

Modra Annual report 2021

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List of Abbreviations Used

Abbreviation	Note
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
API	Application programming interface
AZN	Insurance Supervision Agency
B2B	Business-to-business
B2C	Business-to-customer
CBBT	Composite Bloomberg Bond Trader
VAT	Value added tax
DPJU	Dynamic Civil Servants Sub-fund
EAD	Exposure at Default

The table continues on the next page.

Kratica	Pojasnilo
ECB	European Central Bank
EU	European Union
EUR	Euro – the currency of the European Union
EURIBOR	Euro Interbank Offered Rate
EWS	Early Warning System
iBoxx	The reference index of liquid investment grade bond issues
IPEV	International Private Equity and Venture Capital Valuation
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
LGD	Loss Given Default
MDP	Dynamic Sub-Fund
MKPS	Life-Cycle Pension Fund
MPP	Prudent Sub-Fund
MSCI Index	Morgan Stanley Capital International Index
IFRS	International Financial Reporting Standards as adopted by the EU
MZP	Guaranteed Sub-Fund
IFRIC	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
USD	US dollar
NAVPU	Net asset value per unit
VPS	Mutual pension fund
USA	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

2021 was the most profitable year to date for Modra zavarovalnica. It was marked by the COVID-19 pandemic, exceptional growth in capital markets, moderate growth in gross domestic product and emerging inflationary pressures that seemed only a distant memory at the beginning of the year.

In such an environment, Modra zavarovalnica recorded a net profit of EUR 19 million, thus significantly exceeding the planned result.

In October 2021, Modra zavarovalnica celebrated the first decade of its operations, which was marked by development and growth. Throughout the reporting period, the Company operated with a positive net profit and more than doubled its capital. This growth was closely followed by the assets of mutual and annuity funds under its management and its own assets. Today, Modra zavarovalnica is a modern insurance company that looks to the future with optimism. It is the largest fund manager under supplementary pension insurance and the largest payer of pension annuities in Slovenia. It builds its competitive advantages on the involvement of all major stakeholders in the formulation of its business policy and development orientation.

Last year, the Company generated technical income worth EUR 75.8 million. Most of this income is represented by premiums of guarantee funds, and the rest by income from the management of mutual pension and guarantee funds, which reached EUR 19.2 million, EUR 5.4 million of which relates to income from the reversal of provisions resulting from the LAT test and EUR 2 million relates to the reversal of provisions for the failure to achieve a guaranteed return. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 116 million in the relevant period, not taking into account transfers between funds or sub-funds, and increased by 5% compared to 2020. Technical expenses, which include the annuities written, operating costs and other technical expenses, reached EUR 42.1 million, while mathematical provisions increased by EUR 33.3 million.

Profit or loss from investment activities recognised in profit or loss reached EUR 21.6 million owing to highly favourable trends on financial markets. At the same time, the high value in the amount of EUR 41.5 million was also recorded by the profit or loss from investment activities recognized in the statement of comprehensive income.

The capital of Modra zavarovalnica used by the Company to ensure security for its insured persons' funds reached EUR 331.5 million at the end of 2021, up 21% on the end of the previous year. The value of assets under management increased and exceeded EUR 2 billion at the end of 2021, i.e. EUR 1.39 billion was collected in mutual pension funds and EUR 303 million in guarantee funds, along with EUR 368 million in own assets.

2021 was characterised by a favourable macroeconomic environment as stock indices rose significantly during this period. In 2021, the value of the MSCI global stock index grew by 30.8% (measured in EUR). In this period, the highest return was achieved by the Slovenian SBI TOP stock index with 39.8%, followed by the index of American and European stocks. On the other hand, higher required yields led to lower government and corporate bond prices as a result of rising inflation; the European government bond index lost 3.4% and the corporate bond index lost 1.1%

The macroeconomic environment affected the returns of the pension funds under management favourably. In 2021, the Guaranteed Sub-Fund and the Guaranteed Civil Servants Pension Sub-Fund recorded returns of 3.05% and 3.38% respectively, which places them among the best Slovenian funds with a guaranteed return investment policy. The returns of funds pursuing a prudent or dynamic investment policy were even higher owing to the higher portion of equity investments in the portfolios. The Prudent Sub-Fund and the Prudent Civil Servants Pension Sub-Fund recorded returns of 14.30% and 14.91% respectively, which places them at the very top of the returns-based rankings of funds with a balanced investment policy. The returns of the

Dynamic Sub-Fund and the Dynamic Civil Servants Sub-Fund of 23.04% and 24.02% respectively are ranked high among the funds with a dynamic investment policy.

We estimate that the COVID-19 pandemic in 2021 did not significantly affect the Company's operations as it already had experience from the first wave of the epidemic in the spring of 2020. We provided customers with uninterrupted communication and 24-hour access via digital channels, and the Company fulfilled its obligations to members of mutual pension funds, annuity recipients and other business partners throughout. Marketing activities in 2021 were focused on improving the user experience and digitizing business processes. We continued to inform members about the benefits of online research into insurance products and recorded more than 100,000 members in the e.Modra.si online service. Using the portal, we regularly inform clients about important events and at the same time enable them to review savings, make personal informative calculations and edit data related to the financial products of Modra zavarovalnica. As part of the "Life writes beautiful stories" (Življenje piše lepe zgodbe) advertising campaign, we shared the tenth anniversary of our business with the general public. We presented our successes supported by numerical data, while the video content highlighted the stories of individuals who inspire with their actions and represent the values of Modra with their lifestyle. 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 regulations governing consumer protection.

We will continue to adjust our marketing activities to market conditions and perceived trends while keeping the customer at the centre of our attention. We will focus our knowledge and experience on improving the visibility of Modra, its positioning as an innovative provider and the development of digital communication and distribution channels. In our operations, we will also pay special attention to risk management and maintaining a high level of capital adequacy.

Overall, expectations regarding economic developments were still relatively favourable at the beginning of 2022, with moderate growth in equities and a slight decline in bond indices expected. The source of uncertainty was in particular the rise in raw material and energy prices, the conduct of central banks and the unclear development of the COVID-19 pandemic. Subsequently, strained geopolitical conditions and related restrictive measures have had a significant impact on market developments. Optimism has eased and the risk of falling prices has increased, especially prices of riskier investments. With consideration of the situation, we will strive to limit these risks as much as possible and maintain the confidence of our savers by taking care of the security of their savings.



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: 63 people
Share capital: EUR 152.2 million
Assets under management: EUR 2.1 billion
Number of persons insured in the mutual pension fund (VPS): 298,784
Number of retirement annuity recipients: 36,761

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 2021, the sole shareholder of Modra zavarovalnica d.d. is 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 2021, 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, and a new 4-year term of office starting on 29 August 2021;
- **mag. Matija Debelak**, MSc, member of the Management Board, 5-year term of office starting on 14 September 2016 and a new 4-year term of office starting on 4 October 2021;
- **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 2021, 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 2021, the Supervisory Board comprised the following members:

- **Branimir Štrukelj**, Member of the Supervisory Board from 9 December 2016, Deputy Chairman of the Supervisory Board from 23 December 2020 to 22 December 2021, and Chairman of the Supervisory Board as of 23 December 2021;
- **Bachtiar Djalil**, member of the Supervisory Board as of 14 January 2019 and reappointed on 9 June 2021, served as Chairman of the Supervisory Board from 23 December 2020 to 22 December 2021, and Deputy Chairman of the Supervisory Board as of 23 December 2021;
- **Bojan Zupančič**, member as of 9 December 2020;
- **dr. Janez Prašnikar**, member as of 9 June 2017 and reappointed on 9 June 2021;
- **Roman Jerman**, member 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 2021 is provided in the Report of the Supervisory Board. The Audit Committee of the Supervisory Board was active in 2021; its composition and work are presented in the Supervisory Board Report.

General Meeting of Shareholders

Voting rights at the 2021 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: ZGD-1), the Supervisory Board of Modra zavarovalnica submits the following report to the company's General Meeting:

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

Pursuant to 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: ZPKDPIZ) and the company's Articles of Association, Modra zavarovalnica has a Supervisory Board composed of six members appointed by the company's General Meeting. Half of the members (3 members) of the Supervisory Board are nominated by the company's insured persons. Three Supervisory Board members represent the interests of the sole shareholder, Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. and are appointed on the proposal of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

In 2021, the composition of the Supervisory Board was as follows: Bachtiar Djalil (Chairman), Branimir Štrukelj (Deputy Chairman) Marko Cvetko, Roman Jerman, Dr. Janez Prašnikar and Bojan Zupančič. On 9 June 2021, Dr. Janez Prašnikar and Bachtiar Djalil began their respective term of office in the position of Supervisory Board member.

At the 140th regular meeting of the Supervisory Board held on 16 December 2020, Bachtiar Djalil and Branimir Štrukelj were appointed Chairman and Deputy Chairman of the Supervisory Board respectively in accordance with the provisions of the Company's Articles of Association and for the period from 23 December 2020 to 22 December 2021. At the 151st meeting of the Supervisory Board held on 20 December 2021, Branimir Štrukelj became Chairman and Bachtiar Djalil became Deputy Chairman for the period from 23 December 2021 to 22 December 2022.

In the 2021 financial year, the Supervisory Board met in 12 meetings, with 8 regular sessions and 4 correspondence sessions held. The members of the Supervisory Board acted independently in their decision-making on the Supervisory Board. They prepared appropriately for the topics discussed at individual meetings, made constructive proposals and comments, and took decisions in accordance with their powers. The members of the Supervisory Board acted in accordance with the rules on the protection of business secrets and conduct in the event of conflict of interests. Supervision of the company's operations was carried out in accordance with the authorisations and powers fundamentally defined by the Companies Act (ZGD-1) and the Insurance Act (ZZavar-1), and additionally determined by the company's Articles of Association and Rules of Procedure of the Supervisory Board.

The monitoring of operations encompassed the monitoring of the management of Modra zavarovalnica's fixed assets as well as the monitoring of the management and implementation of supplementary pension insurance of 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, the

Prudent Civil Servants Sub-Fund and the Guaranteed Civil Servants Sub-Fund and the Life-Cycle Pension Fund (MKPS) with three sub-funds: Dynamic Sub-Fund, Prudent Sub-Fund and Guaranteed Sub-Fund) and the payment of pension annuities fund (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 142nd meeting held on 6 April 2021, the Supervisory Board approved the Annual Report of Modra zavarovalnica for the 2020 Financial Year, including the Audit Report and the Report of the Supervisory Board on the Verification of the Annual Report of Modra zavarovalnica, it was briefed on the Annual Report of the Internal Auditing of Modra zavarovalnica for 2020, the Report of the Certified Actuary and the annual reports of mutual pension funds managed by Modra zavarovalnica. It also approved the Management Board's proposal to use distributable profit. In accordance with 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 on the basis of the Rules on Variable Remuneration of the Management Board of Modra zavarovalnica as well as taking into account qualitative and quantitative criteria, the Supervisory Board assessed the Management Board's work in 2020 and approved the payment of variable remuneration to Management Board members.

In accordance with the provisions of the company's Articles of Association and the ZZavar-1, the members of the Supervisory Board decided in 2021 to grant consent to the Management Board to change and amend the policies on the insurance company's management system in accordance with ZZavr-1 and assessed the meeting of fit and proper criteria by candidates for the position of member of the Supervisory Board and Management Board of Modra zavarovalnica, d. d., the meeting of the fit and proper criteria respectively by the Supervisory Board and the Management Board as a collective body and also assessed the effectiveness of their own work. In accordance with the findings from the self-assessment process, an appropriate action plan was prepared. The Supervisory Board regularly monitored the company's operations and discussed quarterly reports on the company's operations, and was also briefed on the reports to the Insurance Supervision Agency pursuant to the ZZavar-1 and the Solvency II Directive. The Audit Committee assessed the effectiveness of its own work.

At its 149th meeting held on 10 November 2021, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica, d. d. for 2022 and to the Work Program of the Internal Audit Department for 2022, while it approved the Strategic Business Plan of Modra zavarovalnica, d. d. for the period from 2022 to 2025 at its 150th meeting held on 23 November 2021.

The remuneration of Supervisory Board members complies with the General Meeting resolution and is detailed in the Annual Report of Modra zavarovalnica, d. d., in the Other Disclosures section.

Work of the Audit Committee of the Supervisory Board

The three-member Audit Committee composed of Dr. Janez Prašnikar (Chairman), Bojan Zupančič (member) and Dragan Martinovič (external independent auditor) was a permanent

operational body of the Supervisory Board in 2021 and closely monitored the company's operations and the work of the Management Board during the financial year so as to best serve the decision-making process of the Supervisory Board. In 2021, the Audit Committee met at six meetings. In its work, the Audit Committee observed the Recommendations of the Slovenian Directors' Association for Audit Committees and the Slovenian Institute of Auditors as well as the Rules of Procedure of the Audit Committee adopted by the Supervisory Board. The Audit Committee worked with the selected independent auditor in discussing the Unaudited Annual Report of Modra zavarovalnica, d. d. for 2020.

The Audit Committee examined the company's Annual Report and the External Auditor's Audit Report, discussed the Annual Work Program of the Internal Audit Department and the Business and Financial Plan of Modra zavarovalnica, d. d. for 2022, both of which were approved by the Supervisory Board.

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

The Audit Committee regularly informed the Supervisory Board about its work, which it did at Supervisory Board meetings.

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

Based on the aforementioned ongoing monitoring and supervision of the operations and management of Modra zavarovalnica during the financial year and on the basis of a review of the Annual Report prepared and submitted by the Management Board, the Supervisory Board estimates that the Annual Report and disclosures contained therein present the actual situation and position of Modra zavarovalnica. The Supervisory Board estimates that the Management Board of Modra zavarovalnica successfully and correctly managed the company's operations in the 2021 financial year and successfully achieved the set business goals. It prepared materials in a timely manner, which provided quality information and a thorough discussion on all the most important categories of business, and comprehensively answered additional questions and initiatives of Supervisory Board members. The reporting of the Management Board to the Supervisory Board in 2021 enabled the latter to properly perform its supervisory role.

b) Position of the Supervisory Board on the Audit Report on the Audit of the Financial Statements of Modra zavarovalnica for 2021

Pursuant to the second paragraph of Article 282 of ZGD-1, the Supervisory Board reviewed and discussed the Auditor's Report on the Audit of the Financial Statements of Modra zavarovalnica for 2021, which was performed by the auditing company Deloitte revizija d. o. o., from Ljubljana. The Supervisory Board notes that the auditor performed its task in accordance with the law, auditing rules and international auditing standards. The Supervisory Board has no comments on the Auditor's Report.

c) Resolution Approving the Annual Report for 2021

Pursuant to the provisions of Article 282 of the ZGD-1, the Supervisory Board approves the Annual Report of Modra zavarovalnica for 2021.

d) Position of the Supervisory Board on the Audit Report on the Outcomes of the Audit of the Report on Relations with Associated Companies

Pursuant to the third paragraph of Article 546a of the ZGD-1, the Supervisory Board reviewed and discussed the Auditor's Report on the Outcomes of the Audit of the Report on Relations with Associated Companies performed by the auditing company Deloitte revizija d. o. o., from Ljubljana. The Supervisory Board has no comments on the Auditor's Report.

e) Resolution on the Verification of the Report on Relations with Associated Companies for 2021

Pursuant to provisions Article 546a of the ZGD-1, the Supervisory Board reviewed the Report on Relations with Associated Companies for 2021 and has no comments on the statement of the management in the Report on Relations with Associated Companies for 2021.

f) Proposal to the General Meeting on the Granting of Discharge to the Management Board and the Supervisory Board

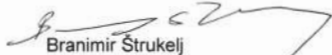
Based on the indents a), b) and c) in this Report, the Supervisory Board proposes to the General Meeting of Modra zavarovalnica and adopts a resolution on the basis of the provisions of Article 294 of the ZGD-1 to grant discharge to the Management Board and Supervisory Board, i.e.:

Management Board members:

- Borut Jamnik for the period from 1 January 2021 to 31 December 2021;
- Matija Debelak, MSc, for the period from 1 January 2021 to 31 December 2021;
- Boštjan Vovk for the period from 1 January 2021 to 31 December 2021.

Supervisory Board members:

- Branimir Štrukelj, for the period from 1 January 2021 to 31 December 2021;
- Bachtiar Djalil, for the period from 1 January 2021 to 31 December 2021;
- Bojan Zupančič, for the period from 1 January 2021 to 31 December 2021;
- Prof. Dr. Janez Prašnikar for the period from 1 January 2021 to 31 December 2021;
- Roman Jerman, for the period from 1 January 2021 to 31 December 2021;
- Marko Cvetko for the period from 1 January 2021 to 31 December 2021.


Branimir Štrukelj
Chairman of the Supervisory Board

In Ljubljana, 8 April 2022

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Business Environment

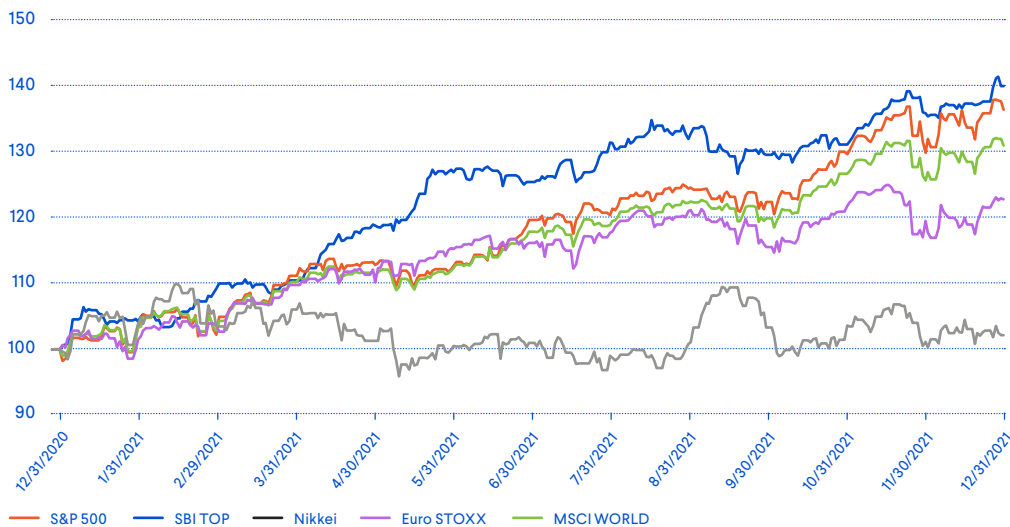
Economic Environment in Slovenia

Gross domestic product in the Republic of Slovenia was 8.1 percent higher in 2021 than in 2020. Relatively high economic growth was significantly affected by domestic demand, with final consumption having a greater impact than investment. Growth was also recorded in activities related to international trade and services.

The number of people in the workforce was 916,765 in December of 2021. The registered unemployment rate was 6.7% in December 2021, down 2.7 percentage points compared January 2021. The average monthly gross wage in December of 2021 was EUR 2,064, up 4.4% compared to January 2021.

In 2021, inflation in Slovenia amounted to 4.9% and the average in 2021 was 1.9%. Petroleum products, food and heat prices rose the most. The European Commission is forecasting 3.7% inflation in Slovenia in 2022 and 2.1% in 2023.

Figure 1: Comparison of changes in the SBI TOP Slovenian stock index and selected foreign stock indices in the January–December 2021 period in euros (Index: 31 December 2020 = 100)



Trends on Financial Markets

Money market

The interbank reference rate in the Eurozone, the 6-month EURIBOR, decreased from -0.526% to -0.546% in 2021. The yield to maturity (YTM) of the 10Y German Bund increased in 2021, from -0.572 to -0.182%, while the YTM of the Slovenian 10Y government bond increased from -0.187 to 0.388%.

Foreign Exchange Rates

The EUR/USD rate in 2021 rose by 6.9%. The movement of the US dollar exchange rate was mostly influenced by expectations regarding the future movement of interest rates on both sides of the Atlantic.

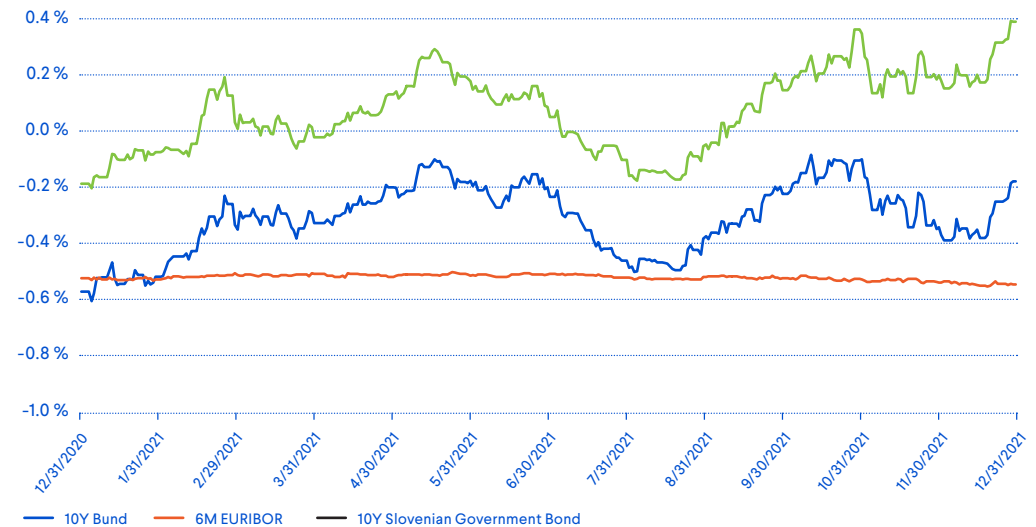
Equity Market

In 2021, the value of the MSCI global stock index grew by 30.8% (measured in EUR). The highest returns in this period were recorded by the SBI TOP (39.8%), followed by the S&P 500 (growth of 36.2%) and the European Euro STOXX index (growth of 22.6%).

Debt Market

In 2021, the prices of both government and corporate bonds fell. The European government bond index (IBOXX Euro Sovereign Overall Total Return Index) lost 3.4% in this period, while the corporate bond index (IBOXX Euro Corporates Overall Total Return Index) lost 1.1%. Bond price movements were affected mainly by the expectations regarding future monetary policies in Europe and the US.

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 2021 period (in %)



Operations in 2021

Financial Result and Financial Position

In 2021, Modra zavarovalnica generated EUR 75.8 million in premium income and other technical income. Guarantee fund premiums account for EUR 56.6 million, while income from the management of mutual pension and guarantee funds accounts for EUR 19.2 million, EUR 5.4 million of which relates to income from the reversal of provisions resulting from the LAT test and EUR 2 million relates to the reversal of provisions for the failure to achieve a guaranteed return. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 116 million in the relevant period, not taking into account transfers between funds or sub-funds, and increased by 5% compared to 2020.

In 2021, expenses for claims including expenses arising from the annuities paid reached EUR 33.1 million, while other technical charges amounted to EUR 1.9 million. Changes in technical provisions represent an expense due to increased mathematical provisions deriving from the pension annuity insurance sold in 2021. 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 21.6 million owing to highly favourable trends on financial markets. At the same time, the high value in the amount of EUR 41.5 million was also recorded by the profit or loss from investment activities recognized in the statement of comprehensive income.



Your savings are managed by a team of 63 independent experts who are at your disposal with their years of experience and knowledge in the field of finance.

Table 1: Financial result of Modra zavarovalnica

in EUR

Item	2021	2020
Premium income and other technical income	75,841,606	72,920,494
Expenses for claims and other technical charges	-34,978,465	-36,774,002
Change in technical provisions	-33,326,396	-36,786,633
Operating costs	-7,100,665	-6,991,348
Profit or loss from investment activities recognised in profit or loss	21,629,799	11,596,645
Other net income/expenses	72,142	72,153
Profit or loss before tax	22,138,021	4,037,308
Income tax	-3,145,169	-56,197
Net profit or loss	18,992,852	3,981,111
Profit or loss recognised in equity	41,517,688	994,595
Total comprehensive income	60,510,540	4,975,706

Table 2: Financial position of Modra zavarovalnica

in EUR

Item	31 December 2021	31 December 2020
Financial assets	664,754,396	566,443,891
Other assets	6,486,998	6,970,556
Total assets	671,241,394	573,414,447
Technical provisions	293,673,612	260,225,821
Other provisions	9,208,103	16,548,727
Other liabilities	36,852,848	22,426,860
Equity	331,506,831	274,213,039
Total equity and liabilities	671,241,394	573,414,447
Off-balance sheet items	1,392,833,760	1,268,619,686

The largest share of Modra zavarovalnica assets are financial assets, which reached EUR 664.8 million at the end of 2021, while technical provisions for annuity insurance account for the largest share of liabilities alongside equity. The growth of capital in 2021 represented an additional boost to the Company's strength and the security of assets under management. The major part of off-balance sheet items is the sum total of the assets of the mutual pension funds managed by Modra zavarovalnica.

Effect of the COVID-19 Pandemic on Operations

Effect on the Financial Result

The 2021 financial year was also marked by the COVID-19 pandemic. The impact of the pandemic was smaller and, above all, different from the impact in 2020. The Coronavirus disease itself has been strongly affected by mass vaccination, reducing the need for other measures to curb the spread of the virus. However, the pandemic had a strong impact especially on supply chains where a number of bottlenecks are emerging, which have prevented even higher economic growth. The capital markets were no longer significantly affected by the pandemic as the value of financial instruments continued to rebound sharply in 2021 after the fall of March 2020. For example, the MSCI global stock index grew by 30.8% as measured in euros.

Business Continuity

Throughout the COVID-19 pandemic, Modra zavarovalnica enabled the continuous implementation of business processes, which it largely ensured by introducing work at home (telework), taking into account the recommendations of the health profession, meeting the strictest standards of personal data protection and by ensuring a healthy work environment.

With regard to ensuring the legality of operations, special emphasis was placed on internal controls, which were repeatedly checked in the light of the changing methods of work at the level of individual business processes. It was established that internal controls are continuously performed in accordance with legal, regulatory and internal requirements in the same way and scope as they are performed when performing work at the Company's headquarters. Risks related to information security and employee health were adequately managed, which was a necessary precondition for ensuring business continuity at the Company.

As part of the business continuity management process, the Company adopted relevant acts in previous years that ensure its business continuity in emergency situations. In 2021, these were reviewed or updated. The measures identified in the Business Continuity Plan were reviewed and documented in accordance with the annual measure testing plan; on this basis, additional measures were taken to reduce the risk of loss of business or the impact that the loss would have on the Company's ability to operate. Some of the measures we introduced at the beginning of the epidemic include the appointment of a coordination group to implement and monitor measures taken in connection with the Coronavirus, the establishment of legal and technical capacity for work from home, the establishment of a special website for the provision of information to the staff and regular online provision of information to members / insured person.

Changes in Operations

We estimate that COVID-19 did not significantly affect the Company's operations in 2021 as it used the experience gained in the first wave of the epidemic in the spring of 2020. We provided customers with uninterrupted communication and 24-hour access via digital channels and the Call Centre consultants were also available to them over the phone. The Company processed and paid out claims for the payment of funds and also paid out annuities, and it also regularly settled its liabilities to business partners.

Mutual Pension Fund Management

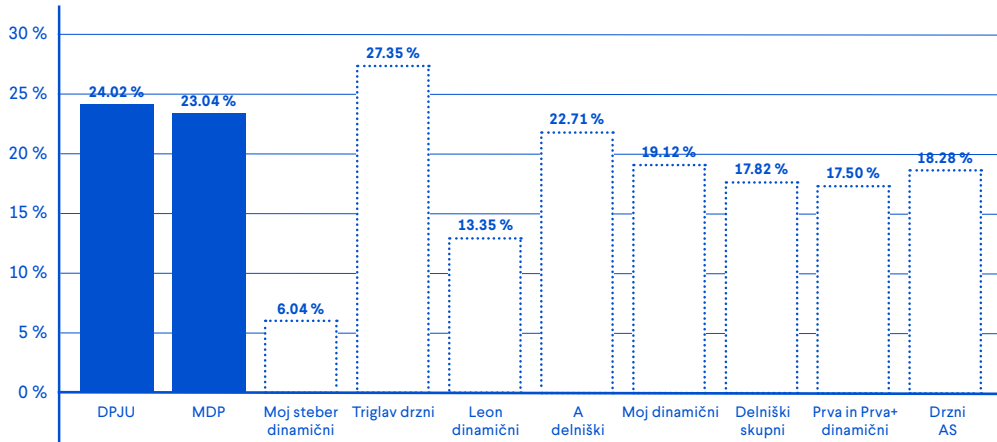
Market Overview

Funds from voluntary supplementary insurance are collected and managed in pension funds formed in accordance with ZPIZ-2. In 2021, eight providers offered supplementary pension insurance in Slovenia. Modra zavarovalnica and two other providers offer supplementary pension insurance in the form of mutual pension funds, four providers in the form of a group of long-term guarantee funds, and one provider offers supplementary pension insurance in the form of both mutual pension funds and group of long-term guarantee funds.

All pension funds implement a life-cycle investment policy that allows the saver to save in an age-appropriate manner, and a greater choice of investment policy. At the same time, the life-cycle investment policy enables the saver to potentially achieve higher returns in the long run and thus achieve a higher value of savings for the supplementary pension.

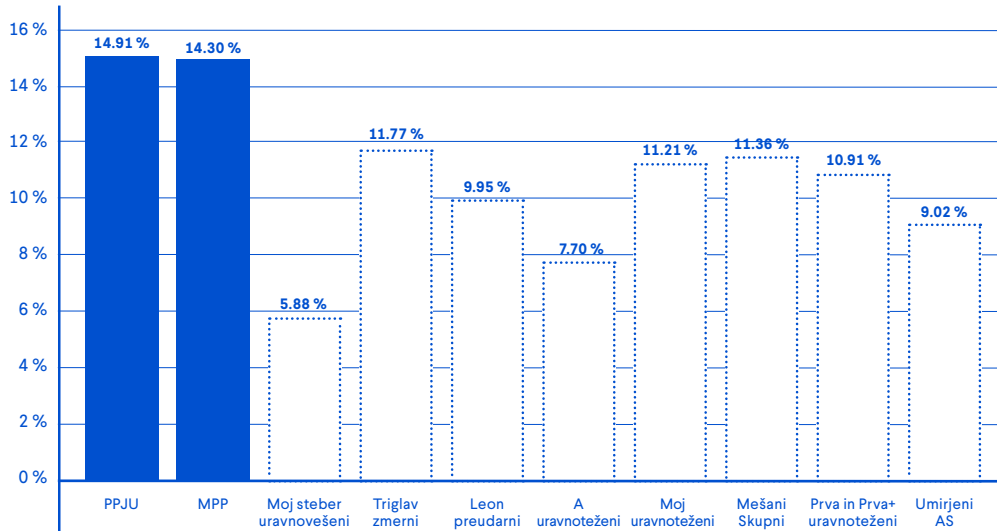
The year 2021 passed in a very positive atmosphere in the capital markets so the returns of dynamic sub-funds reached extremely high values.

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



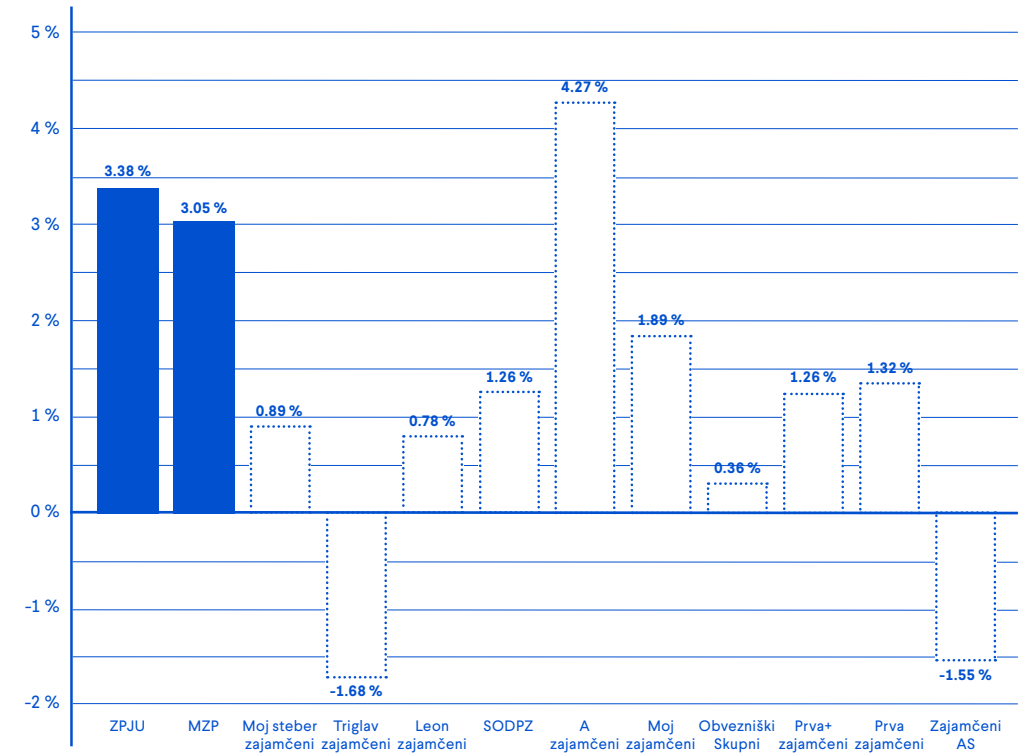
The same applies to sub-funds with a prudent investment policy where the sub-funds managed by Modra zavarovalnica were the best among all competitors.

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



High returns were also achieved in 2021 by sub-funds with a guaranteed return investment policy.

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



With more than EUR 2 billion of assets under management, we are one of the largest asset managers in Slovenia.

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 2021, nearly 300 thousand individuals saved in its mutual pension funds and the assets collected totalled somewhat less than EUR 1.4 billion. Total supplementary pension insurance premium paid in, excluding asset transfers between the sub-funds, reached EUR 116 million in 2021.

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 2021

Fund	No. of members/ persons insured	No. of employers/ premium payers	Assets under management (in millions of EUR)
KPSJU	245,530	1,872	1,028.4
MKPS	37,392	423	346.4
PPS	15,862	0	15.7
Total	298,784	2,295	1,390.5

Pursuant to Article 313 of ZPIZ-2, Modra zavarovalnica is, 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, obliged 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 2021, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed rate of return on mutual pension funds amounting to EUR 5,210,335, whereby the majority 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 2021. 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 2021, 245,530 savers were included in it, with their funds exceeding EUR 1 billion.

The Guaranteed Civil Servants Pension Fund won the Best Guaranteed Pension Fund of the Last 10 Year for the third consecutive time in 2021.

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 somewhat higher risk 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 2021, 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 2021, 37,392 savers were included in it, with their assets amounting to EUR 346.4 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 2021, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

At the end of 2021, 15,862 savers were included in it, with their funds amounting to EUR 15.7 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 2021

in EUR

Item	Financial assets KS PPS	Financial assets KS MR	Financial assets KS MR II	Own financial assets	Total
Investments in Group companies and associates	0	0	0	48,170,287	48,170,287
Investments	101,548,697	11,307,238	184,422,697	315,852,059	613,130,692
Cash and cash equivalents	647,790	113,149	1,421,553	1,270,925	3,453,417
Total	102,196,487	11,420,387	185,844,250	365,293,271	664,754,396

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 2021 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, the premium is 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 2021, Modra zavarovalnica paid a sum of EUR 33.1 million for supplementary pensions to 36,761 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra Renta" and "Modra Renta II" annuities) was received by 26,881 insured persons, while 9,880 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 2021	Assets under management (in EUR million)	Expenses for annuities (in EUR million)
KS MR	7,038	12.1	2.5
KS MR II	19,843	188.4	23.9
KS PPS	9,880	102.4	6.7
Total	36,761	302.9	33.1

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 2021, the fund's assets amounted to EUR 12.1 million. The biggest share of these assets is represented by bonds, which account for 93% of total assets.

Table 6: Assets of the KS MR

in EUR

Assets	31 December 2021	31 December 2020
Bonds	11,181,298	13,413,800
Investment coupons	0	78,792
Commercial papers	0	98,436
Investment receivables	125,940	0
Cash	113,149	79,846
Receivables	635,314	580,671
Total	12,055,701	14,251,545

At the end of 2021, 31% of the assets of the KS MR were invested in the Republic of Slovenia and 69% 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 19,843 members with collected funds amounting to EUR 242.3 million who decided to receive the selected monthly pension annuity. Most insured persons opted for accelerated disbursement of annuities.

At the beginning of 2021, we saw a small drop in insurance premium income. With an active marketing approach, payments to the KS MR II fund increased later in the year, but have not yet been fully reflected in revenues.

Table 7: Number of new members and amount of payments in KS MR II in 2021

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	710	8.6
KPSJU	3,555	33.0
Pension funds by other managers	673	15.9
Total	4,938	57.5

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 63 years, and 61% of all annuity recipients are female.

Insurances for lifetime annuity disbursements are included in the positive result achieved every year during the disbursement period through the management of such insurance portfolios. The Company earmarks at least 90% of its positive underwriting result of the previous accounting period for profits. In this respect, EUR 272,210 was earmarked for an increase in annuities in 2021. In April, the insured received the payment of the increased annuity, and the settlement for the period from January to April 2021 was also paid.

As at 31 December 2021, the fund's assets amounted to EUR 188.4 million. Most of these assets are represented by bonds, which account for 50% of total assets, and investment coupons which account for 35% of total assets.

Table 8: Assets of the KS MR II

in EUR

Assets	31 December 2021	31 December 2020
Bonds	94,338,936	87,135,145
Investment coupons	65,177,728	50,351,781
Commercial papers	2,754,066	2,863,413
Treasury bills	0	1,896,858
Deposits and investment receivables	8,094,083	9,459,722
Advances	14,057,885	0
Cash	1,421,553	167,346
Receivables	2,560,650	2,078,261
Total	188,404,901	153,952,526

At the end of 2021, 26% of the assets of the KS MR II were invested in the Republic of Slovenia and 74% 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 2021, the surplus return from 2019 and 2020 amounting to EUR 1,337,541 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 2020 received higher annuities in April. The disbursement of increased annuities made in April also included a settlement for the period between January and April 2021.

In 2021, the right to a pension annuity was acquired by 1,288 insured persons aged 60 or more who paid in a total of EUR 2.6 million into the KS PPS for their supplementary pensions.

As at 31 December 2021, the fund's assets amounted to EUR 102.4 million.

Most of these assets are comprised of bonds, which account for 65% of total assets, and stocks which account for 23% of total assets.

Table 9: Assets of the KS PPS

in EUR

Assets	31 December 2021	31 December 2020
Bonds	66,340,852	70,492,425
Stocks	23,277,572	17,239,780
Investment coupons	11,631,955	8,728,308
Commercial papers	298,318	590,617
Deposits and investment receivables	0	498,773
Cash	647,790	262,321
Receivables	234,338	198,535
Total	102,430,825	98,010,759

As at 31 December 2021, 47% of KS PPS assets were invested in investments in the Republic of Slovenia, 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 365.3 million at the end of December 2021. 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 2021	31 December 2020
Portfolio equity investments	222,246,566	175,414,271
Non-portfolio equity investments	69,460,719	49,419,556
Portfolio debt security investments	72,315,061	76,477,373
Cash	1,270,925	1,775,329
Total	365,293,271	303,086,529

Portfolio Equity Investments

Composition of portfolio equity investments roughly follows the composition of the global stock index (MSCI). This ensures a high level of diversification of investments and cost-effective management. Most of the diversification is ensured 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 2021	31 December 2020
Stocks	46,478,961	35,648,955
Foreign stocks	46,478,961	35,648,955
Investment funds	175,767,605	139,765,316
Domestic investment funds	6,038,488	5,186,923
Foreign investment funds	169,729,117	134,578,393
Total	222,246,566	175,414,271

At the end of 2021, the 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 2021, 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 2021 amounted to EUR 69.5.

Portfolio Debt Security Investments

Table 12: Debt security investments

in EUR

Assets	31 December 2021	31 December 2020
Bonds	60,229,068	60,530,380
Government bonds	24,762,960	26,587,822
Corporate bonds	35,466,108	33,942,558
Treasury bills	0	2,009,400
Commercial papers	497,197	0
Deposits and investment receivables	11,588,796	13,937,593
Total	72,315,061	76,477,373

The value of the government bond portfolio amounted to EUR 24.8 million at the end of 2021. The portfolio comprises mostly government bonds of countries within the euro area. Most bonds are denominated in euros, and a minor portion in US dollars. More than 45% of the portfolio is represented by the government bonds of the Republic of Slovenia. The average maturity of the government bond portfolio is 6.3 years and the average rating is A. The majority of the bonds have a fixed coupon interest rate.

Among corporate bonds, bonds of issuers from the euro area prevail. The value of the corporate bond portfolio at the end of December 2021 amounted to EUR 35.5 million. All bonds are denominated in euros. The majority of the bonds have a fixed coupon interest rate. Most corporate bond issuers come from the industries of finance, energy and pharmaceuticals. The average maturity of the government bond portfolio was 3.8 years and the average rating was BBB.

The value of the portfolio of investment funds that mainly invest in debt security was EUR 67.8 million as at 31 December 2021. Most investments were in funds with government and corporate bonds and a minor portion in money market funds.

All deposits are placed with domestic banks.

Cash

At the end of December 2021, Modra zavarovalnica disclosed EUR 1.27 million of cash and cash equivalents among its financial assets.

Marketing Activities

With a unique marketing approach, continuous improvement of the user experience and digitalization of business processes, we continue to follow the strategic orientation of Modra zavarovalnica. We create affordable insurance and other financial solutions aimed at increasing an individual's social security in all stages of life. We build our competitive advantages on establishing an ecosystem of partnerships with the banking and insurance sectors and key stakeholders, knowledge, genuine attitude towards policyholders and innovation. As a provider and intermediary, Modra zavarovalnica develops and expands a comprehensive range of products that suit different target groups in different life situations and stages in life.

We continued to inform members about the benefits of online research of insurance products in 2021. We encouraged members to register and use the e.Modra.si online service more frequently, and recorded a significant increase in the number of users who recognised the e.Modra.si online service as a quality service that provides the desired information at all times. The service is already used by more than 100,000 members.

We provide users with access to online services and enable electronic management of their insurance / savings policies. Using the portal, we regularly inform clients about important events and at the same time enable them to review savings, make personal informative calculations and edit data related to the financial products of Modra zavarovalnica.

Due to the COVID-19 pandemic, we have adapted our communication with customers. We provided both employers and employees with the option of conducting presentations, consultations and meetings remotely.

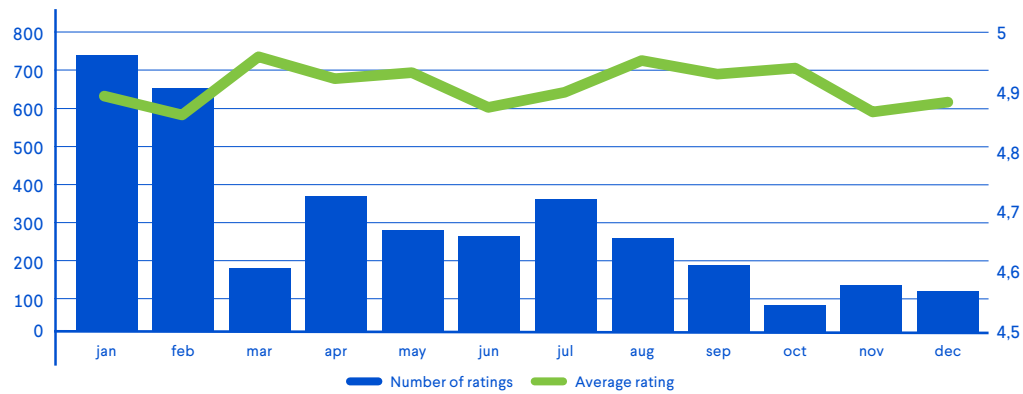
By presenting social security products in a straightforward and understandable manner, we strive to raise the level of understanding and trust as well as position the Company as the main specialist in the area of social security in all stages of life. By adding communication content and channels we are 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 Modra zavarovalnica, which is why we upgrade customer satisfaction processes, while we include their responses and opinions into the development and upgrading of the offer.

We continuously measure (throughout the year) the satisfaction of customers looking for additional information by phone and e-mail. In 2021, customer satisfaction increased slightly as our customers rated us with an average rating of 4.91 out of a possible 5, which confirms the excellent communication of our consultants with customers.



The average rating given to us by our savers when measuring satisfaction is 4.9 / 5.

Figure 6: Results of ongoing customer satisfaction measurement in 2021

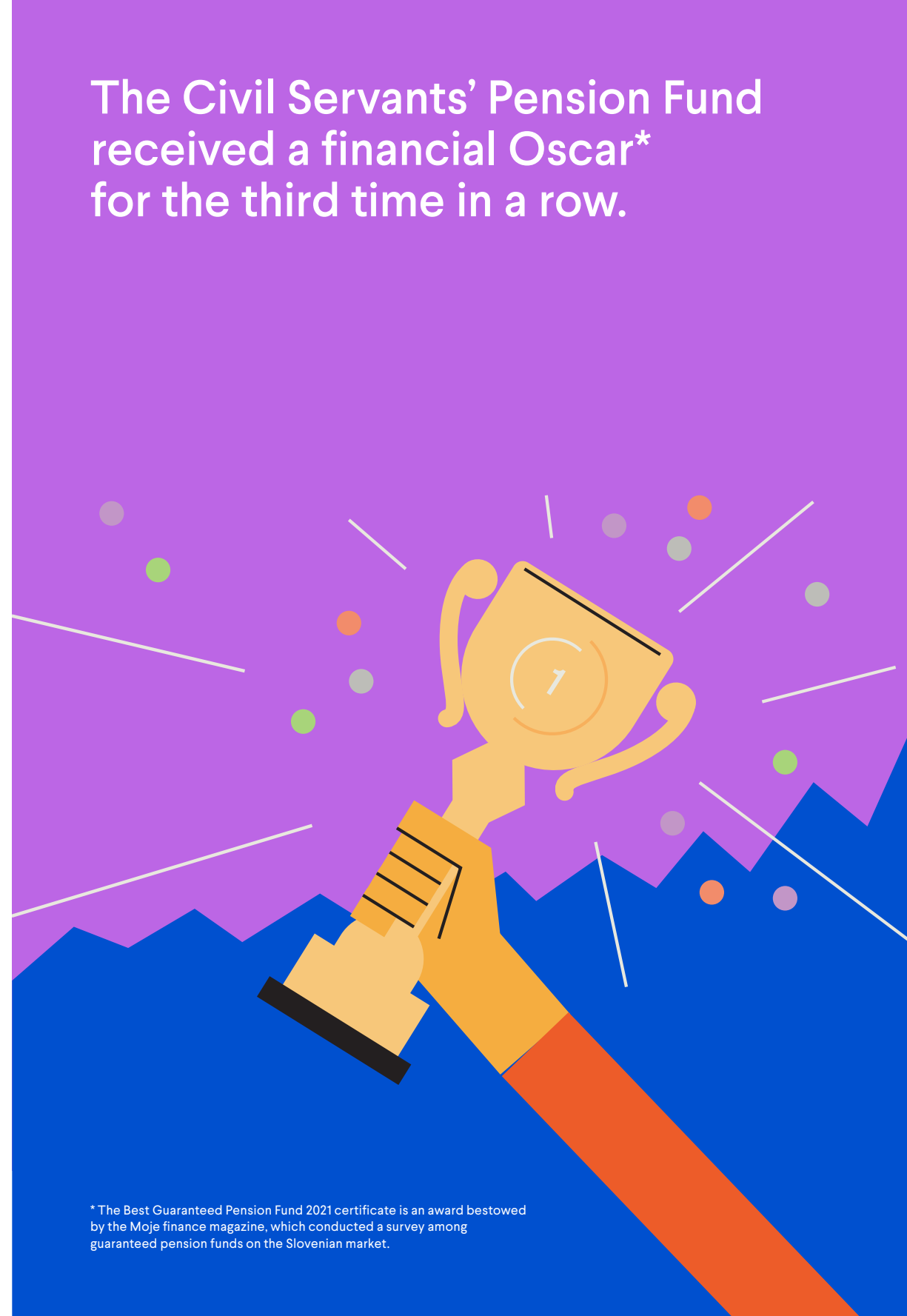


In 2021 legislative amendments and the increased volume of postal notifications to customers meant that Modra zavarovalnica recorded a strong increase in communication with customers. The number of telephone calls increased by 28 percent, and the number of sent e-mails by as much as 54 percent compared to 2020. 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. We adapt to changes in the environment by constantly developing the competencies of our employees, by training and acquiring new knowledge, and by monitoring good practices, which we successfully integrate into our work.

In October 2021, Modra zavarovalnica celebrated its 10th anniversary. As part of the advertising campaign "Life Writes Beautiful Stories", we presented the period, in which we created many milestones that separate us from other providers in this field, to the general public. In the info graphic, we presented our successes, supported by key data, while the video content highlighted the stories of individuals who inspire and encourage with their actions and represent the values of Modra zavarovalnica with their lifestyle and actions. The campaign was well received by the people.

We completed the year 2021 with the traditional marketing campaign "No entry fees" and achieved a remarkable result as the premium paid increased by 12% compared to 2020. We are pleased with the results as they show that individuals are increasingly aware of the importance of saving for a supplementary pension.

The Civil Servants' Pension Fund received a financial Oscar* for the third time in a row.



* The Best Guaranteed Pension Fund 2021 certificate is an award bestowed by the Moje finance magazine, which conducted a survey among guaranteed pension funds on the Slovenian market.

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 2021 shows that the Company has adequate capital available to cover all risks it assumes in its operations.

The target capital adequacy, 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 2020. Changes in exposure to individual risks 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 2021 as there were no major deviations in the risk profile during the course of the year.

Risk Management System

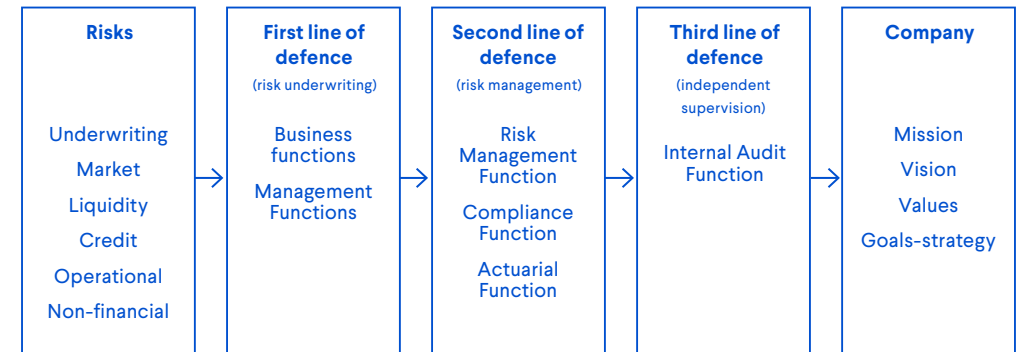
The Company devotes special attention to the comprehensive risk management system that ensures the realisation of strategic goals. Our risk management system is clear, transparent and documented. It allows us to identify important risks on time, and also encompasses processes that enable effective management 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 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 7: 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.

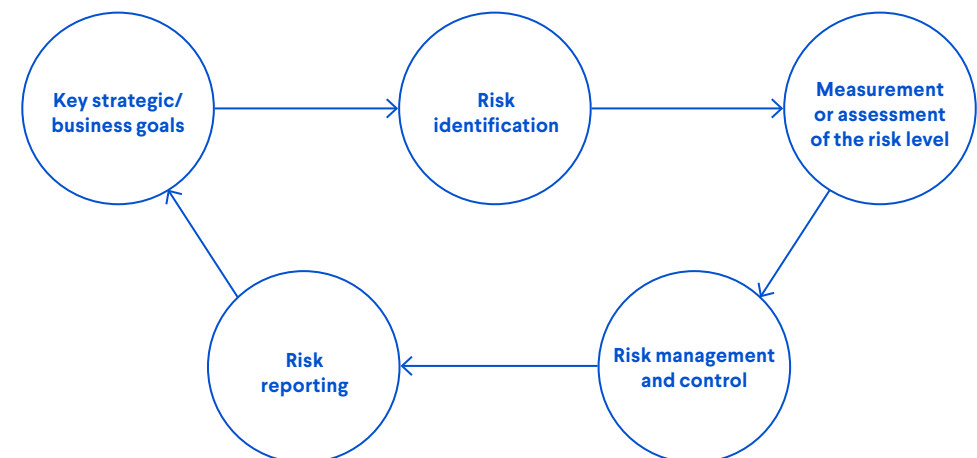
Risk Management System and Framework

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 8: Risk management



The main documents 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.

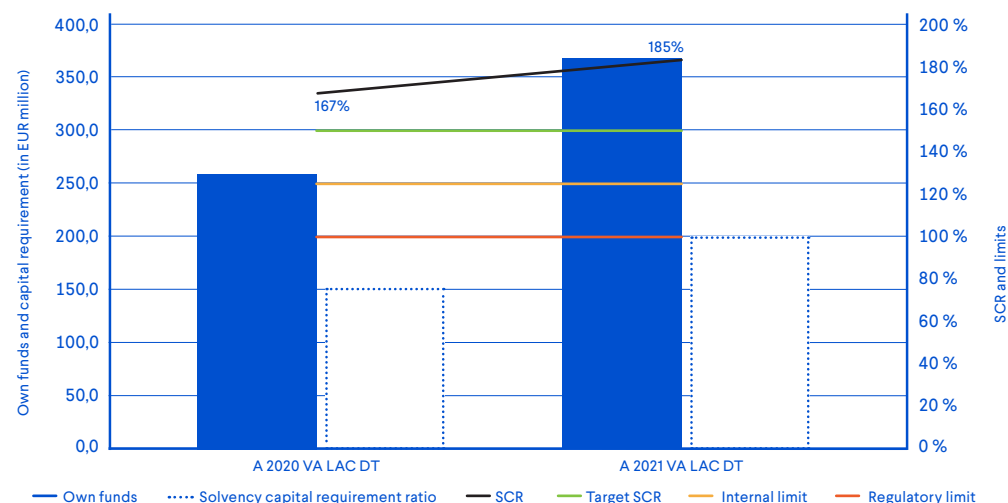
Capital and Capital Adequacy Management

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.

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

Item	31 December 2021	31 December 2020
Solvency II		
Total capital requirement (in EUR)	202.516.941	157.362.924
Eligible own funds (in EUR)	373.875.378	263.314.033
Surplus (+)/deficit (-) of available own funds (in EUR)	171.358.438	105.981.109
Eligible own funds to total capital need ratio	185%	167%

Figure 9: 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, 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 risks** 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.

Modra is among the strongest specialized providers of supplementary pension insurance in terms of capital, which ensures a high level of safety of our savers' savings.

Information Technology

IT System

The information function is becoming an increasingly important factor of business performance as it is inextricably linked to the implementation of the Company's activities. In 2021, we successfully adapted to the changed method of work that we put in place due to the impact of COVID-19. There is an increased demand for technical experts in the market, which is reflected in the difficulty of providing competent staff at our suppliers. The crisis in the supply of semiconductors, which was already apparent before the outbreak of COVID-19, intensified considerably during this period, but did not significantly affect the management of the IT function at Modra zavarovalnica. The development and strengthening of the IT function took place in three key areas:

- digitalization of customer-facing services as the foundation for trust and loyalty of our members.
- IT services to support the Company's business processes;
- IT security.

In the field of digitalization of customer-facing services, we have successfully established a long-term technology partnership with a provider that has relevant international references in the financial world and the ability to continuously provide highly qualified technology professionals. We have started the development of a digital integrator with the provider, which will connect the backoffice system of Modra zavarovalnica, B2C and B2B solutions and the systems of ecosystem partners. We have designed an architecture that enables the development of API micro services and their use by various client applications and external systems. With the start of mobile application development, we have taken an important step towards providing easily accessible and intuitive digital services to customers. At the same time, we are following global trends where we continue to see the growth of the use of mobile applications, and especially an increase in the time devoted to the use of these applications.

We also continued to upgrade the e.Modra.si web service. We supplemented the offer of insurance products with legal protection insurance and overhauled the registration procedure that now features the option of using a digital certificate. An important emphasis is placed on the secure use of digital 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, the registration procedure and the bolstering of security mechanisms.

As regards the implementation of the IFRS 17 standard, we continued to develop processes for the collection and provision of quality data. Activities continued in the field of automation of the process of obtaining various data sources for the needs of the regional data warehouse. 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 pursuant to IFRS 17 requirements.

In accordance with the increased volume of work from home and the higher risk of transferring malicious software to the network of Modra zavarovalnica, we carried out an independent security check of remote work together with an external contractor and in cooperation with Kapitalska družba which encompassed both the content review of the prepared policies and instructions and the technical and software-based protection of the Modra network. The technical security check covered in particular the following areas: VPN access to workstations and servers, network equipment, accessibility between individual network segments, and system equipment.

Based on the identified risks or vulnerability, measures were implemented in cooperation with Kapitalska družba according to

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 2021, we conducted employee training which was provided by external experts 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; we have supplemented the risk catalogue in the area of cyber security and we also perform data protection impact assessments, through which we identify the risks of potential violations of the data subjects' rights. With the established organizational and technical measures, we provide access to personal data only to authorised employees and contractual processors, i.e. to the extent and for the purpose necessary for the uninterrupted operation of work processes, provision of insurance services and fulfilment of rights and obligations under concluded contractual relations. Our contractual processors have committed themselves to protecting confidential data and respecting the rights of individuals in the same way as Modra zavarovalnica.

90 percent of employees receive additional training every year, which ensures the highest level of professionalism and thus the safety of savings.

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.

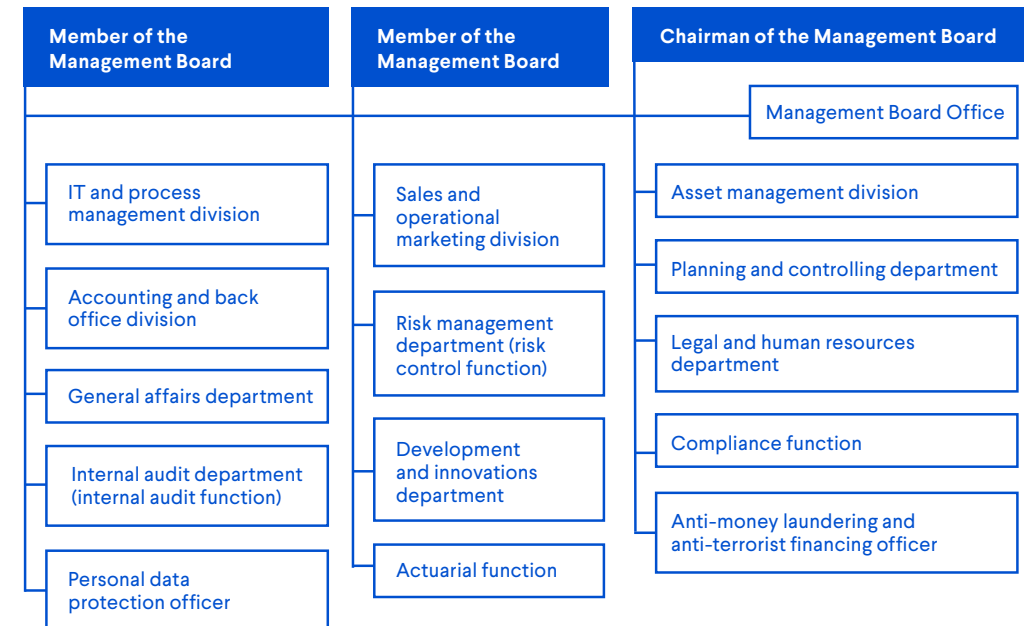
The basic organisational units of the Company are a department, a division, and a key function, unless organised within the scope of an independent organisational unit. The work of a division is run by the executive director, and the department is run by the department manager. The division executive director, department manager and holders of key functions

answer to the Company's Management Board for the implementation of the Company's business policy, for the legitimate and quality operations and 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 figure 10.

Figure 10: Organisational chart of Modra zavarovalnica



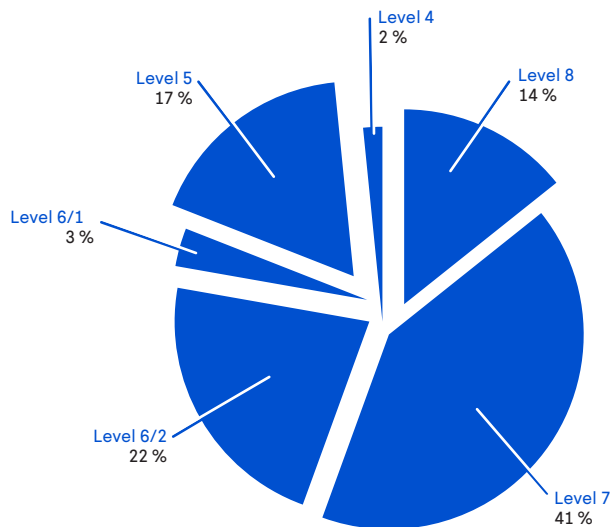
Employees

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. Nearly 56% of the employees have a level 7 education.

Figure 11: Percentage share of employees by level of education as at 31 December 2021



Number and Structure of Employees

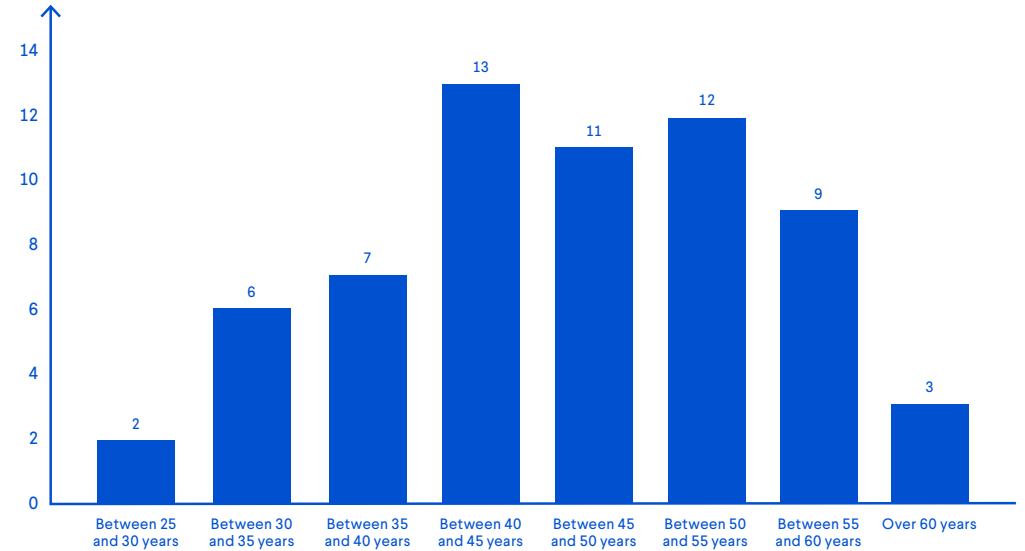
As at the end of 2021, the Company employed 63 people, while the average number of employees in 2021 was 64.

In 2021, we were joined by two new employees - an associate at the IT and Process Management Division and an associate at the General Affairs Department. Two employees were regularly terminated and one employee was terminated for business reasons. 61 employees are employed for an indefinite period and two are employed for a fixed term. 71% of employees are female and 29% are male. The average age of employees is 45 years, while the average period of service amounts to almost 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 12: Structure of employees by age group as at 31 December 2021



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. In 2021, we organised the "Presentation of the Amended ZGD-1K" and "Safety Is Our Responsibility" online training courses for all employees as we are increasingly focusing on work from home and digitalization of work processes that require constant adaptation to change and the acquisition of new competencies 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 education and training at faculties, institutes and other institutions at home and abroad. In 2021, 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. Modra zavarovalnica conducted a September team workshop for its employees taking into account the restrictions related to the prevention of the spread of the Coronavirus disease. We tested ourselves in the culinary role and prepared culinary delicacies, while also strengthening mutual relations, cooperation and communication. The event of the day was the preparation of the cake where each group showcased their creativity. In the end, we put together a giant cake and thus showed that – despite the different ideas and way of thinking – all employees in the end strive to achieve a common goal and that together we can achieve any goal.

The e-newsletter, which was introduced in May 2020 as a new tool for internal communication, is very well received and read in 2021 as well. We inform employees monthly about the results of operations and management of pension funds, current and completed projects, all important activities that take place at Modra and the key dates or events, and we also strive to advance their financial literacy. The “Modra is people and free time” section, which is the most widely read, is intended for employees to collaborate with their interesting contributions, i.e. their stories and photographs.

Throughout 2021, employees were regularly informed about the measures prescribed by the state to curb the spread of COVID-19, i.e. by e-mail, notices

posted in prominent places and on notice boards, through the news and on a dedicated page of the ModriNet intranet portal. We concurrently adjusted our method of work by always putting the safety of our employees as well as our customers first.

Due to the changed way of the Company's operations and the work from home, we adopted a business etiquette; the changed circumstances dictate the need for a more detailed regulation of employee conduct and behaviour at Modra, especially in the relationship between the manager and subordinate, generally among employees and when conducting virtual meetings.

In December, we organised an event for all employees on the occasion of the 10th anniversary of Modra zavarovalnica. We also prepared the “Decade of Development and Growth” commemorative collection, in which we presented ten years of successful work, cooperation and value creation. We are aware that we would not be able to do this without our employees, the unions, employers, business partners, the owner and our members, which is why we are grateful to each and every one of them.

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 2021, 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.

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.

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

We are convinced that only relevant information and knowledge lead to the right decisions, so we focus an important part of communication activities on financial literacy projects and try to raise awareness of the population, decision makers and influencers about the importance and need to save for retirement. When creating content, we work with the Finance newspaper on the preparation of the Financial Guide and the Financial School with professional articles and interviews. In the autumn, we participated in the My Investments round table with our expert counterpart. As a sponsor, we support the Finance newspaper event where they select the best pension funds. The Guaranteed Civil Servants Sub-Fund (ZPJU) was again selected as the best guaranteed pension fund over the last 10 years in 2021 just as it was in 2020 and 2019.

The raising of awareness and trust in the pension system and encouraging individuals to take a more serious approach to saving is one of the most important tasks of Modra zavarovalnica. We are constantly focusing an important part of our activities on raising the awareness of the importance and need of saving for the time after retirement. Good cooperation with public and commercial sector unions is very important as it can ensure that the insured always come first in our decision-making. Trade union representatives are an important messenger of supplementary pension insurance as an effective way of ensuring social security. Modra provides professional assistance in preparing answers to employees' questions and actively monitors the initiatives of members who work in the field. The integration of initiatives and wishes of members into our processes serves as a guide for us, thus giving the insured an active role in the development of products and services. Customer satisfaction is one of the strategic goals of Modra which is why we upgrade the satisfaction monitoring processes and take into account the received wishes, needs and opinions when designing our services.

We believe that a clean environment is the foundation for the development and success of our society. We therefore support environmentally oriented activities and also separate our waste, while we demonstrate our care for lower paper consumption by introducing e-commerce, and we collect used and waste cartridges for printers, plastic stoppers and respond to charity campaigns. Throughout the year, we respond to requests made by various societies and organisations and help them to organise raffles and gift-giving events by providing promotional materials.

We encourage volunteering and charity of both employees and companies. We support charity campaigns that help create better conditions in the field of education and development of children and adolescents. In March, we relinquished the FB profile of Modra to the Association of Friends of Youth of Slovenia for one day. They collected contributions for the Ada Scholarship Fund, which helps young people from socially weaker families to achieve their educational goals. With the help of scholarships, they enable young people to have their first serious contact with financial literacy in addition to giving them a chance at a better life. In December, we

collected men's winter clothes for Street Kings (Kralji ulice), thus brightening their holidays. In cooperation with the Fužine Activity Center, we are participating as a donor in the development of a platform for the exchange of knowledge for the preservation of the activities for the elderly. The construction of the platform was in the final phase in December 2021, and it will be possible to use it in early 2022.

Observation of Sustainability Principles

We have been monitoring sustainability factors as part of our investment management activity for several years, initially only in its basic form, whereas last year's efforts included us upgrading the process, supplementing the documentation of the funds managed by Modra and publishing data on investments on the home page as required by law. It should be emphasised that Modra zavarovalnica is not yet obliged to collect and disclose data on the sustainability-related impact of investments from its

operations, but we do so nonetheless because we believe in the importance of green transformation and other aspects of sustainability. In doing so, we followed the principle of economy and took into account only those data that were available at a reasonable price and with reasonable effort.

In the area of management of own assets and funds under management, we have identified industries that we avoid when investing, such as the production or sale of weapons, ammunition, tobacco and tobacco products, the production of electricity from fossil fuels, gambling and information technology that supports mentioned industries. When considering investments, we took into account the ESG rating by MSCI for equity investments and corporate bonds, and the corruption index published by Transparency International for government bonds. The investment in Cinkarna Celje is considered separately. Modra also monitors CO2 emissions caused by employees on business trips or transport to work as well as some other environmental impacts.

Important Business Events After the End of the Financial Year

On 25 January 2022, the Insurance Supervision Agency published a Notice on the main regulatory innovations and supervisory priorities in 2022, in which it highlights some significant regulatory innovations and priority areas of supervision in 2022.

At the end of January 2022, overhauled or extended notification of savers in pension funds was performed for the first time on the basis of Article 251 of the Pension and Disability Insurance Act and in accordance with the Rules on Determining

Assumptions on Projections of Pension Benefits Based on the Statutory Retirement Age or the Retirement Age Determined by a Member, which, in addition to data on the balance of savers' accounts, returns and costs of funds for 2021, also contained information on the projected amount of funds raised at the end of the savings period and the expected amount of the pension annuity.

In Q4 of last year, ISA carried out a supervision of the operations of Modra zavarovalnica in order to verify the compliance of its operations with regulations in the field of insurance, companies, pension insurance and other laws and regulations governing its operations. On 15 February 2022, the ISA issued recommendations to the Company, most of which have already been implemented, while the rest will be implemented shortly. Based on the aforementioned supervision of operations, no supervisory measures were imposed on the Company.

The proposed Personal Data Protection Act (ZVOP-2) is under consideration and will regulate – within the limits of the authorisation clauses from the GDPR – the national special features of personal data protection and thus preserve the current high level of personal data protection in the Republic of Slovenia and the exercise of the basic human right to personal data protection, while its main consideration will be the ICT developments in the field of personal data processing. The act will apply to data subjects when data is processed in relation to them. The data subject is given various options to defend or exercise his or her rights in the field of personal data protection vis-à-vis controllers, whom he or she considers may be illegally or incorrectly processing his or her personal data (the proposed arrangement is similar to the arrangement in the area of personal data protection when considering criminal offenses).

On 24 February 2022, the Russian Federation launched an attack on targets in Ukraine, which, among other things, led to significant shifts in financial markets. From the end of 2021 to 8 March 2022, the value of the MSCI global equity index fell by just under 10 percent (measured in euros), the European sovereign bond index (IBOXX Euro Sovereign Overall Total Return Index) fell by about 4 percent, and the corporate bond index (IBOXX Euro Corporates Overall Total Return Index) by 2.3 percent. The sensitivity of the Company's capital and profit or loss to changes in the general level of share prices, interest rates and the US dollar is presented in more detail in the disclosures to its financial statements.

Modra zavarovalnica is directly exposed to investments of Russian issuers in one bond issued by the Russian Federation and two bonds issued by Gazprom. In total, the direct exposure of Modra zavarovalnica to Russian investments at the end of last year reached slightly more than one percent of the total assets of the Company. The Company is settling its liabilities without interruptions and therefore continues to prepare its financial statements on the assumption of a going concern. The potential long-term impact on the Company's cash flows cannot be reliably estimated at this time as the development of the abovementioned events is uncertain.

Ever since the perceived increase in cyber attacks on the networks and systems of the parties involved, we have been closely monitoring the national and European CERTs. Despite the fact that we have not yet detected security incidents in Slovenia that are directly related to the events in Ukraine, we are implementing additional measures to strengthen resistance to cyber attacks

Expected Development of Modra zavarovalnica in 2022

The security of assets under management and personal data will continue to be at the forefront of the Company's operations in 2022. We pursue strategic goals, which include the realisation of the leading competence in the field of social security of the individual in all stages of life with a tailored offer of the payout of savings and the addition of complementary products, which is also an important financial intermediary with a comprehensive additional offer of the strategic partners' financial solutions and is setting up an innovative ecosystem of social security services.

Forecasts of economic developments for 2022 were still relatively favourable until the start of the Russian military operation, but later the risk of these risks being realised increased significantly. We estimate that in addition to the mentioned geopolitical factors, the situation on the financial markets in 2022 will also be affected by the prices of basic raw materials and energy sources, the actions of central banks and uncertainty regarding the future development of the COVID-19 pandemic. In such circumstances, Modra zavarovalnica will focus its efforts primarily on limiting these risks and ensuring the security of assets under management.

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. Modra will continue its efforts to contribute to sustainable development and will gradually and systematically integrate environmental, social and management (EGF) criteria into its investment decision-making processes and develop a methodology for assessing the sustainability of investments.

Report on Relations with the Controlling Company

In the 2021 financial year, the Company took no action in relation to the parent company deriving from contractual and business relationships at the initiative or in the interest of the parent company and its associated companies that would result in its disadvantage or detriment.

Corporate Governance Statement

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1) and provision 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Modra zavarovalnica hereby provides a corporate governance statement for the period from 1 January to 31 December 2021.

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, 27 November 2019 and 17 March 2021 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 said strategic goal, which, considering the fact that the pension fund management activity is extremely demanding in terms of capital and regulations, also implies moderate expectations about 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 118 million in the past five years, of which nearly than EUR 13 million in the form of dividend distribution and EUR 105 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: In 2022, Modra zavarovalnica, d. d. will adopt a Diversity Policy in relation to representation in the company's management and supervisory

bodies as regards gender, age and skills profile while taking into account the legal requirements relating to the formation of the Supervisory Board. 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. Despite the above imitations, the Diversity Policy will observe all diversity aspects to the greatest extent possible.

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 the members of the Management Board is 4 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

Explanation: 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.

As the largest pension fund manager in Slovenia, we have already paid over 190 million in supplementary pensions.

Table 14: Composition of the management team in 2021

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	Year of birth	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	BSc (Mathematics)	Insurance business, banking, financial industry, pharmaceutical business, corporate governance, asset and pension fund management	Krka, d.d., NKBM, d. d.
Matija Debelak, MSc	Member	IT and process management, accounting and process support management, general affairs and the area of the data protection officer 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 2021 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. 2025	Representative of capital	11/11	M	RS	1975	LL. M., Groningen University	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
Dr. Janez Prašnikar	9. 6. 2017	9. 6. 2025	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	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 2021 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.	-	-
Dr. Janez Prašnikar	No	Kolektor	Chairman of the Audit Committee (from 16 December 2020 to 9 June 2021 and as of 9 June 2021)	6/6
Bojan Zupančič	No	-	Chairman of the Audit Committee (from 11 April 2019 to 9 December 2020 and as of 16 December 2020)	6/6
Roman Jerman	Yes	Gospodarsko razstavišče, d. o. o.	-	-
Marko Cvetko	No	-	-	-

Table 17: External members of Supervisory Board committees in 2021

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	Pozavarovalnica Sava, d. d.

Ljubljana, 14 March 2022


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 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 2021 to 31 December 2021 and the Associated Notes and Disclosures to the Financial Statements.

The Management Board hereby confirms that the 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 2021.

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, 14 March 2022



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 2021, 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 2021, 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 Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for 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. 3847305 - VAT ID S62560085 - Nominal capital EUR 74,254.30.

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Emphasis of matter

We draw attention to *Significant events after the balance sheet date* in the financial statements describing management's evaluation of the actual or potential impact of the effects of the military conflict between Ukraine and Russia on the entity. Our opinion is not modified in respect of this matter.

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 2021. 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).	
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.	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.
Technical provisions are an important liability of the company in the statement of financial position. The value of technical provisions as at 31 December 2021 amounts to EUR 293,674 thousand (2020: EUR 260,226 thousand). Provisions are measured in accordance with the accounting policies described in the financial statements.	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.
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.	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.
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.	We assessed whether the disclosed provisions are in accordance with the requirements of the accounting framework, best industry practice and legal requirements.
	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.

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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:

- 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

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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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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

Report on the requirements of the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Regulation EU 537/2014)

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 2022. Our total uninterrupted engagement has lasted 10 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 14 March 2022 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.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 14 March 2022

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

Income Statement¹

in EUR

	Item	Note	2021	2020
A.	Net premium income	1	56,639,504	61,883,219
	- gross written premiums		56,640,338	61,883,219
	- change in unearned premiums		-834	0
B.	Income from investments in associates	2	3,422,223	2,770,371
C.	Investment income, of which	3	21,376,847	12,885,515
	- interest income calculated according to the effective interest rate method		0	40,416
	- gains on disposal of investments		391,840	282,111
D.	Other technical income, of which	5	19,202,102	11,037,275
	- fee and commission income		8,982,447	8,166,518
E.	Other income	6	81,114	74,949
F.	Net claims incurred	7	-33,090,574	-30,142,192
	- gross claims paid		-32,964,014	-30,072,542
	- changes in claims provisions		-126,560	-69,650
G.	Changes in other technical provisions	8	-33,326,396	-36,786,633
K.	Operating costs, of which	9	-7,100,665	-6,991,349
	- acquisition cost		-55,332	-57,381
M.	Investment expenses, of which	4	-3,169,272	-4,059,241
	- financial asset impairment		-259,713	-185,071
	- loss on disposal of financial assets		-341,801	-927,156
N.	Other technical expenses	10	-1,887,890	-6,631,810
O.	Other expenses	11	-8,972	-2,796
P.	Profit or loss before tax		22,138,021	4,037,308
R.	Income tax	12	-3,145,169	-56,197
S.	Net profit or loss for the financial year		18,992,852	3,981,111

Statement of Other Comprehensive Income²

in EUR

	Item	Note	2021	2020
I.	Net profit/loss for the year, after tax		18,992,852	3,981,111
II.	Other comprehensive income, after tax (a + b)	14	41,517,688	994,595
a.	Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)		42,081,528	1,202,489
	5. Items that will not be reclassified subsequently to profit or loss		50,631,330	1,657,048
	6. Tax on items subsequently not reclassified to profit or loss		-8,549,802	-454,559
b.	Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)		-563,840	-207,894
	1.b) Net gains/losses recognised in fair value reserve in relation to investments measured at fair value through other comprehensive income		-696,099	-256,659
	5. Tax on items that may be reclassified subsequently to profit or loss		132,259	48,765
III.	Comprehensive income for the financial year, after tax (i + ii)		60,510,540	4,975,706

Statement of Financial Position³

		in EUR	
Item	Note	31. 12. 2021	31. 12. 2020
Assets		671,241,394	573,414,447
A.	Intangible assets	15	919,476
B.	Property, plant and equipment	16	954,469
F.	Financial investments in Group companies and associated companies	17.1	48,170,287
G.	Financial assets	17.2	613,130,692
	1. at amortised cost		210,888,156
	2. at fair value through other comprehensive income		218,230,739
	3. at fair value through profit or loss		184,011,797
K.	Receivables	18	1,678,256
	1. Receivables from direct insurance operations		4,600
	3. Current tax assets		553
	4. Other receivables		1,673,103
L.	Other assets	19	2,934,797
M.	Cash and cash equivalents	17.3	3,453,417
N.	Off-balance sheet items*	20	1,392,833,760
Equity and liabilities		671,241,394	573,414,447
A.	Equity	21	331,506,831
	1. Share capital		152,200,000
	3. Revenue reserves		61,876,678
	4. Fair value reserve		109,497,258
	6. Net profit or loss brought forward		7,932,895
C.	Technical provisions	22	293,673,611
	1. Unearned premiums		834
	2. Technical provisions for life insurance		292,470,900
	3. Claims provisions		1,201,877
E.	Other provisions	23	9,208,103
G.	Deferred tax liabilities	13	22,747,289
I.	Other financial liabilities	24	1,490
J.	Operating liabilities	25	2,910,658
	1. Liabilities arising out of direct insurance operations		30
	3. Current tax liabilities		2,910,628
K.	Other liabilities	26	11,193,412
L.	Off-balance sheet items*	20	1,392,833,760

*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		2021	2020
A. Cash flows from operating activities			
a)	Net profit or loss and adjustments		
	Profit or loss before tax	22,138,021	4,037,308
	Income taxes and other taxes not included in operating expenses	-3,145,169	-56,197
	Adjustments for depreciation/amortisation	470,716	683,376
	Adjustments for revaluation operating revenue	70,522,770	72,995,443
	Adjustments for revaluation operating expenses	-44,786,094	-31,978,813
	Adjustments for financial revenue from financing activities	-24,799,070	-15,655,886
	Adjustments for financial expenses from financing activities	3,178,244	4,062,037
	Total income statement items	23,579,418	34,087,268
b)	Changes in net operating current assets – operating items in the balance sheet		
	Opening less closing operating receivables	1,053,599	1,326,494
	Opening less closing accrued revenue and deferred costs	-518,391	567,523
	Closing less opening operating liabilities	-5,659,940	-3,521,840
	Closing less opening accrued costs and deferred revenue and provisions	3,339,542	-2,710,163
	Closing less opening deferred tax liabilities	8,590,805	448,793
	Total items of net current assets – operating items in the balance sheet	6,805,615	-3,889,193
c)	Net cash from operating activities	30,385,033	30,198,075
B. Cash flows from investing activities			
a)	Receipts from investing activities		
	Cash receipts from interest and shares in profits of others related to investing activities	13,502,713	11,599,522
	Receipts from disposal of intangible assets	0	0
	Receipts from disposal of property, plant and equipment	245	2,158
	Receipts from disposal of investment property	0	0
	Receipts from disposal of long-term investments	12,531,140	12,079,876
	Receipts from disposal of short-term investments	53,706,538	34,118,135
	Total receipts from investing activities	79,740,635	57,799,691
b)	Changes in net operating current assets – operating items in the balance sheet		
	Opening less closing operating receivables	-384,706	-292,948
	Opening less closing accrued revenue and deferred costs	-26,893	-56,790
	Closing less opening operating liabilities	0	0
	Closing less opening accrued costs and deferred revenue and provisions	-71,339,720	-79,896,788
	Closing less opening deferred tax liabilities	-34,186,706	-12,598,539
	Total items of net current assets – operating items in the balance sheet	-105,938,026	-92,845,065
c)	Net cash from operating activities	-26,197,391	-35,045,374
C. Cash flows from financing activities			
b)	Disbursements for financing activities		
	Disbursements for repayment of non-current financial liabilities	0	-496,703
	Dividends and other profit shares paid	-3,216,747	0
	Total disbursements for financing activities	-3,216,747	-496,703
c)	Net cash from financing activities	-3,216,747	-496,703
D. Closing balance of cash			
a)	Net cash flow for the period	970,896	-5,344,002
	- impact of changes in foreign exchange rates	122,678	53,449
b)	Opening balance of cash	2,359,843	7,650,396
c)	Total closing balance of cash	3,453,417	2,359,843

Statement of Changes in Equity for 2021⁵

in EUR

Item		I. Share capital	III. Revenue reserves		IV. Fair value reserve	V. Net profit or loss and net profit or loss brought forward		Total equity
			Legal and statutory reserves	Other revenue reserves		Net profit or loss for the financial year and net profit or loss brought forward		
1.	Balance as at the end of the previous financial year	152,200,000	7,106,353	35,789,144	67,341,940	11,775,602	274,213,039	
4.	Opening balance for the period	152,200,000	7,106,353	35,789,144	67,341,940	11,775,602	274,213,039	
5.	Comprehensive income for the year, after tax	0	0	0	42,155,318	18,355,222	60,510,540	
a)	Net profit or loss	0	0	0	0	18,992,852	18,992,852	
b)	Other comprehensive income	0	0	0	42,155,318	-637,630	41,517,688	
10.	Dividends paid (accounted for)	0	0	0	0	-3,216,747	-3,216,747	
11.	Allocation of net profit to revenue reserves	0	1,851,803	8,570,524	0	-10,422,327	0	
15.	Other	0	0	8,558,854		-8,558,854	0	
16.	Closing balance for the period	152,200,000	8,958,156	52,918,522	109,497,258	7,932,895	331,506,831	

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

Profit or Loss Appropriation Account⁷

in EUR

Item	31 December 2021	31 December 2020
a) Net profit or loss for the financial year	18,992,852	3,981,111
b Retained net profit or loss	0	9,979,125
- profit or loss for the year under the applicable standards	0	9,979,125
c) Increase in revenue reserves pursuant to the decision of the Management Board	1,851,803	388,159
- increase in legal reserves	949,643	199,056
- increase in statutory reserves	902,160	189,103
d) Increase of other reserves pursuant to the decision of management bodies	8,570,524	1,796,476
e) Gains/losses from disposals of investments in equity, measured through other comprehensive income	-637,630	0
f) Accumulated profit or loss (a + b - c - d + e)	7,932,895	11,775,601

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 2021

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 2021	31 December 2020
Level 8 (8/1, 8/2)	9	10
Level 7	27	26
Level 6 (6/1, 6/2)	15	17
Level 5	11	10
Level 4	1	1
Total	63	64

Subsidiaries

The Company did not have subsidiaries as at 31 December 2021.

Joint Ventures

As at 31 December 2021, 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 2021 have been compiled in accordance with the International Financial Reporting Standards (IFRS), the Companies Act, the Insurance Act (ZZavar-1), 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 2021 financial year, and has not adopted any of standards or interpretations early where the use of amended standards and interpretations was not mandatory in 2021.

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 applicable legislation and all contractual obligations to the insured persons according to the content 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.

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

Under 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.

Because the market value of investments in alternative funds is not available, valuation based on market data is not possible. The alternative fund manager provides the value of an investment in an alternative fund as the value of a unit or the value of payment made into the fund, which is the best approximation of the market value. The valuation is performed based on material non-public information. As Modra has limited access to data used by the alternative fund manager, we do not carry out our own valuations, nor can a sensitivity analysis be performed. The alternative fund manager typically uses valuation methods compliant with IPEV (International Private Equity and Venture Capital Valuation), such as the discounted cash flow method or the method of market multiples. These investments are classified within Level 3 in accordance with the criteria for the classification of investments into fair value hierarchy levels.

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. 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. These allowances are treated in accordance with the simplified approach in line with IFRS 9.

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 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.

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. If the receivables/provisions cannot be completely reversed within an accounting year, they are transferred to the next accounting period. 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.

Fair value reserve 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), 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.

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.

Unearned Premiums

Provisions for unearned premiums for individual insurance are set aside in the amount of the part of the written premium relating to the insurance coverage for the insurance period after the end of the accounting period for which the provision is calculated.

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 recognized 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 2021 and 31 December 2021, P&L statement data for 2021, as well as additional data necessary for the adjustment of cash flows and for the appropriate breakdown of significant items.

Amendments to 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 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**, adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);

a) **Modification of financial assets, financial liabilities and lease liabilities** –

The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

b) **Hedge accounting requirements** – under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

c) **Disclosures** – in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:

- how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;
 - to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.
- d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.
- **Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions** beyond 30 June 2021, adopted by the EU on 30 August 2021 (effective as of 1 April 2021 for financial years beginning on or after 1 January 2021);
 - **Amendments to IFRS 4 – Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9**, adopted by the European Union on 16 December 2020 (the date of expiry of the temporary exemption has been extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

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:

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by the IASB and adopted by the EU, but are not yet effective:

- **Amendments to IAS 16 – Property, Plant and Equipment** – Proceeds before Intended Use, adopted by the EU on 28 June 2021 (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, adopted by the EU on 28 June 2021 (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, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- **IFRS 17 – Insurance Contracts**, including amendments to IFRS 17, adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- **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, adopted by the EU on 28 June 2021 (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).

The Company estimates that the adoption of the amendments to the existing standards, except for IFRS 17, will have no impact on its financial statements in the period of initial application. IFRS 17 – Insurance Contracts, published by the IASB on 18 May 2017, requires the measurement of insurance liabilities at the current value of fulfilment and provides a more uniform method for the measurement and presentation for all insurance contracts. The purpose of the requirements is to ensure consistent and principle-based accounting of insurance contracts. IFRS 17 replaces IFRS 4 – Insurance Contracts and related interpretations. Amendments to IFRS 17 – Insurance Contracts, issued by the IASB on 25 June 2020, postpone the date of effective application of IFRS 17 by two years, to annual periods beginning on or after 1 January 2023. The amendments introduce simplifications and interpretations of some of the requirements of the standard and provide additional assistance in the initial application of IFRS 17.

The key change introduced by IFRS 17 is that the insurance premium received will no longer be fully reflected in the insurance company's profit or loss – the insurance company will recognize a liability for the remaining coverage for a premium received, which will be gradually transferred over the term of the insurance contract through the contractual service margin and risk adjustment to the insurance company's profit or loss. IFRS 17 also

no longer acknowledges technical provisions, but rather introduces a liability for incurred claims, where all liabilities of the insurance company for incurred claims until the reporting date will be recognised. Although the terms cover similar content, there is an important difference in the discounting of liabilities – IFRS 17 requires the discounting of all liabilities for claims that will be paid later than in 12 months. Due to this, Modra zavarovalnica expects significant changes in its financial statements, but has not yet fully assessed the impact of the new requirements.

To prepare for the introduction of the new standard, the insurance company formed a task force for the implementation of IFRS 17, selected a software supplier, selected the consulting firm Ernst & Young, d.o.o., conducted a GAP analysis and actively participated in the temporary working body for the introduction of IFRS 17 on the part of the Slovenian Insurance Association and in a core group of partners in discussion with the Insurance Supervision Agency.

In 2022, the new standard brings double records in the accounting process (certain analytical records also in the future), the establishment of new processes, a new chart of accounts, new financial statement formats and new reporting.

Modra zavarovalnica determined the scope of insurance products and the associated unit of account and, with the help of the consulting firm, selected the Building Block Approach (BBA). During the transition, Modra zavarovalnica envisaged the fully retrospective data collection approach for KS MR, KS MR II and accidents, and the fair value approach (FVA) for PPS and KS PPS. The bottom-up method and the risk-free interest rate curve (RFR) are used (source: EIOPA).

The activities in 2021 covered largely the preparation of data and calculations for accident insurance, KS MR and KS MR II products, and the modernisation of tools and servers for a more efficient functioning of the process. The ongoing activities are: preparation of data and calculations for KS PPS with PPS included, automation of the data preparation process, preparation of expected cash flows for deferred annuities and taking account of the expected profit participation in projections.

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;
- **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 1 – Presentation of Financial Statements** – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023);

- **Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction** – (effective for annual periods beginning on or after 1 January 2023);
- **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 17 – Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

Modra zavarovalnica is reviewing the effect of these amended standards and interpretations. 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	2021	2020
Net life insurance premium income	56,591,912	61,837,834
Net non-life insurance premium income	47,592	45,385
Total	56,639,504	61,883,219

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

Net income from non-life insurance premiums in 2021 consists of gross written premiums in the amount of EUR 48,426 and unearned premiums in the amount of EUR –826.

Note no. 2: Income from Investments in Associates

in EUR

Item	2021	2020
Dividend income from associates	3,422,223	2,770,371
Total	3,422,223	2,770,371

Note No. 3: Income from Investments

in EUR

Item	2021	2020
Interest income from investments	4,539,282	4,764,716
• at fair value through profit or loss	469,709	523,649
• at amortised cost	3,467,462	3,506,561
• at fair value through other comprehensive income	602,111	734,506
Dividend income from investments	4,739,430	3,026,539
• at fair value through profit or loss	2,254,681	1,674,860
• at fair value through other comprehensive income	2,484,749	1,351,679
Revaluation income	10,867,210	4,551,202
• at fair value through profit or loss	10,867,210	4,551,202
Foreign exchange gains	680,559	160,566
Gain on disposal of investments	391,840	282,111
• at fair value through profit or loss	378,915	267,084
• at fair value through other comprehensive income	0	15,027
• at amortised cost	12,926	0
Income from reversal of impairments	158,436	92,462
• at fair value through other comprehensive income	16,971	20,138
• at amortised cost	141,465	72,324
Other financial income	90	7,919
Total	21,376,847	12,885,515

High financial income in 2021 is largely connected to favourable market conditions.

Note No. 4: Expenses from Investments

in EUR

Item	2021	2020
Interest expenses	-29,450	-41,774
Expenses from revaluation of investments	-2,449,608	-2,055,719
• at fair value through profit or loss	-2,449,608	-2,055,719
Foreign exchange losses	-87,053	-845,491
Loss on disposal of investments	-341,801	-927,156
• at fair value through profit or loss	-341,801	-927,156
Expenses from impairment of investments	-259,713	-185,071
• at fair value through other comprehensive income	-586	-4,109
• at amortised cost	-259,127	-180,962
Other financial expenses	-1,647	-4,030
Total	-3,169,272	-4,059,241

Interest expenses in 2021 include interest expenses from the lease of business premises in the amount of EUR 17,495 (EUR 23,626 in 2020), and the rest represent negative interest on deposits.

Gains or Losses from Investments

in EUR

Item	2021	2020
Income from investments	24,799,070	15,655,886
Expenses from investments	-3,169,272	-4,059,241
Net gains or losses from investments	21,629,799	11,596,645

Note No. 5: Other Technical Income

in EUR

Item	2021	2020
Income from guarantee fund management	8,327,206	1,941,367
Income from mutual pension fund management	10,873,886	9,095,861
Other technical income	1,010	47
Total other technical income	19,202,102	11,037,275

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, KS MR management fee, income from KS MR II entry fees and indirect costs, and income from the reversal of provisions arising from the LAT test, which were the highest item in 2021 and amounted to EUR 5,439,484, whereas they were not recorded in 2020. Income from the reversal of provisions arising from the LAT test in 2021 is related to the increase in interest rates in the period. 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	2021	2020
Other income	81,114	74,949

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	2021	2020
Gross claims paid from life insurance	-32,964,014	-30,072,542
Change in claims provisions	-126,560	-69,650
Total	-33,090,574	-30,142,192

Gross claims paid represent the pension annuities paid. These increased in 2021 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	2021	2020
Change in technical provisions of the KS PPS	-4,302,429	1,400,570
Change in technical provisions of the KS MR	2,194,896	2,558,041
Change in technical provisions of the KS MR II	-31,218,863	-40,745,244
Total	-33,326,396	-36,786,633

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. In 2021, newly created provisions resulting from the fund's unallocated surplus reached EUR 7,336,064 (EUR 1,724,759 in 2020).

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	2021	2020
Costs of material	-187,616	-172,119
Cost of services, of which	-2,652,785	-2,383,489
• acquisition costs	-55,332	-57,381
Write-downs in value	-470,716	-683,376
Costs of provisions	-9,409	-18,970
Labour costs	-3,678,367	-3,643,353
Other operating expenses	-101,772	-90,041
Total	-7,100,665	-6,991,348

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 2021 came in at EUR -187,616 (EUR -172,119 in 2020). The major share of the above costs are the costs of printing.

Cost of services (including insurance acquisition costs) in 2021 came in at EUR -2,652,785 (EUR -2,383,489 in 2020). 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 -495,724 (EUR -471,073 in 2020), costs of advertising, promotions and marketing in the amount of EUR -384,408 (EUR -312,290 in 2020), software rental and information services in the amount of EUR -340,257 (EUR -323,125 in 2020) 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 -267,815 (EUR -321,476 in 2020).

Write-downs in the amount of EUR –470,716 (EUR –683,376 in 2020) relate to depreciation and amortisation costs of intangible assets and property, plant and equipment and the amortisation of the right-of-use of leased premises in accordance with IFRS 16.

The cost of provisions amounting to EUR –9,409 (EUR –18,970 in 2020) relates to the cost of setting aside provisions for jubilee benefits, severance pay upon retirement and other provisions.

Labour costs in 2021 came in at EUR –3,678,367 (EUR –3,643,353 in 2020). EUR –2,743,992 (EUR –2,793,862 in 2020) 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 2021 stood at EUR –30,549 (EUR –30,551 in 2020) and included the cost of auditing the annual reports of the Company and the funds (with the exception of MKPS).

Note No. 10: Other Technical Expenses

in EUR

Item	2021	2020
Other technical expenses	–1,887,890	–6,631,810

Other technical expenses in 2021 include the entry fee and indirect costs related to KS MR II in the amount of EUR –1,070,544, payments made by the fund manager to settle the difference to the guaranteed return of mutual pension funds in the amount of EUR –752,175 and the KS MR management fee in the amount of EUR –65,171.

Other technical expenses in 2020 in the amount of EUR –5,252,965 related to the creation of provisions for the liability adequacy test (LAT) and resulted 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. 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, entry fee and indirect costs related to KS MR II of EUR 408,295 and the KS MR management fee in the amount of EUR –76,924.

Note No. 11: Other Expenses

in EUR

Item	2021	2020
Other expenses	–8,973	–2,796

Other expenses refer to various smaller amounts arising from operations.

Note No. 12: Income tax

in EUR

Item	2021	2020
Net profit or loss for the period before taxes	22,138,021	4,037,308
Tax on dividends from abroad	146,626	99,254
Non-deductible expenses	562,575	476,460
Non-taxable income	–4,670,772	–3,662,093
Amendment of accounting policies	–637,630	0
Tax allowance	–296,422	–364,780
Tax loss	–829,064	–234,305
Total (tax base)	16,413,334	351,844
Income tax (19%)	2,971,907	13,198
Tax on dividends from abroad prior to agreement	146,626	53,652

The effective interest rate in 2021 stood at 13.42% (0.33% in 2020); 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 2021	Statement of financial position as at 31 December 2020	Income statement for 2021	Income statement for 2020
Deferred income tax – liabilities; of which:	24,445,685	16,012,339	–15,803	0
Revaluation of financial assets at fair value through other comprehensive income	22,037,830	13,620,287	0	0
Liabilities from investments transferred	2,407,855	2,392,052	–15,803	0
Total deferred income tax liabilities	24,445,685	16,012,339	–15,803	0
Deferred income tax – receivables; of which:	1,698,396	1,855,855	–157,459	–42,999
Loss brought forward to be used as tax allowance	0	157,522	–157,522	–44,518
Value adjustment of investments	1,671,341	1,671,341	0	0
Provisions	27,055	26,992	63	1,519
Total deferred income tax assets	1,698,396	1,855,855	–157,459	–42,999
Netting of deferred tax assets and liabilities	–22,747,289	–14,156,484	–173,262	–42,999

13.1 Changes in Deferred Tax Recognised Directly in Equity

in EUR

Changes in deferred tax	2021	2020
Balance as at 1 January	16,012,339	15,606,545
Changes during the year	8,433,346	405,794
Balance as at 31 December	24,445,685	16,012,339

Notes to the Statement of Other Comprehensive Income

Note No. 14: Other Comprehensive Income after Tax

in EUR

Item	2021	2020
Other comprehensive income after tax	41,517,688	994,595

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 2021 and 2020 arises from the movements on security markets, where 2021 was extremely successful in this respect.

Notes to the Statement of Financial Position

Note No. 15: Changes in Intangible Assets

in EUR

2021	Software	Total
Cost as at 1 January 2021	2,501,295	2,501,295
New acquisitions	390,176	390,176
Disposals	-5,470	-5,470
Cost as at 31 December 2021	2,886,001	2,886,001
Accumulated amortisation as at 1 January 2021	-1,860,590	-1,860,590
Write-downs	5,470	5,470
Amortisation	-111,405	-111,405
Accumulated amortisation as at 31 December 2021	-1,966,525	-1,966,525
Carrying amount as at 1 January 2021	640,705	640,705
Carrying amount as at 31 December 2021	919,476	919,476

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

Intangible assets have not been pledged as security.

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

in EUR

2021	Equipment and small tools	Company cars	Right to use premises	Total
Cost as at 1 January 2021	201,528	49,530	1,619,077	1,870,135
New acquisitions	34,753	0	0	34,753
Disposals	-7,860	0	-8,109	-15,969
Cost as at 31 December 2021	228,421	49,530	1,610,968	1,888,919
Accumulated depreciation as at 1 January 2021	-125,621	-45,488	-411,890	-582,999
Write-downs	7,860	0	0	7,860
Depreciation	-35,380	-4,042	-319,889	-359,311
Accumulated depreciation as at 31 December 2021	-153,141	-49,530	-731,779	-934,450
Carrying amount as at 1 January 2021	75,907	4,042	1,207,187	1,287,136
Carrying amount as at 31 December 2021	75,280	0	879,189	954,469

The right to use premises refers to business premises for which Modra zavarovalnica concluded a 5-year lease agreement in accordance with IFRS 16 – Leases.

Amortisation costs for business premises representing the right-of-use amounted to EUR 319,889 in 2021, while interest expenses amounted to EUR 17,495. The total cash outflow for the lease amounted to EUR 329,838 in 2021.

The carrying amount of the assets representing the right-of-use amounted to EUR 879,189 as at 31 December 2021. These liabilities from the right-of-use came in at EUR 885,998 at the end of 2021, whereby the principle stands at EUR 906,213 and interest stands at EUR 20,215.

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 depreciation as at 1 January 2020	-101,892	-40,638	-82,297	-224,827
Write-downs	6,736	0	0	6,736
Depreciation	-30,465	-4,850	-329,593	-364,908
Accumulated depreciation 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

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

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 2021
F. Investments in Group companies and associated companies	48,170,287	0	48,170,287
G. Investments	315,852,059	297,278,632	613,130,692
• at amortised cost	35,950,514	174,937,642	210,888,156
• at fair value through other comprehensive income	218,230,739	0	218,230,739
• at fair value through profit or loss	61,670,806	122,340,991	184,011,797
M. Cash and cash equivalents	1,270,925	2,182,492	3,453,417
Total	365,293,271	299,461,124	664,754,396

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 December 2020
F. Investments in joint ventures and associates	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

17.1 Investments in Associates and Joint Ventures

17.1.1 Investments in Associates

As at 31 December 2021, Modra zavarovalnica, d. d. recorded its investment in Cinkarna Celje, d. d., in the amount of EUR 42,207,417 under investments in associates (EUR 29,007,414 in 2020). 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 2021	Net profit in 2021
Cinkarna Celje, d. d.	Kidričeva 26, Celje	20.00%	190,165,790	33,227,124

17.1.2 Changes in Investments in Associates

in EUR

Item	2021	2020
Balance as at 1 January	29,007,414	30,555,563
Change in revaluation surplus	13,200,003	-1,548,149
Stanje 31. 12.	42.207.417	29.007.414

17.1.3 Investments in Joint Ventures

As at 31 December 2021, 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 2020). The Company measures joint ventures at cost according to IAS 27.10. An impairment test was carried out, showing that the investment need not be impaired.

in EUR

Joint venture	Registered office	Equity stake in %	Equity 31 December 2021	Net profit in 2021
Hotelske nepremičnine, d. o. o.	Dunajska cesta 119, Ljubljana	50.00%	13,248,479	426,946

17.2 Investments

in EUR

Item	Own investments	Guarantee fund investments	Total 31 December 2021
Investments at amortised cost	35,950,514	174,937,642	210,888,156
Investments at fair value through other comprehensive income	218,230,739	0	218,230,739
Investments at fair value through profit or loss	61,670,806	122,340,991	184,011,797
Total	315,852,059	297,278,633	613,130,692

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

17.2.1 Breakdown of Investments

in EUR

Item	31 December 2021	31 December 2020
Investments at fair value through profit or loss	184,011,797	147,468,783
Equity securities	154,991,042	113,669,246
Debt securities	29,020,755	33,799,537
Investments at fair value through other comprehensive income	218,230,739	184,331,072
Equity securities	188,633,211	152,592,957
Debt securities	29,597,528	31,738,115
Investments at amortised cost	210,888,156	197,313,909
Debt securities	177,021,452	173,492,821
Loans and deposits	33,866,704	23,821,088
Total	613,130,692	529,113,764

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 2021	197,313,909	184,331,072	147,468,783	529,113,764
Acquisitions	39,732,818	1,472,297	42,418,193	83,623,308
Revaluation	12,926	28,955,315	8,454,715	37,422,956
Other changes and adjustments	3,191,216	8,440,532	879,197	12,510,945
Sales/maturity	-29,362,713	-4,968,477	-15,209,091	-49,540,281
Balance as at 31 December 2021	210,888,156	218,230,739	184,011,797	613,130,692

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 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.

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

in EUR

Investment	31 December 2021	31 December 2020
Debt investments	235,639,736	239,030,474
Fixed interest rate	233,375,075	236,779,021
Variable interest rate	2,264,661	2,251,452
Loans and deposits	33,866,703	23,821,088
Fixed interest rate	33,866,703	23,821,088
Cash and cash equivalents	3,453,417	2,359,843
Total	272,959,856	265,211,404

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 2021	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	0	9,311,848	19,708,907	29,020,755
Investments at amortised cost	33,248,374	77,322,423	100,317,360	210,888,156
Investments at fair value through other comprehensive income	4,150,320	17,283,304	8,163,904	29,597,528
Cash	3,453,417	0	0	3,453,417
Total	40,852,111	103,917,574	128,190,171	272,959,856

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".

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 2021
DE0005933931	6,191,397
IE00B3F81R35	2,909,466
IE00B4WXJJ64	3,149,664
IE00B66F4759	2,023,666
US4642861037	1,382,246
US4642865095	2,673,202
US4642867729	2,954,536
IE00BSKRK281	3,754,013
IE00B3B8PX14	1,075,253
US4642873412	1,191,388
US4642877397	3,742,813
US92189F7006	6,465,493
IE00B3DWVS88	8,849,342
IE00B5ZR2157	288,532
US4642887453	7,487,566
IE00B60SX394	15,868,690
LU0290358224	2,153,331
LU0290357929	3,083,637
LU0290355717	5,452,138
US81369Y5069	2,695,126
US81369Y7040	2,802,666
US81369Y3080	3,368,031
US81369Y2090	4,622,277

in EUR

ISIN	Value in EUR 31 December 2021
LU0274208692	18,812,244
LU0524480265	5,452,272
DSI000001003	2,458,164
CNE1000003G1	712,305
JP3304200003	1,049,676
US02079K3059	5,067,134
US02079K1079	5,073,874
DE0008404005	3,565,351
SI0031103805	42,207,417
US17275R1023	1,636,116
SI0021112212	1,361,880
US1912161007	4,093,363
US5949181045	12,325,596
DE0008430026	3,143,193
US68389X1054	3,885,411
NL0000009538	1,244,480
SI0021110513	19,928,552
CH0012032048	1,306,356
FR0000120578	1,793,302
DE000A2GS401	648,524
ES0178430E18	356,984
US8816242098	164,783
US91912E1055	369,179

In 2021, Modra zavarovalnica received dividends relating to investments measured at fair value through other comprehensive income in the amount of EUR 5,906,972 (EUR 4,122,050 in 2020). In 2021, upon disposal of investments measured at fair value through other comprehensive income, Modra zavarovalnica recorded loss in the amount of EUR -637,630. Two investments were disposed of during the period: one for failure to meet investment targets and the other due to regulatory constraints.

17.3 Cash and Cash Equivalents

in EUR

Item	31 December 2021	31 December 2020
Cash on bank accounts and cash on hand	3,453,417	2,359,843

Note No. 18: Receivables

in EUR

Item	31 December 2021	31 December 2020
Receivables from direct insurance operations	4,600	4,054
Current tax assets	552	1,055,326
Other receivables	1,673,104	1,566,929
Total	1,678,256	2,626,309

In the financial statements, Modra zavarovalnica discloses current corporate income tax assets or liabilities in an off-set amount.

Tax assets in 2021 refer to smaller amounts of tax assets of funds, while the amount for 2020 refers to corporate income tax.

In 2021, 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 774,459; their value at the end of 2020 was EUR 706,886. At the end of 2021, the retained deficit of assets for the covering of liabilities owed to the insured of KS MR amounted to EUR 635,314, while its value at the end of 2020 was EUR 580,364.

Note No. 19: Other Assets

in EUR

Item	31 December 2021	31 December 2020
Other assets	2,934,797	2,416,406

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. A smaller portion of the amount are short-term deferred costs.

Note No. 20: Off-Balance Sheet Items

in EUR

Fund	31 December 2021	31 December 2020
Assets/liabilities of mutual pension funds under management	1,390,574,399	1,266,343,966
KPSJU	147,592	110,972
ZPJU	969,964,188	907,715,649
PPJU	13,592,838	8,482,410
DPJU	44,739,908	24,947,783
MKPS	63,087	45,905
MZP	279,333,660	260,766,403
MPP	27,681,687	20,605,198
MDP	39,347,413	27,492,100
PPS	15,704,027	16,177,547
Off-balance sheet items arising from financial asset management	2,209,361	2,225,719
Guarantees received	50,000	50,000
Total assets	1,392,833,760	1,268,619,685

Off-balance sheet items in the amount of EUR 1,390,574,399 refer to assets/ liabilities of the pension funds under the management of Modra zavarovalnica; off-balance sheet assets/liabilities in the amount of EUR 2,209,361 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 2021	31 December 2020
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 2021, the carrying amount of a share was EUR 2.18 (EUR 1.80 as at 31 December 2020). 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	Fair value reserve	Net profit or loss brought forward	Total
1 January 2021	152,200,000	42,895,497	67,341,940	11,775,602	274,213,039
Change	0	18,981,181	42,155,318	-3,842,707	57,293,792
31 December 2021	152,200,000	61,876,678	109,497,258	7,932,895	331,506,831

Revenue reserves represent legal reserves in the amount of EUR 4,593,926, statutory reserves in the amount of EUR 4,364,230 and other revenue reserves amounting to EUR 52,918,523. In 2021, the Company allocated 5 percent of the net profit for 2021 equalling EUR 949,643 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 902,160 and other reserves by EUR 17,129,378.

in EUR

Item	Share capital	Revenue reserves	Fair value reserve	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

At the end of 2020, revenue reserves consisted of legal 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 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 1,796,476.

21.3 Changes in Fair Value Reserve

in EUR

Fair value reserve	2021	2020
Balance as at 1 January	67,341,940	66,347,345
Change in fair value	41,283,858	995,990
Net change due to acquisitions / disposals of investments	853,019	-36,222
Impairment of FVOCI investments	18,442	34,827
Balance as at 31 December	109,497,258	67,341,940

Note No. 22: Technical Provisions

22.1 Technical Provisions

in EUR

Item	31 December 2021	31 December 2020
KS PPS Technical Provisions	102,416,607	97,996,761
KS MR Technical Provisions	12,050,597	14,245,416
KS MR II Technical Provisions	179,205,574	147,977,644
Technical provisions of the accident segment	834	6,000
Total	293,673,612	260,225,821

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	2021	2020
Opening balance	260,225,821	223,389,538
Change through profit or loss	33,326,396	36,786,633
Changes in claims provisions and adjustments	119,374	49,650
Closing balance	293,673,612	260,225,821

Technical provisions increased in 2021 and 2020 due to the inflows of the funds and insured persons into the KS MR II fund. The surplus generated in KS PPS further contributed to the increase in 2021. Changes in claims provisions represent the increase in 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 2021	97,996,761	14,245,416	147,977,644	6,000	260,225,821
Increase	10,884,531	253,838	55,152,042	834	66,291,245
Decrease	-6,582,102	-2,448,734	-23,933,179	0	-32,964,015
Change in claims provisions	117,417	77	9,067	-6,000	120,561
Balance as at 31 Dec. 2021	102,416,607	12,050,597	179,205,574	834	293,673,612

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 Dec. 2020	97,996,761	14,245,416	147,977,644	6,000	260,225,821

Note No. 23: Other Provisions

23.1 Other Provisions

in EUR

Other provisions	31 December 2021	31 December 2020
Provisions for non-achievement of the guaranteed return	5,210,335	7,167,089
Provisions for the deficit of assets of guarantee funds	635,314	580,364
Provisions related to employees (jubilee benefits, severance pay upon retirement and similar)	284,786	284,122
Provisions arising from the LAT test	3,077,668	8,517,152
Total	9,208,103	16,548,727

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 2021	7,167,089	8,517,152	580,364	284,122	16,548,727
Newly set aside during the year	0	0	54,950	9,409	64,358
Utilisation	0	0	0	-8,744	-8,744
Reversal	-1,956,754	-5,439,484	0	0	-7,396,238
31 December 2021	5,210,335	3,077,668	635,314	284,786	9,208,103

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	0	-1,006,549
31 December 2020	7,167,089	8,517,152	580,364	284,122	16,548,727

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 2021, provisions for the PPS fund were reversed in the amount of EUR 1,956,568 (EUR 1,006,549 in 2020). The difference refers to reversal (creation in 2020) of provisions for the MZP and ZPJU funds.

In 2021, provisions arising from the LAT test for the KS MR and KS MR II funds of EUR 5,439,484 were reversed, while in 2020, provisions of EUR 5,252,965 arising from the LAT test for those two funds were created. 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 2021, provisions were formed for the deficit of KS MR funds in the amount of EUR 54,950, while in 2020, those provisions totalled EUR 105,542.

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 (30%) 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 2021	31 December 2020
Total	1,490	476

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

Note No. 25: Operating Liabilities

in EUR

Item	31 December 2021	31 December 2020
Liabilities arising out of direct insurance operations	30	42
Current tax liabilities	2,910,628	106,668
Total	2,910,658	106,710

Current tax liabilities represent liabilities for corporate income tax.

Note No. 26: Other Liabilities

in EUR

Item	31 December 2021	31 December 2020
Current liabilities to employees	260,523	255,604
Other current liabilities from insurance operations	17,254	69,486
Current trade payables	391,580	357,726
Other current liabilities	172,552	164,343
Accrued costs	232,380	176,705
Current deferred income	9,192,471	5,908,605
Non-current business premises leasing liabilities	885,998	1,183,651
Other non-current liabilities	40,654	47,070
Total	11,193,411	8,163,191

Current liabilities to employees are liabilities arising from salaries and wages for December 2021.

Other current liabilities from insurance operations are mainly various liabilities of long-term guarantee funds.

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 2021.

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 2022.

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 2021	31 December 2020
KS PPS	92,558,517	94,254,611
KS MR	12,046,502	14,241,399
KS MR II	178,755,111	147,336,159
Total	283,360,130	255,832,169

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

Table 27: Composition of technical provisions as at 31 December 2021

in EUR

Fund	TP for life insurance based on policies	TP for life insurance - surplus	Claims provisions	Total
KS PPS	92,558,517	8,673,605	1,184,485	102,416,607
KS MR	12,046,502	0	4,094	12,050,596
KS MR II	178,755,111	437,165	13,298	179,205,574
Total	283,360,130	9,110,770	1,201,877	293,672,777

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

Technical provisions based on individual KS PPS policies as at 31 December 2021 deviate from total technical provisions by the amount of provisions for the equalisation of yield experience equalling EUR 8,673,605 (EUR 2,675,082 in 2020) and claims provisions totalling EUR 1,184,485 (EUR 1,067,068 in 2020). 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 2021 deviate from total technical provisions by the amount of claims provisions equalling EUR 4,094 (EUR 4,017 in 2020). 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 2021 deviate from total technical provisions by the amount of provisions for the allocated part of profit of EUR 36,061 (EUR 272,210 at the end of 2020), unallocated part of profit of EUR 401,104 (EUR 365,043 at the end of 2020) and claims provisions totalling EUR 13,298 (EUR 4,231 in 2020). 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 2021 published by EIOPA and observes the effect of expected asset returns valued at amortised cost.

The Liability Adequacy Test as at 31 December 2021 showed that mathematical provisions for KS PPS were adequate, whereas a deficit of EUR 198,701 and EUR 2,878,967 was determined for KS MR and KS MR II respectively.

Changes in Interest Rates/Return

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

in EUR

Change in liabilities/provisions	31 December 2021	31 December 2020
Increase in return by 0.25 percentage points	-2,589,605	-2,670,100
Decrease in return by 0.25 percentage points	2,718,856	2,804,432

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

in EUR

Change in liabilities/provisions	31 December 2021	31 December 2020
Increase in return by 0.25 percentage points	-239,705	-266,217
Decrease in return by 0.25 percentage points	250,800	278,443

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

in EUR

Change in liabilities/provisions	31 December 2021	31 December 2020
Increase in return by 0.25 percentage points	-3,672,144	-2,732,499
Decrease in return by 0.25 percentage points	3,840,341	2,850,768

Change in Mortality

Table 31: Change in mortality for KS PPS

in EUR

Change in liabilities/provisions	31 December 2021	31 December 2020
Increase in mortality probability by 10%	-3,537,013	-3,530,212
Decrease in mortality probability by 10%	4,046,711	4,037,168

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 3,537,013 (EUR 3,530,212 in 2020). 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 2021	31 December 2020
Increase in mortality probability by 10%	-248,440	-249,905
Decrease in mortality probability by 10%	280,804	282,200

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 248,440 (EUR 249,905 in 2020). 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 2021	31 December 2020
Increase in mortality probability by 10%	-1,640,274	-1,193,978
Decrease in mortality probability by 10%	1,848,595	1,340,261

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 1,640,274 (EUR 1,193,978 in 2020). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Risk Management

Modra estimates that its own assets as well as those of the KS PPS, KS MR and KS MR II funds are exposed to credit, currency, interest rate, liquidity, and equity price risk (the risk of the value of equity securities changing) within the scope of the Company's 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 above risk types that we assume in our operations, market risks are the most important; most notably equity price risk, currency risk and credit risk.

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 2021	31 December 2020
Solvency II		
Total capital requirement (in EUR)	202,516,941	157,362,924
Eligible own funds (in EUR)	373,875,378	263,314,033
Surplus (+)/deficit (–) of available own funds (in EUR)	171,358,438	105,981,109
Eligible own funds to total capital requirement ratio (in %)	185%	167%

In 2021, the ratio between the eligible own funds and total capital requirements (SCR ratio) increased from the initial 167% to 185%. The main reason for the increase is the upward shift of the risk-free interest rate curve, which led to a decrease in liabilities compared to 2020. At the end of 2020, the risk-free interest rate curve was negative for 21 years, while at the end of 2021, it was negative for a period of 6 years.

2021 also saw a significant increase in the value of equity investments on financial markets. This increase affected assets, which rose by EUR 84 million compared to 2020, and also the capital requirement, which increased by EUR 42 million, which was almost exclusively due to market risks.

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 index by +/- 10%	31 December 2021	31 December 2020
Effect of investments measured at fair value through profit or loss on the P&L	+/-16,095,391	+/-11,963,212
Effect of investments measured at fair value through other comprehensive income on capital	+/-23,084,063	+/-18,160,037
Total	+/-39,179,454	+/-30,123,249

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 2021	31 December 2020
Assets denominated in euros	571,205,508	494,243,160
Assets denominated in US dollars	89,656,358	69,188,229
Assets denominated in other currencies	3,892,530	3,012,503
Total	664,754,396	566,443,891

As at 31 December 2021, 86% of the Company's financial assets were denominated in euros, 13% in US dollars and the remainder in other currencies.

Table 37: Currency risk of financial assets

in EUR

Change of USD exchange rate by +/- 10%	31 December 2021	31 December 2020
Impact on profit or loss	+/-824,079	+/-809,914
Effect on capital	+/-8,141,557	+/-6,108,909
Total	+/-8,965,636	+/-6,918,823

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 are 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, buying inflation-protected debt securities 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 2021 – 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%	+/-7,905	-/+137,198	-/+129,293
Investments at amortised cost	+/-0.5%	+/- 0	+/- 0	+/- 0
Investments at fair value through other comprehensive income	+/-0.5%	+/-3,418	-/+144,570	-/+141,152
Total	+/-0.5%	+/-11,323	-/+ 281,768	-/+ 270,445

Table 39: 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

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 2021

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	4,493,981	4,493,793
	AA	-0.008%		20,106,221	20,104,704
	A	-0.011%		100,827,574	100,818,182
	BBB	-0.053%		112,132,898	112,084,408
High risk investments	BB	-0.445%	12-month/lifetime expected loss	30,160,499	30,032,880
	B	-4.546%		5,684,316	5,425,889
Total		-0.170%		273,405,489	272,959,856

The difference between gross and net exposure is EUR 445,633 which is a revaluation adjustment for expected losses on debt investments at amortised cost. Total impairments amount to EUR 464,075 (including debt investments at amortised cost and financial assets at fair value through other comprehensive income).

High-risk investments mainly include short-term debt securities (deposits, commercial paper and corporate bonds of domestic issuers). The value of investments with a sub-investment grade classified in Phase 2 (with lifetime expected losses projected) stands at EUR 11,101,357 or 31% of all investments with a sub-investment grade. These investments represent the highest impairments, amounting to EUR 337,316 (73% of all impairments).

Table 41: 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 paper 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 42: Allowance for loss in 2021

in EUR

Category	Stage 1	Stage 2	Total
Expected loss allowance as at 1 January 2021	-198,578	-164,220	-362,798
Transfer from stage 1 to stage 2	0	-295,049	-295,049
Financial assets derecognised in the period	36,077	48,504	84,581
Financial assets acquired in the period	-105,085	0	-105,085
Other changes	140,827	73,448	214,275
Expected loss allowance as at 31 December 2021	-126,759	-337,316	-464,075

The total change in loss allowance amounted to EUR 101,277.

The Company does not have any investments allocated to stage 3. The Company has 5 debt investments allocated to stage 2, of which two were transferred from stage 1 to stage 2 in 2021.

Changes in impairments due to acquisitions of new investments and disposals in 2021 are also recognized, as well as maturities of investments.

Other changes in loss allowance arise from changes in risk parameters, which are mainly due to changes in macroeconomic indicators in 2021, as well as changes in impairments of the existing investments that were in the portfolios at the end of the previous year.

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 deterioration of macroeconomic indicators in 2020 (which is the basis for recalculation) as a result of the COVID-19 pandemic, the correction factors for one-year probabilities of default (PDs) increased in particular, which had 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: Allowance for loss 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 did not have any investments allocated to stage 3. The Company had 3 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.

Table 44: Changes in the gross carrying amount and the allowance in 2021

in EUR

Category	Gross carrying amount	Loss allowance
Opening balance as at 1 January 2021	265,574,202	-362,798
Transfer from stage 1 to stage 2	4,296,494	-295,049
Financial assets acquired in the period	28,673,339	-105,085
Financial assets derecognised in the period	-33,155,888	84,581
Other changes	8,035,785	214,275
Closing balance as at 31 December 2021	273,423,932	-464,075

Other changes in the gross carrying amount represent an increase in the value of existing debt securities measured at fair value due to a change in the risk-free interest rate curve, the transfer of two investments from phase 1 to phase 2 and differences in the balance of cash as at 31 December 2020 and 31 December 2021.

Table 45: 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
Closing 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 46: Geographical concentration of credit risk exposure of financial assets

in EUR

Region	31 December 2021	31 December 2020
Slovenia	102,873,310	96,265,415
Other countries	170,086,546	168,945,989
Total	272,959,856	265,211,404

The table above only includes investments with credit risk, as a rule only debt investments. In 2021, the share of investments in Slovenian securities increased by 1.4 percentage points.

Fair Value of Financial Instruments

Table 47: Overview of financial assets according to marketability

in EUR

Financial asset	31 December 2021	31 December 2020
Securities traded on the regulated market	600,562,274	517,863,876
Investments at fair value through profit or loss	173,787,378	138,785,484
Investments at amortised cost	170,156,785	169,537,729
Investments at fair value through other comprehensive income	256,618,112	209,540,663
Securities not traded on the regulated market	60,738,705	46,220,172
Investments at fair value through profit or loss	16,187,290	14,646,169
Investments at amortised cost	40,731,372	27,776,180
Investments at fair value through other comprehensive income	3,820,044	3,797,822
Cash	3,453,417	2,359,843
Total	664,754,396	566,443,891

At the end of 2021, investments traded on the regulated market accounted for 90% of the Company's assets.

Table 48: Overview of financial assets according to carrying amount and fair value as at 31 December 2021

in EUR

Item	Carrying amount	Fair value
Investments at fair value through profit or loss	189,974,667	189,974,667
Investments at amortised cost	210,888,156	223,620,560
Investments at fair value through other comprehensive income	260,438,156	260,438,156
Cash	3,453,417	3,453,417
Total	664,754,396	677,486,800

Table 49: 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

According to its accounting policies, Modra zavarovalnica, d. d. measures its financial assets at fair value, which equals the market value of the relevant investment. 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 2021

in EUR

Item	L1	L2	L3	Total
Financial assets measured at fair value	346,183,693	84,221,796	20,007,333	450,412,823
Investments at fair value through profit or loss	156,075,494	17,711,883	16,187,290	189,974,667
Investments at fair value through other comprehensive income	190,108,199	66,509,913	3,820,044	260,438,156
Financial assets with fair value disclosed	179,051,506	14,159,320	33,863,151	227,073,977
Investments at amortised cost	175,598,089	14,159,320	33,863,151	223,620,560
Cash	3,453,417	0	0	3,453,417
Total	525,235,198	98,381,117	53,870,484	677,486,800

Table 51: 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
Investments 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

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 33,863,151 (EUR 23,878,201 in 2020), and in investment fund units for which values are provided by third parties in the amount of EUR 8,699,553 (EUR 7,631,595 in 2020). Level 3 includes the joint venture investment of EUR 5,962,870 (EUR 5,962,870 in 2020), which is valued at cost. Level 3 also comprises shares of certain Slovenian companies in the total amount of EUR 5,344,910 (EUR 3,614,527 at the end of 2020) – the majority of these investments are represented by investments in Slovenian electricity distribution companies valued at EUR 2,960,827. The major assumptions and variables observed in the valuation of these companies were: discount rate ranging from 4.9% to 7.5% and long-term growth rate from 1% to 2%.

In 2021, an investment of EUR 1,361,880 was reallocated from Level 2 to Level 3, while in 2020 there were no reclassifications between fair value levels.

Table 52: Changes in Level 3 investments

in EUR

Item	2021	2020
Balance as at 1 January	41,087,192	45,619,726
Disposals/maturity	-16,506,116	-14,138,060
Acquisitions	27,005,921	9,434,951
Revaluation	921,607	170,575
Reclassifications	1,361,880	0
Balance as at 31 December	53,870,484	41,087,192

Liquidity Risk

Liquidity risk represents the risk that the Company's liabilities will not be settled by their due date. As at 31 December 2021, Modra zavarovalnica, d. d. recorded a total of EUR 363.4 million worth of surplus of expected non-discounted cash inflows over outflows.

Table 53: Expected actual non-discounted cash flows as at 31 December 2021

in EUR

Item	Less than 1 year	Over 1 to 5 years	Over 5 years	No maturity	Total
Investments	43,308,092	117,093,791	118,671,164	391,794,540	670,867,587
- at fair value through profit or loss	494,856	11,403,347	20,989,831	160,953,912	193,841,947
- at amortised cost	37,989,953	88,462,987	93,135,857	0	219,588,797
- at fair value through other comprehensive income	4,823,282	17,227,457	4,545,476	230,840,628	257,436,843
Cash	3,453,417	0	0	0	3,453,417
Receivables	1,678,256	0	0	0	1,678,256
Total assets	48,439,764	117,093,791	118,671,164	391,794,540	675,999,260
Operating liabilities	2,910,658	0	0	0	2,910,658
Lease liabilities (right-of-use)	317,402	568,596	0	0	885,998
Other liabilities	10,266,760	40,654	0	0	10,307,414
Financial liabilities	1,490	0	0	0	1,490
Annuity fund liabilities	30,196,559	86,351,222	181,897,568	0	298,445,349
Total liabilities	43,692,868	86,960,472	181,897,568	0	312,550,908
Difference (assets - liabilities)	4,746,896	30,133,320	-63,226,404	391,794,540	363,448,352

Table 54: Expected actual non-discounted cash flows as at 31 December 2020

in EUR

Item	Less than 1 year	Over 1 to 5 years	Over 5 years	No maturity	Total
Investments	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
Guarantee 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

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	2021	2020
Investments at amortised cost	1.74%	1.85%
Investments at fair value through other comprehensive income	1.81%	1.90%

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 2021, 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 1,012,616.

In 2021, 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 2021 by category of beneficiaries

in EUR

Category of beneficiaries	Amount
Members of the Management Board	434,661
Members of the Supervisory Board	99,471
Employees with individual contracts	478,484
Total	1,012,616

Remuneration of Members of Management and Supervisory Boards

Table 57: Remuneration of members of the Management Board in 2021

in EUR

Name and surname	Fixed remuneration	Outstanding payments	Fringe benefits	Annual leave allowance	Cost reimbursement	Participation in profit	Insur. premiums	Total
Borut Jamnik	118,858	15,853	3,741	1,977	1,701	9,905	2,819	154,854
Matija Debelak	112,915	15,078	1,047	1,977	1,354	9,410	2,819	144,600
Boštjan Vovk	112,650	5,262	1,151	1,977	1,938	9,410	2,819	135,207

Fixed income includes gross salary receipts. Outstanding payments include payment of variable income, namely payment of the second part from 2018 and first part from 2020. Participation in profit includes bonuses for company performance. 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 members of the Supervisory Board and external members of Supervisory Board committees in 2021

in EUR

Name and surname	Fixed remuneration of SB	Fixed remuneration of SB AC	Monthly remuneration of SB	Monthly remuneration of SB AC	Cost reimbursement	Fringe benefits	Total
Branimir Štrukelj	3,080	0	958	0	0	760	4,798
Bojan Zupančič	3,080	880	11,321	2,830	0	760	18,871
dr. Janez Prašnikar	3,080	880	11,321	4,150	0	760	20,191
Goran Bizjak	0	0	253	95	0	0	348
Bachtiar Djalil	3,080	0	16,779	0	0	760	20,619
Roman Jerman	3,080	0	11,321	0	3	760	15,164
Marko Cvetko	3,080	0	11,068	0	29	760	14,937
Dragan Martinović (external member of SB AC)	0	880	0	2,830	833	0	4,543

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. Fringe benefits include the payment of an insurance premium for liability insurance.

Related Party Transactions

In 2021, no transactions between Modra zavarovalnica, d. d. and the controlling entity, Kapitalska družba, d. d. were conducted at non-market conditions. Modra zavarovalnica had a contract for the provision of information services with Kapitalska družba and leased business premises and IT equipment from Kapitalska družba. The total value of these services amounted to EUR 429,929. As at 31 December 2021, Modra zavarovalnica disclosed liabilities to the parent company in the amount of EUR 21,310.

In 2021, Modra zavarovalnica paid a dividend of EUR 3,216,747 to Kapitalska družba.

In 2021, Kapitalska družba was paying premiums for collective pension insurance of its employees to the account of open-end umbrella pension fund Modri krovni pokojninski sklad managed by Modra zavarovalnica.

Significant Events after the Balance Sheet Date

From the end of 2021 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 2021.

On 25 January 2022, the Insurance Supervision Agency (ISA) published a Notice on main legislative innovations and supervisory priorities in 2022, highlighting some significant legislative innovations and priority areas of supervision in 2022.

At the end of January 2022, on the basis of Article 251 of the Pension and Disability Insurance Act and in accordance with the Rules on the determination of assumptions on projections of pension benefits on the basis of the statutory retirement age or retirement age determined by a member, a reformed or extended notification to pension fund savers was implemented for the first time, which, in addition to information on the balances on savers' accounts, returns and costs of the funds for 2021, also contained information on the estimated amount of funds collected at the end of the saving period and the expected amount of the pension annuity.

In the last quarter of the previous year, ISA carried out the supervision of Modra zavarovalnica's operations in order to verify the compliance of its operations with insurance industry, companies and pension insurance regulations and other legal and regulatory regulations governing the Company's operations. On 15 February 2022, ISA issued recommendations to the Company. The majority of the recommendations have already been taken into account, while the rest will be implemented shortly. No control measures were issued to the Company based on the supervision.

The proposal of the Personal Data Protection Act (ZVOP-2) is pending, which will regulate, among other things, the national specificities of personal data protection under the enabling clauses of GDPR and thus maintain the high level of personal data protection in the Republic of Slovenia and the exercise of the personal right to personal data protection, and also pays special attention to information and communication development and technological development in the processing of personal data. The law will apply to data subjects – individuals to whom the personal data

being processed refers. The data subject is given various options to protect or exercise their rights related to protecting their personal data against controllers whom they consider may be illegally or incorrectly processing their personal data (the proposed arrangement is similar to personal data protection in dealing with criminal offences).

On 24 February 2022, the Russian Federation launched an attack on targets in Ukraine, which, among other things, has led to significant shifts in financial markets. Between the end of 2021 to 8 March 2022, the value of the MSCI Global Equity Index fell by just under 10% (measured in euros), while the IBOXX Euro Sovereign Overall Total Return Index fell by about 4% and the IBOXX Euro Corporates Overall Total Return Index by 2.3%. The sensitivity of the Company's capital and profit or loss to changes in the general level of share prices, interest rates and the US dollar is presented in more detail in the disclosures to the Company's financial statements.

The investments of Russian issuers the Company is directly exposed to are a bond issued by the Russian Federation and two bonds published by Gazprom. The Company's total direct exposure to Russian investments at the end of the previous year reached just over 1% of the Company's total assets. The Company is meeting all its obligations without interruptions and is therefore still preparing its financial statements under the going concern assumption. Due to the uncertainty of these developments, the potential long-term impact on the Company's cash flows cannot be reliably assessed at the moment.

Ever since the perceived increase in cyber attacks on the systems and networks of both parties involved, we are carefully following the national and the European cybersecurity response centre. Although we have not yet detected any security incidents in Slovenia related directly to the situation in Ukraine, we are taking additional measures to increase our resilience to cyber attacks.

In conjunction with savers and social partners, we influence the development of the pension system in Slovenia. We are prepared for an open dialogue and cooperation.



Appendix

Selected Operating Performance Ratios

Ratio		2021	Calculation
1. Total	Increase in gross written premium (index)	92	$\frac{56.639.504 \times 100}{61.883.219}$
	Life insurance	92	$\frac{56.591.912 \times 100}{61.837.834}$
	Non-life insurance	107	$\frac{48.427 \times 100}{45.385}$
2. Total	Net written premium as a % of the gross written premium written premium	100 %	$\frac{56.640.339 \times 100}{56.639.504}$
	Life insurance	100 %	$\frac{56.591.912 \times 100}{56.591.912}$
	Non-life insurance	98 %	$\frac{47.592 \times 100}{48.427}$
3. Total	Changes in gross paid claims (index)	110	$\frac{32.964.014 \times 100}{30.072.542}$
	Life insurance	110	$\frac{32.964.014 \times 100}{30.072.542}$
	Non-life insurance	-	$\frac{0 \times 100}{0}$
4. Total	Loss ratio	58 %	$\frac{33.090.575}{56.639.504}$
	Life insurance	58 %	$\frac{33.090.575}{56.591.912}$
	Non-life insurance	0 %	$\frac{0}{48.427}$
5. Total	Operating costs as a % of the gross written premium	13 %	$\frac{7.100.664 \times 100}{56.639.504}$
	Life insurance	12 %	$\frac{7.020.929 \times 100}{56.591.912}$
	Non-life insurance	165 %	$\frac{79.735 \times 100}{48.427}$
6. Total	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{55.332 \times 100}{56.639.504}$
	Life insurance	0,1 %	$\frac{55.332 \times 100}{56.591.912}$
	Non-life insurance	0,0 %	$\frac{0 \times 100}{48.427}$
7. Total	Net loss ratio	58 %	$\frac{(32.964.014 + 126.561)}{56.639.504}$
	Life insurance	58 %	$\frac{32.964.014 + 126.561}{56.591.912}$

The table continues on the next page.

Ratio		2021	Calculation
	Non-life insurance	0 %	$\frac{0}{48.427}$
8. Non-life insurance	Combined loss ratio	168 %	$\frac{(0 + 79.735) \times 100}{47.592}$
9. Life insurance	Cost ratio	12 %	$\frac{7.020.929 \times 100}{56.591.912}$
10. Life insurance	Benefit ratio	117 %	$\frac{(33.090.575 + 33.326.396) \times 100}{56.591.912}$
11. Total	Investment performance as a % of the average balance of investments	4 %	$\frac{(24.799.070 - 3.169.272) \times 100}{\frac{661.300.979 + 564.084.048}{2}}$
	Life insurance	4 %	$\frac{(24.753.199 - 3.157.942) \times 100}{\frac{656.164.122 + 559.056.052}{2}}$
	Non-life insurance	1 %	$\frac{(45.871 - 11.330) \times 100}{\frac{5.136.857 + 5.027.996}{2}}$
12. Total	Net claims provisions as a % of net premium income	2 %	$\frac{1.201.877 \times 100}{56.639.504}$
	Life insurance	2 %	$\frac{1.201.877 \times 100}{56.591.912}$
	Non-life insurance	0 %	$\frac{0 \times 100}{47.592}$
13. Total	Gross profit or loss for the year as a % of the net written premium	39 %	$\frac{22.138.021 \times 100}{56.639.504}$
	Life insurance	39 %	$\frac{22.135.543 \times 100}{56.591.912}$
	Non-life insurance	5 %	$\frac{2.478 \times 100}{47.592}$
14. Total	Gross profit or loss for the year as a % of average equity	7 %	$\frac{(22.138.021) \times 100}{\frac{331.506.831 + 274.213.039}{2}}$
	Life insurance	7 %	$\frac{(22.135.543) \times 100}{\frac{326.375.011 + 269.054.404}{2}}$
	Non-life insurance	0 %	$\frac{(2.478) \times 100}{\frac{5.131.820 + 5.158.635}{2}}$
15. Total	Gross profit or loss for the year as a % of average assets	4 %	$\frac{(22.138.021) \times 100}{\frac{671.241.394 + 573.414.447}{2}}$
	Life insurance	4 %	$\frac{(22.135.543) \times 100}{\frac{666.070.139 + 568.194.720}{2}}$

The table continues on the next page.

Ratio			2021	Calculation
	Non-life insurance	Gross profit or loss for the year as a % of average assets	0 %	$\frac{(2.478) \times 100}{\left(\frac{5.171.255 + 5.219.727}{2}\right)}$
16.	Total	Gross profit or loss for the year per share	0,15 €	$\frac{22.138.021}{152.200.000}$
	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 %	$\frac{0}{331.506.831}$
	Life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{326.375.011}$
	Non-life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{5.131.820}$
18.	Total	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{56.639.504 \times 100}{\left(\frac{625.180.443 + 534.438.859}{2}\right)}$
	Life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{56.591.912 \times 100}{\left(\frac{620.047.789 + 529.274.224}{2}\right)}$
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	1 %	$\frac{(47.592) \times 100}{\left(\frac{5.132.654 + 5.164.635}{2}\right)}$
19.	Total	Average balance of net technical provisions as a % of net premium income	489 %	$\frac{(293.673.612 + 260.225.821) \times 100}{2}$ $\frac{56.639.504}{56.639.504}$
	Life insurance	Average balance of net technical provisions as a % of net premium income	489 %	$\frac{(293.672.778 + 260.219.821) \times 100}{2}$ $\frac{56.591.912}{56.591.912}$
	Non-life insurance	Average balance of net technical provisions as a % of net premium income	7 %	$\frac{(834 + 6.000) \times 100}{2}$ $\frac{47.592}{47.592}$
20.	Total	Equity as a % of liabilities	49 %	$\frac{331.506.831 \times 100}{671.241.394}$
	Life insurance	Equity as a % of liabilities	49 %	$\frac{326.375.011 \times 100}{666.070.139}$
	Non-life insurance	Equity as a % of liabilities	99 %	$\frac{5.131.820 \times 100}{5.171.255}$
21.	Total	Net technical provisions as a % of liabilities	44 %	$\frac{293.673.612 \times 100}{671.241.394}$
	Life insurance	Net technical provisions as a % of liabilities	44 %	$\frac{293.672.778 \times 100}{666.070.139}$
	Non-life insurance	Net technical provisions as a % of liabilities	0 %	$\frac{834 \times 100}{5.171.255}$
22.	Total	Net life technical provisions to net technical provisions	100 %	$\frac{293.672.778 \times 100}{293.673.612}$
23.	Total	Gross written premium to the average number of full-time employees	884.992 €	$\frac{56.639.504}{64}$

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 written premium	100 %	$\frac{61.883.219 \times 100}{61.883.219}$
	Life insurance	Net written premium as a % of the gross written premium 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 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 %	$\frac{(15.655.886 - 4.059.241) \times 100}{\left(\frac{564.084.048 + 516.265.490}{2}\right)}$
	Life insurance	Investment performance as a % of the average balance of investments	3 %	$\frac{15.603.245 - 4.053.167 \times 100}{\left(\frac{559.056.052 + 511.217.743}{2}\right)}$
	Non-life insurance	Investment performance as a % of the average balance of investments	1 %	$\frac{(52.640 - 6.074) \times 100}{\left(\frac{5.027.996 + 5.047.747}{2}\right)}$
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 %	$\frac{(4.037.308) \times 100}{\left(\frac{274.213.039 + 269.237.332}{2}\right)}$
	Life insurance	Gross profit or loss for the year as a % of average equity	2 %	$\frac{(4.002.225) \times 100}{\left(\frac{269.054.404 + 264.098.231}{2}\right)}$
	Non-life insurance	Gross profit or loss for the year as a % of average equity	1 %	$\frac{(35.083) \times 100}{\left(\frac{5.158.635 + 5.139.101}{2}\right)}$
15.	Total	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(4.037.308) \times 100}{\left(\frac{573.414.447 + 530.779.842}{2}\right)}$
	Life insurance	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(4.002.225) \times 100}{\left(\frac{568.194.720 + 525.565.146}{2}\right)}$
	Non-life insurance	Gross profit or loss for the year as a % of average assets	1 %	$\frac{(35.083) \times 100}{\left(\frac{5.219.727 + 5.214.696}{2}\right)}$

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 €	$\frac{61.883.219}{62}$

1.11.2 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

Item			Total		Total	
	Life	Non-life	31 December 2021	Life	Non-life	31 December 2020
ASSETS	666,070,139	5,171,255	671,241,394	568,194,720	5,219,727	573,414,447
A. Intangible assets	919,476	0	919,476	640,705	0	640,705
B. Property, plant and equipment	954,469	0	954,469	1,287,136	0	1,287,136
F. Financial investments in Group companies and associated companies	48,170,287	0	48,170,287	34,970,284	0	34,970,284
G. Investments	607,993,835	5,136,857	613,130,692	524,085,768	5,027,996	529,113,764
at amortised cost	207,798,472	3,089,684	210,888,156	193,728,273	3,585,636	197,313,909
at fair value through other comprehensive income	216,823,980	1,406,759	218,230,739	182,888,712	1,442,360	184,331,072
at fair value through profit or loss	183,371,383	640,414	184,011,797	147,468,783	0	147,468,783
K. Receivables	1,673,335	4,921	1,678,256	2,621,360	4,949	2,626,309
Receivables from direct insurance operations	0	4,600	4,600	0	4,054	4,054
Current tax assets	553	0	553	1,055,326	0	1,055,326
Other receivables	1,672,782	321	1,673,103	1,566,034	895	1,566,929
L. Other assets	2,934,797	0	2,934,797	2,416,406	0	2,416,406
M. Cash and cash equivalents	3,423,940	29,477	3,453,417	2,173,061	186,782	2,359,843
N. Off-balance sheet items	1,392,833,760	0	1,392,833,760	1,268,619,685	0	1,268,619,685
EQUITY AND LIABILITIES	666,070,139	5,171,255	671,241,394	568,194,720	5,219,727	573,414,447
A. Equity	326,375,011	5,131,820	331,506,831	269,054,404	5,158,635	274,213,039
Share capital	147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000
Revenue reserves	61,797,610	79,068	61,876,678	42,829,581	65,916	42,895,497
Fair value reserve	109,445,287	51,971	109,497,258	67,266,011	75,929	67,341,940
Net profit or loss brought forward	7,932,114	781	7,932,895	11,758,812	16,790	11,775,602
C. Technical provisions	293,672,777	834	293,673,611	260,219,821	6,000	260,225,821
Unearned premiums	0	834	834	0	0	0
Technical provisions for life insurance	292,470,900	0	292,470,900	259,144,504	0	259,144,504
Claims provisions	1,201,877	0	1,201,877	1,075,317	6,000	1,081,317
E. Other provisions	9,204,595	3,508	9,208,103	16,545,253	3,474	16,548,727
G. Deferred tax liabilities	22,735,432	11,857	22,747,289	14,134,801	21,683	14,156,484
I. Other financial liabilities	1,381	109	1,490	461	15	476
J. Operating liabilities	2,909,906	752	2,910,658	104,089	2,620	106,709
Liabilities arising out of direct insurance operations	30	0	30	42	0	42
Current tax liabilities	2,909,876	752	2,910,628	104,047	2,620	106,667
K. Other liabilities	11,171,037	22,375	11,193,412	8,135,891	27,300	8,163,191
L. Off-balance sheet items	1,392,833,760	0	1,392,833,760	1,268,619,685	0	1,268,619,685

Segment Reporting of Profit or Loss Items

in EUR

Item	2021			2010		
	Life	Non-life	Total	Life	Non-life	Total
A. NET PREMIUM INCOME	56,591,912	47,592	56,639,504	61,837,834	45,385	61,883,219
- gross written premiums	56,591,912	48,426	56,640,338	61,837,834	45,385	61,883,219
- change in unearned premiums	0	-834	-834	0	0	0
B. INCOME FROM INVESTMENTS IN ASSOCIATES	3,422,223	0	3,422,223	2,770,371	0	2,770,371
C. INVESTMENT INCOME, of which	21,330,976	45,871	21,376,847	12,832,875	52,640	12,885,515
- interest income calculated according to the effective interest rate method	0	0	0	40,416	0	40,416
- gains on disposal of investments	391,840	0	391,840	282,111	0	282,111
D. OTHER TECHNICAL INCOME, of which	19,202,102	0	19,202,102	11,037,275	0	11,037,275
- fee and commission income	8,982,447	0	8,982,447	8,166,518	0	8,166,518
E. OTHER INCOME	81,034	80	81,114	74,832	117	74,949
F. NET CLAIMS INCURRED	33,090,574	0	33,090,574	30,142,192	0	30,142,192
- gross claims paid	32,964,014	0	32,964,014	30,072,542	0	30,072,542
- changes in claims provisions	126,560	0	126,560	69,650	0	69,650
G. CHANGE IN OTHER TECHNICAL PROVISIONS	-33,326,396	0	-33,326,396	-36,786,633	0	-36,786,633
K. OPERATING COSTS, of which	7,020,930	79,735	7,100,665	6,934,364	56,985	6,991,349
- acquisition cost	55,332	0	55,332	57,381	0	57,381
M. INVESTMENT EXPENSES, of which	3,157,942	11,330	3,169,272	4,053,167	6,074	4,059,241
- financial asset impairment	257,485	2,228	259,713	179,320	5,751	185,071
- loss on disposal of financial assets	341,801	0	341,801	927,156	0	927,156
N. OTHER TECHNICAL EXPENSES	1,887,890	0	1,887,890	6,631,810	0	6,631,810
O. OTHER EXPENSES	8,972	0	8,972	2,796	0	2,796
P. PROFIT OR LOSS BEFORE TAX	22,135,543	2,478	22,138,021	4,002,225	35,083	4,037,308
R. INCOME TAX	-3,144,420	-749	-3,145,169	-49,390	-6,807	-56,197
S. NET PROFIT OR LOSS FOR THE PERIOD	18,991,123	1,729	18,992,852	3,952,835	28,276	3,981,111

Segment Reporting of the Statement of Comprehensive Income Items

in EUR

Item	2021			2020		
	Life	Non-life	Total	Life	Non-life	Total
I. NET PROFIT/LOSS FOR THE FINANCIAL YEAR AFTER TAX	18,991,123	1,729	18,992,852	3,952,835	28,276	3,981,111
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)	41,541,645	-23,957	41,517,688	999,922	-5,327	994,595
a) Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)	42,081,528	0	42,081,528	1,202,489	0	1,202,489
5. Items that will not be reclassified subsequently to profit or loss	50,631,330	0	50,631,330	1,657,048	0	1,657,048
6. Tax on items subsequently not reclassified to profit or loss	-8,549,802	0	-8,549,802	-454,559	0	-454,559
b) Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)	-539,883	-23,957	-563,840	-202,567	-5,327	-207,894
1.b Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income	-666,522	-29,577	-696,099	-245,865	-10,794	-256,659
5. Tax on items that may be reclassified subsequently to profit or loss	126,639	5,620	132,259	43,298	5,467	48,765
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I + II)	60,532,768	-22,228	60,510,540	4,952,757	22,949	4,975,706

Cash Flow Statement

in EUR

Item	2021	2020
A. Cash flows from operating activities		
a) Income statement items	23,579,418	34,087,268
1. Net written premiums for the period	56,639,504	61,883,219
3. Other operating income (excluding revaluation and without the reduction of provisions) and financial income from operating receivables	11,692,933	10,095,416
4. Net claims paid in the period	-33,090,574	-30,142,192
6. Net operating costs excluding depreciation and amortisation costs and without the change in deferred acquisition costs	-7,756,255	-6,774,221
8. Other operating expenses excluding depreciation and amortisation (except for revaluation and without the increase in provisions)	-761,021	-918,757
9. Income taxes and other taxes not included in operating expenses	-3,145,169	-56,197
b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items	6,805,615	-3,889,193
1. Opening less closing receivables from indirect insurance	-518,135	561,336
4. Opening less closing other receivables and assets	1,053,343	-980,100
7. Closing less opening liabilities arising from indirect insurance	120,698	51,411
9. Closing less opening other operating liabilities	6,149,709	-3,521,840
c) Net cash flows from operating activities (a + b)	30,385,033	30,198,075
B. Cash flows from investing activities		
a) Receipts from investing activities	79,740,635	57,799,691
1. Interest received from investing activities	5,412,900	5,746,797
2. Receipts from dividends and profit participation	8,089,812	5,852,725
4. Receipts from disposal of property, plant and equipment	245	2,158
5. Receipts from disposal of investments	66,237,678	46,198,011
5.2 Other receipts from disposal of investments	66,237,678	46,198,011
b) Disbursements for investing activities	-105,938,025	-92,845,065
1. Disbursements to acquire intangible assets	-384,706	-292,948
2. Disbursements to acquire property, plant and equipment	-26,893	-56,790
3. Disbursements to acquire investments	-105,526,426	-92,495,327
3.2 Other disbursements to acquire investments	-105,526,426	-92,495,327
c) Net cash from investing activities (a + b)	-26,197,390	-35,045,374
C. Cash flows from financing activities		
b) Disbursements for financing activities	-3,216,747	-496,703
3. Disbursements for repayment of non-current financial liabilities	0	-496,703
5. Dividends and other profit shares paid	-3,216,747	0
c) Net cash from financing activities (a + b)	-3,216,747	-496,703
Č. Closing balance of cash and cash equivalents	3,453,417	2,359,843
x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	970,896	-5,344,002
+		
Impact of changes in foreign exchange rates	122,678	53,449
+		
y) Opening balance of cash and cash equivalents	2,359,843	7,650,396

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	2021	2020
A. Technical account for non-life insurance		
I. Net premium income	47,592	45,385
1. Gross written premiums	47,592	45,385
VII. Net operating costs	79,735	56,985
3. Other operating expenses	79,735	56,985
3.1. Depreciation of assets required for operation	7,260	7,380
3.2. Labour costs	52,178	36,377
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	1,458	996
3.4. Other operating costs	18,839	12,232
IX. Profit or loss from non-life insurance (I + II + III – IV + V – VI – VII – VIII)	-32,143	-11,600
B. Technical account for life insurance		
I. Net premium income	56,591,912	61,837,834
1. Gross written premiums	56,591,912	61,837,834
II. Investment income	24,753,198	15,603,246
1. Dividend income and profit sharing in companies	8,161,653	5,796,910
1.2. Dividend income and income from other profit sharing in associates	3,422,223	2,770,371
1.3. Dividend income and income from other profit sharing in other companies	4,739,430	3,026,539
2. Income from other investments	16,199,705	9,524,225
2.2. Interest income	4,499,554	4,717,961
2.3. Other investment income	11,700,151	4,806,264
2.3.1. Financial income from revaluation	10,867,210	4,551,202
2.3.2. Other financial income	832,941	255,062
4. Gain on disposal of investments	391,840	282,111
IV. Other net technical income	19,202,102	11,037,275
V. Net claims incurred	33,090,574	30,142,192
1. Gross claims paid	32,964,014	30,072,542
4. Change in gross claims provisions (+/-)	126,560	69,650
VI. Change in other net technical provisions (+/-)	-33,326,396	-36,786,633
1. Change in technical provisions for life insurance	-33,326,396	-36,786,633

The table continues on the next page.

in EUR

Item	2021	2020
1.1. Change in gross technical provisions for life insurance	-33,326,396	-36,786,633
VIII. Net operating costs	7,020,930	6,934,364
1. Acquisition costs	55,332	57,381
3. Other operating expenses	6,965,598	6,876,983
3.1. Depreciation of assets required for operation	463,456	675,996
3.2. Labour costs	3,626,190	3,606,977
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	108,017	118,769
3.4. Other operating costs	2,767,935	2,475,241
IX. Investment charges	3,157,941	4,053,167
2. Expenses arising from asset management, interest expense and other financial expenses	374,914	1,070,292
3. Financial expenses from revaluation	2,441,226	2,055,719
4. Loss on disposal of investments	341,801	927,156
XI. Other net technical expenses	1,887,890	6,631,810
2. Remaining other net technical expenses	1,887,890	6,631,810
XII. Allocated investment return transferred to the net profit or loss (-)	10,647,013	6,038,607
XIII. Profit or loss from life insurance (I + II + III + IV – V +/- VI – VII – VIII – IX – X – XI – XII)	11,416,468	-2,108,418
C. Net profit or loss of the Company		
I. Profit or loss from non-life insurance (A.IX)	-32,143	-11,600
II. Profit or loss from life insurance (B.XIII)	11,416,468	-2,108,418
III. Investment income	45,871	52,640
2. Income from other investments	45,871	52,640
2.2. Interest income	39,818	46,884
2.3. Other investment income	6,053	5,756
2.3.2. Other financial income	6,053	5,756
IV. Allocated investment return transferred from the technical account of life insurance (B.XII)	10,647,013	6,038,607
V. Investment expenses	11,330	6,074
2. Expenses arising from asset management, interest expense and other financial expenses	11,330	6,074

The table continues on the next page.

in EUR

Item	2021	2020
IX. Other income	81,114	74,949
1. Other income from non-life insurance	80	117
2. Other income from life insurance	81,034	74,832
X. Other expenses	8,972	2,796
2. Other expenses from life insurance	8,972	2,796
XI. Profit or loss for the period before tax (I + II + III + IV – V – VI + VII – VIII + IX – X)	22,138,021	4,037,308
1. Profit or loss for the period from non-life insurance	2,478	35,083
2. Profit or loss for the period from life insurance	22,135,543	4,002,225
XII. Corporate income tax	2,971,907	13,198
XIII. Deferred Tax	-173,262	-42,999
XIV. Net profit or loss for the financial year (XI – XII + XIII)	18,992,852	3,981,111
D. Comprehensive income		
I. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAX	18,992,852	3,981,111
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)	41,517,688	994,595
a. Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)	42,081,528	1,202,489
5. Items that will not be reclassified subsequently to profit or loss	50,631,330	1,657,048
6. Tax on items subsequently not reclassified to profit or loss	-8,549,802	-454,559
b. Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)	-563,840	-207,894
1.b. Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income	-696,099	-256,659
5. Tax on items that may be reclassified subsequently to profit or loss	132,259	48,765
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I + II)	60,510,540	4,975,706

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 December 2021	31 December 2020
ASSETS	102,430,825	98,010,759
A. FINANCIAL ASSETS AND INVESTMENTS IN REAL ESTATE	101,548,697	97,549,902
III. OTHER FINANCIAL ASSETS	101,548,697	97,549,902
1. Shares and other securities with variable yield and mutual fund coupons	34,909,527	25,968,088
2. Debt securities with fixed yield	66,639,170	71,083,041
6. Deposits with banks	0	498,773
B. RECEIVABLES	2,535	178
III. OTHER RECEIVABLES	2,535	178
C. MISCELLANEOUS ASSETS	647,790	262,322
I. CASH AND CASH EQUIVALENTS	647,790	262,322
D. SHORT-TERM ACCRUED REVENUE AND DEFERRED COSTS	231,803	198,357
3. Other short-term deferred costs and accrued income	231,803	198,357
LIABILITIES	102,430,825	98,010,759
B. GROSS TECHNICAL PROVISIONS	102,416,607	97,996,761
II. GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	101,232,122	96,929,693
III. GROSS PROVISIONS FOR CLAIMS OUTSTANDING	1,184,485	1,067,068
E. OTHER LIABILITIES	14,218	13,998
III. OTHER LIABILITIES	14,218	13,998

Presentation of Assets and Liabilities of KS MR

in EUR

Item	31 December 2021	31 December 2020
ASSETS	12,055,700	14,251,545
A. FINANCIAL ASSETS AND INVESTMENTS IN REAL ESTATE	11,307,238	13,591,027
III. OTHER FINANCIAL ASSETS	11,307,238	13,591,027
1. Shares and other securities with variable yield and mutual fund coupons	0	78,791
2. Debt securities with fixed yield	11,181,298	13,512,236
7. Other financial assets	125,940	0
B. RECEIVABLES	635,313	580,672
III. OTHER RECEIVABLES	635,313	580,672
C. MISCELLANEOUS ASSETS	113,149	79,846
I. CASH AND CASH EQUIVALENTS	113,149	79,846

The table continues on the next page.

in EUR

Item	31 December 2021	31 December 2020
LIABILITIES	12,055,700	14,251,545
B. GROSS TECHNICAL PROVISIONS	12,050,596	14,245,416
II. GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	12,046,502	14,241,399
III. GROSS PROVISIONS FOR CLAIMS OUTSTANDING	4,094	4,017
E. OTHER LIABILITIES	5,061	6,129
I. LIABILITIES ARISING OUT OF DIRECT INSURANCE OPERATIONS	0	12
1. Liabilities to insurers	0	12
III. OTHER LIABILITIES	5,061	6,117
F. ACCRUED COSTS AND DEFERRED REVENUE	43	0

Presentation of Assets and Liabilities of KS MR II

in EUR

Item	2021	2020
ASSETS	188,404,901	153,952,525
A. FINANCIAL ASSETS AND INVESTMENTS IN REAL ESTATE	184,422,698	151,631,918
III. OTHER FINANCIAL ASSETS	184,422,698	151,631,918
1. Shares and other securities with variable yield and mutual fund coupons	65,177,728	50,351,780
2. Debt securities with fixed yield	97,093,002	91,895,416
6. Deposits with banks	998,430	5,088,659
7. Other financial assets	21,153,538	4,296,063
B. RECEIVABLES	1,749	3,503
III. OTHER RECEIVABLES	1,749	3,503
C. MISCELLANEOUS ASSETS	1,421,553	242,346
I. CASH AND CASH EQUIVALENTS	1,421,553	242,346
D. SHORT-TERM ACCRUED REVENUE AND DEFERRED COSTS	2,558,901	2,074,758
3. Other short-term deferred costs and accrued revenue	2,558,901	2,074,758
LIABILITIES	188,404,901	153,952,525
B. GROSS TECHNICAL PROVISIONS	179,205,574	147,977,644
II. GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	179,192,276	147,973,413
III. GROSS PROVISIONS FOR CLAIMS OUTSTANDING	13,298	4,231
E. OTHER LIABILITIES	14,737	67,446
I. LIABILITIES ARISING OUT OF DIRECT INSURANCE OPERATIONS	30	30
1. Liabilities to insurers	30	30
III. OTHER LIABILITIES	14,707	67,416
F. ACCRUED COSTS AND DEFERRED REVENUE	9,184,590	5,907,435

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

Technical Account of the PPS Guarantee Fund

in EUR

Item	2021	2020
I. TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	2,612,734	2,679,318
4. Mutual pension fund	2,612,734	2,679,318
II. INVESTMENT INCOME	8,729,914	4,011,748
1. Dividend income and profit sharing in companies	1,198,145	975,375
2. Income from other investments	7,531,769	3,036,373
2.2. Interest income	1,453,144	1,669,334
2.3. Other investment income	6,078,625	1,367,039
III. CLAIMS INCURRED	6,699,518	6,646,188
1. Claims paid	6,582,101	6,579,722
2. Change in claims provisions	117,417	66,466
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-4,302,429	1,400,570
1. Change in technical provisions for life insurance (+/-)	-4,302,429	1,400,570
VI. INVESTMENT EXPENSES	340,701	1,445,448
2. Expenses arising from asset management, interest expense and other financial expenses	2,871	12,798
3. Financial expenses from revaluation	337,830	1,432,650
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 KS MR

in EUR

Item	2021	2020
I. INVESTMENT INCOME	327,789	426,549
1. Dividend income and profit sharing in companies	0	715
2. Income from other investments	327,789	425,834
2.2. Interest income	249,197	307,750
2.3. Other investment income	78,592	118,084
III. CLAIMS INCURRED	2,448,810	2,868,757
1. Claims paid	2,448,734	2,868,725
2. Change in claims provisions	76	32
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	2,194,896	2,558,041
1. Change in technical provisions for life insurance (+/-)	2,194,896	2,558,041
VI. INVESTMENT EXPENSES	73,875	115,833

The table continues on the next page.

in EUR

	Item	2021	2020
	2. Expenses arising from asset management, interest expense and other financial expenses	66,663	96,254
	3. Financial expenses from revaluation	7,212	19,579
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 KS MR II

in EUR

	Item	2021	2020
I.	TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	53,979,178	59,158,516
	2. Other insurance companies	759,920	872,156
	3. Other pension companies	755,561	575,862
	4. Mutual pension fund	52,463,697	57,710,498
II.	INVESTMENT INCOME	3,807,155	3,689,397
	1. Dividend income and profit sharing in companies	233,570	156,832
	2. Income from other investments	3,573,585	3,532,565
	2.2. Interest income	1,626,737	1,481,220
	2.3. Other investment income	1,946,848	2,051,345
III.	CLAIMS INCURRED	23,942,246	20,627,247
	1. Claims paid	23,933,179	20,624,096
	2. Change in claims provisions	9,067	3,151
IV.	CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-31,218,863	-40,745,245
	1. Change in technical provisions for life insurance (+/-)	-31,218,863	-40,745,245
V.a.	Net operating costs	66,621	68,163
	3. Other operating expenses	66,621	68,163
	3.4. Other operating costs	66,621	68,163
VI.	INVESTMENT EXPENSES	2,558,603	1,407,258
	2. Expenses arising from asset management, interest expense and other financial expenses	1,084,483	671,713
	3. Financial expenses from revaluation	1,474,120	735,545
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I + II – III + IV – V – VI)	66,621	68,163
VII.a.	Profit or loss of the guarantee fund (I + II – III + IV – V.a – VI)	0	0

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Modra zavarovalnica Annual report 2021

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