,896,858	1,390,251
Deposits and investment receivables	9,459,722	7,591,444
Cash	167,346	1,643,922
Receivables	2,078,261	2,836,435
Total	153,952,526	116,087,105

At the end of 2020, 19% of the assets of the KS MR II were invested in the Republic of Slovenia and 81% of all assets were held in investments of foreign issuers.

Guarantee Fund of the First Pension Fund

KS PPS constitutes separate assets and was established on 13 July 2004 for all insured persons aged 60 or more, thereby obtaining the right to annuity. Upon obtaining the right to annuity, each person insured selects the corresponding form of pension annuity, based on an indicative calculation. Insured persons having 2,000 points or less can receive their pension annuity in a one-off amount. Insured persons having 2,000 points on their insurance policy can choose between a lifetime pension annuity and a lifetime pension annuity with a guaranteed disbursement period. Insured persons having between 2,000 and 5,000 points can also receive their pension annuity once a year. The guaranteed payout period is set at 5, 10 or 15 years. If an insured person dies during the guaranteed payout period, the pension annuity is paid out to their beneficiaries or heirs until the expiry of the guaranteed payout period.

Insured persons receiving the KS PPS pension annuity are entitled to the surplus rate of return of the annuity fund over the guaranteed rate of return, pursuant to the General Terms and Conditions of Supplementary Pension Insurance in the First Pension Fund of the Republic of Slovenia – exchange for pension vouchers. The share of the surplus intended for a permanent annuity

increase is identified once a year by the manager's Management Board. In 2020, the surplus return amounting to EUR 1,624,687 was allocated to a permanent annuity increase. All insured persons or, rather, recipients of KS PPS pension annuities who took out insurance in the form of a monthly or annual annuity by December 2019 received higher annuities in April. The disbursement of increased annuities made in April also included a settlement for the period between January and April 2020.

In 2020, the right to a pension annuity was acquired by 1,219 insured persons aged 60 or more who paid in a total of EUR 2.7 million into the KS PPS for their supplementary pensions.

As at 31 December 2020, the fund's assets amounted to EUR 98.0 million.

Most of these assets are represented by bonds, which account for 72% of total assets, and stocks which account for 18% of total assets.

Table 9: Assets of the KS PPS

in EUR

Assets	31 December 2020	31 December 2019
Bonds	70,492,425	74,378,574
Stocks	17,239,780	17,307,416
Investment coupons	8,728,308	5,365,579
Commercial papers	590,617	592,722
Deposits and investment receivables	498,773	996,927
Cash	262,321	703,209
Receivables	198,535	379
Total	98,010,759	99,344,806

At the end of 2020, 47% of KS PPS assets were invested in investments of domestic issuers, while 53% of all assets were invested in the investments of foreign issuers.

Management of Own Financial Assets

The Company's own financial assets amounted to EUR 303.1 million at the end of December 2020. The biggest share is taken up by the portfolio of equity investments and the portfolio of investments into debt securities, which are followed by the portfolio of non-portfolio equity investments.

Table 10: Own financial assets of Modra zavarovalnica

in EUR

Assets	31 December 2020	31 December 2019
Portfolio equity investments	175,414,271	159,164,342
Non-portfolio equity investments	49,419,556	49,375,563
Portfolio debt security investments	76,477,373	81,238,864
Cash	1,775,329	5,207,444
Total	303,086,529	294,986,212

Portfolio Equity Investments

Composition of portfolio equity investments roughly follows the composition of the global stock index (MSCI). This ensures high diversification of investments and cost-effective management. Most of the diversification has been achieved by investing in funds that track benchmark indexes, while active deviation from the benchmark is achieved through direct investments in individual shares.

Table 11: Portfolio equity investments

in EUR

Assets	31 December 2020	31 December 2019
Stocks	35,648,955	36,088,617
Foreign stocks	35,648,955	36,088,617
Investment funds	139,765,316	123,075,725
Domestic investment funds	5,186,923	4,838,844
Foreign investment funds	134,578,393	118,236,881
Total	175,414,271	159,164,342

At the end of December 2020, the equity investment portfolio was most exposed to the IT sector, followed by finance and healthcare. In terms of FX exposure, the portfolio's greatest exposure was to the US dollar and the euro. More than half of the mentioned portfolio is invested in the equities of US issuers and slightly less than a third in investments of European issuers. The remainder is accounted for by investments in issuers from developed Asian countries and issuers from developing economies.

Non-Portfolio Equity Investments

As at 31 December 2020, Modra zavarovalnica owned stocks or interests in Cinkarna Celje, d.d., Pozavarovalnica Sava, d.d., Delavska hranilnica, d. d., and Hotelske nepremičnine, d.o.o among its equity investments. Owing to the size of the equity interest, these investments are managed more actively. The total value of these investments at the end of 2020 amounted to EUR 49.4 million.

Portfolio Debt Security Investments

Table 12: Debt security investments

in EUR

Assets	31 December 2020	31 December 2019
Bonds	60,530,380	63,154,541
Government bonds	26,587,822	27,129,400
Corporate bonds	33,942,558	36,025,141
Treasury bills	2,009,400	1,598,704
Deposits and investment receivables	13,937,593	16,485,619
Total	76,477,373	81,238,864

The value of the government bond portfolio of Modra zavarovalnica amounted to EUR 26.6 million as at 31 December 2019. The portfolio mostly comprises government bonds of countries within the euro area. Most bonds are denominated in euros, with a minor share in US dollar. More than 40% of the portfolio is represented by the government bonds of the Republic of Slovenia, while bonds of developing countries account for 15%. The average maturity of the portfolio is 6.6 years and the average rating is A. The majority of the bonds have a fixed coupon interest rate.

Among corporate bonds, bonds from countries from the euro area prevail. The value of the corporate bond portfolio at the end of December 2020 amounted to EUR 33.9 million. All bonds are denominated in euros. The majority of the bonds have a fixed coupon interest rate. Most issuers come from the finance, energy and pharmaceutical industries. The average maturity of the portfolio is 3.2 years and the average rating is BBB.

Deposits are placed exclusively with domestic banks; investment receivables are disclosed as due from Slovenian issuers. The treasury bill is from the euro area.

Cash

At the end of December 2020, Modra zavarovalnica disclosed EUR 1.77 million of cash and cash equivalents among its financial assets.

Asset management in times of crisis takes extra effort. However, despite the considerable uncertainty, fear, and sleepless nights, the end result is positive. Our close-knit and experienced team has been a crucial factor in this. 2020 was another important experience for them.



Marketing Activities

By overhauling the marketing approach, improving the user experience and digitising processes, we pursue the strategic guidance of leading competence in the area of supplementary social security. We provide users with adjusted access to online services and ensure electronic management of all changes associated with savings or insurance at Modra zavarovalnica.

Owing to the declared epidemic in 2020, we adjusted operations and suspended personal visits by members and employers and we limited communication mostly to digital channels. Consultants at the contact centre and key account managers were available to them at all times via telephone and digital channels. We provided both employers and employees with the option of conducting presentations, consultations and meetings remotely. The e.Modra.si online service offers the monitoring of payments and savings, provisional calculations of the tax relief and annuities, arrangement of pension insurance with additional individual payments and premium amount adjustment, change of sub-funds and investment policy, designation of beneficiaries and editing of personal data. Anyone not using a digital signature has the option of using form that can be filled in, printed, signed and scanned via the e.Modra.si secure online service.

We additionally informed members in 2020 on the advantages of online access, encouraged them to register for and use e.Modra.si more frequently, and we recorded a significant growth of users. We intensively performed marketing campaign tests in order to identify the most effective communication approach. We included our most successful communication approaches into ordinary work processes and increased both the extent of online service usage and the sale of products. In addition to different visual communication approaches, we additionally checked the response to the offer of other insurance products. We added individual insurance in case of accidental death and legal

protection insurance of the ARAG insurance company to our offer. We offer companies certain collective products of Triglav zdravstvena zavarovalnica supplementary health insurance. We also offered the insured the option of an advance payment or advance payout of annuities, to which the insured are entitled during the guaranteed period, when they conclude annuity pension insurance based on a new pension plan for the payment of pension annuities.

By presenting social security products in a straightforward and understandable manner, we strive to raise the level of understanding and trust as well as position the Company as the main specialist in the area of social security in all stages of life. By adding communication content and channels we are building comprehensive consideration of customers and communication with them, while we raise their level of satisfaction and loyalty by improving the user experience. Customer satisfaction is one of the strategic goals of the Company, which is why we upgrade customer satisfaction processes, while we include their responses and opinions into the development and upgrading of the offer. Customers who get in touch with the contact centre are satisfied with the services as they rates us with 4.85 out of 5 in 2020 which is more than in 2019.

We conducted marketing activities to support the regular annual notification of pension fund members, promote the use of the online portal, increase visitation of the website, and we promoted electronic contract conclusion through online advertising and keyword buying. We designed the content and layout of the newsletters for e.Modra users and subscribers to the news offered on the website. They are intended for the regular notification on the work and activities of the Company, education, financial literacy improvement, collecting proposals and initiatives, and responding to the most frequently asked questions. We improve the recognisability of the Company by publishing professional articles in specialised media, by supporting and participating in the events of Moje finance (financial literacy

improvement, best pension funds, financial guide) and moderating the Med.over.net forum – the supplementary pension insurance section. We designed and recorded video presentations which merge the description of the Company's vision, presentation of its products and services as well as key activities for the users. Explainer videos on savings and supplementary pension insurance, a glossary of savings terminology and a simple tool for improved understanding of the area of saving all serve to educate online visitors and encourage them to plan their own social security.

In all of our marketing activities, we devote special attention to compliance with the laws and other regulations governing consumer protection. Before contract conclusion, we provide quality and clear information on insurance and continuously improve the rules and transparency of our work. Modra zavarovalnica as one of the largest data processor ensures the highest level of security and confidentiality of personal and other data of our customers. Regular employee training and monitoring of good practices ensure the flow of knowledge and competence of our employees.

We completed the year 2020 with the traditional marketing campaign "No entry fees" and achieved a remarkable result as the premium paid increased by 21% compared to 2019. Constant presence and availability for our members (even during the epidemic) raise both the level of knowledge about a product and the trust placed in Modra zavarovalnica as the main provider of supplementary pension insurance in Slovenia.

We are always open to our employees' suggestions and are happy to implement them. This is our approach to strengthening the connection and trust within the company – important foundations for maintaining good working relationships and realising Modra's mission.



Risk Management

In line with the adopted capital management policy, Modra zavarovalnica ensures security and profitability of operations as well as a high level of stakeholder confidence. The objectives we pursue are efficient allocation of available capital for the assurance of the security of savers' savings and long-term and stable returns on the investment of the owner of Modra zavarovalnica based on predetermined dividend policy criteria and taking into account the interests of the remaining stakeholders and regulatory restrictions.

The key conditions for the achievement of the mentioned objectives are recognisability, measurement, monitoring and management of assumed and potential risks as well as continuous own risk and solvency assessment. Comprehensive risk management enables regular measurement and monitoring of the amount, returns and consumption of capital.

Modra zavarovalnica measures risk and monitors capital adequacy using the methods that comply with the standard formula according to Solvency II, i.e. based on market valuation. In order to ensure long-term target capital adequacy, the Company regularly performs the ORSA by way of which it determines the ongoing and expected capital requirements and defines the appropriate capital management measures. The ORSA carried out in 2020 shows that the Company has adequate capital available to cover all risks it assumes in its operations.

The target capital adequacy (solvency ratio), which is defined as the ratio between the Company's eligible own funds and the total capital requirement, is set at 150%.

The risk profile of Modra zavarovalnica remains largely unchanged compared to the situation at the end of 2019. Changes in exposure arise mainly from the favourable changes on the capital markets. As regards market risk, it was mainly the capital requirements under equity risk that increased as a

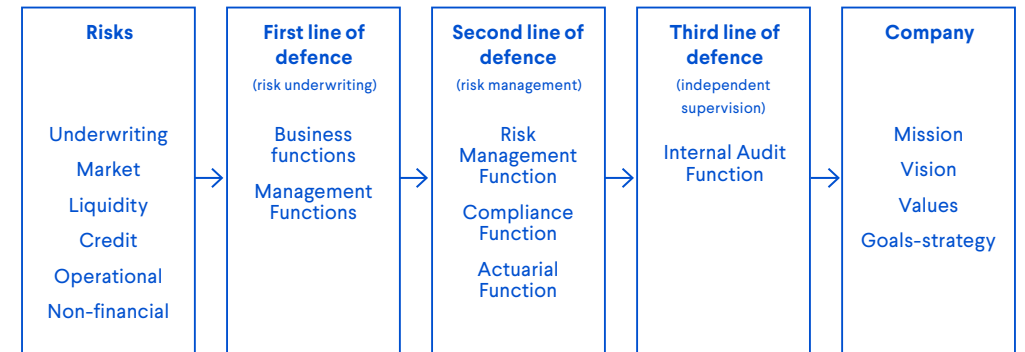
result of favourable market conditions. The Company conducted the ORSA only once in 2020 as there were no major deviations in the risk profile during the course of the year. However, the Company reported on liquidity and capital requirements on a weekly and monthly basis according to the regulator's requirements resulting from the COVID-19 epidemic.

Risk Management System

The Company devotes special attention to the comprehensive risk management system that ensures the realisation of strategic goals. Our risk management system is clear, transparent and documented. It allows us to identify all important risks on time, and also encompasses processes that enable effective management of individual risk types.

The ORSA process is strongly tied to the quality of the entire risk management system. The main purpose of the ORSA process is for the Company to prepare (on the Company level) own assessments of risks arising from operations that affect its current and future capital requirements. The mentioned assessments represent the basis for deciding on the application of particular risk and capital management strategies. A part of the process that is the basis for strategic decision-making is the study of the stability of the Company's capital adequacy subject to select scenarios. The risk management system at the Company is based on the three lines of defence model. The first line of defence is represented by the Company's Management Board and the business functions, which actively manage business specific operational risks through their business decisions and are primarily responsible for risk identification, underwriting and reporting. The second line of defence is represented by business functions and decision-making bodies forming the risk management system, which includes exposure identification, measurement and monitoring procedures as well as the exposure limit system.

Figure 6: Three levels of risk management



The third line of defence includes the internal audit function which executes and is in charge of the processes and activities associated with regular reviews of the effectiveness of the internal control environment in individual functional areas as well as the effectiveness of the risk management system.

The risk management system encompasses a continuous process involving:

- the development of a risk management strategy supported by policies and procedures;
- risk measurement, monitoring and management;
- regular reporting to the Company's Management Board and Supervisory Board;
- review and improvement of the risk management system.

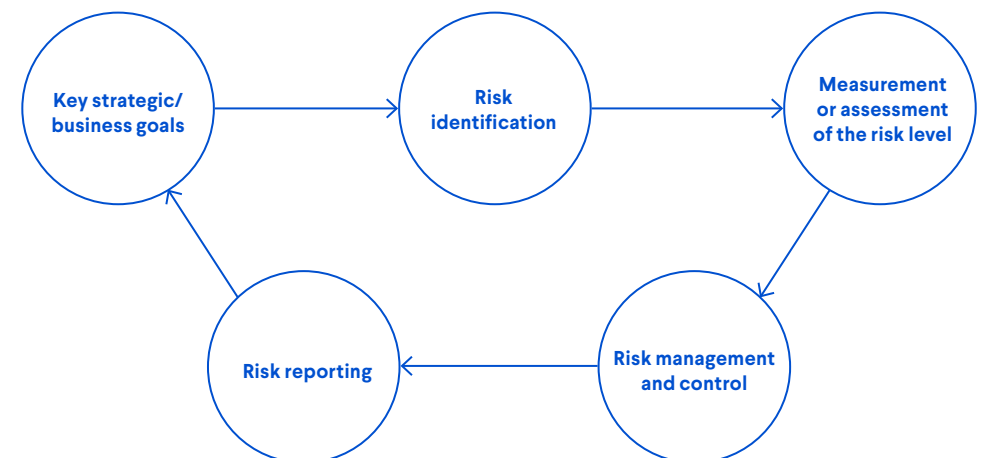
Risk Management System and Framework

The risk management system covers all functional areas, focusing on those having a material impact on the Company's operations and set business objectives.

The risk management framework includes suitable:

- identification of risks;
- measurement or assessment of the risk level;
- risk management and control; and
- risk reporting.

Figure 7: Risk management system



The main building blocks of the comprehensive risk management system of the Company are the Strategy and the Business Plan of Modra zavarovalnica. The process for the determination of planned guidelines and targets for the strategic period involves the definition of the risks that the Company is prepared to assume in order to achieve the said targets. The process involves the determination of key indicators that enable the determination of target and extreme values of exposure to the risks that are defined in the Risk Appetite Statement. We stipulate a zero tolerance for risks we are not prepared to assume.

The key indicators include the solvency ratio which has the target value of 150% and is in line with the dividend policy defined in the capital Management Policy. In addition to the said indicator, the Risk Appetite Statement defines target values and permitted deviations from the same for each of the important risk categories as well as the measures for their lowering. The matching of the risk profile

(actual risk exposure) is regularly compared to the thresholds defined in the Risk Appetite Statement.

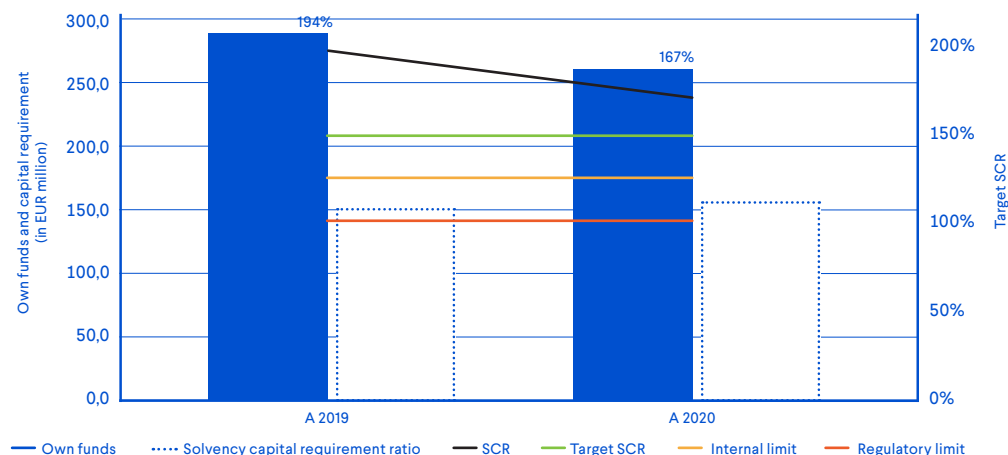
Capital and Capital Adequacy Management

Capital management serves to optimise the operations and take suitable business decisions in order to attain the strategic goals of Modra zavarovalnica. According to its assessment, Modra zavarovalnica has at its disposal a sufficient volume of own funds with respect to its total capital requirement. At the end of 2020, the regulator sent us an approval of the application for the application of an adjustment to the risk-free interest rate curve which is also observed in the calculation for Q4 2020.

Table 13: Capital adequacy pursuant to the requirements of Solvency II

Item	31 December 2020	31 December 2019
Solvency II		
Total capital requirement (in EUR)	157,362,924	148,056,788
Eligible own funds (in EUR)	263,314,033	286,712,246
Surplus (+)/deficit (-) of available own funds (in EUR)	105,951,109	138,655,458
Eligible own funds to total capital need ratio	167%	194%

Figure 8: Risk appetite and realised capital adequacy



Risk Types

The basis for the definition of the risk appetite is the identification of the risks in the business operations process. Risk identification is a continuous activity in which all functional areas (risk owners) take part in accordance with their competences and responsibilities. The aim is to ensure the inclusion of all important risks into the risk management system, set up the risk exposure measurement process and achieve uniform treatment and understanding of the risks at all levels of the company. We assume the following risks in our operations:

- **Underwriting risks** are risks related to insurance coverage. Insurance coverage represents the risk of loss or of adverse change in the value of underwriting liabilities due to inadequate premiums and assumptions taken into account in the calculation of technical provisions. Insurance risks are broken down into risks under life insurance, health insurance, which includes accident insurance, and non-life insurance. The Company is mainly exposed to life insurance risks, while health insurance risks are immaterial because of the low volume of such insurance. The Company is not exposed to non-life insurance risk.
- **Market risks** represent the risk of loss or of adverse change in the Company's financial position resulting from fluctuations in the level or volatility of the market prices of assets, liabilities and financial instruments. They include equity risk, currency risk, interest rate risk, spread risk, market concentration risk and property risk.
- **Credit risk** is the risk of loss or adverse change in the financial position of the Company resulting from fluctuations in the credit standing of security issuers, counterparties and eventual debtors, to which the Company is exposed through counterparty default risk.

- **Liquidity risk** is the risk of loss resulting from the Company's inability to meet all of its past-due liabilities arising from the fact that the Company is forced to acquire sufficient funding for the settlement of liabilities on maturity at a cost that is significantly above the usual costs. Liquidity risk also refers to the risk of more difficult access to financing required for the settlement of liabilities arising from insurance and other contracts. Liquidity risk usually materializes in the form of the inability to liquidate investments without selling at a significant discount to the current market prices.
- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, conduct of employees, functioning of systems or external events. It includes IT risk, legal risk, compliance risk, and other risks.
- **Strategic risk** are risk of loss resulting from unsuitable strategic decisions and inconsistent implementation of strategic decisions. They include mainly the risk of loss of reputation, capital adequacy risk and the risk of competition and market position.

In addition to the risks identified above, potential risks are also important for the Company. These are risks that could develop or which already exist and are characterised by being difficult to quantify and by having major consequences for operations. We carefully monitor the potential risks and accordingly upgrade the risk management system.

We are expanding our range of services and products to ensure that we can keep up with the wishes and needs of our customers, as well as the conditions in the market. In the coming years, we will introduce new technologies to bring our customers even closer, and make it easier for them to do business with us.



Information Technology

IT System

2020 was a milestone year in the area of IT function management due to the impact of COVID-19. By transitioning mostly to work from home, we were faced with numerous challenges. We set up processes for secure remote connection to the Company's computer network, adapted individual processes and put in place tools for new methods of collaboration between employees. By raising the employees' awareness on secure and effective use of IT resources in their work from home, adopting the Work From Home policy, equipping employees with mobile equipment and providing them with support in a timely manner, we enabled employees to quickly adapt to the change work regime. The IT function thus importantly contributed to the Company's business continuity and again drew attention to the role of critical infrastructure without which business is impossible.

Development and strengthening of the IT function proceeded in three key areas:

- digital user experience as the foundation of trust and the sense of belonging of our members;
- IT services too support the Company's business processes;
- IT security.

In the area of the digital user experience, we continued upgrading the e.Modra.si online service. We overhauled or optimised the registration procedure, set up accidental death insurance contract conclusion process and improved security mechanisms for the publication of policies on e.Modra.si. An important emphasis is placed on the secure use of the services, mainly the prevention of confidentiality violations. The overhaul has improved the user experience, especially the adaptation of the content to users and the simplification of the use of services (mainly the registration procedure).

As regards the implementation of the IFRS 17 standard, we continued to develop processes for the collection and provision of quality data. We therefore established a special data warehouse for this area. In order to ensure complete and comprehensive use of the IT solution, we will conduct an introduction project to develop various algorithms, methods and calculation procedures and will link the solution to the other components of the IT system so as to enable financial reporting on insurance contract pursuant to IFRS 17.

We conducted an internal security inspection with an external provider and in cooperation with the Kapitálska družba. The security inspection dealt mainly with the following areas: workstations, servers, network equipment, accessibility between individual network segments, online applications, infrastructure and physical security for the computer centre.

Based on the identified risks or vulnerability, measures were implemented in accordance with the provider's recommendations that contribute importantly to the systematic strengthening of IT security and attainment of a higher level of integrity, confidentiality and availability of the Company's IT system.

In IT and IT security management, we observe all of the essential details and the requirements of the international ISO/IEC 27001:2005 standard and the ISO/IEC 27002:2007 information security code or the ISO/IEC 27001:2013 standard and the ISO/IEC 27002:2013 information security code.

Personal Data Protection

As a personal data controller, we bear the responsibility for the protection of all processing of the personal data of our insured persons and – in line with the said responsibility – carry out diverse prevention measures to try to identify the risks. In 2020, we conducted employee training which was provided by external experts and internal lecturers as we are fully aware that employee knowledge is key to maintaining personal data security. We carefully follow the guidelines of the Information Commissioner and the European Data Protection Board, as well as the adopted guidelines of the Slovenian Insurance Association. We systematically manage all the legally prescribed records on processing activities and the catalogue of contractors, as well as perform data protection impact assessments, through which we identify the risks of potential violations of the data subjects' rights. The established organisational and technical measures guarantee confidentiality and accessibility to authorised persons only. Only authorised employees and contractual processors are allowed access to personal data to the extent and for the purpose strictly necessary for the smooth implementation of work processes, the provision of the Company's insurance services and the exercise of the rights and the meeting of the obligations arising from contractual relationships. Our contractual processors have committed themselves to protecting confidential data and respecting the rights of individuals in the same way as Modra zavarovalnica.

Organisation and Employees

Organisation

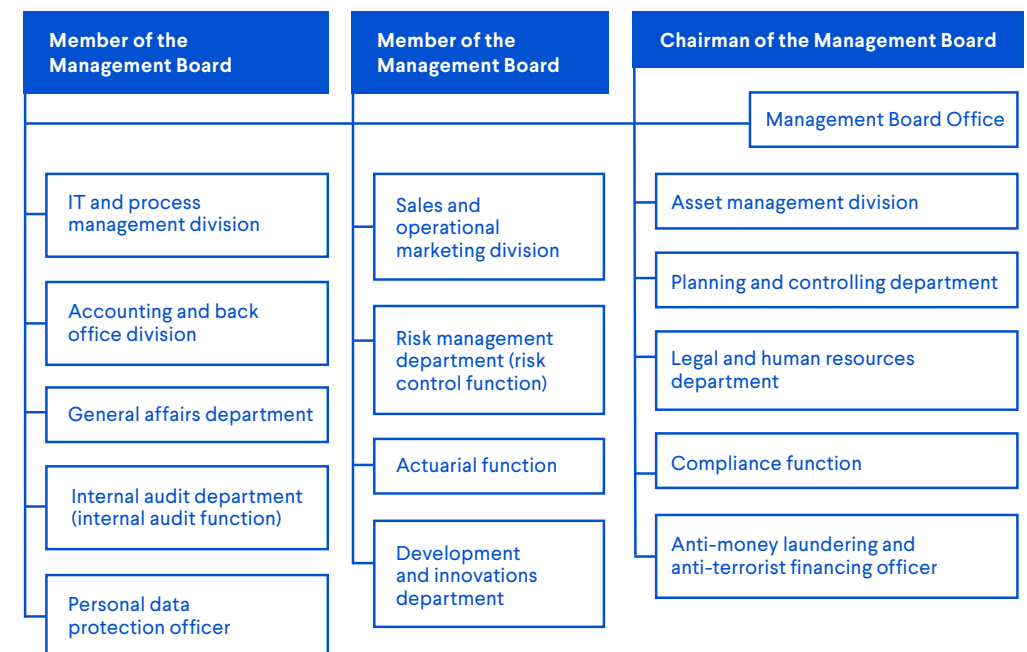
Modra zavarovalnica is organised in line with the needs of the work process and requirements regarding the efficiency and competitiveness of operations. The highest management, presentation and representation body is the Management Board. It is a three-member collective body comprised of the Chairman of the Management Board and two members of the Management Board. The basic organisational units of the Company are a department, a division, and a key function, unless organised within the scope of an independent organisational unit. The work of a division is run by the executive director, and the department is run by the department manager. The division executive director, department manager and holders of key functions answer to the Company's Management Board for the implementation of the Company's business policy

and for the legitimate, timely and quality work of the relevant department, division and insurance company as well as for providing information to employees.

For the purpose of money laundering and terrorist financing prevention, the Management Board of the Company has appointed an AML/ATF officer and a personal data protection officer who answer directly to the Management Board as regards the performance of their respective tasks.

The Management Board's areas of work are functionally divided among the members of the Management Board, by individual area, field of activities of individual organisational units, the area of the implementation of key functions and the area of appointed officers, as shown in the figure below; advisors to the Management Board fall under the competence of that member of the Management

Figure 9: Organisational chart of Modra zavarovalnica



Board who is responsible for the area of work of the respective advisor. The Management Board Office employs Management Board advisers for strategic marketing and strategic communication, legal affairs and investment property. The Management Board Office is accountable to the Management Board member responsible for the area of work covered by an individual Management Board adviser.

Employees

Employees are the source of effort and knowledge contributing to the attainment of the Company's long-term goals and the satisfaction of its customers. For this reason, we strive to create a working environment in which the dignity and integrity of each employee is respected and one that promotes mutual trust, respect and cooperation in the attainment of the Company's goals. By organising work and providing flexible working hours, the Company enables employees to coordinate their professional and private obligations.

Educational Structure of Employees

We pay considerable attention to knowledge and education as we are aware that only intensive investment in development can allow the Company to respond quickly and efficiently to the requirements of the competitive market. As many as 57% of the employees have level 7 education.

Number and Structure of Employees

As at the end of 2020, the Company employed 64 people, which is also the average number of employees in the respective year.

In 2020, the Company recruited three new employees; one female associate in the Sales and Operational Marketing Division, and two female associates in the Development and Innovation Department, while one employee had their employment relationship terminated. 63 employees are employed for an indefinite period and one is employed for a fixed term. 73% of employees are female and 27% are male. The average age of the employees is 45, while the average length of service is nearly 22 years.

Employee Training and Education

We are aware that investing in the knowledge and development of all employees leads to the success of Modra zavarovalnica, therefore, we strive to ensure that every employee is included in at least one form of training annually. We also coordinate training with the developmentally-oriented tasks of Modra zavarovalnica.

Figure 10: Percentage share of employees by level of education as at 31 December 2020

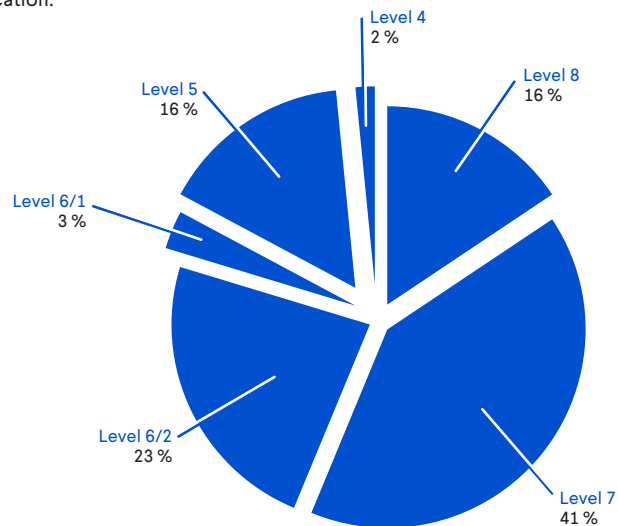
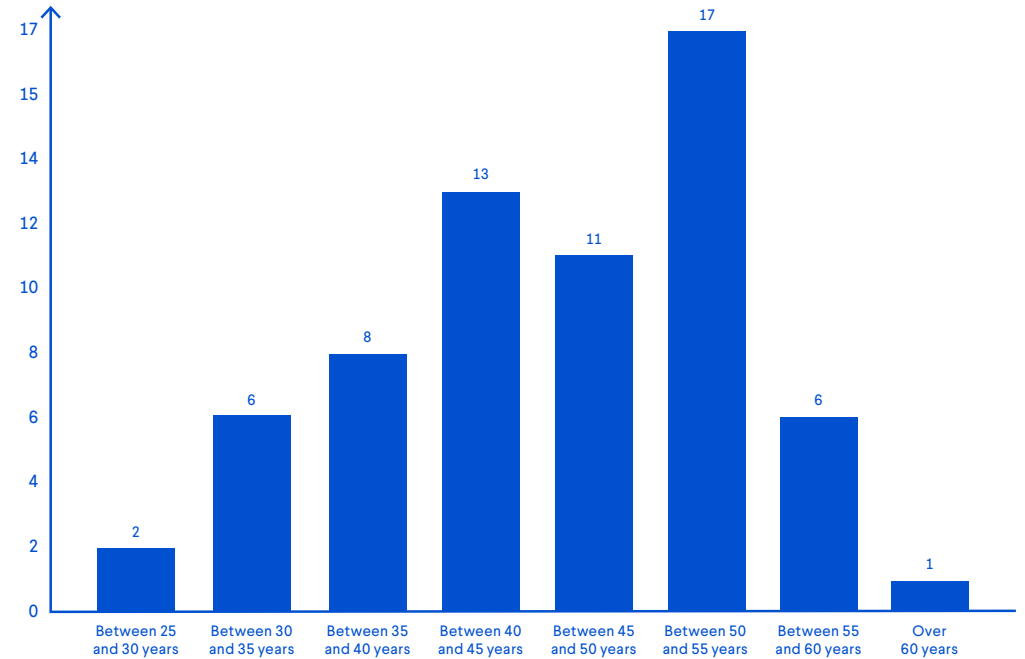


Figure 11: Structure of employees by age group as at 31 December 2020



Seminars and training organised by external institutions are mostly related to the work processes of employees and they serve to supplement or upgrade their existing knowledge. We also prepare internal employee training events, which are carried out by experts from Modra zavarovalnica, especially in the area of new development in the area of legislation. Training in the prevention of money laundering and terrorist financing as well as personal data protection is carried out each year.

We organised an online education courses entitled "Climate crisis – How to Contribute to the Company's Recovery and Pension Funds" and "Cyber Security with an Emphasis on Social Engineering" for all employees in 2020.

We are increasingly focusing on work from home and work process digitalisation which require constant adaptation to change and acquisition of new competences and knowledge. IT security is highly important here and we therefore brief employees on their

obligations relating to secure use of information and communication technology as digitalisation increases their exposure to new cyber threats.

A major portion of education activities is devoted to regular professional training of insurance agents who must undergo continuous education lasting at least 20 teaching hours per year pursuant to the law. The training deals mostly with the knowledge of insurance products and consumer protection. In addition to the above, we also focus on employee education that upgrades their knowledge and skills aimed at raising quality, innovation, productivity and competitiveness of services in the insurance business as well as strengthening sales skills, introducing new digital technologies, tools and platforms, communication with the customer, team work, motivation, personal development and time management.

By co-financing tuition fees and providing study leave, the Company supports additional schooling at faculties, institutes and other institutions at home and abroad. In 2020, 5 employees underwent additional education and professional training.

Social Responsibility

Care for Employee Development, Health and Satisfaction

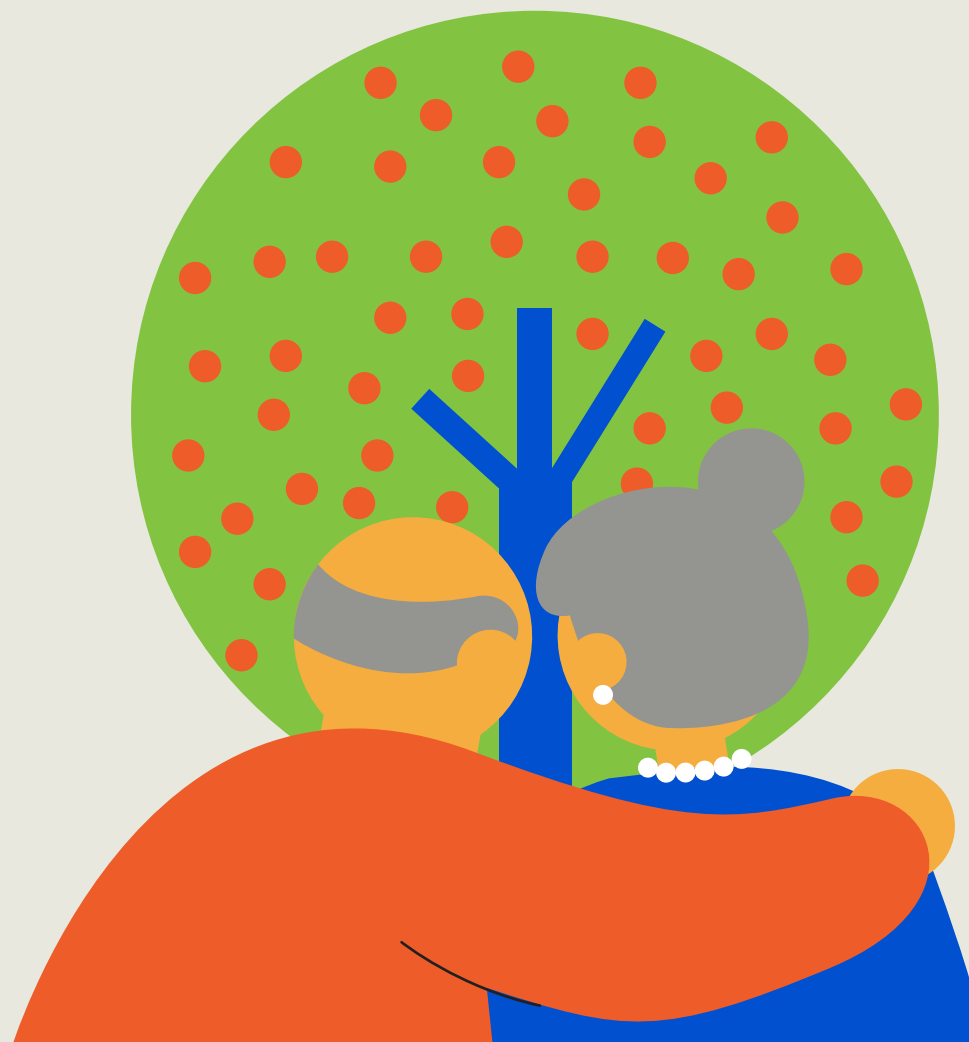
Internal communication promotes the understanding of the outlined strategy and business goals of Modra zavarovalnica as well as active cooperation and innovation. Communication with employees takes place mainly on the internal online portal, information boards, events for employees, regular monthly meetings with the Management Board and staff meetings. Owing to the epidemiological conditions, collaboration and flow of information between employees are increasingly becoming digital. All employee socialising events were cancelled in 2020 or moved online. We added a new communication tool, i.e. Newsletter, which we post monthly. Regular columns about the operating results of the Modra zavarovalnica and the funds under management, key milestones, important dates and developments in the area of legislation are now joined by the »Modra smo ljudje ter prosti čas« column intended for popular articles authored by employees in words or pictures. Employees are eager to participate and contribute articles that are also among most widely read. 2020 was a year we focused on regular provision of information on all measures the Company adopted to mitigate the risk of infection, adjust to the changed conditions for business and introduction of work from home. An extensive range of information and adopted measures, instructions on safe work, infection risk prevention and action in the event employees or their family members get sick was sent via all channels and then collected on a special intranet site. We thus opened a one-stop-shop on the intranet with all instructions on safe work from home, use of new technologies for collaboration and forms for recording and reporting.

Just as we do every year, we conducted annual personal interviews with all employees with the aim of setting goals (targets) and defining the employee's development path, as well as assessment interviews, which are held twice a year and are aimed at assessing the attainment of quantitative and qualitative goals and conduct, as well as getting feedback on job performance. Performance is checked and measured with predefined indicators which serve for the payment of the variable part of pay both at the individual and team level. Climate and employee satisfaction are measured every year. In 2020, we recorded the highest average rating for organisational climate in the last five years. We will continue to improve employee satisfaction and create a working environment in which employees can reach their potential. Feedback will allow us to improve relationships and satisfaction of our associates and, consequently, of our customers.

By implementing an action plan to promote health, employees are encouraged to lead a healthy lifestyle, thus reducing the risk of illness both on the job and in private life. The intranet portal offers information regarding topical health issues and useful articles on exercise and a healthy diet. All employees can join in online exercise twice a week which employees working from home can also join. Employees can have fruit and nuts at work which helps develop healthy dietary habits. We have ensured ergonomically equipped workplaces, we provide preventive health examinations and encourage sports activity outside work with reimbursement of expenses such as registration fees or organised exercise fees.

By paying premiums for the supplementary pension insurance fund for all employees, we provide for additional income that employees will receive after retirement and we enable them to enrol in collective supplementary health insurance.

We take the trust shown to us by our long-term customers very seriously. With that in mind, we continue to maintain a high level of quality, with regular professional training and business process adaptations. The key results of our work are above-average customer satisfaction ratings, customer loyalty, and constant premium growth.



Special attention is paid with a number of measures for the coordination of work and family life of our employees and we are proud holders of the family-friendly company certificate. Concern for the harmonisation of work and family life has become a part of the Company's organisational culture. We also responded by organising flexible forms of work both during the assurance of safe work conditions during the epidemic and in the future. From July 2020 onwards, employees have the option of working from home either in the form of occasional work from home based on permission for work from home or based on an employment contract for work from home.

Responsibility to the Insured, the Broader Social Community and the Environment

The raising of awareness and trust in the pension system, encouraging individuals to be more proactive and the simultaneous co-creation of system bases, which suitably keep in step with the changes in the environment, are all important assignments of Modra zavarovalnica. We are a crucial company in the maintenance of a stable pension system in Slovenia, the biggest mutual pension fund manager and the biggest payer of supplementary pensions. Half of all members save in the pension funds of Modra zavarovalnica. The biggest share is represented by the civil servant pension fund where collective supplementary pension insurance is mandatory. Slovenians save in pension funds if this is arranged and paid for by the employer. Many do not even know neither that they are enrolled in a pension fund nor how much savings they have. An important part of the activities is therefore directed towards raising the awareness of the population about the importance and the need for saving for the time after retirement as well as the advantages of saving in pension funds. In order to better understand supplementary pension insurance and promote saving in life-cycle funds, we support financial literacy projects, participate in the preparation of Financial Guide (Finančni vodnik) of the Finance newspaper, and we sponsor the Best pension Funds (Najboljši pokojninski skladi) event. Operating performance of eight Slovenian pension funds is rated with one to five stars over the past 5,

10 and 15-year period. The Guaranteed Civil Servants Sub-Fund (ZPJU) was again selected as the best guaranteed pension fund over the last 10 years for 2020 just as it was in 2019. It earned 5 stars for management over the last 15 years. The Guaranteed Sub-Fund (MZP) received 4 stars for the 10-year period. The received reward and top rating for management represent confirmation of the hard work and prudent decisions. In our efforts to improve the knowledge of supplementary pension insurance, we are active throughout the year in companies and trade unions where we take part in the preparation of information and new developments for publication on websites and in internal newspapers. We provide professional assistance in the drafting of replies to questions about supplementary pension insurance raised by employees. Explainer videos on savings and supplementary pension insurance, a glossary of savings terminology and a simple tool for improved understanding of the area of saving were posted on the website of the Company. We regularly work with journalists from various media on the preparation of articles dealing with saving for a supplementary pension. Modra zavarovalnica is an active member of the European Association of Public Sector Pension Institutions (EAPSPI), which brings together 26 public pension institutions from as many as 16 European countries. It regularly attends the meetings and the annual General Assembly of the EAPSPI. Management Board member Boštjan Vovk is a member of the Association's Board of Directors. The main purposes of the Association are mutual assistance between its members and transfer of knowledge, experience and information on the provision of pension schemes and experience in the area of pension systems in individual countries. Throughout the years of our operation, we supported charitable activities that help create better conditions in the area of education and ensure investments into the knowledge and development of children and young people. This is why we responded to the needs of primary school goers and organised a charity project for the collection of used computer equipment. We invited our business partners to take part. The Teachers' Trade Union (SVIZ) provided a list of primary schools that were most in need of the equipment. We jointly collected 63 computers and gave them to 32 different schools from the Posavje, Pomurje, Koroška, Bela krajina and Zasavje regions. In June 2020, we also responded to the Computer for Every Kindergarten (Računalnik v vsak vrtec) initiative organised by the 4PDIH digital innovation hub, the Faculty of Electrical

Engineering of the University of Ljubljana and presented them with 6 used computers. The planned charity project for intergenerational cooperation for a more creative and active life conducted in cooperation with the Activity Centre of the Fužine Retirement Home was postponed to 2021 because

of the epidemic and consequently limited work. In our care for the environment, we support environmentally-targeted activities and separate waste, minimise paper consumption, collect worn-out printer cartridges and plastic bottle caps, and contribute to charities.

Important Business Events After the End of the Financial Year

On 10 March 2021, the European regulation on sustainability reporting in the financial sector will start to apply. It will also apply to Modra zavarovalnica and the funds under its management. The Company has been preparing for a long time for the introduction of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (SFDR) which requires either the inclusion of sustainability risk into the investment decision-making or disclosure that the manager does not observe this as well as an explanation of when they will presumably start to observe it. The Company already includes sustainability risks in basic form while we intend to perfect the process in the future. We have and will continue to pursue the principle of economy and only take into account the data that is available at an appropriate price and with reasonable effort. We therefore expect the introduction of additional criteria into the investment decision-making process for fund members will be minimal or that it will bring positive effects in the long-run owing to lower risk in investment portfolios. In view of the requirements of the regulation, the Company will supplement accession forms for fund members and forms for switching funds. At the same time, the Company will disclose the method of inclusion of sustainability factors into the investment process, i.e. by 10 March 2021. The requirements of the regulation regarding disclosures in annual reports shall start to apply on 1 January 2022. The Act Amending the Pension and Disability

Insurance Act (ZPIZ-2G) transposed the IORP II European regulation into the Slovenian KAD) and the Slovenian legal order in the area of supplementary pension insurance. Amendments were introduced in order to make notification more transparent and ensure improved protection of savers in the pension funds and supplementary pensions recipients. In accordance with the aforementioned legislative amendments, documents important for the management of MKPS and KPSJU (rules and pension plan) were also changed and sent to the competent authorities (ATVP and MDDSZ) for their consent or approval. The changed and amendment MKPS Rules and Pension Plans apply as of 19 January 2021, while the procedure is still underway for KPSJU. The National Assembly of the Republic of Slovenia is considering the proposed National Demographic Fund Act which includes as its main solution the mitigation of the pressure on public finance alongside simultaneous assurance of additional funds for decent pensions, co-financing of the policy on the care of the elderly as well as family policy measures. On March 5 2021, Modra zavarovalnica received a letter from the Insurance Supervision Agency inviting insurance companies to suspend dividend payments in order to ensure financial stability in COVID-19 epidemic conditions, i.e. until 30 September 2021, as well as to not assume irrevocable commitments for dividend distribution and to refrain from stock buybacks intended as rewards to shareholders.

Expected Development of Modra zavarovalnica in 2021

The safety of assets under management and personal data remain the focus of the Company's operation. We are becoming a leading authority on social security in all stages of an individual's life with an adjusted offer of savings payments and addition of complementary products as well as an important financial intermediary with a comprehensive offer of our strategic partners' financial solutions and the setup of an innovative ecosystem of social security services.

Economic and financial trend forecasts for 2021 are affected by the COVID-19 epidemic that marked the entire year. Financial analysts are forecasting a moderate recovery of stock and bond indices. Based on the macroeconomic expectations, we believe that the rate of return of pension funds will be higher than the guaranteed rate.

We will continue to adapt marketing activities to market conditions. By improving the recognisability of the Company, maintaining confidence and developing digital marketing channels as well as improving the user experience, we will pursue the strategic goal of becoming the leading authority on social security.

We will maintain an environment in which employees feel good, are able to cooperate and have the opportunity to submit ideas and benefit from two-way communication.

As the largest provider of saving for a supplementary pension, we will continue to actively work on the changes and adaptations of systemic bases and strive to adapt the saving within the scope of pension funds as well as the payout of annuities to the needs of individuals, ensure that they keep in step with the changes in the economic and demographic environments, and contribute to the sustainability of the pension system.

Report on Relations with the Controlling Company

In the 2020 financial year, the Company took no action in relation to the controlling company as a result of contractual and business relationships at the initiative or in the interest of the controlling company and its associated companies that would result in its disadvantage or detriment.

Corporate Governance Statement

Based on the provision of paragraph 5 of Article 70 of the Companies Act and provision 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Modra zavarovalnica hereby provides a governance statement for the period between 1 January and 31 December 2020.

Reference to the Applicable Corporate Governance Code

The Management Board and the Supervisory Board of Modra zavarovalnica, which is 100% owned by Kapitalska družba d.d., hereby declare that they voluntarily observe the Corporate Governance Code for Companies with Capital Assets of the State, as adopted on 19 December 2014 and supplemented on 2 March 2016 and 17 May 2017 by the Slovenian Sovereign Holding (hereinafter: SDH, d.d.). The Company follows the applicable Recommendation and the expectations of SDH, d.d. The Corporate Governance Code for Companies with Capital Assets of the State recommends principles, procedures and criteria for the conduct of members of governing and supervisory bodies in companies with capital assets of the State and all subsidiaries in the group in which a company with capital assets of the State holds the position of controlling company. The Code is available on the website of the Slovenian Sovereign Holding at <http://www.sdh.si/sl-si/upravljanje-nalozb/kodeks-upravljanja-kapitalskih-nalozb-republike-slovenije>.

The Management Board of Modra zavarovalnica adopted the Governance Policy of Modra zavarovalnica d.d. at its meeting held on 29 December 2015, and its amendments and supplements on 11 November 2016, 14 December 2017, 6 December 2018, 28 November 2019 and 3 December 2020, which entered into force when the consent of the Company's Supervisory Board was obtained. The Management and Supervisory Boards of Modra zavarovalnica hereby declare that they

voluntarily observe the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: Code) in their work and operations. Deviations from the recommendations of the Code are indicated and explained below.

Governance framework for companies with capital assets of the State

Point 3.1. of the Corporate Governance Code for Companies with Capital Assets of the State: The fundamental goal of a company with capital assets of the State is to maximise its value and generate the maximum possible return for owners, unless laid down otherwise by the law or its Memorandum of Association. In addition to the fundamental goal, companies also pursue other goals which are defined by regulations or the Memorandum of Association of an individual company. In order to ensure higher transparency in relation to the company goals, companies are obliged to make sure that all such goals are clearly defined in the company's documents on incorporation. If a company has contradicting goals, the Memorandum of Association or some other relevant act (e.g. corporate governance policy) defines relations between the goals and the resolution of conflicts between them.

Explanation: Pursuant to Article 80 of the Slovenian Sovereign Holding Act, Modra zavarovalnica is considered a strategic investment as long as it manages a pension fund for civil servants. With a strategic investment in Modra zavarovalnica, the Republic of Slovenia, in addition to economic goals, also pursues an important strategic goal to provide the sustainability of the pension system by strengthening supplementary pension insurance and raising citizens' awareness of the importance of supplementary pension saving. The Company's mission and goals are laid down and delineated in its strategic business plan. The Company has at its disposal suitable analytical bases, based on which it estimates with reliability that the security of savings is the most

important element of trust in supplementary pension insurance, which is why it is defined as the central strategic goal in the relevant strategic business plan. Furthermore, the Company's business model is tailored to the relevant strategic goal, which, considering the fact that the activity of pension fund management is extremely demanding in terms of capital and regulations, also implies moderate expectations of the Company's profitability. Expectations could only be raised with an over-proportionate increase in the Company's operational risk, which would reduce the level of security of the savers' savings, thus threatening the attainment of the Company's strategic goals and the goals pursued by the Republic of Slovenia through its indirect ownership in Modra zavarovalnica. Modra zavarovalnica continues to be the largest pension fund manager and payer of supplementary pensions in the Republic of Slovenia, and an important source of funds for the first pension pillar, as it increased value for its owner by over EUR 93 million in the past five years, of which nearly than EUR 20 million in the form of dividend distribution and EUR 73 million in the form of capital growth.

Point 3.6. of the Corporate Governance Code for Companies with Capital Assets of the State: The Company Supervisory Board, which is obliged to perform an audit forms and adopts, in the form of a special act, a Diversity Policy that is implemented in relation to representation in the Company's management and supervisory bodies as regards gender, age and skills profile. The Diversity Policy is then included in the Company's Corporate Governance Statement and published on the Company's public website. The Corporate Governance Statement also includes a report on implementation and the achieved results of the Diversity Policy in the reporting period.

Explanation: Modra zavarovalnica, d. d. is unable to formulate a diversity policy in relation to representation in the company's management and supervisory bodies as regards gender, age and skills profile in view of the legal requirements relating to the formation of the Supervisory Board. The Diversity Policy in regard to the management has not been adopted. Despite the above, it is necessary to take into account the fact that it is legally limited in terms of the Supervisory Board composition. The Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD)

("ZPKDPIZ") stipulates that half of the members or the Company's Supervisory Board are to be appointed at the proposal of the Company's insured persons and half of the Supervisory Board members are to be appointed at the proposal of the shareholder. The aforementioned composition indirectly enables to pursuit of the individual elements of the diversity policy.

Description of the main features of the internal control and risk management systems in the Company in relation to the financial reporting procedure

Explanation: Modra zavarovalnica manages risks and carries out internal control procedures at all levels. The purpose of internal controls is to ensure accuracy, reliability and transparency of all processes and to manage risks related to financial reporting.

The controls carried out in the Accounting and Back Office Division, which is in charge of keeping books of account and compiling financial statements pursuant to the applicable accounting, tax and other regulations, include procedures ensuring that:

- business events are recorded based on authentic bookkeeping documents, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets with integrity;
- business events are recorded and financial statements compiled, pursuant to the applicable legislation.

The financial statements of Modra zavarovalnica for each financial year are also examined and audited by an external audit. Based on a resolution adopted by the General Meeting on 29 August 2019, the Company's financial statements for the 2019, 2020 and 2021 financial years will be audited by Deloitte revizija d.o.o., Ljubljana. The Internal Audit Department is an independent organisational unit within the Company and is directly subordinate to the Management Board. This provides the independence of its operations and separation from executive functions that are the subject of audit. The fundamental focus of internal auditing is to examine and provide assurance on the operations of the Company's internal control systems. An internal auditor assesses the efficiency of internal controls in terms of the management of risks that the Company is exposed to. Pursuant to the annual work programme of internal auditing, as adopted by the Company's Management and Supervisory Boards, the internal auditor carries out audits for individual areas

of the Company's operations. By way of proposals for improvements to the business processes and procedures at the Company, the internal audit contributes to improved performance of the Company.

Important direct and indirect ownership of the Company's securities in terms of achieving a qualifying holding as laid down by the act regulating takeovers

Explanation: The sole shareholder of Modra zavarovalnica is Kapitalska družba d.d., which is the holder of all 152,200,000 ordinary registered no par value shares (100% holding in the share capital).

Holders of securities that carry special control rights

Explanation: The Company has issued no securities that would grant special control rights.

Restrictions on voting rights

Explanation: The sole shareholder of Modra zavarovalnica, i.e. Kapitalska družba d.d., which is the holder of all 152,200,000 ordinary registered no par value shares, has no restrictions on voting rights.

The Company's rules on the appointment and replacement of the members of the management and supervisory bodies and amendments to the Articles of Association

Explanation: The Company's rules on the appointment and replacement of the members of the management and supervisory bodies are defined in its Articles of Association.

The Supervisory Board of Modra zavarovalnica is appointed by the General Meeting. Pursuant to paragraph 2 of Article 2 of the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD), and Article 10 of the Company's Articles of Association, the Supervisory Board comprises six members. Three Supervisory Board members are appointed at the proposal of Kapitalska družba, d. d. and three at the proposal of the Company's insured persons: two members are proposed by the Board of the civil servant pension fund on behalf of persons insured in the civil servant pension fund, while the third member is proposed jointly by the Company's insured persons. A proposal for Member of the Supervisory Board who is

proposed by persons insured under the civil servant fund is formed on the basis of a public call to persons insured under the civil servant fund, which is published in the Official Gazette of the Republic of Slovenia and on the Company's website. Based on the proposals received, the civil servant fund board proposes two Members of the Supervisory Board after a proposal is formed and confirmed by members of the board who represent insured persons and are themselves insured at the Company. The proposal for Member of the Supervisory Board who is proposed by other insured persons is formed on the basis of a public call to all persons insured by the Company outside the civil servant scheme, which is published in the Official Gazette of the Republic of Slovenia and on the Company's website. Based on the proposals received, the competent Board formulates a proposal for a member of the Supervisory Board, which is confirmed by members of the Board who are themselves insured at the Company. When appointing members of the Supervisory Board of Modra zavarovalnica at the proposal of the sole shareholder, their suitability is to be assessed by the Accreditation Committee of the Supervisory Board of Kapitalska družba d.d. The term of office of Members of the Supervisory Board of Modra zavarovalnica lasts four years, after which they may be reappointed. Pursuant to the resolution of the Supervisory Board of Kapitalska družba d.d. as of 26 May 2015, the Management Board of Kapitalska družba d.d. must obtain prior consent of the Supervisory Board for voting at the General Meeting of Modra zavarovalnica. Modra zavarovalnica is owned by Kapitalska družba d.d., or rather, indirectly by the Republic of Slovenia and is defined as a strategic investment. Both companies form a vital part of the Slovenian pension system and contribute to the long-term financial sustainability of the pension system in Slovenia in line with their mission. When appointing the supervisory body of both companies, an important role is not only held by the owner, but also by other stakeholders co-forming the pension system together with the Republic of Slovenia, as well as by social partners representing the interests of employed nationals. The composition and appointment of the supervisory boards of both companies are laid down by the law and allow all interested parties to co-develop the Company's business policy. The law also lays down disposal of the shares of Modra zavarovalnica in the form of a public offering, whereby the shareholdings of the Republic of Slovenia and Kapitalska družba d.d. must together account for the majority of all shares of

Modra zavarovalnica. The pre-emptive right to obtain shares in a public offering is granted to the insured persons and employers financing the pension schemes in the funds managed by Modra zavarovalnica, as well as to trade unions representing public servants. Members of the Management Board are appointed by the Supervisory Board. One of the Members is appointed Chairperson of the Management Board. The term of office of Members of the Management Board is five years, while the term of office of one Member appointed after the amendment to the Articles of Association is four years. The members of the Management Board may be re-appointed. The Management Board or one of its Members may be dismissed early, solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act. At least one Member of the Management Board must have the relevant expertise and experience required to perform the tasks of managing the First Pension Fund and pension funds. The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of the Company at the proposal of the Management Board and the Supervisory Board.

Powers held by members of management, particularly powers to issue or purchase own shares

Explanation: The powers held by members of the management are laid down in the Company's Articles of Association. The Company's Management Board is not authorised to issue or purchase treasury shares.

Information on the operations and key competences of the Company's General Meeting and a description of the shareholders' rights and method of their enforcement

Pojasnilo: The sole shareholder of the Company, i.e. Kapitalska družba d.d., exercises its rights deriving from the ownership of shares at the Company's General Meeting. The General Meeting is the highest body of the Company and acts pursuant to the provisions of the Companies Act and the Company's Articles of Association. The General Meeting is convened by the Management Board, as laid down by the law and Articles of Association, and when in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened by the Management Board at the request of the shareholder. The shareholder is required to enclose with its request for the convocation of the General Meeting a written agenda and proposal for a resolution

under each proposed item on the agenda to be adopted by the General Meeting or, if the General Meeting fails to adopt the resolution under a particular item on the agenda, an explanation of the item on the agenda. The convocation of the General Meeting is published on the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and the Modra zavarovalnica website. The published convocation of the General Meeting must also contain proposals for resolutions and an indication of the place where the entire material to be submitted for decision-making at the General Meeting must be made available at the same time the convocation is published. The right to attend the General Meeting and exercise voting rights is granted to any shareholder entered in the central registry of book-entry securities as the holder of shares as at the end of the 4th day preceding the General Meeting.

The General meeting adopts resolutions on the fundamental matter at Modra zavarovalnica, particularly: adopts the Company's Articles of Association and their amendments; adopts the annual report in the event that the Supervisory Board has not approved it or if the Management and Supervisory Boards leave the decision on the adoption of the annual report to the General Meeting; takes decisions regarding the use of distributable profit at the proposal of the Management and Supervisory Boards; takes decisions on discharging members of the Management and Supervisory Boards; appoints and dismisses members of the Company's Supervisory Board; appoints the Company's auditor; takes decisions regarding measures to increase or decrease share capital, unless laid down otherwise by the Articles of Association or the law; takes decisions on the dissolution of Modra zavarovalnica and its status changes, as well as on other matters in line with the law and Articles of Association.

Information about the composition and operations of the management and supervisory bodies and their committees

Explanation: The governance and management of Modra zavarovalnica are based on legal provisions and the provisions of the Articles of Association. The Company has a two-tier governance system, with the Management Board managing the Company and the Supervisory Board supervising its operations. The composition of the Management and Supervisory Boards and their committees is described in chapter 1.1.6 Company Bodies.

During the epidemic, we have shown that we are able to push the limits. Together, we quickly achieved things that used to seem virtually impossible. Our employees can now choose where they want to work from, making it easier for them to maintain a good work-life balance.

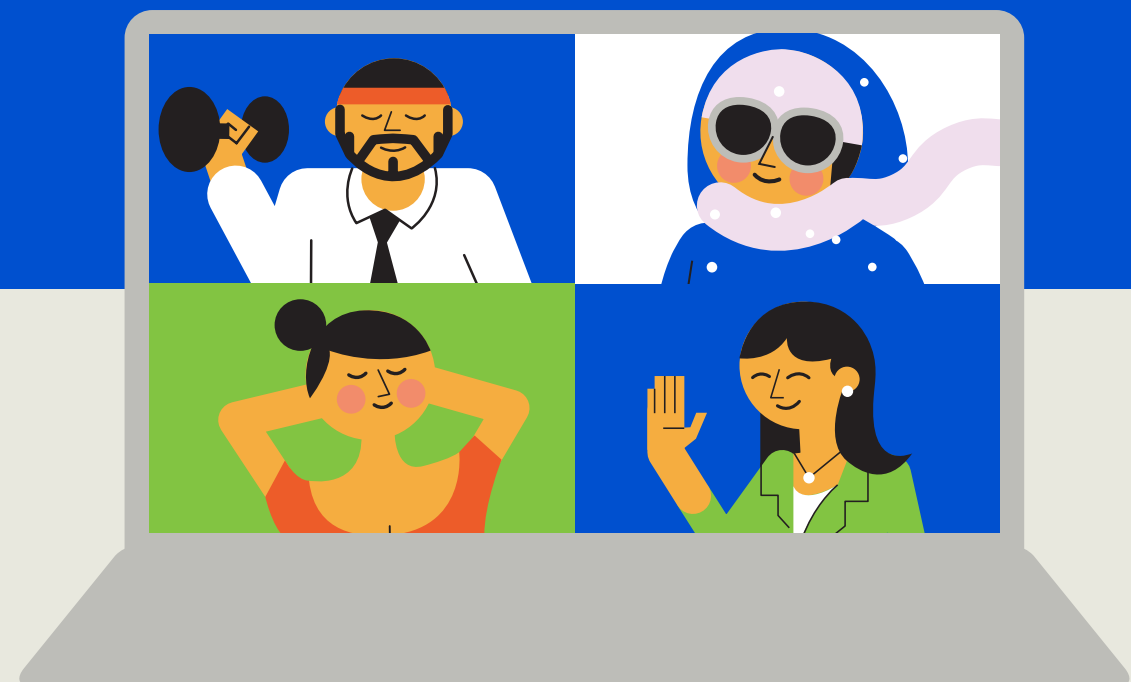


Table 14: Composition of the management team in 2020

Name and surname	Function (chairman, member)	Areas of work within the Management Board	First appointment to the function	Completion of the function/ term of office	Gender	Citizenship	Letnica rojstva	Education	Professional profile	Membership in the supervisory boards of companies not related to the Company
Borut Jamnik	Chairman	Investment management, planning and controlling, strategic communications, marketing, legal and HR, AML/ATF officer's duties and compliance functions	29. 8. 2011	29. 8. 2025	M	RS	1970	BA (Mathematics)	Insurance business, banking, financial industry, pharmaceutical business, corporate governance, asset and pension fund management	Krka, d. d., NKBM, d. d.
mag. Matija Debelak	Member	IT and process, accounting and process support management, general affairs and the area of the data protection office and the internal audit function	14. 9. 2011	14. 9. 2025	M	RS	1971	MSc	IT and process management, financial asset management, pension fund management	
Boštjan Vovk	Member	Area of risk, product development and sales and the area of the actuarial function and the risk management function	1. 10. 2018	1. 10. 2022	M	RS	1966	BSc (Computer Science), certified actuary	Actuarial tasks, insurance business, development, risk management, pension fund management	

Table 15: Composition of the Supervisory Board and committees in the 2020 financial year

Name and surname	First appointment to the function	Completion of the function/ term of office	Representative of capital/ employees	Attendance at meetings	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under point 6.6 of the Code (YES/NO)
Branimir Štrukelj	9. 12. 2011	9. 12. 2024	Representative of those insured in the KPSJU	11/11	M	RS	1957	Prof. of History and Art History	Expert in the area of pension fund management	Yes
Bachtiar Djalil	14. 1. 2019	9. 6. 2021	Representative of capital	11/11	M	RS	1975	LL. M.	Corporate governance, pension and investment fund management, commercial and financial law	No
Marko Cvetko	9. 12. 2020	9. 12. 2024	Representative of those insured in the MKSP	1/1	M	RS	1970	BA (Chemical Technology), management specialist	Corporate governance and corporate security, HR, management of the innovation activity at the Company, HRM	Yes
Goran Bizjak	9. 12. 2011	9. 12. 2020	Represented of those insured under the KVPS and MKPS	10/10	M	RS	1959	BSc (Economics)	Micro and macroeconomics, work process management, public and corporate finance, banking	Yes
dr. Janez Prašnikar	9. 6. 2017	9. 6. 2021	Representative of capital	11/11	M	RS	1950	Sc.D.	Economic sciences, management, transition, restructuring, innovation, corporate governance	Yes
Bojan Zupančič	9. 12. 2011	9. 12. 2024	Representative of those insured in the KPSJU	11/11	M	RS	1950	Senior social worker, court expert –accounting	Accounting, pension fund management	Yes
Roman Jerman	9. 4. 2019	9. 12. 2024	Representative of capital	11/11	M	RS	1975	BSc (Economics), certified business and real estate valuer, court expert for economics, business valuation	Finance, asset management, corporate governance	No

Table 16: Composition of the Supervisory Board and committees in the 2020 financial year - continued

Name and surname	Existence of conflict of interest in the financial year (Yes/No)	Membership in the supervisory boards of companies not related to the Company	Membership in committees (president/member of the audit or HR committee)	Attendance in committee meetings compared to the total number of meetings
Branimir Štrukelj	No			
Bachtiar Djalil	Yes	Loterija, d. d.		
Goran Bizjak	No		President of the Audit Committee (until 9 Dec. 2020)	6/6
Dr. Janez Prašnikar	No	Kolektor	President of the Audit Committee (from 16 Dec. 2019)	
Bojan Zupančič	No		Audit Committee member (from 11 Apr. 2019 and from 16 Dec. 2020)	5/6
Roman Jerman	Yes	Gospodarsko razstavišče, d. o. o.		
Marko Cvetko	No			

Table 17: External members of Supervisory Board committees in 2020

Name and surname	Committee	Attendance in committee meetings compared to the total number of meetings	Gender	Citizenship	Education	Year of birth	Professional profile	Membership in the supervisory boards of companies not related to the Company
Dragan Martinović	Audit Committee	6/6	M	RS	BSc (Economics), audit specialist, certified auditor, certified tax officer, court expert for auditing	1959	Auditing, taxes	

Ljubljana, 12 March 2021



Boštjan Vovk
MEMBER OF THE
MANAGEMENT BOARD



Matija Debelak, MSc
MEMBER OF THE
MANAGEMENT BOARD



Borut Jamnik
CHAIRMAN OF THE
MANAGEMENT BOARD

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Statement of Management's Responsibility

The Management Board of Modra zavarovalnica, d. d. hereby confirms the Financial Statements of Modra zavarovalnica, d. d. for the period from 1 January 2020 to 31 December 2020 and the Associated Notes and Disclosures to the Financial Statements.

The Management Board hereby confirms that appropriate accounting policies were consistently applied and that accounting estimates were made under the principle of prudence and diligence of a good manager and represent a true and fair overview of the insurance company's financial position and financial performance for 2020.

The Management Board is also responsible for an appropriate accounting system and adoption of suitable measures to secure assets and other funds and hereby confirms that financial statements and therewith related notes have been compiled under the assumption of going concern and in accordance with the applicable legislation and International Financial Reporting Standards adopted by the EU.

The tax authorities may inspect the Company's operations at any time within five years of the expiry of the year for which tax must be assessed, which could result in additional payment liability for tax, default interest and penalty arising from corporate income tax or other taxes and duties. The Company's Management Board has no knowledge of any circumstances that could give rise to a potential material liability in that respect.

Ljubljana, 12 March 2021



Boštjan Vovk
MEMBER OF THE
MANAGEMENT BOARD



Matija Debelak, MSc
MEMBER OF THE
MANAGEMENT BOARD



Borut Jamnik
CHAIRMAN OF THE
MANAGEMENT BOARD

Auditor's Report

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INDEPENDENT AUDITOR'S REPORT to the owner of Modra zavarovalnica d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the company Modra zavarovalnica d.d. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) 537/2014 of the European Parliament and of the Council, dated 16 April 2014, on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those rules are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 3647125 - VAT ID SI62560085 - Nominal capital EUR 74,214.30.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Technical Provisions

Key Audit Matter	Audit Procedures Related to Key Audit Matters
Technical provisions are explained in Note 3.10.2. (Accounting Policies) and Note 22 (Technical Provisions) and in the chapter Disclosures of Insurance Contracts (value and assumptions).	
<p>The insurance company recognizes technical provisions and claims provisions for the long-term business fund of the First Pension Fund, the long-term business fund of Modra renta, the long-term business fund of Modra rente II.</p> <p>Technical provisions are an important liability of the company in the statement of financial position. The value of technical provisions as at 31 December 2020 amounts to EUR 260,226 thousand (2019: EUR 223,390 thousand). Provisions are measured in accordance with the accounting policies described in the financial statements.</p> <p>Calculating provisions for insurance contracts is complex as it involves a high degree of management judgment and complex mathematical and statistical calculations. Models for calculating the amount of technical provisions are developed separately for each category of provisions. Design depends to a large extent on economic and demographic assumptions.</p> <p>Technical provisions are accounting estimates that represent significant accounting balances. Because they are subject to a high level of judgment and we have treated them as a key audit matter.</p>	<p>We obtained an understanding of key controls and checked their operation. We reviewed the model used by the company to calculate technical provisions, the procedures for analyzing the economic and non-economic assumptions used to calculate provisions, and the data included in the model.</p> <p>We examined the adequacy of the key management assumptions used in estimating the amount of technical provisions for individual cases and reconciled them with the relevant supporting documentation.</p> <p>Experts in the field of actuarial work were involved in the assessment of actuarial assumptions, including the discussion and assessment of management's assumptions. Experts were involved in testing the company model, and also performed independent recalculations of provisions.</p> <p>We assessed whether the disclosed provisions are in accordance with the requirements of the accounting framework, best industry practice and legal requirements.</p> <p>We have also reviewed the information in the financial statements to assess whether the balances in them are adequately disclosed to users of the financial statements.</p>

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Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we express no assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.

In relation to this and based on our procedures performed, we report that:

- other information are, in all material respects, consistent with the audited financial statements;
- other information are prepared in compliance with applicable law or regulation; and
- based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

With those charged with governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

We also provide those charged with governance with the statement of compliance with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters for which it may reasonably be thought to bear on independence, and, if appropriate, all the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 29 August 2019. Our total uninterrupted engagement has lasted 9 years.

Confirmation to the Audit Committee

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We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 12 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in the Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. There are no services, in addition to the statutory audit, which we provided to the Company, and which have not been disclosed in the Annual Report.

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Katarina Kadunc, certified auditor.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

Ljubljana, 12 March 2021

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Income Statement¹

in EUR

	Item	Note	2020	2019
A.	Net premium income	1	61,883,219	53,462,703
	- gross written premiums		61,883,219	53,462,703
B.	Income from investments in associates	2	2,770,371	4,606,964
C.	Investment income, of which	3	12,885,515	14,956,753
	- interest income calculated according to the effective interest rate method		40,416	70,547
	- gains on disposal of investments		282,111	797,264
D.	Other technical income, of which	5	11,037,275	12,188,184
	- fee and commission income		8,166,518	7,747,664
E.	Other income	6	74,949	141,944
F.	Net claims incurred	7	-30,142,192	-24,835,317
	- gross claims paid		-30,072,542	-24,795,747
	- changes in claims provisions		-69,650	-39,570
G.	Changes in other technical provisions	8	-36,786,633	-33,315,898
K.	Operating costs, of which	9	-6,991,349	-6,916,018
	- acquisition cost		-57,381	-56,024
M.	Investment expenses, of which	4	-4,059,241	-4,226,587
	- financial asset impairment		-185,071	-108,147
	- loss on disposal of financial assets		-927,156	-50,180
N.	Other technical expenses	10	-6,631,810	-1,124,138
O.	Other expenses	11	-2,796	-222,028
P.	Profit or loss before tax		4,037,308	14,716,562
R.	Income tax	12	-56,197	-2,474,847
S.	Net profit or loss for the financial year		3,981,111	12,241,715

Statement of Other Comprehensive Income²

in EUR

	Item	Note	2020	2019
I.	Net profit/loss for the year, after tax		3,981,111	12,241,715
II.	Other comprehensive income, after tax (a + b)	14	994,595	24,397,950
a)	Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)		1,202,489	23,970,587
	5. Items that will not be reclassified subsequently to profit or loss		1,657,048	28,433,925
	6. Tax on items subsequently not reclassified to profit or loss		-454,559	-4,463,338
b)	Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)		-207,894	427,363
	1.b) Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income		-256,659	527,608
	5. Tax on items that may be reclassified subsequently to profit or loss		48,765	-100,245
III.	Comprehensive income for the financial year, after tax (i + ii)		4,975,706	36,639,665

Statement of Financial Position³

in EUR				
	Item	Note	31 December 2020	31 December 2019
Assets			573,414,447	530,779,842
A.	Intangible assets	15	640,705	666,225
B.	Property, plant and equipment	16	1,287,136	1,615,390
F.	Financial investments in Group companies and associated companies	17.1	34,970,284	36,518,433
G.	Financial assets	17.2	529,113,764	479,747,057
	at amortised cost		197,313,909	184,188,761
	at fair value through other comprehensive income		184,331,072	186,119,469
	at fair value through profit or loss		147,468,783	109,438,827
K.	Receivables	18	2,626,309	1,598,411
	Receivables from direct insurance operations		4,054	4,090
	Current tax assets		1,055,326	0
	Other receivables		1,566,929	1,594,321
L.	Other assets	19	2,416,406	2,983,930
M.	Cash and cash equivalents	17.3	2,359,843	7,650,396
N.	Off-balance sheet items	20	1,268,619,685	1,190,362,967
EQUITY AND LIABILITIES			573,414,447	530,779,842
A.	Equity	21	274,213,039	269,237,332
	Share capital		152,200,000	152,200,000
	Revenue reserves		42,895,497	40,710,862
	Revaluation surplus		67,341,940	66,347,345
	Net profit or loss brought forward		11,775,602	9,979,125
C.	Technical provisions	22	260,225,821	223,389,538
	Technical provisions for life insurance		259,144,504	222,357,870
	Claims provisions		1,081,317	1,031,668
E.	Other provisions	23	16,548,727	12,180,626
G.	Deferred tax liabilities	13	14,156,484	13,707,691
I.	Other financial liabilities	24	476	796
J.	Operating liabilities	25	106,709	852,220
	Liabilities arising out of direct insurance operations		42	0
	Current tax liabilities		106,667	852,220
K.	Other liabilities	26	8,163,191	11,411,639
L.	Off-balance sheet items*	20	1,268,619,685	1,190,362,967

*off-balance sheet items are classified in the Statement of Financial Position in accordance with the Decision on annual report and quarterly financial statements of insurance undertakings issued by the Insurance Supervision Agency.

Cash Flow Statement⁴

in EUR			
	Item	2020	2019
A.	Cash flows from operating activities		
a)	Income statement items	34,087,268	29,445,935
	Net written premiums for the period	61,883,219	53,462,703
	Other operating income (excluding revaluation and without the reduction of provisions) and financial income from operating receivables	10,095,416	9,066,844
	Net claims paid in the period	-30,142,192	-24,835,317
	Net operating costs excluding depreciation and amortisation costs and without the change in deferred acquisition costs	-6,774,221	-6,578,189
	Other operating expenses excluding depreciation and amortisation (except for revaluation and without the increase in provisions)	-918,757	-1,057,646
	Income taxes and other taxes not included in operating expenses	-56,197	-612,460
b)	Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items	-3,889,193	421,416
	Opening less closing receivables from indirect insurance	561,336	49,989
	Opening less closing other receivables and assets	-980,100	293,440
	Closing less opening liabilities arising from indirect insurance	51,411	21,196
	Closing less opening other operating liabilities	-3,521,840	56,791
c)	Net cash flows from operating activities (a+b)	30,198,075	29,867,351
B.	Cash flows from investing activities		
a)	Receipts from investing activities	57,799,691	88,488,219
	Interest received from investing activities	5,746,797	5,409,497
	Receipts from dividends and profit participation	5,852,725	8,298,620
	Receipts from disposal of property, plant and equipment	2,158	144
	Receipts from disposal of investments	46,198,011	74,779,958
	Other receipts from disposal of investments	46,198,011	74,779,958
b)	Disbursements for investing activities	-92,845,065	-110,978,832
	Disbursements to acquire intangible assets	-292,948	-297,794
	Disbursements to acquire property, plant and equipment	-56,790	-18,652
	Disbursements to acquire investments	-92,495,327	-110,662,386
	Disbursements to acquire subsidiaries or other companies	0	-1,000,000
	Other disbursements to acquire investments	-92,495,327	-109,662,386
c)	Net cash from investing activities (a+b)	-35,045,374	-22,490,613
C.	Cash flows from financing activities		
b)	Disbursements for financing activities	-496,703	-3,407,726
	Disbursements for repayment of non-current financial liabilities	-496,703	-232,776
	Dividends and other profit shares paid	0	-3,174,950
c)	Net cash from financing activities (a+b)	-496,703	-3,407,726
C̄	Closing balance of cash and cash equivalents	2,359,843	7,650,396
x)	Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	-5,344,002	3,969,012
+			
	Impact of changes in foreign exchange rates	53,449	16,386
+			
y)	Opening balance of cash and cash equivalents	7,650,396	3,664,998

Statement of Changes in Equity for 2020⁵

in EUR

Item	I. Share Capital	III. Revenue reserves		IV. Revaluation reserve	V. Net profit or loss brought forward	VI. Net profit or loss	Total equity
		Legal and statutory reserves	Other revenue reserves			Net profit/loss for the financial year	
1. Balance as at the end of the previous financial year	152,200,000	6,718,194	33,992,668	66,347,345	9,979,125	0	269,237,332
4. Opening balance for the period	152,200,000	6,718,194	33,992,668	66,347,345	9,979,125	0	269,237,332
5. Comprehensive income for the year, after tax	0	0	0	994,595	0	3,981,111	4,975,706
a) Net profit or loss	0	0	0	0	0	3,981,111	3,981,111
b) Other comprehensive income	0	0	0	994,595	0	0	994,595
11. Allocation of net profit to revenue reserves	0	388,159	1,796,476	0	0	-2,184,635	0
12. Allocation of net profit to net profit or loss brought forward	0	0	0	0	1,796,476	-1,796,476	0
16. Closing balance for the period	152,200,000	7,106,353	35,789,144	67,341,940	11,775,602	0	274,213,039

Statement of Changes in Equity for 2019⁶

in EUR

Item	I. Share Capital	III. Revenue reserves		IV. Revaluation reserve	V. Net profit or loss brought forward	VI. Net profit or loss	Total equity
		Legal and statutory reserves	Other revenue reserves			Net profit/loss for the financial year	
1. Balance as at the end of the previous financial year	152,200,000	5,525,164	25,572,309	46,388,921	6,086,224	0	235,772,618
4. Opening balance for the period	152,200,000	5,525,164	25,572,309	46,388,921	6,086,224	0	235,772,618
5. Comprehensive income for the financial year after tax	0	0	0	24,397,950	0	12,241,715	36,639,665
a) Net profit or loss	0	0	0	0	0	12,241,715	12,241,715
b) Other comprehensive income	0	0	0	24,397,950	0	0	24,397,950
10. Dividend distribution (account)	0	0	0	0	-3,174,950	0	-3,174,950
11. Allocation of net profit to revenue reserves	0	1,193,030	8,420,359	0	-2,898,769	-6,714,620	0
12. Allocation of net profit to retained net profit or loss	0	0	0	0	5,521,590	-5,521,590	0
13. Set-off of losses from previous periods	0	0	0	0	5,505	-5,505	0
15. Allocation of the profit or loss from the sale of equities	0	0	0	-4,439,525	4,439,525	0	0
16. Closing balance for the period	152,200,000	6,718,194	33,992,668	66,347,345	9,979,125	0	269,237,332

Profit or Loss Appropriation Account⁷

in EUR

Item	31 December 2020	31 December 2019
a) Net profit or loss for the financial year	3,981,111	12,241,715
b) Retained net profit or loss	9,979,125	4,452,030
-profit or loss for the year under the applicable standards*	9,979,125	4,452,030
č) Increase in revenue reserves pursuant to the decision of the Management Board	388,159	1,193,030
- increase in legal reserves	199,056	611,810
- increase in statutory reserves	189,103	581,220
d) Increase of other reserves pursuant to the decision of management bodies	1,796,476	5,521,590
e) Accumulated profit or loss (a + b - č - d)	11,775,601	9,979,125

*Gains on disposal of equity investments measured at fair value through other comprehensive income less the coverage of past loss of the non-life segment.

Disclosures and Notes

General disclosures

Company Profile

Modra zavarovalnica, d. d. is organised as a public limited company. Its registered office is located at Dunajska cesta 119 in Ljubljana, Slovenia. The establishment of Modra zavarovalnica, d. d. was registered in the Register of Companies with the District Court in Ljubljana on 3 October 2011.

The activities of Modra zavarovalnica are laid down by the law and the Company's Articles of Association. Modra zavarovalnica, d. d. offers insurance products such as life insurance, accident and health insurance, pursues the activities of pension funds, assessment of risks and loss adjustment, activities of insurance agents, other auxiliary activities for insurance operations, and pension and financial fund management.

Parent Company Profile

Modra zavarovalnica, d. d. is a fully owned subsidiary of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Dunajska cesta 119, 1000 Ljubljana, Slovenia. The Company's financial statements are included in the consolidated financial statements of the controlling company. The consolidated financial statements of the controlling company Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. is available online at http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila.

Funds Under Management

Table 18: Funds under management of Modra zavarovalnica as at 31 December 2020

Fund	Fund registration no.
First Pension Fund of the Republic of Slovenia	6031226001
Life-Cycle Pension Fund	6031226007
Dynamic Sub-Fund	6031226006
Prudent Sub-Fund	6031226008
Guaranteed Sub-Fund	6031226009
Guarantee Fund of the First Pension Fund	6031226004
Modra renta Guarantee Fund	6031226005
Modra Renta II Guarantee Fund	6031226010
Life-Cycle Civil Servants Pension Fund	6031226011
Dynamic Civil Servants Sub-Fund	6031226012
Prudent Civil Servants Sub-Fund	6031226013
Guaranteed Civil Servants Sub-Fund	6031226014

Employees

Table 19: Number of employees by level of education

Education	31 December 2020	31 December 2019
Level 8 (8/1, 8/2)	10	10
Level 7	26	23
Level 6 (6/1, 6/2)	17	14
Level 5	10	12
Level 4	1	1
Total	64	60

Subsidiaries

The Company did not have any subsidiaries as at 31 December 2020.

Joint Ventures

As at 31 December 2020, Modra zavarovalnica, d. d. recorded the investment in Hotelske nepremičnine, d. o. o. as a joint venture investment.

Accounting Policies

Basis for Preparation

The financial statements of Modra zavarovalnica, d. d. have been prepared on the basis of accounting policies presented below. The financial statements for 2020 have been compiled in accordance with the International Financial Reporting Standards (IFRS), the Companies Act, the Insurance Act, and the Decision on annual report and quarterly financial statements of insurance undertakings issued by the Insurance Supervision Agency. The data in the financial statements is based on bookkeeping documents and books of account kept in line with the International Financial Reporting Standards. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.

Statement of Compliance

The financial statements of Modra zavarovalnica, d. d. are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as well as the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and the European Union.

In its financial statements, Modra zavarovalnica, d. d. has applied all IFRS standards and IFRIC interpretations that were mandatory for the 2020 financial year, and has not adopted any of standards or interpretations early where the use of amended standards and interpretations was not mandatory in 2020.

Basic Policies

The financial statements have been prepared on the historical cost basis, with the exception of assets measured at fair value through profit or loss and assets measured at fair value through other comprehensive income. The financial statements are presented in euros (EUR), which is the functional and reporting currency of the Company. All figures are rounded to EUR 1, except where specifically stated otherwise.

Significant Accounting Judgements and Estimates

The preparation of financial statements requires the use of certain estimates and assumptions made by the management that affect the value of the Company's assets and liabilities as well as the income and expenses.

The suitability of the assumptions and estimates employed is verified periodically. The most important judgements made by the management relate to the classification, recognition, measurement and the derecognition of financial assets. Policies are explained in the Business Models section.

Significant estimates on the part of the management relate to the provisioning for the failure to achieve the guaranteed return and the setting aside of mathematical and other provisions.

Mathematical provisions are calculated for each insurance contract separately. The prospective method is applied in the calculation. The calculations take into account actuarial assumptions, the provisions of the legislation in force as well as all contractual obligations vis-à-vis the insured persons in line with the contents of insurance contracts.

Foreign Currency Translation

The financial statements are presented in euros (EUR), which is the functional and reporting currency of the Company. Transactions in foreign currencies are initially recognised in the functional currency and translated at the functional currency exchange rate as at the date of transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency as at the reporting date. All differences arising from the translation of foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate applicable as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value denominated in a foreign currency are retranslated at the exchange rate applicable as at the date the fair value was determined.

Procedure for the Adoption of the Annual Report

The Company's Annual Report is adopted by the Management Board of the Company and then submitted for confirmation to the Company's Supervisory Board. The Management and Supervisory Boards also decide on the use of net profit for provisioning pursuant to the Companies Act. Such use of profits is included in the statements for the current year, while the distribution of profit for appropriation is decided on by the Company's General Meeting.

Property, Plant and Equipment

Equipment is valued at historical cost less accumulated depreciation and any impairments. The Company uses the straight line depreciation method to account depreciation according to the estimated useful life: the depreciation rate for equipment ranges from 16.67% to 33.33% per annum.

Each year, the Company makes an assessment of whether there are indications of impairment of property, plant and equipment. Such an event occurs if the estimated recoverable amount of an asset is lower than its carrying amount. The

Company decreases the carrying amount of such assets to their recoverable amount. The decrease represents an impairment loss which the Company recognises directly in profit or loss.

Derecognition of equipment is performed when the relevant asset is disposed of or when the Company no longer expects economic benefits from the asset's continuing use. Gains and losses arising from the derecognition of the asset are included in the P&L statement in the year in which the asset is eliminated from the books of account.

The residual value of the assets, their estimated useful lives and/or the depreciation method are revised and, if necessary, adjusted upon the compilation of the annual financial statements.

An item of property, plant and equipment whose individual value as per supplier's invoice does not exceed EUR 500, may be carried as a group of small tools. Small tool assets whose individual cost does not exceed EUR 500 may be classified as materials.

Leases

The Company treats leases under IFRS 16, which defines an individual lease as a contract or part of a contract by way of which the right-of-use asset, which is the subject of the lease, is transferred for a particular period to the lessee in exchange for compensation. The Company identifies a lease upon the conclusion of the contract when it determines whether it is a lease agreement or whether the agreement contains a lease.

Upon the identification of a lease agreement, the lease is recognised in the books of account as an asset representing the right-of-use and a lease liability, i.e. from the lease commencement date. The Company as the lessee measures the asset as at the lease commencement date as an asset representing the right-of-use at cost. A lease liability is measured as the lease commencement date at the current value of lease payments which are not yet paid as at the commencement date.

In line with the standard, the Company does not apply such treatment for short-term leases and leases where the leased asset is a low-value asset. A short-term lease is a lease, the lease term of which is a maximum of 12 months as at the lease commencement date and which does not have a purchase option, while a low-value lease is a lease where the value of a new asset is lower than USD 5,000.

Intangible Assets

Intangible assets acquired individually are recognised at cost. After initial recognition, the historical cost method is used and intangible asset are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of an intangible asset is finite. The amortisation of an intangible asset is recognised in the income statement. Intangible assets created within the Company, other than development costs, are not capitalised. Costs represent the expenses for the period in which they are incurred.

Carrying amounts of intangible assets are revised annually to check for impairment. The useful life of an individual intangible asset is assessed once a year and adjusted as required. A recognised intangible asset is impaired if its carrying amount exceeds its net recoverable amount. In the event of asset impairment, the carrying amount is decreased to the net recoverable amount and the impairment expense is recognised directly in profit or loss.

Intangible non-current assets are amortised using the straight-line depreciation method over their useful lives at the amortisation rate of 20.00 to 33.33% per annum.

Gains and losses on disposal or elimination of an item of intangible assets represent the difference between the selling price on disposal and the carrying amount of the asset. The difference is recognised as income or expense in the profit or loss when the asset is eliminated or disposed.

Investments

In accordance with IFRS 9, the Company classifies financial instruments for subsequent measurement into one of the following measurement categories:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

The Company classifies financial instruments based on the following:

a) the Company's business model for financial asset management:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the asset is held within a business model whose objective is to collect contractual cash flows and sell financial assets; and
- the asset is held within a business model whose objective is to hold financial assets with the aim of selling them;

b) the characteristics of the financial asset's contractual cash flows; the Company has to verify whether the financial asset's contractual cash flows involve solely payments of principal and interest on the outstanding principal amount, i.e. the SPPI test (Solely Payments of Principal and Interest).

Business Models

As part of the management of guarantee funds, two business models are applied:

- Business model whose objective is to hold financial assets in order to collect contractual cash flows (Amortised Costs – AC): this business model includes financial assets held by the fund manager in order to collect contractual cash flows.
- Business model of financial assets that is managed and whose returns are estimated based on the fair value (Fair Value Through Profit or Loss – FVTPL): this business model includes financial assets held by the fund manager in order to manage and measure their performance based on fair value. The manager is mainly focused on the information on fair value that they use for assessing the return on assets and for taking decisions.

As part of the management of own funds, the Company applies four business models:

- Business model whose objective is to hold financial assets in order to collect contractual cash flows (Amortised Costs – AC): this business model includes financial assets held by the manager in order to collect contractual cash flows.
- Business model whose objective is to hold assets to collect contractual cash flows and sell the assets (Hold To Collect And To Sell – HTC & S): the manager generates returns on these assets by collecting contractual cash flows and by sales. The model is characterised by greater frequency and higher value of sales because the sale of financial assets is essential for reaching the business model targets.
- Business model of financial assets that is managed and whose returns are estimated based on the fair value (Fair Value Through Profit or Loss – FVTPL): this business model includes financial assets held by the fund manager in order to manage and measure their performance based on fair value. The manager is mainly focused on the information on fair value that they use for assessing the return on assets and for taking decisions.
- Business model of capital instruments not held for trading (Fair Value Through Other Comprehensive Income – FVTOCI): as part of own funds, the manager holds equities, which they manage by actively trading them because of the size of the shareholding, and equities held long-term and not for trading. When classifying these investments, the manager observes the option of point 5.7.5 of IFRS 9 and classifies them into the FVTOCI group.

Expected Credit Loss Model

IFRS 9 has also established the expected credit loss model meaning that an impairment is recognised even before the loss occurs. The expected credit loss model incorporates the historical data on recoverability and the macroeconomic forecasts as well as other internal and external factors indicating the debtor's future solvency.

The basis for the formation of impairments is the data on the probability of default – PD, loss given default – LGD and exposure at default – EAD. Data are obtained from international statistics

publications of the Moody's and S&P credit agencies (PD and LGD) as well as the internal IT system holding current data on EAD.

The standard defines three stages describing the credit quality of a financial asset. Upon recognising a financial asset classified as stage 1, the Company recognises the expected credit loss over a period of 12 months. Financial assets classified as stage 2 are assets whose credit risk in the period after recognition has increased and for which credit loss is calculated over their entire term. Stage 3 is represented by financial assets of non-creditworthy issuers, meaning that impairments are required for total expected losses.

Individual investments classified in stages based on international or internal ratings and days of default. We also carried out regular monitoring of portfolio investments in the form of an internal early warning system – EWS.

In order to determine the expected credit losses (ECL) based on forward-looking information, we calculate the correlation coefficients for a period of three years that we obtain based on international macroeconomic indicators for the following three years and the data on the default rate provided by S&P. Select macroeconomic indicators were selected for the calculation, i.e. those with the maximum statistical information value and are relevant for economic cycle forecasting. We observe the average historical PD value for the period longer than three years because it is difficult to explain deviations from average PD values over a longer time period.

The Company recognises a loss allowance for the ECL relating to financial assets measured at amortised cost or fair value through other comprehensive income.

Recognition and Derecognition of Investments

The Company recognises investments in its statement of financial position as an item of financial asset only when it becomes a party to the contractual provisions of a financial instrument.

A financial asset which is an investments and is traded on a regulated securities market is recognised as an asset as at the date of the conclusion of the transaction; a payment liability is also established at that time. Upon disposal, the decrease in the financial asset is recorded as at the date of the conclusion of the transaction.

A financial asset that is an investment and is traded on a regulated securities market is recognised as an asset as at the date of payment. The decrease in the financial asset is recorded as at the date all of the contractual provisions have been fulfilled, which is when the ownership right passes to the buyer.

When buying and selling financial assets on the primary securities market (in an auction), the investment is recognised as a financial asset as at the transaction settlement date.

Fair Value Estimate

Price Source

When valuing debt security investments whose principal market is the OTC market, the Company uses the CBBT (Composite Bloomberg Bond Trader) as the price source.

Determination of the Fair Value of Investments

In accordance with IFRS 13, the Company determines the fair value of investments as if said fair value is the price it would accept that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Company defines the measurement date as the date on which it calculates the value of a unit (reporting date). Fair value measurement in case of this type of transaction is based on the assumption that the transaction is executed on the principal market or in the absence of the same on the most advantageous market. If there is no main (or most advantageous) market during fair value measurement, the Company determines the fair value using a valuation technique. The fair value of an investment is determined by taking into account both of the above conditions.

Upon the purchase of an investment, the Company defines the following as the principal market for the investment:

- stock market (applies to equity and debt investments) or
- over-the-counter market or OTC (applies to debt investments).

As at the investment measurement date, the Company re-verifies the principal market which was defined upon the purchase.

As at the investment fair value measurement date, the Company establishes whether the market for the investment is an active one.

In case of a stock market, the assumption of an active market is met if the average daily trading volume for an individual investment over the last 180 days up to the fair value measurement date was higher than EUR 0.5 million taking into account the number of trading days. If the stock market is active, the last known listed price not older than 15 days is used for fair value measurement. If the stock market is not active, the last known listed price not older than 90 days is used for fair value measurement. In other cases, the fair value of an investment is determined using a valuation technique.

In case of an OTC market, the assumption of an active market is met if the CBBT price was published for at least half of the trading days over the last 30 days up to the valuation date. If the OTC market is active, the last known CBBT price not older than 15 days is used for fair value measurement. If the OTC market is not active, the last known CBBT price not older than 90 days is used for fair value measurement. If the last known CBBT price is older than the last realised transaction price of a financial asset or if the CBBT price is not available, the last known transaction price not older than 90 days is used for fair value measurement, whereby the active market transaction is met if the transaction price is not older than 15 days. In other cases, the fair value of an investment is determined using a valuation technique.

In accordance with IFRS 13.69, the Company uses the quoted price without adjustment for fair value measurement when such a price exists in an active market. When valuing, the Company uses only the stock exchange closing price or the published closing BID CBBT or transaction price as the unadjusted quoted price.

Criteria for the Classification of Investments into Fair Value Hierarchy Levels

Investments measured at fair value are classified by the Company into fair value levels in accordance with IFRS 13. The said standard defines a hierarchy for compliance and comparability purposes, whereby it classifies the inputs used for fair value valuation into three levels, i.e.:

- level 1 inputs are quoted (unadjusted) market prices in active markets for the investments which the Company can access as at the measurement date;
- level 2 inputs are inputs that are not quoted prices included in level 1 and which can be directly or indirectly observed; level 2 inputs include the following in accordance with IFRS 13.82:
 - quoted prices for similar investments in active markets,
 - quoted prices for identical or similar investments in non-active markets,
 - inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
 - inputs corroborated by market;
- level 3 inputs are unobservable inputs.

Pursuant to IFRS 13.74, the Company favours the inputs used in valuation techniques rather than a valuation techniques themselves when measuring the fair value.

In line with IFRS 13.97, the Company also classifies the following in the fair value hierarchy: investments that are not measured at fair value in the statement of financial position (generally measured at amortised cost), but for which the fair value is disclosed.

The Company classifies investments into levels based on the characteristics of the input used to determine the fair value of investments and to assess whether the principal market is an active one.

Classification of Equity Investments

Table 20: Classification of equity investments when the stock market is the principal market

Level	Investment type
Level 1	Equity investments with fair value measured on the basis of the quoted prices in active markets
Level 2	Equity investments with fair value measured on the basis of the quoted prices in non-active markets Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity investments for which quoted prices are not available and their fair value is measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 21: Classification of unlisted equity investments

Level	Investment type
Level 1	–
Level 2	Equity instruments with fair value measured using a valuation technique (taking into account level 2 inputs)
Level 3	Equity instruments with fair value measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 22: Classification of investment fund units

Level	Investment type
Level 1	Investment fund units with fair value measured on the basis of the quoted NAV per unit
Level 2	–
Level 3	Investment fund points measured based on the prices provided by third parties

Classification of Debt Investments

At the level of the fair value hierarchy, the Company also classifies those debt security investments that are not measured at fair value in the statement of financial position. These are generally bonds at amortised cost that are measured at fair value by the Company for disclosure purposes. The same rules as for debt securities measured at fair value in the statement of financial position apply to these securities.

Table 23: Classification of debt investments if the stock market is the principal market

Level	Investment type
Level 1	Debt investments with fair value measured on the basis of quoted prices in active markets
Level 2	Debt investments with fair value measured on the basis of quoted prices in markets that are not active Debt securities measured using a valuation technique (taking into account level 2 inputs)
Level 3	Debt securities measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 24: Classification of debt investments if the OTC market is the principal market

Level	Investment type
Level 1	Debt investments with fair value measured on the basis of CBBT prices in active markets Debt investments with fair value measured on the basis of transaction prices in active markets
Level 2	Debt investments with fair value measured on the basis of CBBT prices in markets that are not active Debt investments with fair value measured on the basis of transaction prices in markets that are not active Debt securities without a CBBT price in (in)active markets and for which the fair value is measured using a valuation technique (taking into account level 2 inputs)
Level 3	Debt securities without a CBBT price in (in)active markets and for which the fair value is measured using a valuation technique (taking into account level 3 inputs) or prices provided by third parties

Classification of Loans and Deposits

As there is no market for deposit interest rates with directly observable prices, the Company measures deposits for fair value disclosure purposes using the initial or contractual interest rate, which is unobservable input, and thus classified in level 3.

Determination of Gains or Losses on Investments

According to IFRS 9.5.7.1, a gain or loss on a financial asset that is measured at fair value is recognised in profit or loss unless:

- it is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income in accordance with IFRS 9.5.7.5.;
- it is a financial asset measured at fair value through other comprehensive income and the entity is required to recognise some changes in fair value in other comprehensive income.

Investments at Fair Value Through Profit or Loss

The Company recognises gains or losses on a financial asset measured at fair value through profit or loss in its statement of profit or loss through finance income and expenses. Restatements of financial assets expressed in foreign currencies are also recognised in profit or loss.

Investments in Equity Instruments Measured at Fair Value Through Comprehensive Income

On initial recognition, the Company may make an irrevocable election to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument. If an entity decides for this option, it recognises in its profit or loss only dividends (IFRS 9.5.7.7.), namely when it obtains the right to payment (cut-off date defined by the issuer).

Gains or losses on investments and restatement of investments denominated in foreign currencies are recognised directly in equity as an increase or a decrease in revaluation surplus.

On derecognition of a financial asset, cumulative gains or losses that were previously recognised in other comprehensive income are reallocated to other equity components.

Investments in Debt Instruments Measured at Fair Value Through Comprehensive Income

Gains or losses on a debt financial asset measured at fair value through other comprehensive income are recognised in profit or loss as income up to the level of the effective interest rate, whilst the difference up to fair value is recognised in other comprehensive income as an increase or a decrease in revaluation surplus, until a financial asset is derecognised or reclassified.

Derecognition of Financial Instruments

The Company only derecognises a financial asset when contractual rights to cash flows from the financial asset expire.

Investment in Associate

The Company records and presents investment in the associate in the books of account based on the above accounting policies applying to investments measured at fair value through other comprehensive income.

An associate is consolidated in the consolidated annual report of the Company's parent undertaking.

Investment in Joint Ventures

Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company measures joint ventures at cost according to IAS 27.10. The investment in the joint venture is consolidated in the consolidated annual report of the Company's parent undertaking.

Receivables

Operating receivables

Operating receivables are recognised in the amount of issued invoices decreased by potential value adjustments. The estimate of allowances is based on the Company's reasonable expectations that the payment is no longer likely in full and/or up to a certain amount.

Short-Term Receivables from Direct Insurance Operations

Short-term receivables from direct insurance operations are receivables relating to premiums paid in the mutual pension funds, which are created upon the transfer of insured persons from mutual pension funds to guarantee funds. They are recognised as at the day the insured person acquires the right to the pension annuity. At that point, the mutual pension fund determines the amount of liabilities for the transfer of assets of the insured person to the guarantee funds. The amount of liabilities held by the mutual pension funds equals the sum of the redemption values of asset units in policies held by insurers.

The surrender value of units is the multiple of the number of the units held by the insured person who has acquired the right to a pension annuity and the unit value on the day the right to the pension annuity is acquired (the last published unit value). When the guaranteed unit value exceeds the actual unit value, the guaranteed unit value is applied.

Short-Term Receivables for Shares in Claims Incurred

Short-term receivables for shares in claims incurred are receivables for annuities paid to deceased insured persons.

Short-Term Receivables from Financing Activities

Short-term receivables from financing activities comprise short-term receivables from interest, short-term receivables from dividends and other short-term receivables from financing activities.

Short-term receivables from interest arising from securities are recognised on the date interest matures in accordance with the issuer's amortisation schedule or conditions specified by the issuer upon the issue of securities.

Short-term receivables from dividends are recognised as at the cut-off date specified by the issuer.

Other Short-Term Receivables

Other short-term receivables are receivables due from the purchasers of securities (receivables arising from securities trading) and other short-term receivables inclusive of receivables from principal amounts due, receivables for securities to be issued, receivables from advances, and receivables for the costs of annuities paid.

Allowances for trade receivables are made on the basis of the individual assessment of the financial position and liquidity of the debtor from whom the outstanding receivable is due.

Receivables for the Deficit of Assets

If KS PPS liabilities as at the reporting date exceed its assets, the difference is recognised as a KS PPS receivable for the deficit due from Modra

zavarovalnica as the manager. Modra zavarovalnica creates provisions in the same amount that is debited to its equity in order to cover the shortfall of KS MR assets. If the value of assets exceeds the liabilities to the insured, previously formed receivables/provisions for the deficit are reversed. If the receivables/provisions cannot be completely reversed within an accounting year, they are transferred to the next accounting period.

If KS MR liabilities as at the reporting date exceed its assets, the difference is recognised as a KS MR receivable for the deficit due from Modra zavarovalnica as the manager. Modra zavarovalnica creates provisions in the same amount that is debited to its equity in order to cover the shortfall of KS MR assets. If the value of assets exceeds the liabilities to the insured persons, previously made receivables/provisions for the deficit are reversed. The surplus assets established at the end of the calendar year (as at the balance sheet date) belong to the Company or the manager, which forms a receivable due from KS MR Guarantee Fund arising from the management fee in the amount of the established surplus.

If KS MR II liabilities as at the reporting date exceed its assets, the difference is recognised as a KS MR II receivable for the deficit due from Modra zavarovalnica as the manager. Modra zavarovalnica creates provisions in the same amount that is debited to its equity in order to cover the shortfall of KS MR II assets. If the value of assets exceeds the liabilities to the insured persons, previously made receivables/provisions for the deficit are reversed. If the receivables/provisions cannot be completely reversed within an accounting year, they are transferred to the next accounting period.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank balances, cash on hand and short-term deposits with up to three months' maturity.

Equity

Ordinary shares are classified as equity. Direct additional costs of issuing new shares less tax effects are debited against equity.

The share capital is divided into 152.2 million ordinary registered no-par value shares. Each share represents an equal stake and an associated amount in the share capital. The share of an individual no par value share in the share capital is determined according to the number of no par shares issued. Revenue reserves are recognised based on:

- the Companies Act (ZGD-1), which prescribes their formation in special cases (acquisition of treasury shares, legal reserves);
- decision by the Management Board and Supervisory Board which have the power to decide pursuant to the Companies Act as to the half of the generated remaining net profit for the current year;
- decision by the General Meeting which decides on the profit for appropriation.

Revaluation surplus amounts disclosed in the balance sheet are adjusted by the amounts of deferred tax.

When calculating net profit/loss per share in both reported periods, the Company takes into account all of the shares issued.. The number of shares in the calculation equals the weighted average number of ordinary shares outstanding in the reporting period.

Insurance Contracts

Pursuant to the International Financial Reporting Standard 4 (IFRS 4) and the International Standard on Actuarial Practice 3 (ISAP 3), the PPS, MR and MR II Guarantee Funds are classified as insurance contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

IFRS 4 states that an event is uncertain if it is not clear upon the conclusion of the contract whether the insured event will take place, when the insured event will take place and what the compensation amount will be.

Insurance contracts that carry a significant insurance risk are treated in the books of account in accordance with IFRS 4.

Liabilities from Insurance Contracts – Technical Provisions

Long-term technical provisions for insurance contracts are set aside pursuant to the Insurance Act, its implementing regulations and IFRS 4.

Modra zavarovalnica is required to set aside adequate technical provisions intended for covering future liabilities arising from insurance contracts and any losses due to risks deriving from the insurance transactions performed.

Technical provisions are calculated for every insurance contract separately. The prospective method is applied in the calculation.

The calculations take into account actuarial assumptions, the provisions of the applicable legislation and all contractual obligations to the insured persons according to the content of insurance contracts.

The key actuarial function holder (actuary) examines the calculation of technical provisions arising from insurance contracts and their adequacy at the annual level, and expresses an opinion thereon.

KS PPS Technical Provisions

Technical provisions of the KS PPS (Guarantee Fund of the First Pension Fund) are mathematical provisions comprising:

- mathematical provisions for KS PPS policies;
- equalisation provisions for KS PPS mortality experience, and
- equalisation provisions for KS PPS yield experience.

Mathematical provisions from KS PPS policies are calculated by taking into account the Rules for the Calculation of Mathematical Provisions. The calculation is based on the most recent annuity mortality tables approved by the Insurance Supervision Agency. The accrued interest rate and the costs are the same as those applied in the annuity calculation. The mortality tables used in the calculation of mathematical provisions are more conservative than those used in annuity allocation. Equalisation provisions for mortality experience

are identified upon the first calculation of mathematical provision as the difference between the value of transferred assets and the value of mathematical provisions for a KS PPS policy.. Equalisation provisions for mortality experience calculated by individual policy upon transfer increase the balance of provisions set aside for the equalisation of KS PPS mortality experience and are formed collectively for all insured persons. They are calculated and recognised on a monthly basis upon the calculation of mathematical provisions for KS PPS policies for the current month. They are posted in the mathematical provisions account, subgroup 'equalisation provisions for mortality experience'. Equalisation provisions for mortality experience can be additionally created at year-end from the surplus of KS PPS assets, i.e.:

- if mathematical provisions are not set aside pursuant to the most recent annuity tables, the following is fully allocated to provisions:
 - surplus of assets as a result of surplus return of the Guarantee Fund over guaranteed return;
 - surplus of assets as a result of mortality within the population with annuity insurance policies;
- however, if mathematical provisions comply with the most recent annuity tables, the surplus of assets as a result of over-mortality within the population with annuity insurance is allocated to provisions.

Equalisation provisions for yield experience are formed at year-end, provided that mathematical provisions from KS PPS policies have been formed pursuant to the most recent annuity tables. In this case, the surplus of assets, which is a result of surplus return of KS PPS over the guaranteed return, can be allocated to permanent annuity increases or is used, partially or entirely, to create equalisation provisions for yield experience. The share of surplus earmarked for annuity increase is specified by the management of the fund manager.

KS MR Technical Provisions

KS MR technical provisions are mathematical provisions for KS MR policies concluded after retirement of the insured persons that exercised regular termination of supplementary pension insurance by 31 December 2015. They are calculated

in accordance with the provisions of the Technical Bases for Annuity Insurance, prospectively for each insurance policy separately. German annuity tables DAV1994R are applied in the calculation. The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium.

KS MR II Technical Provisions

KS MR II technical provisions are mathematical provisions for KS MR II policies concluded after retirement of the insured that exercised regular termination of additional pension insurance by 1 January 2016. They are calculated in accordance with the provisions of the Technical Bases for Annuity Insurance, prospectively for each insurance policy separately. They also include mathematical provisions arising from the generated annuity fund profit. 90% of the profit of the preceding financial year at any relevant time is allocated to the insured persons. At least half of the profit is allocated to the insured persons, while the other half remains undistributed and is used to cover potential losses. German annuity tables DAV1994R are applied in the calculation. The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium. German annuity tables DAV1994R are applied in the calculation. The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium.

Claims Provisions

Claims provisions for guarantee funds are set aside in the amount of the liabilities to the insured that the fund is obliged to pay out based on insurance contracts, with regard to which an event insured has occurred before the end of the accounting period.

Provisions for Non-Achievement of the Guaranteed Return

Pursuant to Article 313 of ZPIZ-2, if the actual net asset value of a ZPJU, MZP and PPS fund member in the accounting period falls below the member's guaranteed asset value, Modra zavarovalnica has to set aside provisions for failure to achieve the guaranteed rate of return, which are debited to equity and correspond to the sum of all

shortfalls of the member's asset value and the member's guaranteed assets value as at a given date of account. The actual net or guaranteed values of the funds are calculated monthly.

Provisions for Pensions, Jubilee Benefits and Severance Pay upon Retirement

Modra zavarovalnica, d. d. calculates provisions for severance pay upon retirement and jubilee benefits annually. When doing the calculation, it applies assumptions on the expected employee turnover, their years of service and expected number of years until retirement while also observing the provisions of individual and collective employment contracts and the Company's internal acts.

Accruals and Deferrals

Prepayments and accrued income comprise short-term deferred costs or expenses and short-term accrued income. They are disclosed in actual amounts and do not differ from actual income or expenses. Potential differences between the actual and the deferred data are included in the profit or loss for the current year.

Accruals and income collected in advance includes accrued costs and other accrued costs and deferred income. Accrued costs are disclosed accrued costs from regular operations of the Company and costs for the unused annual leave of employees.

Other accrued costs and deferred income comprise short-term deferred income for the premium paid into the KS MR II and the accident insurance premium.

Operating Liabilities

Operating liabilities comprise current tax liabilities.

Other Liabilities

Other liabilities are classified into liabilities to employees, trade payables (in particular liabilities arising from securities trading) and other liabilities.

Income

Income is recognised if the increase in economic benefits in the accounting period is associated with the increase in the asset or the decrease of liabilities, and if the said increase or decrease can be reliably measured. Income and increases of assets or decreases of liabilities are recognised simultaneously. We distinguish between the following types of income:

Premium Income

Net insurance premium income is equal to the gross written premium. Gross written insurance premiums are recognised in accounting records on the date of the settlement of account rather than on the date of payment.

Fee and Commission Income

Modra zavarovalnica, d. d. is entitled to the refund of entry and exit fees and annual commission for the management of the assets of pension funds. Entry fees are calculated as a percentage of the premium paid, exit fees are calculated as a percentage of the surrender value upon termination, whereas the management fee is calculated as a percentage of the net annual value of the fund's assets over a saving period.

a. Entry Fee

For the performance of its activity in accordance with the pension scheme, the Company charges an entry fee, meaning that the collected assets transferred into an individual pension fund are decreased by the amount of the entry fees and the fund manages the assets that comprise net premiums. The entry fee is calculated as a percentage of the paid premium as at the date of payment.

b. Management Fee

The Company charges management fees to mutual pension funds, meaning that the monthly value of the assets of individual funds is reduced by the amount of management costs. The fund management fee is calculated as a percentage of the average annual NAV of an individual fund, calculated as an arithmetic mean of the fund's NAV as at the conversion cut-off dates in the current year.

c. Exit Fee

The Company is entitled to an exit fee in accordance with the pension scheme, meaning that the surrender value is decreased by the exit costs and this net value is then paid to the individual terminating the insurance. The exit fee is calculated as a percentage of the surrender value upon its redemption or payout.

Interest

Interest income is calculated and recognised upon occurrence on the basis of the effective interest rate. In the balance sheet, interest from debt securities is disclosed together with financial assets.

Dividends

Dividends are recognised when the Company obtains the right to payment.

Expenses and Costs

Expenses are decreases in economic benefits in the accounting period in the form of outflows or decreases in assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to the owners.

Expenses of Modra zavarovalnica, d. d. comprise net expenses for claims incurred, costs of the increase in mathematical provisions, net operating costs, other technical expenses, and financial expenses.

Net claims incurred are net expenses of guarantee funds for the paid annuities. Net operating costs are net costs of materials and services, amortisation and depreciation expenses of the assets required for operations, labour costs and other operating costs.

Financial expenses are classified by the Company as investment expenses. Other technical expenses include expenses arising from provisions set aside because of the failure to achieve the guaranteed return of mutual pension funds, and provisions to cover deficit of assets in the guarantee fund.

Employee benefits

Employee benefits include salaries and other bonuses in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the Company as expenses of the period. The Company also recognises any future costs arising from the collective employment agreement pursuant to IAS 19. These costs are calculated on the basis of the actuarial method and recognised throughout the period for individual employees to whom the collective agreement applies.

Taxes

Current Tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the Company expects to pay to the tax authorities or receive from them. Current tax assets or liabilities are measured using tax rates applying at the balance sheet date.

Deferred Tax

Deferred income tax assets and liabilities are accounted according to the balance sheet liability method. Only deferred liabilities and assets arising from temporary differences are recognised.

A deferred tax asset is recognised also for unused tax losses and unused tax credits which are carried forward to the next period, if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets are examined as at the balance sheet date and impaired by that portion of the asset for which it can no longer be expected that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax liabilities or assets are measured at tax rates expected to apply when the asset is realised or the liability is settled. Tax rates (and tax regulations) applicable or close to being enacted as at the balance sheet date are applied.

Deferred tax assets and liabilities may be offset if, and only if, the company has a legal right to offset the assessed tax assets and liabilities and these assets and liabilities relate to the income tax attributable to the same tax jurisdiction.

Deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

Cash Flow Statement Using the Indirect Method

A cash flow statement compiled using the indirect method is a financial statement showing the changes in cash flows during the financial year. The cash flow statement is compiled according to the indirect method using the statement of financial position data as at 31 December 2020 and 31 December 2019, P&L statement data for 2020, as well as additional data necessary for the adjustment of cash flows and for the appropriate breakdown of significant items.

Amendments of Standards and Interpretations

Standards and Interpretations Effective for the Reporting Period

In the current period, the following amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU apply:

- **Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material**, adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 3 – Business Combinations** – Definition of a Business, adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures – Recognition and Measurement: Disclosures – Interest Rate Benchmark Reform**, adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 16 – Leases** – Covid-19-Related Rent Concessions, adopted by the EU on 9 October 2020 and effective for annual periods beginning on or after 1 June 2020, for financial years beginning on or after 1 January 2020;
- **Amendments to References to the Conceptual Framework in IFRS Standards**, adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of amendments to the existing standards did not result in any material changes to the Company's financial statements.

Standards and Interpretations to the Existing Standards Issued by the International Accounting Standards Board (IASB) and Adopted by the EU that Have Not Yet Entered into Force:

As at the date of approval of these financial statements, IASB issued amendments to IFRS 4 – Insurance Contracts – extension of the temporary exemption from applying IFRS 9, adopted by the European Union on 16 December 2020 but not yet effective (the date of expiry of the temporary exemption has been extended to annual periods beginning on or after 1 January 2023).

The Company estimates that the adoption of the amendments to the existing standards will have no impact on its financial statements in the period of initial application.

Standards and Interpretations Issued by the International Accounting Standards Board but Not Yet Adopted by the EU and therefore Not Yet Effective

At present, the IFRSs as adopted by the EU do not differ significantly from the regulations adopted by IFRIC, with the exception of the following standards, amendments of existing standards:

- **IFRS 14 – Regulatory Deferral Accounts** (applies for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard to be issued;
- **IFRS 17 – Insurance Contracts**, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 – Presentation of Financial Statements** – Classification of Liabilities as Current and Non-Current (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 16 – Property, Plant and Equipment** – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 – Business Combinations** – References to the Conceptual Framework with Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Sale or contribution of assets between an investor and its associate or joint venture, and subsequent amendments (the effective date has been postponed to a later date until the research project on capital method is concluded);
- **Amendments to IFRS 9 – Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases** – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021);
- **Amendments to various standards due to Improvements to IFRS Standards 2018–2020**, resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily with a view to remove inconsistencies and to clarify wording (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 refers only to the illustrative example, therefore the effective date is not specified).

Modra zavarovalnica, d. d. is reviewing the effect of these new standards and interpretations. It expects significant changes, especially regarding the application of IFRS 17, but has not yet assessed the impact of the new requirements. The Company will apply the new standards and interpretations if they are adopted by the EU.

Hedge accounting related to the portfolio of financial assets and liabilities, whose principals have not yet been adopted by the EU, remains unregulated.

It is the Company's assessment that the application of hedge accounting relating to financial assets and liabilities in accordance with **IAS 39 Financial Instruments: Recognition and Measurement** would not have a material impact on the financial statements if applied as at the balance sheet date.

Breakdown and Disclosures to the Financial Statements

Notes to the Statement of Profit or Loss

Note no. 1: Net Premium Income

in EUR

Item	2020	2019
Gross life written premiums	61,837,834	53,424,749
Gross non-life written premiums	45,385	37,954
Total	61,883,219	53,462,703

Gross life written premiums are payments made into the two guarantee funds.

Note no. 2: Income from Investments in Associates

in EUR

Item	2020	2019
Dividend income from associates	2,770,371	4,606,964
Total	2,770,371	4,606,964

Note No. 3: Income from Financial Assets

in EUR

Item	2020	2019
Interest income from investments	4,764,716	4,661,288
• at fair value through profit or loss	523,649	488,659
• at amortised cost	3,506,561	3,261,093
• at fair value through other comprehensive income	734,506	911,536
Dividend income from financial assets	3,026,539	3,838,967
• at fair value through profit or loss	1,674,860	1,373,944
• at fair value through other comprehensive income	1,351,679	2,465,024
Revaluation income	4,551,202	5,278,282
• revaluation of financial assets at fair value through profit or loss	4,551,202	5,278,282
Foreign exchange gains	160,566	292,910
Gain on disposal of investments	282,111	797,264
• at fair value through profit or loss	267,084	583,989
• at fair value through other comprehensive income	15,027	213,275
Income from reversal of impairments	92,462	56,151
• at fair value through other comprehensive income	20,138	14,030
• at amortised cost	72,324	42,121
Other financial income	7,919	31,890
Total	12,885,515	14,956,753

In 2020, due to less favourable market conditions, the Company recorded lower income arising from investments.

Note no. 4: Expenses from Financial Assets

in EUR

Item	2020	2019
Interest expenses	-41,774	-8,863
Expenses from revaluation of financial assets	-2,055,719	-3,808,522
• at fair value through profit or loss	-2,055,719	-3,808,522
Foreign exchange losses	-845,491	-249,363
Loss on disposal of financial assets	-927,156	-50,180
• at fair value through profit or loss	-927,156	-50,180
Expenses from impairment of financial assets	-185,071	-108,147
• at fair value through other comprehensive income	-4,109	-5,529
• at amortised cost	-180,962	-102,618
Other financial expenses	-4,030	-1,513
Total	-4,059,241	-4,226,587

Interest expenses in 2020 include interest expenses from the lease of business premises in the amount of EUR 23,626, and the rest represent negative interest on deposits.

Gains or Losses from Financial Assets

in EUR

Item	2020	2019
Income from Financial Assets	15,655,886	19,563,717
Expenses from Financial Assets	-4,059,241	-4,226,587
Net gains or losses from financial assets	11,596,645	15,337,129

Note no. 5: Other Technical Income

in EUR

Item	2020	2019
Income from guarantee fund management	1,941,367	2,817,711
Income from mutual pension fund management	9,095,861	9,370,473
Other technical income	47	0
Total other technical income	11,037,275	12,188,184

Income from the management of guarantee funds, the assets of which Modra zavarovalnica discloses within its statement of financial position includes income from annuity payments, the KS MR management fee, income from entry fees and KS MR II indirect costs, and in 2019 also income from the reversal of provisions arising from the LAT test.

Income from the management of mutual pension funds comprises the fund management fee, income from entry and exit fee, transfer commissions and income from the reversal of provisions set aside for not achieving the guaranteed rate of return. The assets of mutual pension funds are disclosed in the statement of financial position of the Company under off-balance sheet items (contingent assets and liabilities). Other technical income represents an brokerage commission from the sale of products of partner insurance companies.

Note no. 6: Other Income

in EUR

Item	2020	2019
Other income	74,949	141,944

Other income relates to the income resulting from the right to a KS PPS annuity becoming statute-barred and from other items.

Note no. 7: Net Claims Incurred

in EUR

Item	2020	2019
Gross claims paid from life insurance	-30,072,542	-24,795,747
Change in claims provisions	-69,650	-39,571
Total	-30,142,192	-24,835,317

Gross claims paid represent the pension annuities paid. These increased in 2020 due to higher assets and a higher number of insured persons of KS MR II.

Note no. 8: Change in Technical Provisions

in EUR

Item	2020	2019
Change in technical provisions of the KS PPS	1,400,570	2,004,050
Change in technical provisions of the KS MR	2,558,041	3,719,130
Change in technical provisions of the KS MR II	-40,745,244	-39,039,078
Total	-36,786,633	-33,315,898

Changes in KS PPS technical provisions result from inflows from new insured persons into the guarantee fund, outflows resulting from annuities and an increase in surplus due to excess return and over-mortality within the population with annuity insurance. The KS PPS portfolio is in mature phase and records surplus of outflows over the inflows from new insured persons.

KS MR recorded a decrease in technical provisions, since annuities were paid out from the fund, but no premiums were paid into it.

The rise in KS MR II technical provisions resulted from the inflow of new insured persons to the guarantee fund.

Note no. 9: Operating Expenses

in EUR

Item	2020	2019
Costs of material	-172,119	-206,766
Cost of services, of which	-2,383,489	-2,673,137
• acquisition costs	-57,381	-56,024
Write-downs in value	-683,376	-593,381
Costs of provisions	-18,970	-32,967
Labour costs	-3,643,353	-3,290,484
Other operating expenses	-90,041	-119,282
Total	-6,991,348	-6,916,018

Costs of insurance contract acquisition refer to securing new members of mutual pension funds and the KS MR II guarantee fund.

Cost of material in 2020 came in at EUR -172,119 (EUR -206,766 in 2019). The major share of the above costs are the costs of printing.

Cost of services (including insurance acquisition costs) in 2020 came in at EUR -2,383,489 (EUR -2,673,137). The main part of the above costs are the costs of payment transactions and banking services, which include the custodian fee for KPSJU and PPS, totalling EUR -471,073 (EUR -447,164 in 2019), software rental and information services in the amount of EUR -323,125 (in 2019: EUR -330,349) and costs of intellectual and personal services, which include advisory services, intellectual IT services, legal services, auditors and other services in the amount of EUR -321,476 (EUR -392,557 in 2019).

Write-downs in the amount of EUR -683,376 (-593,381 in 2019) relate to depreciation and amortisation costs of intangible assets and property, plant and equipment, while as of October 2019 onwards they also relate to the amortisation of the right-of-use of leased premises in accordance with IFRS 16. The cost of provisions amounting to EUR -18,970 (EUR -32,967 in 2019) relates to the cost of setting aside provisions for jubilee benefits, severance pay upon retirement and other provisions.

Labour costs in 2020 came in at EUR -3,643,353 (EUR -3,290,484 in 2019). EUR -2,793,862 (EUR -2,487,382 in 2019) of the mentioned amount is accounted for by the cost of gross salaries and allowances, while the remainder are the cost of contributions on salaries and wages paid, the cost of meal and transport allowances, the cost of supplementary pension insurance, etc. Other operating costs are the costs of memberships in associations the costs of promotion of occupational safety and health, donations and contribution for promoting employment of disabled persons.

Audit costs in 2020 stood at EUR -30,551 and include the cost of auditing the annual reports of the Company and the funds (with the exception of MKPS). Audit costs in 2019 in the amount of EUR -37,259 include the costs of auditing the annual reports of the Company and the funds (with the exception of MKPS) in the amount of EUR -30,549 and the costs of auditing the merger of the KVPS fund with the MZP fund in the amount of EUR -6,710.

Note no. 10: Other Technical Expenses

in EUR

Item	2020	2019
Other technical expenses	-6,631,810	-1,124,138

Other technical expenses in the amount of EUR -5,252,965 relate to the creation of provisions for the liability adequacy test (LAT) and result from new payments to KS MR II and changes in the risk free interest rate curve, taking into account the effect of the expected return on assets valued at amortized cost, observing this effect for the first time in 2019. The item also includes payments made by the fund manager to settle the difference to the guaranteed return of mutual pension funds in the amount of EUR -893,466 and KS MR II entry fee of EUR -347,804. Most of other technical expenses in 2019 comprise payments made by the fund manager to make up the difference to the guaranteed return of mutual pension funds in the amount of EUR -835,618, a minor share of the KS MR commission as well as income from the indirect expenses of KS MR II.

Note no. 11: Other Expenses

in EUR

Item	2020	2019
Other expenses	-2,796	-222,028

Other expenses in 2020 refer to revaluation operating expenses and other expenses. Other expenses in 2019 mainly relate to the payment of tax on insurance transactions associated with the funds under management for the current and the previous period, as the tax was not recognised in the previous period.

Note no. 12: Income Tax

in EUR

Item	2020	2019
Net profit or loss for the period before taxes	4,037,308	14,716,562
Tax on dividends from abroad	99,254	143,483
Non-deductible expenses	476,460	633,398
Non-taxable income	-3,662,093	-5,956,461
Amendment of accounting policies	0	4,439,525
Tax allowance	-364,780	-251,341
Tax loss	-234,305	-6,988,254
Total (tax base)	351,844	6,736,912
Income tax (19%)	13,198	1,154,132
Tax on dividends from abroad prior to agreement	53,652	125,881

The effective interest rate in 2020 stood at 0.33% (7.84% in 2019); it is the ratio between the income tax accounted and the profit/loss for the period before taxes.

Note no. 13: Deferred Tax

in EUR

Item	Statement of financial position as at 31 December 2020	Statement of financial position as at 31 December 2019	Income statement for 2020	Income statement for 2019
Deferred income tax – liabilities; of which:	16,012,339	15,606,545	0	13,734
Revaluation of financial assets at fair value through other comprehensive income	13,620,287	13,214,493	0	0
Liabilities from investments transferred	2,392,052	2,392,052	0	13,734
Total deferred income tax liabilities	16,012,339	15,606,545	0	13,734
Deferred income tax – receivables; of which:	1,855,855	1,898,854	-42,999	-1,331,880
Loss brought forward to be used as tax allowance	157,522	202,040	-44,518	-1,327,768
Value adjustment of investments	1,671,341	1,671,341	0	0
Provisions	26,992	25,473	1,519	-4,112
Total deferred income tax assets	1,855,855	1,898,854	-42,999	-1,331,880
Netting of deferred tax assets and liabilities	-14,156,484	-13,707,691	-42,999	-1,318,146

13.1 Changes in Deferred Tax Recognised Directly in Equity

in EUR

Changes in deferred tax	2020	2019
Balance as at 1 January	15,606,545	11,056,696
Changes during the year	405,794	4,549,849
Balance as at 31 December	16,012,339	15,606,545

Notes to the Statement of Other Comprehensive Income

Note no. 14: Other Comprehensive Income after Tax

in EUR

Item	2020	2019
Other comprehensive income after tax	994,595	24,397,950

Other comprehensive income refers to net gains/losses from the remeasurement of financial assets at fair value through other comprehensive income. The difference in the value of other comprehensive income in 2020 and 2019 arises from the movements on security markets; 2020 was a challenging year in this respect, while in 2019 we recorded favourable market conditions.

Notes to the Statement of Financial Position

Note no. 15: Changes in Intangible Assets

in EUR

2020	Software	Total
Cost as at 1 January 2020	2,208,347	2,208,347
New acquisitions	292,948	292,948
Cost as at 31 December 2020	2,501,295	2,501,295
Accumulated amortisation as at 1 January 2020	-1,542,122	-1,542,122
Amortisation	-318,468	-318,468
Accumulated amortisation as at 31 December 2020	-1,860,590	-1,860,590
Carrying amount as at 1 January 2020	666,225	666,225
Carrying amount as at 31 December 2020	640,705	640,705

V EUR

2019	Software	Total
Cost as at 1 January 2019	1,910,553	1,910,553
New acquisitions	297,869	297,869
Disposals	-75	-75
Cost as at 31 December 2019	2,208,347	2,208,347
Accumulated amortisation as at 1 January 2019	-1,055,709	-1,055,709
Write-downs	75	75
Amortisation	-486,488	-486,488
Accumulated amortisation as at 31 December 2019	-1,542,122	-1,542,122
Carrying amount as at 1 January 2019	854,844	854,844
Carrying amount as at 31 December 2019	666,225	666,225

Intangible assets have not been pledged as security.

Note no. 16: Changes in Property, Plant and Equipment

in EUR

2020	Equipment and small tools	Company cars	Right to use premises	Total
Cost as at 1 January 2020	144,738	49,530	1,645,949	1,840,217
New acquisitions	63,526	0	37,930	101,456
Disposals	-6,736	0	-64,802	-71,538
Cost as at 31 December 2020	201,528	49,530	1,619,077	1,870,135
Accumulated amortisation as at 1 January 2020	-101,892	-40,638	-82,297	-224,827
Write-downs	6,736	0	0	6,736
Amortisation	-30,465	-4,850	-329,593	-364,908
Accumulated amortisation as at 31 December 2020	-125,621	-45,488	-411,890	-582,999
Carrying amount as at 1 January 2020	42,846	8,892	1,563,652	1,615,390
Carrying amount as at 31 December 2020	75,907	4,042	1,207,187	1,287,136

Modra zavarovalnica concluded a 5-year lease agreement for the lease of business premises on 1 October 2019 which complies with IFRS 16 – Leases.

Amortisation costs for business premises representing the right-of-use amounted to EUR 329,593 in 2020, while interest expenses amounted to EUR 23,626. The total cash outflow for the lease amounts to EUR 342,084.

The carrying amount of the assets representing the right-of-use amounted to EUR 1,207,187 as at 31 December 2020. These liabilities from the right-of-use came in at EUR 1,211,419 at the end of 2020, whereby the principle stands at EUR 1,249,530 and interest stands at EUR 38,111.

in EUR

2019	Equipment and small tools	Company cars	Right to use premises	Total
Cost as at 1 January 2019	126,087	49,530	0	175,617
New acquisitions	19,193	0	1,645,949	1,665,142
Disposals	-542	0	0	-542
Cost as at 31 December 2019	144,738	49,530	1,645,949	1,840,217
Accumulated amortisation as at 1 January 2019	-82,688	-35,788	0	-118,476
Write-downs	542	0	0	542
Amortisation	-19,746	-4,850	-82,297	-106,893
Accumulated amortisation as at 31 December 2019	-101,892	-40,638	-82,297	-224,827
Carrying amount as at 1 January 2019	43,399	13,742	0	57,141
Carrying amount as at 31 December 2019	42,846	8,892	1,563,652	1,615,390

Amortisation costs for business premises representing the right-of-use amounted to EUR 82,297 in 2019, while interest expenses amounted to EUR 6,762. The total cash outflow for the lease amounted to EUR 85,781 in 2019.

The carrying amount of the assets representing the right-of-use amounted to EUR 1,563,652 as at 31 December 2019. These liabilities from the right-of-use came in at EUR 1,566,929 at the end of 2019, whereby the principle stands at EUR 1,629,845 and interest stands at EUR 62,916.

The items of property, plant and equipment have not been pledged as security.

Note no. 17: Financial Assets

The financial assets of Modra zavarovalnica include investments in joint ventures and associates, investments, and cash and cash equivalents.

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 December 2020
F. Investments in Group companies and associated companies	34,970,284	0	34,970,284
G. Investments	266,340,916	262,772,848	529,113,764
• at amortised cost	35,110,518	162,203,391	197,313,909
• at fair value through other comprehensive income	184,331,072	0	184,331,072
• at fair value through profit or loss	46,899,326	100,569,457	147,468,783
M. Cash and cash equivalents	1,775,329	584,514	2,359,843
Total	303,086,529	263,357,362	566,443,891

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 December 2019
F. Investments in Group companies and associated companies	36,518,433	0	36,518,433
G. Investments	253,260,335	226,486,722	479,747,057
• at amortised cost	35,728,183	148,460,578	184,188,761
• at fair value through other comprehensive income	186,119,470	0	186,119,469
• at fair value through profit or loss	31,412,683	78,026,145	109,438,827
M. Cash and cash equivalents	5,207,444	2,442,952	7,650,396
Total	294,986,212	228,929,675	523,915,886

17.1 Investments in Associates and Joint Ventures

17.1.1 Investments in Associates

As at 31 December 2020, Modra zavarovalnica, d. d. recorded its investment in Cinkarna Celje, d. d., in the amount of EUR 29,007,414 under investments in associates (EUR 30,555,563 in 2019). The investment in the associate is measured at fair value through other comprehensive income.

in EUR

Associate	Registered office	Equity stake in %	Equity 31 December 2020	Net profit
Cinkarna Celje, d. d.	Kidričeva 26, Celje	20.00%	174,016,279	18,950,656

17.1.2 Changes in Investments in Associates

in EUR

Item	Investments in associates
Balance as at 1 January 2020	30,555,563
Change in revaluation surplus	-1,548,149
Balance as at 31 December 2020	29,007,414

17.1.3 Investments in Joint Ventures

As at 31 December 2020, Modra zavarovalnica, d. d. recorded its investment in Hotelske nepremičnine, d. o. o. in the amount of EUR 5,962,870 as a joint venture investment (the same value as at 31 December 2019). The Company measures joint ventures at cost according to IAS 27.10.

in EUR

Joint venture	Registered office	Equity stake in %	Equity 31 December 2020	Net profit in 2020
Hotelske nepremičnine, d. o. o.	Dunajska cesta 119, Ljubljana	50.00%	12,821,533	409,220

17.2 Investments

in EUR

Item	Own investments	Guarantee fund investments	Total 31 December 2020
Investments at amortised cost	35,110,518	162,203,391	197,313,909
Investments at fair value through other comprehensive income	184,331,072	0	184,331,072
Investments at fair value through profit or loss	46,899,326	100,569,457	147,468,783
Total	266,340,916	262,772,848	529,113,764

in EUR

Item	Own investments	Guarantee fund investments	Total 31 December 2019
Investments at amortised cost	35,728,183	148,460,578	184,188,761
Investments at fair value through other comprehensive income	186,119,470	0	186,119,469
Investments at fair value through profit or loss	31,412,683	78,026,145	109,438,827
Total	253,260,335	226,486,722	479,747,057

17.2.1 Breakdown of Investments

in EUR

Item	31 December 2020	31 December 2019
Investments at fair value through profit or loss	147,468,783	109,438,827
Equity securities	113,669,246	77,592,006
Debt securities	33,799,537	31,846,821
Investments at fair value through other comprehensive income	184,331,072	186,119,469
Equity securities	152,592,957	149,089,836
Debt securities	31,738,115	37,029,633
Investments at amortised cost	197,313,909	184,188,761
Debt securities	173,492,821	159,023,933
Loans and deposits	23,821,088	25,164,828
Total	529,113,764	479,747,057

17.2.2 Changes in Investments

in EUR

Modra zavarovalnica	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
Balance as at 1 January 2020	184,188,761	186,119,469	109,438,827	479,747,057
Acquisitions	33,908,773	1,368,581	52,392,947	87,670,301
Revaluation	0	2,557,771	1,835,411	4,393,181
Other changes and adjustments	3,287,836	1,093,929	-104,922	4,276,843
Sales/maturity	-24,071,460	-6,808,678	-16,093,480	-46,973,618
Balance as at 31 December 2020	197,313,909	184,331,072	147,468,783	529,113,764

Other changes and adjustments include changes in accrued interest, exchange rate differences and revaluation of investments in accordance with IFRS 9.

in EUR

Modra zavarovalnica	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
Balance as at 1 January 2019	150,897,790	187,072,042	77,382,987	415,352,819
Acquisitions	51,593,368	6,842,442	46,337,949	104,773,759
Revaluation	0	23,551,965	2,003,569	25,555,534
Other changes and adjustments	3,115,769	5,486,620	543,094	9,145,483
Sales/maturity	-21,418,166	-36,833,599	-16,828,771	-75,080,537
Balance as at 31 December 2019	184,188,761	186,119,469	109,438,827	479,747,057

Other changes and adjustments include changes in accrued interest, exchange rate differences and revaluation of investments in accordance with IFRS 9.

17.2.3 Structure of Financial Assets with Respect to the Interest Rate Type

in EUR

Investment	31 December 2020	31 December 2019
Debt investments	239,030,474	227,900,387
Fixed interest rate	236,779,021	223,146,185
Variable interest rate	2,251,452	4,754,202
Loans and deposits	23,821,088	25,164,828
Fixed interest rate	23,821,088	25,164,828
Cash and Cash Equivalents	2,359,843	7,650,396
Total	265,211,404	260,715,611

Treasury bills are accounted within the scope of fixed-rate debt investments.

17.2.4 Risk of Interest Rate Fluctuations

in EUR

Investments as at 31 December 2020	Less than 1 year	More than 1 and up to 5 years	More than 5 years	Total
Investments at fair value through profit or loss	5,917,102	6,395,342	21,487,092	33,799,537
Investments at amortised cost	23,925,230	82,176,742	91,211,937	197,313,909
Investments at fair value through other comprehensive income	2,001,462	23,754,174	5,982,479	31,738,115
Cash	2,359,843	0	0	2,359,843
Total	34,203,637	112,326,258	118,681,509	265,211,404

Interest rate fluctuation risk demonstrates in which period the Company will be exposed to interest rate risk during re-investment. A detailed analysis of interest rate risk is presented in detail the chapter entitled "Risk Management".

in EUR

Investments as at 31 December 2019	Less than 1 year	More than 1 and up to 5 years	More than 5 years	Total
Investments at fair value through profit or loss	4,241,938	9,047,225	18,557,658	31,846,821
Investments at amortised cost	20,164,906	72,802,644	91,221,211	184,188,761
Investments at fair value through other comprehensive income	5,146,501	22,774,073	9,109,060	37,029,633
Cash	7,650,396	0	0	7,650,396
Total	37,203,741	104,623,942	118,887,929	260,715,611

17.2.5 Equity Investments at Fair Value through Other Comprehensive Income (IFRS 9.5.7.5)

The central objective of the Company's asset management is long-term asset value growth. The manager pursues this objective through inclusion of equity investments measured at fair value through other comprehensive income. The purpose of holding these investments is mostly to collect cash flows from dividends.

in EUR

ISIN	Value in EUR 31 December 2020
DE0005933931	5,385,863
IE00B3F81R35	2,963,958
IE00B4WXJJ64	3,267,295
IE00B66F4759	2,027,117
US4642861037	1,230,582
US4642865095	1,980,033
US4642867729	3,013,468
IE00BSKRK281	3,813,004
IE00B3B8PX14	959,042
US4642873412	811,837
US4642877397	2,547,653
US92189F7006	4,871,251
IE00B3DWVS88	8,434,678
IE00B5ZR2157	290,232
US4642887453	5,995,471
IE00B60SX394	11,952,835
LU0290358224	2,025,917
LU0290357929	2,943,126
LU0290355717	5,640,398
US81369Y5069	1,698,721
US81369Y7040	2,164,860
US81369Y3080	2,719,217
US81369Y2090	3,435,094
LU0274208692	14,191,252

in EUR

ISIN	Value in EUR 31 December 2020
LU0524480265	5,618,120
DSI000001003	2,562,822
CNE1000003G1	756,017
JP3304200003	1,131,767
US02079K3059	2,829,419
US02079K1079	2,835,330
DE0008404005	3,446,019
US16941M1099	637,272
SI0031103805	29,007,414
US17275R1023	1,066,400
SI0021112212	1,235,000
IT0003132476	528,993
US1912161007	3,499,284
US5949181045	7,523,600
DE0008430026	2,929,625
US68389X1054	2,660,140
NL0000009538	1,662,852
SI0021110513	13,214,273
CH0012032048	1,018,367
FR0000120578	1,593,282
DE000A2GS401	616,357
ES0178430E18	274,540
US8816242098	183,233
US91912E1055	407,343

In 2020, Modra zavarovalnica received dividends relating to investments measured at fair value through other comprehensive income in the amount of EUR 1,662,596 (EUR 2,465,024 in 2019). In 2020, none of the investments measured at fair value through other comprehensive income were disposed of.

17.3 Cash and Cash Equivalents

in EUR

Item	31 December 2020	31 December 2019
Cash on bank accounts and cash on hand	2,359,843	7,650,396

Note no. 18: Receivables

in EUR

Item	31 December 2020	31 December 2019
Receivables from direct insurance operations	4,054	4,090
Current tax assets	1,055,326	0
Other receivables	1,566,929	1,594,321
Total	2,626,309	1,598,411

In the financial statements for 2020, Modra zavarovalnica discloses current tax assets or liabilities in an off-set amount; because current tax liabilities exceeded assets in 2020, therefore the amount is disclosed among liabilities.

In 2020, the highest item of other receivables was accounted for by the mutual pension fund current management commission and entry and exit fee receivables in the amount EUR 706,886; their value at the end of 2019 was EUR 664,782. At the end of 2020, the retained deficit of assets for the covering of liabilities owed to the insured of KS MR amounted to EUR 580,364, while its value at the end of 2019 was EUR 474,822.

Note no. 19: Other Assets

in EUR

Item	31 December 2020	31 December 2019
Other Assets	2,416,406	2,983,930

Other assets are almost entirely represented by deferred costs and accrued income representing receivables due from mutual pension funds for guarantee fund premiums arising from the last conversion in the period.

Note no. 20: Off-Balance Sheet Items

in EUR

Fund	31 December 2020	31 December 2019
Assets/liabilities of mutual pension funds under management	1,266,343,966	1,188,130,397
KPSJU	110,972	84,344
ZPJU	907,715,649	863,317,922
PPJU	8,482,410	5,801,679
DPJU	24,947,783	14,175,335
MKPS	45,905	81,368
MZP	260,766,403	248,356,008
MPP	20,605,198	16,886,502
MDP	27,492,100	21,977,965
PPS	16,177,547	17,449,273
Off-balance sheet items arising from financial asset management	2,225,719	2,182,570
Guarantees received	50,000	50,000
Total assets	1,268,619,685	1,190,362,967

Off-balance sheet items in the amount of EUR 1,266,343,966 refer to assets/liabilities of the pension funds under the management of Modra zavarovalnica; off-balance sheet assets/liabilities in the amount of EUR 2,225,719 relate to the commitment of Modra zavarovalnica to purchase investment fund units. Off-balance sheet items also include the received performance bond.

Note No. 21: Equity

21.1 Share Capital

in EUR

Item	31 December 2020	31 December 2019
Share capital (in EUR)	152,200,000	152,200,000
Ordinary shares (number)	152,200,000	152,200,000

The Company's share capital stands at EUR 152,200,000. The share capital is divided into 152,200,000 ordinary registered no par value shares. Each share represents an equal stake and an associated amount in the share capital. The share of an individual no par value share in the share capital is determined according to the number of no par shares issued.

As at 31 December 2020, the carrying amount of a share was EUR 1.80 (EUR 1.77 as at 31 December 2019). Modra zavarovalnica, d. d. is wholly owned by Kapitalska družba, d. d.

21.2 Changes in Individual Equity Components

in EUR

Item	Share capital	Revenue reserves	Revaluation surplus	Net profit or loss brought forward	Total
1 January 2020	152,200,000	40,710,862	66,347,345	9,979,125	269,237,332
Change	0	2,184,635	994,595	1,796,477	4,975,707
31 December 2020	152,200,000	42,895,497	67,341,940	11,775,602	274,213,039

Revenue reserves represent reserves in the amount of EUR 3,644,283, statutory reserves in the amount of EUR 3,462,069 and other revenue reserves amounting to EUR 35,789,144. In 2020, the Company allocated 5 percent of the net profit for 2020 equalling EUR 199,055 remaining after the covering of the retained loss in the property segment to legal reserves in accordance with the provision of Article 64 of ZGD-1. Statutory reserves were thus increased by EUR 189,103 and other reserves by EUR 1,796,477.

in EUR

Item	Share capital	Revenue reserves	Revaluation surplus	Net profit or loss brought forward	Total
1 January 2019	152,200,000	31,097,473	46,388,920	6,086,224	235,772,618
Change	0	9,613,389	19,958,425	3,892,901	33,464,715
31 12 2019	152,200,000	40,710,862	66,347,345	9,979,125	269,237,332

Revenue reserves represent reserves in the amount of EUR 3,445,228, statutory reserves in the amount of EUR 3,272,966 and other revenue reserves amounting to EUR 33,992,668. In 2019, the Company allocated 5 percent of the net profit for 2019 equalling EUR 611,810 remaining after covering the retained loss in the property segment to legal reserves in accordance with the provision of Article 64 of ZGD-1. Statutory reserves were thus increased by EUR 581,220 and other reserves by EUR 5,521,590.

21.3 Changes in Revaluation Surplus

in EUR

Revaluation surplus	2020	2019
Balance as at 1 January	66,347,345	46,388,920
Change in fair value	995,990	21,636,312
Net change in investments	-36,222	-1,728,744
Impairment of FVOCI investments	34,827	50,856
Balance as at 31 12	67,341,940	66,347,345

Note No. 22: Technical Provisions

22.1 Technical Provisions

in EUR

Item	31 12 2020	31 12 2019
KS PPS Technical Provisions	97,996,761	99,330,866
KS MR Technical Provisions	14,245,416	16,803,424
KS MR II Technical Provisions	147,977,644	107,229,248
Technical provisions of the accident segment	6,000	26,000
Total	260,225,821	223,389,538

Technical provisions include life insurance provisions based on policies, unclassified technical provisions and provisions for outstanding claims; they are presented under the 'Disclosures of Insurance Contracts' section.

22.2 Changes in Technical Provisions

in EUR

Technical Provisions	2020	2019
Opening balance	223,389,538	190,028,069
Change through profit or loss	36,786,633	33,315,899
Changes in claims provisions and adjustments	49,650	45,571
Closing balance	260,225,821	223,389,538

Technical provisions increased in 2020 and 2019 due to the inflows of the funds and insured persons into the KS MR II fund. Changes in claims provisions represent the charged annuities that have not yet been paid for various reasons.

in EUR

Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2020	99,330,866	16,803,424	107,229,248	26,000	223,389,538
Increase	5,179,151	310,685	61,369,340	0	66,859,176
Decrease	-6,579,722	-2,868,725	-20,624,096	0	-30,072,543
Change in claims provisions	66,466	32	3,152	-20,000	49,650
Balance as at 31 12 2020	97,996,761	14,245,416	147,977,644	6,000	260,225,821

in EUR

Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2019	101,315,380	20,522,180	68,190,509	0	190,028,069
Increase	4,710,687	361,964	53,038,995	0	58,111,646
Decrease	-6,714,737	-4,081,094	-13,999,916	0	-24,795,747
Change in claims provisions	19,536	374	-340	26,000	45,570
Balance as at 31 12 2019	99,330,866	16,803,424	107,229,248	26,000	223,389,538

Note No. 23: Other Provisions

23.1. Other Provisions

in EUR

Other provisions	31 December 2020	31 December 2019
Provisions for non-achievement of the guaranteed return	7,167,089	8,173,478
Provisions for the deficit of assets of guarantee funds	580,364	474,822
Provisions related to employees (jubilee benefits, severance pay upon retirement and similar)	284,122	268,139
Provisions arising from the LAT test	8,517,152	3,264,187
Total	16,548,727	12,180,626

23.2 Changes in Other Provisions

in EUR

Item	Provisions for non-achievement of the guaranteed return	Provisions arising from the LAT test	Provisions for the deficit of assets of guarantee funds	Provisions related to employees	Total
1 January 2020	8,173,478	3,264,187	474,822	268,139	12,180,626
Newly set aside during the year	160	5,252,965	105,542	18,970	5,377,636
Utilisation	0	0	0	-2,987	-2,987
Reversal	-1,006,549	0		0	-1,006,549
31 12 2020	7,167,089	8,517,152	580,364	284,122	16,548,727

in EUR

Item	Provisions for non-achievement of the guaranteed return	Provisions arising from the LAT test	Provisions for the deficit of assets of guarantee funds	Provisions related to employees	Total
1 January 2019	9,888,253	4,699,673	1,274,930	311,428	16,174,284
Newly set aside during the year	0	0	0	32,967	32,967
Utilisation	0	0	0	-7,030	-7,030
Reversal	-1,714,775	-1,435,486	-800,108	-69,226	-4,019,595
31 12 2019	8,173,478	3,264,187	474,822	268,139	12,180,626

The Company sets aside provisions for failure to achieve the guaranteed rate of return when the actual net value of assets of funds implementing the investment policy of a guaranteed rate of return is lower than their guaranteed rate of return. In 2020, provisions for the PPS fund were reversed in the amount of EUR 1,006,549, and provisions for the ZPJU and MZP funds were created in the total amount of EUR 160.

In 2020, provisions were created from the liability adequacy test for KS MR and KS MR II in the amount of EUR 5,252,965, while in 2019, provisions for these funds were reversed in the amount of EUR 1,435,486. Provisions arising from LAT are explained in more detail under the 'Disclosures of Insurance Contracts' section.

Provisions for the deficit of assets in a guarantee fund are set aside if a guarantee fund records a deficit of assets with respect to its liabilities. Provisions are set aside in the amount of the difference between net value of assets and the liabilities to the insured (the amount of mathematical provisions). In 2020, provisions were formed for the deficit of KS MR funds in the amount of EUR 105,542. In 2019, such provisions were reversed for both annuity funds, i.e. EUR 791,836 for the KS MR II fund and EUR 8,272 for KS MR.

Provisions for retirement benefits and long-service awards are calculated according to the expected staff turnover, period of service and an estimated number of years until retirement, taking into account the regulations of individual and collective employment agreements as well as the company's internal rules. The calculation takes into account 2-percent salary growth, which is close to the ECB inflation targets, and a 2-percent discount rate. Assumptions regarding the expected employee turnover attribute the highest probability (40%) for leaving the Company to the employees with over 20 years of service until retirement, whilst employees with less than 5 years of service until retirement are attributed the probability of 0%.

Note No. 24: Other Financial Liabilities

in EUR

Item	31 December 2020	31 December 2019
Total	476	796

Other financial liabilities relate to the liabilities from interest on deposits.

Note No. 25: Operating Liabilities

in EUR

Item	31 December 2020	31 December 2019
Liabilities arising out of direct insurance operations	42	0
Current tax liabilities	106,668	852,220
Total	106,710	852,220

Current tax liabilities are liabilities for advance payment of the corporate income tax for December 2020.

Note No. 26: Other Liabilities

in EUR

Item	31 December 2020	31 December 2019
Current liabilities to employees	255,604	287,789
Other current liabilities from insurance operations	69,486	205,600
Current trade payables	357,726	330,963
Other current liabilities	164,343	73,785
Accrued costs	176,705	137,693
Current deferred income	5,908,605	8,657,778
Financial lease liabilities	0	116,388
Non-current business premises leasing liabilities	1,183,651	1,566,929
Other non-current liabilities	47,070	34,714
Total	8,163,191	11,411,639

Current liabilities to employees are liabilities arising from salaries and wages for December 2020.

Other current liabilities from insurance operations are mainly liabilities for the coverage of indirect KS MR II costs disclosed vis-a-vis the Company (EUR 60,491).

Current trade payables comprise liabilities to securities dealers and to the controlling company.

Accrued costs relate to the costs of unused annual leave and other estimated costs for 2020.

Short-term deferred income is deferred income of KS MR II arising from the premiums received from the insured who expressed their intention based on the indicative calculation to take out insurance as of 1 January 2021.

Financial lease liabilities are liabilities associated with the leasing of intangible assets. The contract expired in 2020.

Non-current liabilities from business premises leasing relate to the lease liabilities in accordance with IFRS 16.

Other non-current liabilities are liabilities for the payout of the variable part of remuneration of the Management Board members.

Disclosures of Insurance Contracts

Composition of Long-Term Insurance Contracts

Table 25: Present gross value of future payments

in EUR

Guarantee fund	31 December 2020	31 December 2019
KS PPS	94,254,611	95,755,253
KS MR	14,241,399	16,799,439
KS MR II	147,336,159	106,250,665
Total	255,832,169	218,805,357

The present gross value of future payments represents technical provisions by individual policies.

Table 26: Composition of technical provisions as at 31 December 2020

in EUR

Fund	TP for life insurance based on policies	TP for life insurance – surplus	Claims provisions	Total
KS PPS	94,254,611	2,675,082	1,067,068	97,996,761
KS MR	14,241,399	0	4,017	14,245,416
KS MR II	147,336,159	637,253	4,231	147,977,643
Total	255,832,169	3,312,335	1,075,316	260,219,820

Table 27: Composition of technical provisions as at 31 December 2019

in EUR

Fund	TP for life insurance based on policies	TP for life insurance – surplus	Claims provisions	Total
KS PPS	95,755,253	2,575,010	1,000,602	99,330,865
KS MR	16,799,439	0	3,985	16,803,424
KS MR II	106,250,665	977,503	1,079	107,229,247
Total	218,805,357	3,552,513	1,005,666	223,363,536

Technical provisions based on individual KS PPS policies as at 31 December 2020 deviate from total technical provisions by the amount of provisions for the equalisation of yield experience equalling EUR 2,675,082 (EUR 2,575,010 in 2019) and claims provisions totalling EUR 1,067,068 (EUR 1,000,602 in 2019). The calculation of the value of future payments uses the DAV2004R annuity tables and the statutory technical interest rate of 1%.

Technical provisions based on individual KS MR policies as at 31 December 2020 deviate from total technical provisions by the amount of claims provisions equalling EUR 4,017 (EUR 3,985 in 2019). The German DAV1994R annuity tables were used in the calculation of future payments.

Technical provisions based on individual KS MR II policies as at 31 December 2020 deviate from total technical provisions by the amount of provisions for the allocated part of profit of EUR 272,210, unallocated part of profit of EUR 365,043 and claims provisions totalling EUR 4,231 (EUR 1,079 in 2019). The German DAV1994R annuity tables were used in the calculation of future payments.

Adequacy of Liabilities

Modra zavarovalnica, d. d. verifies the adequacy of liabilities or the sufficiency of mathematical provisions set aside using the Liability Adequacy Test (LAT), namely for liabilities arising from concluded insurance policies. The verification is limited only to annuity insurance products. Within the scope of the test, it determines the best estimate of the liabilities which is defined as the sum of present value of future cash flows (annuity payouts and the Company's costs). This estimate is compared with the value of mathematical provisions determined in accordance with the rules listed in the insurance technical bases of individual insurance products.

Within the scope of the adequacy test carried out at the level of an individual insurance contract using the monthly dynamics, the following assumptions were observed:

- the expected mortality was determined using the German DAV1994R mortality table for annuities, separately according to gender, that adequately describe actual mortality based on past experience;
- early terminations were not envisaged as they are not possible in line with the provisions laid down in insurance contracts;
- expected costs are the same as the accrued ones;
- the discount rate is based on the risk-free rate as at 31 December 2020 published by EIOPA and observes the effect of expected asset returns valued at amortised cost, whereby we applied the expected effect for the first time in 2019.

The Liability Adequacy Test as at 31 December 2020 showed that mathematical provisions for KS PPS were adequate, whereas a deficit of EUR 386,241 and EUR 8,130,911 was determined for KS MR and KS MR II respectively.

Changes in Interest Rates/Return

Table 28: Changes in interest rates / returns for KS PPS

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in return by 0.25 percentage points	-2,670,100	-2,749,120
Decrease in return by 0.25 percentage points	2,804,432	2,888,770

Table 29: Changes in interest rates/returns for KS MR

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in return by 0.25 percentage points	-266,217	-297,321
Decrease in return by 0.25 percentage points	278,443	310,784

Table 30: Changes in interest rates/returns for KS MR III

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in return by 0.25 percentage points	-2,732,499	-1,938,436
Decrease in return by 0.25 percentage points	2,850,768	2,021,893

Change in Mortality

Table 31: Change in mortality for KS PPS

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in mortality probability by 10%	-3,530,212	-3,515,639
Decrease in mortality probability by 10%	4,037,168	4,018,859

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 3,530,212 (EUR 3,515,639 in 2019).

Annuity tables DAV2004R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 32: Change in mortality for KS MR

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in mortality probability by 10%	-249,905	-250,141
Decrease in mortality probability by 10%	282,200	282,182

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 249,905 (EUR 250,141 in 2019).

Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 33: Change in mortality for KS MR II

in EUR

Change in liabilities/provisions	31 December 2020	31 December 2019
Increase in mortality probability by 10%	-1,193,978	-805,969
Decrease in mortality probability by 10%	1,340,261	904,237

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 1,193,978 (EUR 805,969 in 2019).

Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Risk Management

Modra zavarovalnica, d. d. estimates that its own assets as well as those of the KS PPS, KS MR and KS MR II funds are exposed to credit, market, interest rate and liquidity risk within the scope of its operations. The Company's own assets as well as those of the guarantee funds (KS PPS, KS MR and KS MR II) are included in the tables presented. Of the abovementioned risk types that we assume in our operations, it is the market and credit risks that are the most important.

Capital Management – Solvency II

According to its assessment, Modra zavarovalnica has at its disposal a sufficient volume of own funds with respect to its total capital requirement.

Table 34: Capital adequacy pursuant to the requirements of Solvency II

in EUR

Item	31 December 2020	31 December 2019
Solvency II		
Total capital requirement (in EUR)	157,362,924	148,056,788
Eligible own funds (in EUR)	263,314,033	286,712,246
Surplus (+)/deficit (–) of available own funds (in EUR)	105,951,109	138,655,458
Eligible own funds to total capital requirement ratio (in %)	167%	194 %

In 2020, the ratio between the eligible own funds and total capital requirements (SCR ratio) decreased from the initial 194% to 167%. The main reason for the decrease in the SCR ratio is that the value of liabilities increased more than the value of assets, which is reflected in the lower value of eligible own funds. At the same time, due to favourable conditions on the financial markets, capital requirements increased. Higher liabilities are the result of the increased scope of operations of KS MR II and the reduction of the risk free interest rate curve. The latter was negative at the end of 2019 for a period of 7 years, and at the end of 2020, for a period of 21 years.

At the end of 2020, we received approval from ISA to adjust the risk free interest rate curve for volatility, which is taken into account in the calculations for the last quarter of 2020.

Equity Risk

Equity risk or the risk of a change in the prices of equities represents the risk of the value of equity securities changing as a result of changes to market indices or the market value of individual shares.

Equity risk is managed by applying threshold value of permitted exposure as well as geographical and industry-related diversification of investments.

Table 35: Equity portfolio risk

in EUR

Change of the index by +/- 10%	31 December 2020	31 December 2019
Effect of investments measured at fair value through profit or loss on the P&L	+/-11,963,212	+/-8,355,488
Effect of investments measured at fair value through other comprehensive income on capital	+/-18,160,037	+/-17,964,540
Total	+/-30,123,249	+/-26,320,028

The effect on the P&L is demonstrated by equities at fair value through profit or loss, while the effect on capital is demonstrated by investments at fair value through other comprehensive income.

Currency Risk

Table 36: Currency composition of financial assets

in EUR

Currency	31 December 2020	31 December 2019
Assets denominated in euros	494,243,160	453,499,967
Assets denominated in US dollars	69,188,229	67,282,470
Assets denominated in other currencies	3,012,503	3,133,450
Total	566,443,891	523,915,887

As at 31 December 2020, 87% of the Company's financial assets were denominated in euros, 12% in US dollars and the remainder in other currencies.

Table 37: Currency risk of financial assets

in EUR

Change of the USD exchange rate by +/- 10%	31 December 2020	31 December 2019
Effect on profit or loss	+/- 809,914	+/-789,501
Effect on capital	+/- 6,108,909	+/-5,938,746
Total	+/-6,918,823	+/-6,728,247

Interest Rate Risk

The Company is exposed to interest rate risk in case of a mismatch between asset and liability cash flows.

On the asset side, interest rate risk stems from investments in securities that react to changes in the levels of market interest rates. These include investments, the income from which is linked to variable interest rates, and debt instruments where interest income is linked to a fixed interest rate despite the fact their market value changes upon any fluctuation of the level of market interest rates. Due to low interest rates, the assets were mostly exposed to the risk of reinvestment.

The Company manages interest rate risk by changing the structure of investments, i.e. by adjusting the duration of a portfolio, restructuring fixed-rate investments into floating-rate investments or vice versa, and by classifying investments as investments at amortised cost as well as by using derivatives to hedge against interest rate risk, which were not used last year by the Company.

Table 38: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2020 – change in interest rates by 50 basis points

in EUR

Item	Change in interest rates	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/-0.5%	+/-7,819	-/+141,647	-/+133,828
Investments at amortised cost	+/-0.5%	0	0	0
Investments at fair value through other comprehensive income	+/-0.5%	+/-3,438	-/+155,253	-/+151,815
Total	+/-0.5%	+/-11,257	-/+296,900	-/+285,642

Table 39: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2019 – change in interest rates by 50 basis points

in EUR

Item	Change in interest rates	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/-0.5%	+/-15,653	-/+128,636	-/+112,984
Investments at amortised cost	+/-0.5%	0	0	0
Investments at fair value through other comprehensive income	+/-0.5%	+/-8,118	-/+177,030	-/+168,912
Total	+/-0.5%	+/-23,771	-/+305,666	-/+281,895

When calculating the sensitivity of interest income, financial assets with a variable interest rate were taken into account, while financial assets with a fixed interest rate were taken into account when calculating the effect on fair value.

Credit Risk

Credit risk relates to debt securities (financial assets held as bonds, commercial and treasury bills, certificates of deposits, deposits, issued loans, cash and cash equivalents) and represents the risk of investments into debt securities being repaid only in part or not to be repaid at all; maximum exposure equals the carrying amount of these financial instruments. Equities are excluded from the analysis because they do not carry any direct credit risk.

Modra zavarovalnica, d. d. employs certain procedures for the monitoring of the credit exposure to financial institutions whose instruments it holds as investments; it also has limits in place for the maximum exposure to debt securities that do not hold an investment-grade rating. Within the scope of the Company's internal rules, a business partner's credit rating is determined using the Company's own model and taking into account the credit ratings provided by Standard & Poor's, Fitch and Moody's, whereby the second best rating is taken into account. The decision to approve an investment is adopted by the Management Board, based on the proposals submitted by internal committees.

Modra zavarovalnica manages credit risk by prudently selecting its partners (analysis of counter parties before assuming a credit risk), checking their credit rating and diversifying investments in terms of issuer, industry and geographical area. The credit risk of foreign debt securities is generally managed by investing in foreign debt securities with a credit rating provided by a recognised credit rating agency higher than BBB-, and by adjusting the portfolio's credit rating structure to the internal restrictions adopted.

The credit risk arising from exposure to individual banks (deposits, deposit certificates) is managed in line with the internal rules, i.e. by monthly determining investments limitations, which represent the allowed exposure to individual bank in a specific period. Total exposure to individual issuers is determined regularly and is in line with regulations. Financial assets are not collateralised. The Company did not use derivative financial instruments for hedging against credit risk.

Table 40: Exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2020

in EUR

Internal rating	Rating	Level of expected loss	Expected loss measurement method	Gross exposure	Net exposure (less expected loss)
Low-risk investments	AAA	-0.004%	12-month expected loss	5,118,254	5,118,047
	AA	-0.012%		17,962,048	17,960,143
	A	-0.017%		94,805,164	94,791,385
	BBB	-0.071%		105,227,132	105,171,145
High risk investments	BB	-0.635%	12-month/lifetime expected loss	42,404,655	42,170,685
Total		-0.137%		265,517,253	265,211,404

The difference between gross and net exposure is EUR 305,849, which is a revaluation adjustment for the expected losses on debt investments at amortised cost. Total impairments amount to EUR 362,798 (including debt investments at amortised cost and financial assets at fair value through other comprehensive income).

High risk investments include short-term debt securities (deposits, commercial notes and corporate bonds of domestic issuers). BB-rated investments are mainly investments in stage 1, i.e. 12-month expected losses are created for them; gross exposure arising from this amounts to EUR 35,640,510. The gross exposure of BB-rated investments that are in phase 2 and for which lifetime expected losses have been created amounts to EUR 6,764,145.

Table 41: Exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2019

in EUR

Internal rating	Rating	Level of expected loss	Expected loss measurement method	Gross exposure	Net exposure (less expected loss)
Low-risk investments	AAA	-0.002 %	12-month expected loss	6,625,739	6,625,587
	AA	-0.009 %		18,096,612	18,095,215
	A	-0.015 %		85,293,672	85,282,850
	BBB	-0.055 %		101,155,350	101,113,284
High risk investments	BB	-0.400 %	12-month/lifetime expected loss	49,415,595	49,250,699
	B	-0.686 %		347,976	347,976
Total		-0.104 %		260,934,944	260,715,611

The difference between gross and net exposure is EUR 219,333 which is a revaluation adjustment for expected losses on debt investments at amortised cost. Total impairments amount to EUR 270,189 (including debt investments at amortised cost and financial assets at fair value through other comprehensive income).

B-rated investments are those that are valued at fair value through profit or loss or other comprehensive income which is why gross exposure is equal to net exposure.

Table 42: Changes in loss allowance in 2020

in EUR

Category	Stage 1	Stage 2	Total
Expected loss allowance as at 1 January 2020	-172,627	-97,562	-270,189
Transfer from stage 1 to stage 2	0	-119,187	-119,187
Financial assets derecognised in the period	29,976	38,032	68,008
Financial assets acquired in the period	-37,314	0	-37,314
Other changes	-18,613	14,497	-4,116
Expected loss allowance as at 31 December 2020	-198,578	-164,220	-362,798

The total change in loss allowance amounted to EUR 92,609.

The Company does not have any investments allocated to stage 3. The Company has three debt investments allocated to stage 2, of which two were transferred from stage 1 to stage 2 in 2020. One of the investments that was in stage 2 in 2019 matured in 2020 and was settled.

Other changes in loss allowance arise from changes in risk parameters, mainly due to changes in macroeconomic indicators in 2020.

The macroeconomic indicators taken into account in the calculation of the adjustment of assets are gross domestic product growth, consumer price index, unemployment rate and the current account balance as a percentage of GDP. The actual annual percentage the default rate from Standard and Poor's annual historical data is used as a dependent variable. Macroeconomic forecasts and historical data values apply to Europe, as investments in bonds of European issuers are predominant in the portfolios. The only exception is the default rate data published by Standard and Poor's globally.

Due to the deterioration of macroeconomic indicators in 2020 as a result of the COVID-19 pandemic, the correction factors for one-year probabilities of default (PDs) increased in particular, which has the greatest impact on stage 1 investments. In contrast, due to the forecast of economic recovery for the next two years, the correction factors for further years decreased, resulting in slightly lower lifetime expected losses.

Table 43: Changes in loss allowance in 2019

in EUR

Category	Stage 1	Stage 2	Total
Expected loss allowance as at 1 January 2019	-99,988	-118,205	-218,193
Transfer from stage 1 to stage 2	0	-2,038	-2,038
Financial assets derecognised in the period	30,672	37,769	68,441
Financial assets acquired in the period	-77,082	0	-77,082
Other changes	-26,229	-15,088	-41,317
Expected loss allowance as at 31 December 2019	-172,627	-97,562	-270,189

The total change in loss allowance amounted to EUR 51,996.

The Company does not have any investments allocated to stage 3. The Company has two debt investments allocated to stage 2, of which one was transferred from stage 1 to stage 2 in 2019.

Other changes in loss allowance arise from changes in risk parameters.

Table 44: Changes in the gross carrying amount and the allowance in 2020

in EUR

Category	Gross carrying amount	Loss allowance
Opening balance as at 1 January 2020	260,934,944	-270,189
Transfer from stage 1 to stage 2	2,389,141	-119,187
Financial assets acquired in the period	35,259,919	-37,314
Financial assets derecognised in the period	-31,065,229	68,008
Other changes	-1,944,572	-4,116
Opening balance as at 31 December 2020	265,574,202	-362,798

Other gross carrying amount differences are mainly the differences in the balance of cash as at 31 December 2019 and 31 December 2020 and changes in the value of investments that remained in the portfolio in this period.

Table 45: Changes in the gross carrying amount and the allowance in 2019

in EUR

Category	Gross carrying amount	Loss allowance
Opening balance as at 1 January 2019	216,179,555	-218,193
Transfer from stage 1 to stage 2	348,197	-2,038
Financial assets acquired in the period	70,411,937	-77,082
Financial assets derecognised in the period	-29,907,596	68,441
Other changes	3,902,852	-41,317
Opening balance as at 31 December 2019	260,934,944	-270,189

Other gross carrying amount differences are mainly the differences in the balance of cash as at 31 December 2018 and 31 December 2019.

Table 46: Geographical concentration of credit risk exposure of financial assets

in EUR

Region	31 December 2020	31 December 2019
Slovenia	96,265,415	103,531,228
Other countries	168,945,989	157,184,383
Total	265,211,404	260,715,611

The table above only includes investments with credit risk, as a rule only debt investments.

Fair Value of Financial Instruments

Table 47: Overview of financial assets according to marketability

in EUR

Financial asset	31 December 2020	31 December 2019
Securities traded on the regulated market	517,863,876	469,606,584
Investments at fair value through profit or loss	138,785,484	101,317,787
Investments at amortised cost	169,537,729	155,062,313
Investments at fair value through other comprehensive income	209,540,663	213,226,484
Securities not traded on the regulated market	46,220,172	46,658,906
Investments at fair value through profit or loss	14,646,169	14,083,911
Investments at amortised cost	27,776,180	29,126,448
Investments at fair value through other comprehensive income	3,797,822	3,448,548
Cash	2,359,843	7,650,396
Total	566,443,891	523,915,886

At the end of 2020, investments traded on the regulated market accounted for 91% of the Company's assets.

Table 48: Overview of financial assets according to carrying amount and fair value as at 31 December 2020

in EUR

Item	Carrying amount	Fair value
Investments at fair value through profit or loss	153,431,653	153,431,653
Investments at amortised cost	197,313,909	217,463,238
Investments at fair value through other comprehensive income	213,338,486	213,338,486
Cash	2,359,843	2,359,843
Total	566,443,891	586,593,220

Table 49: Overview of financial assets according to carrying amount and fair value as at 31 December 2019

in EUR

Item	Carrying amount	Fair value
Investments at fair value through profit or loss	115,401,698	115,401,698
Investments at amortised cost	184,188,761	199,085,095
Investments at fair value through other comprehensive income	216,675,032	216,675,032
Cash	7,650,396	7,650,396
Total	523,915,886	538,812,220

According to its accounting policies, Modra zavarovalnica, d. d. measures its financial assets at fair value, which equals the market value of the relevant financial asset. The difference between the carrying amount and fair value occurs in investments at amortised cost.

Table 50: Hierarchy of financial asset fair values as at 31 December 2020

in EUR

Item	L1	L2	L3	Total
Financial assets measured at fair value	287,584,805	61,976,342	17,208,992	366,770,139
Financial assets at fair value through profit or loss	124,922,279	13,863,205	14,646,169	153,431,653
Investments at fair value through other comprehensive income	162,662,526	48,113,137	2,562,822	213,338,486
Financial assets with fair value disclosed	183,856,018	12,088,862	23,878,201	219,823,081
Investments at amortised cost	181,496,175	12,088,862	23,878,201	217,463,238
Cash	2,359,843	0	0	2,359,843
Total	471,440,823	74,065,205	41,087,192	586,593,220

Table 51: Hierarchy of financial asset fair values as at 31 December 2019

in EUR

Item	L1	L2	L3	Total
Financial assets measured at fair value	243,550,342	71,998,729	16,527,658	332,076,730
Financial assets at fair value through profit or loss	80,413,967	20,903,820	14,083,911	115,401,698
Investments at fair value through other comprehensive income	163,136,375	51,094,909	2,443,748	216,675,032
Financial assets with fair value disclosed	169,912,597	7,730,827	29,092,068	206,735,491
Investments at amortised cost	162,262,201	7,730,827	29,092,068	199,085,095
Cash	7,650,396	0	0	7,650,396
Total	413,462,939	79,729,555	45,619,726	538,812,220

Level 1

Level 1 includes investments where the fair value is determined entirely based on the quoted prices achieved on an active market. An active market is either a stock exchange (in case of equity and debt investments) or traders' market or OTC (in case of debt investments). In this sense, Level 1 comprises investments whose main market is the stock exchange and whose average daily trading volume in the 180 days prior to fair value measurement exceeded EUR 0.5 million, taking into account the number of trading days. Level 1 also includes investments whose main market is the traders' market or OTC provided the CBBT (Composite Bloomberg Bond Trader) price was published for at least half of trading days in the 30 days preceding the valuation.

Level 2

Level 2 comprises investments to which the assumption of an active market does not apply, meaning the investments whose average daily trading volume on the stock exchange in the 180 days prior to fair value measurement was below EUR 0.5 million, taking into account the number of trading days, and the investments in the OTC market whose CBBT price was published less than half of trading days in the 30 days preceding the valuation.

Level 2 thus includes debt securities of companies and financial institutions as well as government securities valued using benchmark market data and investments in shares of some Slovenian companies valued using market data of comparable listed companies.

Level 3

Level 3 includes investments for which fair value is determined based on own valuation models that take into account subjective variables not publicly available on markets and investments in securities the prices of which are provided by third parties.

Level 3 includes deposits, factoring and advances in the total amount of EUR 23,878,201 (EUR 25,225,889 in 2019), and in investment fund units for which values are provided by third parties in the amount of EUR 7,631,595 (EUR 6,882,909 euros in 2019). Level 3 includes the joint venture investment of EUR 5,962,870 (EUR 5,962,870 in 2019), which is valued at cost. Level 3 also comprises shares of certain Slovenian companies in the total amount of EUR 3,614,527 – the majority of these investments are represented by investments in Slovenian electricity distribution companies valued at EUR 2,610,362. The major assumptions and variables observed in the valuation of these companies were: discount rate of 7.1% and long-term growth rate of 2%. In 2020, there were no reclassifications between fair value levels.

Table 52: Changes in level 3 investment

in EUR

Item	2020	2019
Balance as at 1 January	45,619,726	33,655,052
Disposals/maturity	-14,138,060	-14,974,707
Acquisitions	9,434,951	23,795,906
Revaluation	170,575	450,146
Reclassifications	0	2,693,328
Balance as at 31 December	41,087,192	45,619,726

Liquidity Risk

Liquidity risk represents the risk that the Company's liabilities will not be settled by their due date. As at 31 December 2020, Modra zavarovalnica, d. d. recorded a total of EUR 311,062,603 worth of surplus of expected non-discounted cash inflows over outflows.

Table 53: Expected actual non-discounted cash flows as at 31 December 2020

in EUR

Item	Less than 1 year	More than 1 to 5 years	More than 5 years	No maturity	Total
Financial assets	36,669,241	124,716,334	126,923,540	302,674,776	590,983,891
- at fair value through profit or loss	6,364,400	7,951,974	22,287,266	119,632,117	156,235,756
- at amortised cost	27,555,313	93,297,501	98,971,496	1,442,289	221,266,599
- at fair value through other comprehensive income	2,749,529	23,466,859	5,664,778	181,600,370	213,481,536
Cash	2,359,843	0	0	0	2,359,843
Receivables	2,626,309	0	0	0	2,626,309
Total assets	41,655,393	124,716,334	126,923,540	302,674,776	595,970,043
Operating liabilities	106,709	0	0	0	106,709
Lease liabilities (right-of-use)	350,879	860,540	0	0	1,211,419
Financial liabilities	476	0	0	0	476
Other liabilities	6,904,702	47,070	0	0	6,951,772
Annuity fund liabilities	30,400,600	81,610,157	164,626,307	0	276,637,064
Total liabilities	37,763,366	82,517,767	164,626,307	0	284,907,440
Difference (assets – liabilities)	3,892,028	42,198,567	-37,702,767	302,674,776	311,062,603

Table 54: Expected actual non-discounted cash flows as at 31 December 2019

in EUR

Item	Less than 1 year	More than 1 to 5 years	More than 5 years	No maturity	Total
Financial assets	34,264,222	141,023,145	104,768,068	226,681,843	506,737,278
- at fair value through profit or loss	4,614,715	12,617,983	15,593,900	77,592,006	110,418,603
- at amortised cost	23,704,287	102,471,375	83,519,715	0	209,695,378
- at fair value through other comprehensive income	5,945,220	25,933,787	5,654,454	149,089,836	186,623,296
Cash	7,650,396	0	0	0	7,650,396
Receivables	1,598,411	0	0	0	1,598,411
Total assets	43,513,029	141,023,145	104,768,068	226,681,843	515,986,085
Operating liabilities	852,220	0	0	0	852,220
Lease liabilities (right-of-use)	319,455	1,247,474	0	0	1,566,929
Other liabilities	9,809,996	34,714	0	0	9,844,710
Financial liabilities	796	0	0	0	796
Annuity fund liabilities	23,743,151	68,903,261	138,826,794	0	231,473,206
Total liabilities	34,725,618	70,185,449	138,826,794	0	243,737,861
Difference (assets – liabilities)	8,787,411	70,837,696	-34,058,726	226,681,843	272,248,224

Shares and other equity instruments are disclosed under no-maturity item.

Effective Interest Rates by Financial Asset Groups

Table 55: Effective interest rates by financial asset groups

in EUR

Item	2020	2019
Investments at amortised cost	1.85%	1.99%
Investments at fair value through other comprehensive income	1.90%	2.03%

Financial assets disclosed in the table above comprise all debt financial instruments with effective interest rates.

Other Disclosures

Remuneration of the Management Board, the Supervisory Board and Workers Employed under Individual Employment Contracts

In 2020, total remuneration of the members of the Management Board, Supervisory Board and employees with individual employment contracts for performing their function and to whom the tariff section of the collective agreement does not apply amounted to EUR 1,044,950.

In 2020, Modra zavarovalnica, d. d. granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities on their behalf.

Table 56: Gross remuneration in 2020 by category of beneficiaries

in EUR

Category of beneficiaries	Amount
Members of the Management Board	469,090
Members of the Supervisory Board	78,614
Employees with individual contracts	497,246
Total	1,044,950

Remuneration of the Members of the Management and Supervisory Boards

Table 57: Remuneration of members of the Management Board in 2020

in EUR

Name and surname	Fixed remuneration	Outstanding payments	Fringe benefits	Annual leave allowance	Cost reimbursement	Insurance premiums	Total
Borut Jamnik	115,132	70,508	4,101	1,806	1,389	2,819	195,755
Matija Debelak	109,546	27,202	964	1,806	1,360	2,819	143,697
Boštjan Vovk	108,810	13,387	655	1,806	2,161	2,819	129,638

Fixed income includes gross salary receipts. Outstanding payments for Borut Jamnik include a withheld payment of the second part from 2014, the first part from 2016 and the first part from 2017, and regular payment of the second part from 2017 and the first part from 2019, for Matija Debelak regular payment of the second part from 2017 and the first part from 2019 and for Boštjan Vovk the regular payment of the first part from 2019. Reimbursements of expenses include meal and/or travel allowances and/or other reimbursements of travel expenses (per diems, mileage expenses, costs of overnight stays, parking, taxi). Fringe benefits include company cars and benefits arising from collective accident insurance as well as from collective insurance for specialist outpatient treatment, liability insurance benefit, medical examinations as well as the sports activity coverage benefit. Insurance premiums represent payments of the voluntary supplementary pension insurance premium.

Table 58: Remuneration of the members of the Supervisory Board and external members of Supervisory Board committees in 2020

in EUR

Name and surname	Fixed remuneration of the SB	Fixed remuneration of the SB AC	Monthly remuneration of the SB	Monthly remuneration of the SB AC	Cost reimbursement	Total
Branimir Štrukelj	2,694	0	5,356	0	0	8,050
Bojan Zupančič	2,694	968	8,795	2,199	0	14,656
Janez Prašnikar, PhD	2,694	0	8,795	0	0	11,489
Goran Bizjak	2,750	1,320	8,366	3,266	101	15,802
Bachtiar Djalil	2,694	0	9,675	0	0	12,369
Roman Jerman	2,694	0	8,795	0	22	11,512
Cvetko Marko	275	0	0	0	0	275
Dragan Martinović (external member of SB AC)	0	1,320	0	2,395	747	4,461

Fixed remuneration includes attendance fees for meetings of the Supervisory Board and its Audit Committee. Compensation includes the monthly remuneration for performing the function of member of the Supervisory Board and member of the Supervisory Board's Audit Committee. Expense reimbursements include reimbursement of travel expenses and educational/training expenses.

Related Party Transactions

In 2020, no transactions between Modra zavarovalnica, d. d. and the controlling entity, Kapitalska družba, d. d. were conducted at non-market conditions. Modra zavarovalnica leased business premises and IT equipment from Kapitalska družba with the total value of these services amounting to EUR 469,942. As at 31 December 2020, Modra zavarovalnica had no liabilities to the parent company.

In 2020, Kapitalska družba was paying premiums for collective pension insurance of its employees to the account of Life-Cycle Pension Fund (MKPS) managed by Modra zavarovalnica.

Significant Events after the Balance Sheet Date

From the end of 2020 up to the preparation of the Annual Report, Modra zavarovalnica did not record any significant business events that could affect the prepared financial statements for 2020.

Appendix

Selected Operating Performance Ratios

Ratio		2020	Calculation
1. Total	Increase in gross written premium (index)	116	$\frac{61.883.219 \times 100}{53.462.703}$
Life insurance	Growth of gross premium written	116	$\frac{61.837.834 \times 100}{53.424.749}$
Non-life insurance	Growth of gross premium written	120	$\frac{45.385 \times 100}{37.954}$
2. Total	Net written premium as a % of the gross written premium	100 %	$\frac{61.883.219 \times 100}{61.883.219}$
Life insurance	Net written premium as a % of the gross written premium	100 %	$\frac{61.837.834 \times 100}{61.837.834}$
Non-life insurance	Net written premium as a % of the gross written premium	100 %	$\frac{45.385 \times 100}{45.385}$
3. Total	Changes in gross paid claims (index)	121	$\frac{30.142.192 \times 100}{24.835.317}$
Life insurance	Changes in gross claims paid	121	$\frac{30.142.192 \times 100}{24.815.317}$
Non-life insurance	Changes in gross claims paid	0	$\frac{0 \times 100}{20.000}$
4. Total	Loss ratio	49 %	$\frac{30.142.192}{61.883.219}$
Life insurance	Loss ratio	49 %	$\frac{30.142.192}{61.837.834}$
Non-life insurance	Loss ratio	0 %	$\frac{0}{45.385}$
5. Total	Operating costs as a % of the gross written premium	11 %	$\frac{6.991.349 \times 100}{61.883.219}$
Life insurance	Operating costs as a % of the gross written premium	11 %	$\frac{6.934.364 \times 100}{61.837.834}$
Non-life insurance	Operating costs as a % of the gross written premium	126 %	$\frac{56.985 \times 100}{45.385}$
6. Total	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{57.381 \times 100}{61.883.219}$
Life insurance	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{57.381 \times 100}{61.837.834}$
Non-life insurance	Acquisition costs as a % of the gross written premium	0 %	$\frac{0 \times 100}{45.385}$
7. Total	Net loss ratio	49 %	$\frac{(30.072.542 + 69.650)}{61.883.219}$
Life insurance	Net loss ratio	49 %	$\frac{30.072.542 + 69.650}{61.837.834}$
Non-life insurance	Net loss ratio	0 %	$\frac{0}{45.385}$

The table continues on the next page.

Ratio		2020	Calculation
8. Non-life insurance	Combined loss ratio	126 %	$\frac{(0 + 56.985) \times 100}{45.385}$
9. Life insurance	Cost ratio	11 %	$\frac{6.934.364 \times 100}{61.837.834}$
10. Life insurance	Benefit ratio	108 %	$\frac{(30.142.192 + 36.786.633) \times 100}{61.837.834}$
11. Total	Investment performance as a % of the average balance of investments	2 %	$\frac{(15.655.886 - 4.059.241) \times 100}{\frac{564.084.048 + 516.265.490}{2}}$
Life insurance	Investment performance as a % of the average balance of investments	3 %	$\frac{15.603.245 - 4.053.167 \times 100}{\frac{559.056.052 + 511.217.743}{2}}$
Non-life insurance	Investment performance as a % of the average balance of investments	1 %	$\frac{(52.640 - 6.074) \times 100}{\frac{5.027.996 + 5.047.747}{2}}$
12. Total	Net claims provisions as a % of net premium income	2 %	$\frac{1.081.317 \times 100}{61.883.219}$
Life insurance	Net claims provisions as a % of net premium income	2 %	$\frac{1.075.317 \times 100}{61.837.834}$
Non-life insurance	Net claims provisions as a % of net premium income	13 %	$\frac{6.000 \times 100}{45.385}$
13. Total	Gross profit or loss for the year as a % of the net written premium	7 %	$\frac{4.037.308 \times 100}{61.883.219}$
Life insurance	Gross profit or loss for the year as a % of the net written premium	6 %	$\frac{4.002.225 \times 100}{61.837.834}$
Non-life insurance	Gross profit or loss for the year as a % of the net written premium	77 %	$\frac{35.083 \times 100}{45.385}$
14. Total	Gross profit or loss for the year as a % of average equity	1 %	$\frac{(4.037.308) \times 100}{\frac{274.213.039 + 269.237.332}{2}}$
Life insurance	Gross profit or loss for the year as a % of average equity	2 %	$\frac{(4.002.225) \times 100}{\frac{269.054.404 + 264.098.231}{2}}$
Non-life insurance	Gross profit or loss for the year as a % of average equity	1 %	$\frac{(35.083) \times 100}{\frac{5.158.635 + 5.139.101}{2}}$
15. Total	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(4.037.308) \times 100}{\frac{573.414.447 + 530.779.842}{2}}$
Life insurance	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(4.002.225) \times 100}{\frac{568.194.720 + 525.565.146}{2}}$
Non-life insurance	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(35.083) \times 100}{\frac{5.219.727 + 5.214.696}{2}}$

The table continues on the next page.

Ratio			2020	Calculation
16.	Total	Gross profit or loss for the year per share	0,03 €	$\frac{4.037.308}{152.200.000}$
	Life insurance	Gross profit or loss for the year per share	-	-
	Non-life insurance	Gross profit or loss for the year per share	-	-
17.	Total	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{274.213.039}$
	Life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{269.054.404}$
	Non-life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{5.158.635}$
18.	Total	Net written insurance premium as a % of the average balance of equity and technical provisions	12 %	$\frac{61.883.219 \times 100}{\left(\frac{534.438.859 + 492.600.870}{2}\right)}$
	Life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	12 %	$\frac{61.837.834 \times 100}{\left(\frac{529.274.224 + 487.461.769}{2}\right)}$
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	1 %	$\frac{(45.385) \times 100}{\left(\frac{5.164.635 + 5.165.101}{2}\right)}$
19.	Total	Average balance of net technical provisions as a % of net premium income	391 %	$\frac{(260.225.821 + 223.389.538) \times 100}{2}$ 61.883.219
	Life insurance	Average balance of net technical provisions as a % of net premium income	391 %	$\frac{(260.219.821 + 223.363.538) \times 100}{2}$ 61.837.834
	Non-life insurance	Average balance of net technical provisions as a % of net premium income	35 %	$\frac{(6.000 + 26.000) \times 100}{2}$ 45.385
20.	Total	Equity as a % of liabilities	48 %	$\frac{274.213.039 \times 100}{573.414.447}$
	Life insurance	Equity as a % of liabilities	47 %	$\frac{269.054.404 \times 100}{568.194.720}$
	Non-life insurance	Equity as a % of liabilities	99 %	$\frac{5.158.635 \times 100}{5.219.727}$
21.	Total	Net technical provisions as a % of liabilities	45 %	$\frac{260.225.821 \times 100}{573.414.447}$
	Life insurance	Net technical provisions as a % of liabilities	46 %	$\frac{260.219.821 \times 100}{568.194.720}$
	Non-life insurance	Net technical provisions as a % of liabilities	0 %	$\frac{6.000 \times 100}{5.219.727}$
22.	Total	Net life technical provisions to net technical provisions	100 %	$\frac{260.219.821 \times 100}{260.225.821}$
23.	Total	Gross written premium to the average number of full-time employees	998.116 €	$\frac{61.883.219}{62}$

Ratio			2019	Calculation
1.	Total	Increase in gross written premium (index)	124	$\frac{53.462.703 \times 100}{43.190.535}$
	Life insurance	Increase in gross written premium	124	$\frac{53.424.749 \times 100}{43.164.734}$
	Non-life insurance	Increase in gross written premium	147	$\frac{37.954 \times 100}{25.800}$
2.	Total	Net written premium as a % of the gross written premium	100 %	$\frac{53.462.703 \times 100}{53.462.703}$
	Life insurance	Net written premium as a % of the gross written premium	100 %	$\frac{53.424.749 \times 100}{53.424.749}$
	Non-life insurance	Net written premium as a % of the gross written premium	100 %	$\frac{37.954 \times 100}{37.954}$
3.	Total	Changes in gross paid claims (index)	122	$\frac{24.835.317 \times 100}{20.394.180}$
	Life insurance	Changes in gross paid claims	122	$\frac{24.815.317 \times 100}{20.368.181}$
	Non-life insurance	Changes in gross paid claims	77	$\frac{20.000 \times 100}{26.000}$
4.	Total	Loss ratio	46 %	$\frac{24.835.317}{53.462.703}$
	Life insurance	Loss ratio	46 %	$\frac{24.815.317}{53.424.749}$
	Non-life insurance	Loss ratio	53 %	$\frac{20.000}{37.954}$
5.	Total	Operating costs as a % of the gross written premium	13 %	$\frac{6.916.018 \times 100}{53.462.703}$
	Life insurance	Operating costs as a % of the gross written premium	13 %	$\frac{6.867.852 \times 100}{53.424.749}$
	Non-life insurance	Operating costs as a % of the gross written premium	127 %	$\frac{48.166 \times 100}{37.954}$
6.	Total	Acquisition costs as a % of the gross written premium	0,10 %	$\frac{56.024 \times 100}{53.462.703}$
	Life insurance	Acquisition costs as a % of the gross written premium	0,10 %	$\frac{56.024 \times 100}{53.424.749}$
	Non-life insurance	Acquisition costs as a % of the gross written premium	0 %	$\frac{0 \times 100}{37.954}$
7.	Total	Net loss ratio	46 %	$\frac{(24.795.747 + 39.570)}{53.462.703}$
	Life insurance	Net loss ratio	46 %	$\frac{24.795.747 + 19.570}{53.424.749}$

The table continues on the next page.

Ratio			2019	Calculation
	Non-life insurance	Net loss ratio	53 %	$\frac{20.000}{37.954}$
8.	Non-life insurance	Combined loss ratio	180 %	$\frac{(20.000 + 48.166) \times 100}{37.954}$
9.	Life insurance	Cost ratio	13 %	$\frac{6.867.852 \times 100}{53.424.749}$
10.	Life insurance	Benefit ratio	109 %	$\frac{(24.815.317 + 33.315.898) \times 100}{53.424.749}$
11.	Total	Investment performance as a % of the average balance of investments	3 %	$\frac{(19.563.717 - 4.226.587) \times 100}{\frac{516.265.490 + 449.811.991}{2}}$
	Life insurance	Investment performance as a % of the average balance of investments	3 %	$\frac{(19.509.582 - 4.220.649) \times 100}{\frac{511.217.743 + 444.795.290}{2}}$
	Non-life insurance	Investment performance as a % of the average balance of investments	1 %	$\frac{(54.135 - 5.938) \times 100}{\frac{5.047.747 + 5.016.701}{2}}$
12.	Total	Net claims provisions as a % of net premium income	2 %	$\frac{1.031.668 \times 100}{53.462.703}$
	Life insurance	Net claims provisions as a % of net premium income	2 %	$\frac{1.005.668 \times 100}{53.424.749}$
	Non-life insurance	Net claims provisions as a % of net premium income	69 %	$\frac{26.000 \times 100}{37.954}$
13.	Total	Gross profit or loss for the year as a % of the net written premium	28 %	$\frac{14.716.562 \times 100}{53.462.703}$
	Life insurance	Gross profit or loss for the year as a % of the net written premium	28 %	$\frac{14.698.563 \times 100}{53.424.749}$
	Non-life insurance	Gross profit or loss for the year as a % of the net written premium	47 %	$\frac{17.999 \times 100}{37.954}$
14.	Total	Gross profit or loss for the year as a % of average equity	6 %	$\frac{(14.716.562) \times 100}{\frac{269.237.332 + 235.772.618}{2}}$
	Life insurance	Gross profit or loss for the year as a % of average equity	6 %	$\frac{(14.698.563) \times 100}{\frac{264.098.231 + 230.699.466}{2}}$
	Non-life insurance	Gross profit or loss for the year as a % of average equity	0,35 %	$\frac{(17.999) \times 100}{\frac{5.139.101 + 5.073.152}{2}}$
15.	Total	Gross profit or loss for the year as a % of average assets	3 %	$\frac{(14.716.562) \times 100}{\frac{530.779.842 + 460.070.564}{2}}$
	Life insurance	Gross profit or loss for the year as a % of average assets	3 %	$\frac{(14.698.563) \times 10}{\frac{525.565.146 + 454.961.051}{2}}$

The table continues on the next page.

Ratio			2019	Calculation
	Non-life insurance	Gross profit or loss for the year as a % of average assets	0,35 %	$\frac{(17.999) \times 100}{\frac{5.214.696 + 5.109.513}{2}}$
16.	Total	Gross profit or loss for the year per share	0,10 €	$\frac{14.716.562}{152.200.000}$
	Life insurance	Gross profit or loss for the year per share	-	-
	Non-life insurance	Gross profit or loss for the year per share	-	-
17.	Total	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{269.237.332}$
	Life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{264.098.231}$
	Non-life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{5.139.101}$
18.	Total	Net written insurance premium as a % of the average balance of equity and technical provisions	12 %	$\frac{53.462.703 \times 100}{\frac{492.600.870 + 425.800.687}{2}}$
	Life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	11 %	$\frac{53.424.749 \times 100}{\frac{487.461.769 + 420.727.535}{2}}$
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	1 %	$\frac{(37.954) \times 100}{\frac{5.165.101 + 5.073.152}{2}}$
19.	Total	Average balance of net technical provisions as a % of net premium income	387 %	$\frac{(223.389.538 + 190.028.069) \times 100}{2}$ $\frac{53.462.703}{53.462.703}$
	Life insurance	Average balance of net technical provisions as a % of net premium income	387 %	$\frac{(223.363.538 + 190.028.069) \times 100}{2}$ $\frac{53.424.749}{53.424.749}$
	Non-life insurance	Average balance of net technical provisions as a % of net premium income	34 %	$\frac{(26.000 + 0) \times 100}{2}$ $\frac{37.954}{37.954}$
20.	Total	Equity as a % of liabilities	51 %	$\frac{269.237.332 \times 100}{530.779.842}$
	Life insurance	Equity as a % of liabilities	50 %	$\frac{264.098.231 \times 100}{525.565.146}$
	Non-life insurance	Equity as a % of liabilities	99 %	$\frac{5.139.101 \times 100}{5.214.696}$
21.	Total	Net technical provisions as a % of liabilities	42 %	$\frac{223.389.538 \times 100}{530.779.842}$
	Life insurance	Net technical provisions as a % of liabilities	42 %	$\frac{223.363.538 \times 100}{525.565.146}$
	Non-life insurance	Net technical provisions as a % of liabilities	0 %	$\frac{26.000 \times 100}{5.214.696}$
22.	Total	Net life technical provisions to net technical provisions	100 %	$\frac{223.363.538 \times 100}{223.389.538}$
23.	Total	Gross written premium to the average number of full-time employees	891,045 €	$\frac{53.462.703}{60}$

Financial Statements Pursuant to the Decision of the Insurance Supervision Agency

Segment Reporting Pursuant to the Provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL-2009) – Appendix 1

Segment Reporting of Balance Sheet Items

in EUR

Items	31. Dec. 2020			31. Dec. 2019		
	Life	Non-life	Total	Life	Non-life	Total
SREDSTVA	568,194,720	5,219,727	573,414,447	525,565,146	5,214,696	530,779,842
A. Intangible Assets	640,705	0	640,705	666,225	0	666,225
B. Property, Plant and Equipment	1,287,136	0	1,287,136	1,615,390	0	1,615,390
F. Financial investments in Group companies and associated companies	34,970,284	0	34,970,284	36,518,433	0	36,518,433
G. Financial assets	524,085,768	5,027,996	529,113,764	474,699,310	5,047,747	479,747,057
1. at amortised cost	193,728,273	3,585,636	197,313,909	180,600,137	3,588,624	184,188,761
2. at fair value through other comprehensive income	182,888,712	1,442,360	184,331,072	184,660,346	1,459,123	186,119,469
3. at fair value through profit or loss	147,468,783	0	147,468,783	109,438,827	0	109,438,827
K. Receivables	2,621,360	4,949	2,626,309	1,593,171	5,240	1,598,411
1. Receivables from direct insurance operations	0	4,054	4,054	0	4,090	4,090
3. Current tax assets	1,055,326	0	1,055,326	0	0	0
4. Other receivables	1,566,034	895	1,566,929	1,593,171	1,150	1,594,321
L. Other Assets	2,416,406	0	2,416,406	2,983,930	0	2,983,930
M. Cash and Cash Equivalents	2,173,061	186,782	2,359,843	7,488,687	161,709	7,650,396
N. Off-Balance Sheet Items	1,268,619,685	0	1,268,619,685	1,190,362,967	0	1,190,362,967
EQUITY AND LIABILITIES	568,194,720	5,219,727	573,414,447	525,565,146	5,214,696	530,779,842
A. Equity	269,054,404	5,158,635	274,213,039	264,098,231	5,139,101	269,237,332
1. Share capital	147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000
3. Revenue reserves	42,829,581	65,916	42,895,497	40,660,463	50,399	40,710,862
4. Revaluation surplus	67,266,011	75,929	67,341,940	66,262,673	84,672	66,347,345
6. Net profit or loss brought forward	11,758,812	16,790	11,775,602	9,975,095	4,030	9,979,125
C. Technical Provisions	260,219,821	6,000	260,225,821	223,363,538	26,000	223,389,538
2. Technical provisions for life insurance	259,144,504	0	259,144,504	222,357,870	0	222,357,870
3. Claims provisions	1,075,317	6,000	1,081,317	1,005,668	26,000	1,031,668
E. Other provisions	16,545,253	3,474	16,548,727	12,177,318	3,308	12,180,626
G. Deferred tax liabilities	14,134,801	21,683	14,156,484	13,673,782	33,909	13,707,691
I. Other financial liabilities	461	15	476	796	0	796
J. Operating liabilities	104,089	2,620	106,709	850,536	1,684	852,220
1. Liabilities arising out of direct insurance operations	42	0	42	0	0	0
3. Current tax liabilities	104,047	2,620	106,667	850,536	1,684	852,220
K. Other liabilities	8,135,891	27,300	8,163,191	11,400,945	10,694	11,411,639
L. Off-balance sheet items	1,268,619,685	0	1,268,619,685	1,190,362,967	0	1,190,362,967

Segment Reporting of Profit or Loss Items

in EUR

Items	2020			2019		
	Life	Non-life	Total	Life	Non-life	Total
A. NET PREMIUM INCOME	61,837,834	45,385	61,883,219	53,424,749	37,954	53,462,703
- gross written premiums	61,837,834	45,385	61,883,219	53,424,749	37,954	53,462,703
B. INCOME FROM INVESTMENTS IN ASSOCIATES	2,770,371	0	2,770,371	4,606,964	0	4,606,964
C. INVESTMENT INCOME, of which	12,832,875	52,640	12,885,515	14,902,618	54,135	14,956,753
- interest income calculated according to the effective interest rate method	40,416	0	40,416	70,547	0	70,547
- gains on disposal of investments	282,111	0	282,111	797,264	0	797,264
D. OTHER TECHNICAL INCOME, of which	11,037,275	0	11,037,275	12,188,184	0	12,188,184
- fee and commission income	8,166,518	0	8,166,518	7,747,664	0	7,747,664
E. OTHER INCOME	74,832	117	74,949	141,930	14	141,944
F. NET CLAIMS INCURRED	30,142,192	0	30,142,192	24,815,317	20,000	24,835,317
- gross claims paid	30,072,542	0	30,072,542	24,795,747	0	24,795,747
- changes in claims provisions	69,650	0	69,650	19,570	20,000	39,570
G. CHANGE IN OTHER TECHNICAL PROVISIONS	-36,786,633	0	-36,786,633	-33,315,898	0	-33,315,898
K. OPERATING COSTS, of which	6,934,364	56,985	6,991,349	6,867,852	48,166	6,916,018
- acquisition cost	57,381	0	57,381	56,024	0	56,024
M. INVESTMENT EXPENSES, of which	4,053,167	6,074	4,059,241	4,220,649	5,938	4,226,587
- financial asset impairment	179,320	5,751	185,071	102,283	5,864	108,147
- loss on disposal of financial assets	927,156	0	927,156	50,180	0	50,180
N. OTHER TECHNICAL EXPENSES	6,631,810	0	6,631,810	1,124,138	0	1,124,138
O. OTHER EXPENSES	2,796	0	2,796	222,028	0	222,028
P. PROFIT OR LOSS BEFORE TAX	4,002,225	35,083	4,037,308	14,698,563	17,999	14,716,562
R. INCOME TAX	-49,390	-6,807	-56,197	-2,471,284	-3,563	-2,474,847
S. NET PROFIT OR LOSS FOR THE PERIOD	3,952,835	28,276	3,981,111	12,227,279	14,436	12,241,715

Segment Reporting of the Statement of Comprehensive Income Items

in EUR

Item	2020			2019		
	Life	Non-life	Total	Life	Non-life	Total
I. NET PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAX	3,952,835	28,276	3,981,111	12,227,279	14,436	12,241,715
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a+b)	999,922	-5,327	994,595	24,346,437	51,513	24,397,950
a) Items that will not be reclassified subsequently to profit or loss (1+2+3+4+5+6)	1,202,489	0	1,202,489	23,970,587	0	23,970,587
5. Items that will not be reclassified subsequently to profit or loss	1,657,048	0	1,657,048	28,433,925	0	28,433,925
6. Tax on items subsequently not reclassified to profit or loss	-454,559	0	-454,559	-4,463,338	0	-4,463,338
b) Items that may be reclassified subsequently to profit or loss (1+2+3+4+5)	-202,567	-5,327	-207,894	375,850	51,513	427,363
1.b. Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income	-245,865	-10,794	-256,659	464,012	63,596	527,608
5. Tax on items that may be reclassified subsequently to profit or loss	43,298	5,467	48,765	-88,162	-12,083	-100,245
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	4,952,757	22,949	4,975,706	36,573,716	65,949	36,639,665

Financial Statements Pursuant to the Provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL-2009) – Appendix 2

Profit or Loss Statement and Statement of Total Comprehensive Income

in EUR

Item	2020	2019
A. Technical account for non-life insurance		
I. Net premium income	45,385	37,954
1. Gross written premiums	45,385	37,954
IV. Net claims incurred	0	20,000
5. Change in gross claims provisions (+/-)	0	20,000
VII. Net operating costs	56,985	48,166
3. Other operating expenses	56,985	48,166
3.1. Depreciation of assets required for operation	7,380	5,940
3.2. Labour costs	36,377	29,491
3.3. Cost of services provided by natural persons who do not pursue an activity (costs under work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	996	980
3.4. Other operating costs	12,232	11,755
IX. Profit or loss from non-life insurance (I+II+III-IV+V-VI-VII-VIII)	-11,600	-30,212
B. Technical account for life insurance		
I. Net premium income	61,837,834	53,424,749
1. Gross written premiums	61,837,834	53,424,749
II. Investment income	15,603,246	19,509,582
1. Dividend income and profit sharing in companies	5,796,910	8,445,931
1.2. Dividend income and income from other profit sharing in associates	2,770,371	4,606,964
1.3. Dividend income and income from other profit sharing in other companies	3,026,539	3,838,967
2. Income from other investment	9,524,225	10,266,387
2.2. Interest income	4,717,961	4,595,726
2.3. Other investment income	4,806,264	5,670,661
2.3.1. Financial income from revaluation	4,551,202	5,278,282
2.3.2. Other financial income	255,062	392,379
4. Gain on disposal of investments	282,111	797,264
IV. Other net technical income	11,037,275	12,188,184
V. Net claims incurred	30,142,192	24,815,317
1. Gross claims paid	30,072,542	24,795,747
4. Change in gross claims provisions (+/-)	69,650	19,570
VI. Change in other net technical provisions (+/-)	-36,786,633	-33,315,898

The table continues on the next page.

in EUR

Item	2020	2019
1. Change in technical provisions for life insurance	-36,786,633	-33,315,898
1.1. Change in gross technical provisions for life insurance	-36,786,633	-33,315,898
VIII. Net operating costs	6,934,364	6,867,852
1. Acquisition costs	57,381	56,024
3. Other operating expenses	6,876,983	6,811,828
3.1. Depreciation of assets required for operation	675,996	587,441
3.2. Labour costs	3,606,977	3,260,994
3.3. Cost of services provided by natural persons who do not pursue an activity (costs under work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	118,769	136,607
3.4. Other operating costs	2,475,241	2,826,786
IX. Investment charges	4,053,167	4,220,649
2. Expenses arising from asset management, interest expense and other financial expenses	1,070,292	361,947
3. Financial expenses from revaluation	2,055,719	3,808,522
4. Loss on disposal of investments	927,156	50,180
XI. Other net technical expenses	6,631,810	1,124,138
2. Other net technical expenses	6,631,810	1,124,138
XII. Allocated investment return transferred to the net profit or loss	6,038,607	9,453,543
XIII. Profit or loss from life insurance (I + II + III + IV - V +/- VI - VII - VIII - IX - X - XI - XII)	-2,108,418	5,325,118
C. Net profit or loss of the Company		
I. Profit or loss from non-life insurance (A.IX)	-11,600	-30,212
II. Profit or loss from life insurance (B.XIII)	-2,108,418	5,325,118
III. Investment income	52,640	54,135
2. Income from other investment	52,640	54,135
2.2. Interest income	46,884	51,184
2.3. Other investment income	5,756	2,951
2.3.2. Other financial income	5,756	2,951
IV. Allocated investment return transferred from the technical account of life insurance (B.XII)	6,038,607	9,453,543
V. Investment expenses	6,074	5,938

The table continues on the next page.

in EUR

Item	2020	2019
2. Expenses arising from asset management, interest expense and other financial expenses	6,074	5,938
IX. Other income	74,949	141,944
1. Other income from non-life insurance	117	14
2. Other income from life insurance	74,832	141,930
X. Other expenses	2,796	222,028
2. Other expenses from life insurance	2,796	222,028
XI. Profit or loss for the period before tax (I + II + III + IV – V – VI + VII – VIII + IX – X)	4,037,308	14,716,562
1. Profit or loss for the period from non-life insurance	35,083	17,999
2. Profit or loss for the period from life insurance	4,002,225	14,698,563
XII. Corporate income tax	13,198	1,156,701
XIII. Deferred Tax	-42,999	-1,318,146
XIV. Net profit or loss for the financial year (XI – XII + XIII)	3,981,111	12,241,715
D. Comprehensive income		
I. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAX	3,981,111	12,241,715
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a+b)	994,595	24,397,950
a. Items that will not be reclassified subsequently to profit or loss (1+2+3+4+5+6)	1,202,489	23,970,587
5. Items that will not be reclassified subsequently to profit or loss	1,657,048	28,433,925
6. Tax on items subsequently not reclassified to profit or loss	-454,559	-4,463,338
b. Items that may be reclassified subsequently to profit or loss (1+2+3+4+5)	-207,894	427,363
1.b. Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income	-256,659	527,608
5. Tax on items that may be reclassified subsequently to profit or loss	48,765	-100,245
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	4,975,706	36,639,665

Presentation of Assets and Liabilities of Guarantee Funds for Supplementary Pension Insurance in the Annuity Disbursement Period

Presentation of Assets and Liabilities of KS PPS

in EUR

Item	31 Dec. 2020	31 Dec. 2019
ASSETS	98,010,759	99,344,807
A. Investments in real estate and financial assets	97,549,902	98,641,219
III. Other financial assets	97,549,902	98,641,219
1. Shares and other securities with variable yield and mutual fund coupons	25,968,088	22,672,996
2. Debt securities with fixed yield	71,083,041	74,971,296
6. Deposits with banks	498,773	996,927
B. Receivables	178	379
III. Other receivables	178	379
C. Miscellaneous assets	262,322	703,209
I. Cash	262,322	703,209
D. Short-term deferred costs and accrued revenues	198,357	0
3. Other short-term deferred costs and accrued income	198,357	0
LIABILITIES	98,010,759	99,344,807
B. Gross technical provisions	97,996,761	99,330,866
II. Gross technical provisions for life insurance	96,929,693	98,330,263
III. Gross provisions for claims outstanding	1,067,068	1,000,603
E. Other liabilities	13,998	13,941
III. Other liabilities	13,998	13,941

Presentation of Assets and Liabilities of KS MR

in EUR

Item	31 Dec. 2020	31 Dec. 2019
ASSETS	14,251,545	16,810,589
A. Investments in real estate and financial assets	13,591,027	16,238,757
III. Other financial assets	13,591,027	16,238,757
1. Shares and other securities with variable yield and mutual fund coupons	78,791	367,778
2. Debt securities with fixed yield	13,512,236	15,780,142
7. Other financial assets	0	90,837
B. Receivables	580,672	476,011
III. Other receivables	580,672	476,011
C. Miscellaneous assets	79,846	95,821
I. Cash	79,846	95,821

The table continues on the next page.

in EUR

Item	31 Dec. 2020	31 Dec. 2019
LIABILITIES	14,251,545	16,810,589
B. Gross technical provisions	14,245,416	16,803,424
II. Gross technical provisions for life insurance	14,241,399	16,799,439
III. Gross provisions for claims outstanding	4,017	3,985
E. Other liabilities	6,129	7,008
I. Liabilities arising out of direct insurance operations	12	0
1. Liabilities to insurers	12	0
III. Other liabilities	6,117	7,008

Presentation of Assets and Liabilities of KS MR II

in EUR

Item	31 Dec. 2020	31 Dec. 2019
ASSETS	153,952,525	116,087,105
A. Investments in real estate and financial assets	151,631,918	111,606,748
III. Other financial assets	151,631,918	111,606,748
1. Shares and other securities with variable yield and mutual fund coupons	50,351,780	31,619,597
2. DDebt securities with fixed yield	91,895,416	72,395,707
6. Deposits with banks	5,088,659	5,083,227
7. Other financial assets	4,296,063	2,508,217
B. Receivables	3,503	2,020
III. Other receivables	3,503	2,020
C. Miscellaneous assets	242,346	1,643,922
I. Cash	242,346	1,643,922
D. Short-term deferred costs and accrued revenues	2,074,758	2,834,415
3. Other short-term deferred costs and accrued income	2,074,758	2,834,415
LIABILITIES	153,952,525	116,087,105
B. Gross technical provisions	147,977,644	107,229,248
II. Gross technical provisions for life insurance	147,973,413	107,228,168
III. Gross provisions for claims outstanding	4,231	1,080
E. Other liabilities	67,446	200,720
I. Liabilities arising out of direct insurance operations	30	0
1. Liabilities to insurers	30	0
III. Other liabilities	67,416	200,720
F. Accrued costs and deferred revenue	5,907,435	8,657,137

Technical Account of Guarantee Funds for Supplementary Pension Insurance in the Annuity Disbursement Period

Technical Account of the PPS Guarantee Fund

in EUR

Item	2020	2019
I. TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	2,679,318	2,725,973
4. Mutual pension fund	2,679,318	2,725,973
II. INVESTMENT INCOME	4,011,748	5,532,220
1. Dividend income and profit sharing in companies	975,375	1,231,642
2. Income from other investment	3,036,373	4,300,578
2.2. Interest income	1,669,334	1,773,018
2.3. Other investment income	1,367,039	2,527,560
III. CLAIMS INCURRED	6,646,188	6,734,273
1. Claims paid	6,579,722	6,714,737
2. Change in claims provisions	66,466	19,536
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	1,400,570	2,004,050
1. Change in technical provisions for life insurance (+/-)	1,400,570	2,004,050
VI. INVESTMENT EXPENSES	1,445,448	3,527,970
2. Expenses arising from asset management, interest expense and other financial expenses	12,798	40,249
3. Financial expenses from revaluation	1,432,650	3,487,721
VII. PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	0	0
VII.a. Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	0

Technical Account of the MR Guarantee Fund

in EUR

Item	2020	2019
I. INVESTMENT INCOME	426,549	481,217
1. Dividend income and profit sharing in companies	715	1,634
2. Income from other investment	425,834	479,583
2.2. Interest income	307,750	360,146
2.3. Other investment income	118,084	119,437
III. CLAIMS INCURRED	2,868,757	4,081,468
1. Claims paid	2,868,725	4,081,094
2. Change in claims provisions	32	374
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	2,558,041	3,719,130
1. Change in technical provisions for life insurance (+/-)	2,558,041	3,719,130

The table continues on the next page.

in EUR

	Item	2020	2019
VI.	INVESTMENT EXPENSES	115,833	118,879
	2. Expenses arising from asset management, interest expense and other financial expenses	96,254	101,981
	3. Financial expenses from revaluation	19,579	16,898
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	0	0
VII.a.	Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	0

Technical Account of the MR II Guarantee Fund

in EUR

	Postavka	2020	2019
I.	TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	59,158,516	50,698,776
	2. Other insurance companies	872,156	1,225,645
	3. Other pension companies	575,862	493,415
	4. Mutual pension fund	57,710,498	48,979,716
II.	INVESTMENT INCOME	3,689,397	3,626,165
	1. Dividend income and profit sharing in companies	156,832	45,578
	2. Income from other investment	3,532,565	3,580,587
	2.2 Interest income	1,481,220	1,137,230
	2.3 Other investment income	2,051,345	2,443,357
III.	CLAIMS INCURRED	20,627,247	13,999,576
	1. Claims paid	20,624,096	13,999,916
	2. Change in claims provisions	3,151	-340
IV.	CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-40,745,245	-39,039,078
	1. Change in technical provisions for life insurance (+/-)	-40,745,245	-39,039,078
V.a.	Net operating costs	68,163	48,883
	3. Other operating expenses	68,163	48,883
	3.4 Other operating costs	68,163	48,883
VI.	INVESTMENT EXPENSES	1,407,258	1,237,405
	2. Expenses arising from asset management, interest expense and other financial expenses	671,713	1,077,525
	3. Financial expenses from revaluation	735,545	159,880
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	68,163	48,883
VII.a.	Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	0

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