

Annual Report of

Modra zavarovalnica

2023



**MODRA
ZAVAROVALNICA**
*TRUE BLUE
OF SAVINGS*

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2023



Content

Introduction

1	Introduction	8
1.1	Statement by the Management Board	10
1.2	Presentation of Insurance Company	12
1.2.1	General Data	12
1.2.2	Mission	12
1.2.3	Vision	12
1.2.4	Strategic Objectives	12
1.2.5	Ownership Structure and Equity	12
1.2.6	Activities of the Company	12
1.2.7	Bodies of the Company	13
1.3	Report of the Supervisory Board	15

Business Report

2	Business Report	18
2.1	Business Environment	20
2.1.1	Economic Environment in Slovenia	20
2.1.2	Trends on Financial Markets	20
2.2	Operations in 2023	22
2.2.1	Financial Result and Financial Position	22
2.2.2	Mutual Pension Fund Management	24
2.2.3	Financial Assets of Modra zavarovalnica	27
2.2.4	Management of Guarantee Funds for the Disbursement of Pension Annuities	28
2.2.5	Management of Own Financial Assets	31
2.3	Marketing Activities	34
2.4	Risk Management	36
2.4.1	Risk Management System	37
2.4.2	Risk Management System and Framework	38
2.4.3	Capital and Capital Adequacy Management	39
2.4.4	Risk Types	40
2.5	Informatics	41
2.5.1	Information System	41
2.5.2	Personal Data Protection	42

2.6	Organisation and Employees	44
2.6.1	Organisation	44
2.6.2	Employees	45
2.6.3	Employee Training and Education	46
2.7	Social Responsibility	47
2.7.1	Responsibility to the Insured and the Broader Social Community	47
2.7.2	Charity	47
2.7.3	Environmental Responsibility and Compliance with Principles of Sustainability	48
2.7.4	Care for Employees	48
2.7.4.1	Promotion of Health at Workplace	48
2.7.4.2	Health and Safety at Work	48
2.7.4.3	Supplementary Pension Insurance and Other Collective Insurances	49
2.7.4.4	Family Friendly Enterprise Certificate	49
2.7.4.5	Mutual Relations Are Important	49
2.7.4.6	The Organizational Climate	49
2.8	Important Business Events After the End of the Financial Year	50
2.9	Expected Development of Modra zavarovalnica in 2024	51
2.10	Report on Relations with the Controlling Company	52
2.11	Corporate Governance Statement	52
2.11.1	Reference to the Applicable Corporate Governance Code	52

Accounting Report

3	Accounting Report	62
3.1	Statement of Management's Responsibility	64
3.2	Independent Auditor's Report	65
3.3	Separate Statement of Profit or Loss	71
3.4	Separate Statement of Other Comprehensive Income	72
3.5	Separate Statement of Financial Position	73
3.6	Separate Cash-Flow Statement	74
3.7	Separate Statement of Changes in Equity 2023	76
3.8	Separate Statement of Changes in Equity 2022 – Restated	78
3.9	Disclosures and Notes to the Separate Financial Statements	80
3.9.1	General Disclosures	80
3.9.2	Important Information on Accounting Policies	81
3.9.3	Breakdown and Disclosures to the Financial Statements	99
3.10	Financial Statements Pursuant to the Decision of the Insurance Supervision Agency	148
3.10.1	Annex 1: Segment Reporting Pursuant to the Provisions of the Decision on Annual Report and Quarterly Financial Statements of Insurance Undertakings	148
3.10.2	Annex 2.1: Explanatory notes for a fund where the entitlements are linked to the units or the value of the fund, but the attribution of profits is not linked to the technical result	156
3.10.3	Annex 2.2: Explanatory notes for funds where the profit attribution is determined on the basis of the technical result	157

Index of Tables

Table 1: Financial result of Modra zavarovalnica	22
Table 2: Financial position of Modra zavarovalnica	23
Table 3: Data on mutual pension funds managed by Modra zavarovalnica as at 31 December 2023	26
Table 4: Company's financial assets as at 31 December 2023	27
Table 5: Basic information on Modra zavarovalnica guarantee funds	28
Table 6: Assets of the KS MR	28
Table 7: Number of new members and amount of payments in KS MR II in 2023	29
Table 8: Assets of the KS MR II	30
Table 9: Assets of the KS PPS	31
Table 10: Own financial assets of Modra zavarovalnica	31
Table 11: Portfolio equity investments	32
Table 12: Portfolio debt security investments	32
Table 13: Capital adequacy pursuant to the requirements of Solvency II	39
Table 14: Composition of the management team in 2023	56
Table 15: Composition of the Supervisory Board and committees in the 2023 financial year	58
Table 16: Composition of the Supervisory Board and committees in the 2023 financial year - continued	60
Table 17: External members of Supervisory Board committees in 2023	60
Table 18: Funds under management of Modra zavarovalnica as at 31 December 2023	80
Table 19: Number of employees by level of education	81
Table 20: Fair value hierarchy of equity investments when the stock market is the principal market	85
Table 21: Fair value hierarchy of unlisted equity investments	86
Table 22: Fair value hierarchy of debt investments if the stock market is the principal market	86
Table 23: Fair value hierarchy of debt investments if the OTC market is the principal market	87
Table 24: Fair value hierarchy of target fund units	87
Table 25: Products of Modra zavarovalnica in the context of IFRS 17	90
Table 26: Impact of the transition on the IFRS 17 as at 1 January 2022	98
Table 27: Redetermination of the Company's financial assets by measurement method	99
Table 28: Change in interest rates/returns	129
Table 29: Change in mortality	129
Table 30: Change in costs	130
Table 31: Capital adequacy pursuant to the requirements of Solvency II	130

Table 32: Equity portfolio risk	131
Table 33: Currency structure of financial assets	131
Table 34: Currency risk of financial assets	132
Table 35: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2023 – change of 50 basis points in interest rates	132
Table 36: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2022 – change of 50 basis points in interest rates	133
Table 37: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2023	134
Table 38: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2022	134
Table 39: Allowance for loss in 2023	135
Table 40: Allowance for loss in 2022	136
Table 41: Changes in the gross carrying amount and the allowance in 2023	137
Table 42: Changes in the gross carrying amount and the allowance in 2022	138
Table 43: Geographical concentration of credit risk exposure of financial assets	138
Table 44: Expected actual non-discounted cash flows as at 31 December 2023	139
Table 45: Expected actual non-discounted cash flows as at 31 December 2022	140
Table 46: Overview of financial assets according to marketability	140
Table 47: Overview of financial assets at to carrying amount and fair value as at 31 December 2023	141
Table 48: Overview of financial assets at to carrying amount and fair value as at 31 December 2022	141
Table 49: Hierarchy of Financial asset fair value as at 31 December 2023	142
Table 50: Hierarchy of financial asset fair value as at 31 December 2022	142
Table 51: Reclassification of assets between fair value levels in 2023	143
Table 52: Reclassification of assets between fair value levels in 2022	143
Table 53: Changes in Level 3 investments	144
Table 54: Effective interest rates by financial asset groups	144
Table 55: Gross remuneration in 2023 by category of beneficiaries	145
Table 56: Remuneration of members of the Management Board in 2023	145
Table 57: Remuneration of members of the Supervisory Board and external members of Supervisory Board committees in 2023	146

Index of images:

Figure 1: Comparison of changes in the SBI TOP Slovenian stock index and selected foreign stock indices in 2023 (in Euro; Index: 31 December 2022 = 100)	20
Figure 2: Comparison of changes in the yield to maturity (YTM) of the 10-year German Bond, the Slovenian government bond, the 6-month EURIBOR and bond indices in 2023 (in %)	21
Figure 3: Comparison of 12-month return rates of domestic pension funds pursuing a guaranteed rate investment policy	24
Figure 4: Comparison of 12-month return rates of domestic pension funds pursuing a balanced investment policy	25
Figure 5: Comparison of 12-month return rates of domestic pension funds pursuing a dynamic investment policy	25
Figure 6: Results of ongoing customer satisfaction measurement in 2023	34
Figure 7: Risk-free interest rate curve as at 31 December 2023 and as at 31 December 2022	36
Figure 8: Three lines of risk management	37
Figure 9: Risk management system	38
Figure 10: Risk appetite and realised capital adequacy	39
Figure 11: Organisational chart of Modra zavarovalnica	44
Figure 12: Percentage share of employees by level of education as at 31 December 2023	45
Figure 13: Structure of employees by age group as at 31 December 2023	46
Figure 14: Non-risk-adjusted RFR curve, IFRS 17 discount curve and illiquidity premium at 31 December 2023	92

Glossary of Terms and Abbreviations

Abbreviation	Explanation
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
AUM	Assets Under Management
CBBT	Composite Bloomberg Bond Trader
CSM	Contractual Service Margin
DPJU	Dynamic Civil Servants Sub-Fund
EAD	Exposure at Default
ECB	European Central Bank
EU	European Union
EUR	Euro – currency of the European Union
EURIBOR	Euro Interbank Offered Rate
FUV	Fund Unit Value
EWS	Early Warning System
GMM	General Measurement Model
iBoxx	Reference Index of Liquid Bonds with an Investment Rating

Abbreviation	Explanation
IFRS	International Financial Reporting Standards as adopted by EU
IPEV	The International Private Equity and Venture Capital Valuation
ISA	Insurance Supervision Agency
KPSJU	Life-Cycle Civil Servants Fund
KS MR	Modra Renta Guarantee Fund
KS MR II	Modra Renta II Guarantee Fund
KS PPS	Guarantee Fund of the First Pension Fund of the Republic of Slovenia
LC	Loss Component
LGD	Loss Given Default
LRC	Liabilities for Remaining Coverage
MKPS	Life-Cycle Pension Fund
MPF	Mutual Pension Fund
MDP	Dynamic Sub-Fund
MPP	Prudent Sub-Fund
MZP	Guaranteed Sub-Fund
MSCI Index	Morgan Stanley Capital International Index
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
USA	United States of America
VAT	Value-Added Tax
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)





Introduction

*Modra Zavarovalnica, we take pride
in our exceptional team of experts
in asset management, pension insurance,
and other financial services.*

1.1 Statement by the Management Board

In general, 2023 was a good year for Modra zavarovalnica (the Company), exceeding expectations in several areas. The year was marked on the one hand by the exceptional growth of financial markets, moderate growth of the gross domestic product and falling inflation, and on the other hand by geopolitical turmoil, which in the second half of the year not only affected Ukraine, but also the Middle East region. In such an environment, the Company recorded a net profit or loss of EUR 22.7 million, and thus significantly exceeded the planned result.

The beginning of 2023 was marked by the introduction of the IFRS 17 standard, which fundamentally changed the accounting treatment of insurance contracts and the statements of insurance undertakings. The standard requires the implementation of the transition on 1 January 2022 and the preparation of comparative statements for 2022. On the date of transition, the Company recorded a capital impact in the amount of EUR -4.5 million and contractual service margin in the amount of EUR 15.1 million. The introduction of the new standard also led to the need to redefine the assets of the insurance company, which it had already defined in the context of business models defined in accordance with the IFRS 9 standard. The insurance company carried out the reclassification of the assets prospectively, without recalculation retrospectively, and recognized the determined difference due to the reclassification in the amount of EUR -21.9 million to the debit of the Company's equity as at 1 January 2023.

The total result from insurance operations in 2023 reached EUR -16.3 million, with the difference between insurance income and expenses reaching EUR 87 thousand, while the financial result from insurance contracts was negative and reached EUR -5.1 million in the statement of profit or loss and an additional EUR -11.2 million in the statement of comprehensive income.

The result from investing activities in the amount of EUR 24.4 million had a significant impact on the profit or loss. The result from investing activities in other comprehensive income, which refers to investments valued at fair value through other comprehensive income, was also positive and reached EUR 19.8 million. The result from investing activities is closely related to the developments of the financial markets, which recorded high growth in 2023. In 2023, measured in EUR,

the MSCI global stock index recorded a 19.9% growth, which is practically the same as the movement of Slovenian shares, which recorded an average growth of 19.8%. The exchange rates of government and corporate bonds also rose; The European government bond index gained 7.1% of its value, and the corporate bond index gained 8.2%.

Among the other items, it is worth highlighting the income from mutual pension fund management, which reached EUR 17 million. An important part of the items is represented by income from the reversal of provisions due to failure to achieve guaranteed return in the amount of EUR 6.9 million.

The macroeconomic environment had a favourable effect on the return of mutual pension funds under management. In 2023, the MZP (Guaranteed Sub-Fund) and the ZJPU (Guaranteed Civil Servants Sub-Fund) achieved a return of 5.14% and 5.79%, respectively, which ranks them among the best Slovenian funds with investment policy of a guaranteed rate of return. The return of funds with a prudent or dynamic investment policy were even higher, which is the result of a higher share of shares in the portfolios. The Prudent Sub-Fund (MPP) and the Prudent Civil Servants Sub-Fund (PPJU) achieved returns of 10.28% and 10.83%, respectively, which puts them in the top half of funds with a balanced investment policy. Returns of the Dynamic Sub-Fund (MDP) and Dynamic Civil Servants Sub Fund (DPJU) reached 14.20% and 14.83%, which puts them in the middle of the range compared to competing pension funds.

At the end of 2023, the equity of Modra zavarovalnica, which ensures the safety of the assets of its policyholders, reached EUR 349.6 million, or EUR 6 million more than at the end of the previous year. The value of assets under management also increased and exceeded EUR 2.2 billion at the end of 2023; EUR 1.5 billion were collected in mutual pension funds, EUR 363.9 million in guarantee funds, and own funds represented EUR 357.4 million.

To a greater extent, marketing activities were aimed at building the recognisability of Modra zavarovalnica as a reliable insurance company that listens to its customers, is accessible and takes care of social security at all stages of life with its knowledge. We encouraged members

to register and use the e.Modra.si online service more frequently, as current users recognise the online portal as a quality service which provides the desired information at all times. 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 one of the largest data processors, we ensure the highest level of security and confidentiality of all available data, along with compliance with legal and other consumer protection regulations.

If we want to provide our customers with adequate security and profitability of operations, we cannot avoid risk management, which means that our activities are aimed at identifying, measuring, monitoring and managing assumed and potential risks. Our own assessment of risks and solvency carried out in 2023 showed that, if various scenarios were realized, the Company would have an adequate equity available to cover all risks it assumes in its operations.

Modra zavarovalnica pays special attention to its employees, who are the source of its knowledge, creativity and development. Within the framework of human resources management, it is worth highlighting successful practices that have been introduced into the company's operations over the years and were positively received by employees. Special attention is paid to health and balancing professional and personal (family) life. At the same time, we annually check the organizational climate and respond to the observations and suggestions of employees. By organizing various events for employees, we encourage a positive atmosphere and good mutual relations.

In 2024, Modra zavarovalnica will remain loyal to its strategic goals, maintaining the priority of the assurance of assets under management and personal data security. For 2024, financial analysts predict moderate growth in stock and bond indexes and a positive economic growth, which fills us with renewed optimism. In the coming year, we will pay special attention to sustainable business, as we believe in the importance of green transformation and a better future.



A blue ink signature of Boštjan Vovk.

Boštjan Vovk,
MEMBER OF THE MANAGEMENT BOARD



A blue ink signature of mag. Matija Debelak.

mag. Matija Debelak,
MEMBER OF THE MANAGEMENT BOARD



A blue ink signature of Matej Golob Matzele.

Matej Golob Matzele,
CHAIRMAN OF THE MANAGEMENT BOARD

1.2 Presentation of Insurance Company

1.2.1 General Data

Name: Modra zavarovalnica, d. d.
Registered office: Dunajska cesta 119, Ljubljana
Registration ID number 6031226
VAT ID: SI21026912
Number of employees: 66
Share capital: EUR 152.2 million
Assets under management: EUR 2.2 billion
Number of persons insured in the mutual pension fund (VPS): 309,818
Number of pension annuity beneficiaries: 46,857

1.2.2 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, on knowledge, authentic relations and innovation.

1.2.3 Vision

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

1.2.4 Strategic Objectives

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;
- 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.

1.2.5 Ownership Structure and Equity

As at 31 December 2023, the sole shareholder of Modra zavarovalnica, d. d. was Kapitalska družba, d. d.

The Company's share capital amounts to EUR 152,200,000, and is divided into 152,200,000 entered 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.

1.2.6 Activities of the Company

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 the Insurance Act (ZZavar-1),
- life insurance – point 19 of paragraph 2 of Article 7 of the Insurance Act (ZZavar-1).

The activities of Modra zavarovalnica are laid down by the law and the Company's 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.

1.2.7 Bodies of the Company

Management

Pursuant to the Company's Articles of Association, the Management comprises three members. In 2023, Modra zavarovalnica was run by the Management composed of:

- **Borut Jamnik**, Chairman of the Management, four-year mandate period from 29 August 2021 onwards, mutual termination of the mandate on 16 April 2023,
- **Matej Golob Matzele**, Chairman of the Management, four-year mandate period from 10 May 2023 onwards;
- **Matija Debelak, MSc**, member of the Management, four-year mandate period starting 14 September 2021; in the period from 1 January to 16 April 2023, a member of the management, in the period from 17 April to 9 May 2023, the Chairman of the Management, and starting 10 May 2023, a member of the management;
- **Boštjan Vovk**, member of the management, four-year mandate period starting 1 October 2022.

The Management runs the Company in the best interest of the Company, independently and at its own responsibility. The Management represents and presents the Company without limitations. In legal transactions, the Company is represented by two Management 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 2023, the Management executed its powers in line with the Management'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 (ZGD-1).

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 its general acts. 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 2023, the Supervisory Board comprised the following members:

- **Bachtiar Djalil**, member of the Supervisory Board as of 9 June 2021, served as Chairman of the Supervisory Board from 23 December 2022 to 22 December 2023, and as of 23 December 2023 onwards serves as Vice Chairman of the Supervisory Board;
- **Branimir Štrukelj**, member of the Supervisory Board from 9 December 2020, served as Vice Chairman of the Supervisory Board from 23 December 2022 to 22 December 2023 and as of 23 December 2023 onwards serves as Chairman of the Supervisory Board;
- **Bojan Zupančič**, member as of 9 December 2020;
- **Janez Prašnikar**, PhD, 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 2023 is provided in the Report of the Supervisory Board.

The Audit Committee of the Supervisory Board was active in 2023; its composition and work are presented in the Report of the Supervisory Board.

General Meeting

The voting rights at the general meeting in 2023 were exercised by Kapitalska družba, d. d., as the sole shareholder.



1.3 Report of the Supervisory Board

Report of the Supervisory Board

Pursuant to the provisions of Article 282 of the Companies Act (hereinafter: the 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 the review 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: the ZPKDPiZ) and the company's Articles of Association, Modra zavarovalnica has a Supervisory Board comprising six members that are appointed by the company's General Meeting. Half (3) of the Supervisory Board members are nominated by persons insured with the company. Three Supervisory Board members are appointed at the proposal of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. as the sole shareholder.

In 2023, 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.

At the 166th regular meeting of the Supervisory Board held on 21 December 2022, Bachtiar Djalil and Branimir Štrukelj were appointed Chairman of the Supervisory Board and Deputy Chairman of the Supervisory Board respectively, pursuant to the provisions of the company's Articles of Association, for the period from 23 December 2022 to 22 December 2023. At the 79th regular meeting of the Supervisory Board held on 20 December 2023, Branimir Štrukelj was appointed Chairman of the Supervisory Board, and Bachtiar Djalil was appointed Deputy Chairman of the Supervisory Board, both for the period from 23 December 2023 to 22 December 2024.

Over the course of the 2023 financial year, the Supervisory Board met at 13 meetings, 9 of them regular and 4 of them correspondence meetings. The members of the Supervisory Board acted independently when making decisions. The members attended meetings well prepared in regard to the topics discussed, put forth constructive proposals and remarks, and made decisions pursuant to their competences. The members of the Supervisory Board acted in accordance with the rules on the protection of business secrets and on conduct in the event of conflicts of interest. Supervision of the company's operations was carried out in line with the powers and competences laid down by the Companies Act (the ZGD-1) and the Insurance Act (the ZZavar-1), and further specified by the company's Articles of Association and the Rules of Procedure of the Supervisory Board.

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

At its 172nd meeting held on 21 April 2023, the Supervisory Board confirmed the Annual Report of Modra zavarovalnica for the 2022 financial year, including the Auditor's Report and the report of the Supervisory Board regarding the review of the company's Annual Report, and familiarised themselves with the company's annual internal audit report for 2022, the report made by a certified actuary, and the annual reports of the mutual pension funds managed by Modra zavarovalnica. It also approved the Management Board's proposal on the use of distributable profit. Pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (the ZPPOGD), and the Rules on Variable Remuneration of Members of the Management Board of Modra zavarovalnica, also taking into account qualitative and quantitative criteria, the Supervisory Board assessed the work performed by the Management Board in 2022 and approved the payment of variable remuneration to the members of the Management Board.

In 2023, Supervisory Board members decided to award consent to the Management Board to amend and supplement the policies of the governance system in line with the Insurance Act, and conducted fit and proper assessment of the candidates for membership of the Supervisory Board and the Management Board of Modra zavarovalnica, d.d., conducted fit and proper assessment of the Supervisory Board and the Management Board as collective bodies, and carried out an assessment of the effectiveness of their work. In line with the findings of the self-assessment process, an action plan has been drawn up. The Supervisory Board regularly monitored the company's operations, discussed quarterly reports on the company's operations, and was briefed on the reports to the Insurance Supervision Agency, pursuant to the Insurance Act and the Solvency II Directive.

The members of the Supervisory Board and the Audit Committee of the Supervisory Board attended a training course on the new accounting standard IFRS 17, which was conducted by the consultancy firm Ernst & Young, d.o.o.

In 2023, the Supervisory Board carried out a recruitment procedure for the selection and appointment of the President of the Management Board of Modra zavarovalnica in accordance with applicable legislation, with other applicable regulations, and with the internal acts of the insurance company. The term of office of the President of the Management Board, Borut Jamnik, terminated by mutual agreement on 16 April 2023. At the 167th regular meeting of the Supervisory Board on 11 January 2023 and the 173rd correspondence meeting of the Supervisory Board on 8 May 2023, the Supervisory Board granted a four-year term of office to the President of the Management Board, Mr Matej Golob Matzele, with effect from 10 May 2023.

Pursuant to the Pension and Disability Insurance Act and the Life-Cycle Pension Fund Management Rules, the Supervisory Board members appointed board members of the Life-Cycle Pension Fund.

At its 179th meeting, held on 21 December 2023, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2024, and to the Action Plan of the Internal Audit Department for 2024.

The remuneration of Supervisory Board members complies with the resolution adopted at the General Meeting, 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 committee – composed of Janez Prašnikar (Chairman), Bojan Zupančič (member), and Dragan Martinović (external independent expert) – was a permanent operational body of the Supervisory Board in 2023, 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. Over the course of 2023, the Audit Committee met at 11 meetings, 10 of them regular and 1 of them a correspondence meeting. In its work, the Audit Committee observed the Recommendations of the Slovenian Directors' Association for Audit Committees and of the Slovenian Institute of Auditors, as well as the Rules of Procedure of the Audit Committee 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 2023.

The Audit Committee reviewed the company's Annual Report and the External Auditor's Report, and discussed both the Annual Action Plan of the Internal Audit Department and the Business and Financial Plan of Modra zavarovalnica d.d. for 2024, which were both approved by the Supervisory Board. The Audit Committee monitored the independence of the auditor of the Annual Report.

The Audit Committee regularly reported on its work 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 based on the review of the Annual Report, which was drawn up and submitted by the Management Board, the Supervisory Board hereby assesses that the Annual Report and the disclosures contained therein give a true and fair view of the status and position of Modra zavarovalnica. The Supervisory Board estimates that the company's Management Board managed the company's operations in 2023 successfully and properly, and successfully realised the business goals set. It prepared materials with quality information and in-depth discussion of all major operating categories in due time, and provided comprehensive responses to subsequent questions and motions put forward by the members of the Supervisory Board. The Management Board's reports to the Supervisory Board in 2023 allowed the latter to perform its supervisory function appropriately.

b) Position of the Supervisory Board on the Auditor's Report on the audit of the financial statements of Modra zavarovalnica for 2023

Pursuant to the second paragraph of Article 282 of the Companies Act, the Supervisory Board reviewed and discussed the Auditor's Report on the audit of the financial statements of Modra zavarovalnica for 2023, which was performed by Deloitte revizija d.o.o. of Ljubljana. The Supervisory Board finds that the auditor has performed its task in accordance with the law, with rules on auditing, and with international auditing standards. The Supervisory Board has no objections to the Auditor's Report.

c) Resolution approving the 2023 Annual Report

Na podlagi določil 282. člena ZGD-1 nadzorni svet potrjuje letno poročilo Modre zavarovalnice za leto 2023.

d) Position of the Supervisory Board on the Auditor's Report on the outcomes of the audit of the Report on Relations with Associated Companies

Pursuant to the third paragraph of Article 546.a of the Companies Act, the Supervisory Board reviewed and discussed the Auditor's Report on the outcomes of the audit of the Report on Relations with Associated Companies, which was performed by Deloitte revizija d.o.o. of Ljubljana. The Supervisory Board has no objections to the Auditor's Report.

e) Resolution on the verification of the Report on Relations with Associated Companies for 2023

Pursuant to the provisions of Article 546.a of the Companies Act, the Supervisory Board reviewed the Report on Relations with Associated Companies for 2023, and has no comments on the statement of the management in the Report on Relations with Associated Companies for 2023.

f) Proposal to the General Meeting on the granting of discharge to the Management Board and the Supervisory Board

Based on the statements under points a), b), and c) above, and based on the provisions of Article 294 of the Companies Act, the Supervisory Board proposes that the General Meeting of Modra zavarovalnica adopts a resolution to grant a discharge to the Management Board and Supervisory Board of the company for the work performed in the 2023 financial year.

Branimir Štrukelj

Chairman of the Supervisory Board
Ljubljana, 18 April 2024





Business Report

*Over 300,000 satisfied savers
and 2,200 employers
place their trust in us.*

2.1 Business Environment

2.1.1 Economic Environment in Slovenia

Economic growth in 2023 is 1.6%. The growth of gross domestic product (GDP) was positively influenced by gross fixed investments in fixed assets, final household consumption, and an increase in the foreign trade surplus, while inventory reduction had a negative impact. Institute of Macroeconomic Analysis and Development predicts GDP growth of 2.4% for 2024 and 2.5% for 2025.

The number of people in the workforce was 941,292 in December of 2023. The registered unemployment rate was 4.9% in the same month and was 0.8 percentage points lower than in January 2023. The average monthly gross wage in December 2023 amounted to EUR 2,348 and was 8.7 percent higher than the average gross wage in December 2022.

2.1.2 Trends on Financial Markets

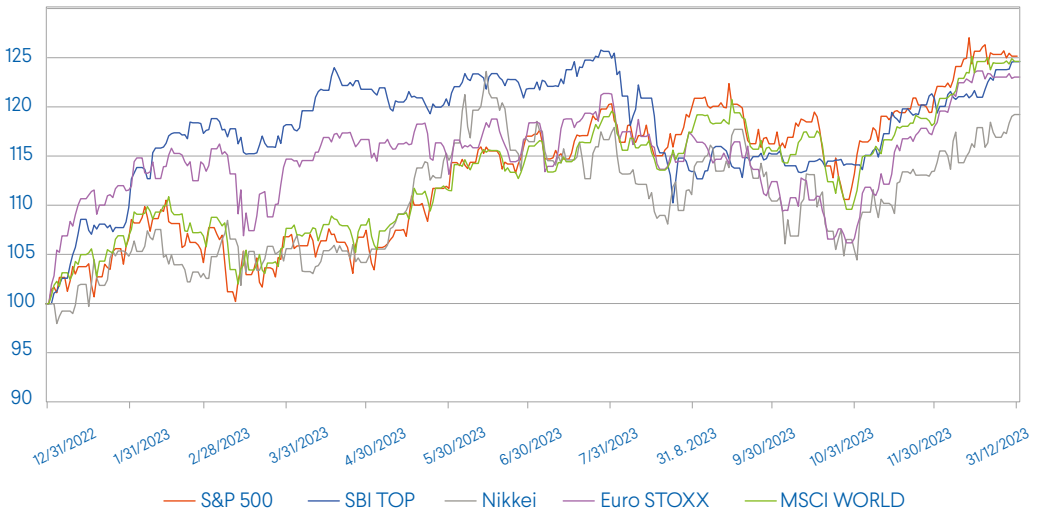
Money Market

The interbank reference rate in the Eurozone, the 6-month EURIBOR, increased from 2.693% to 3.861% in 2023. The yield to maturity (YTM) of the 10Y German Bund decreased in 2023 from 2.571% to 2.024%, while the YTM of the Slovenian 10Y government bond decreased from 3.781% to 2.882%. The European Central Bank raised the key interest rate six times in 2023, from 2.5% to 4.5%.

Foreign Exchange Rates

The EUR/USD rate decreased by 3.1% in 2023. 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.

Figure 1: Comparison of changes in the SBI TOP Slovenian stock index and selected foreign stock indices in 2023
(in Euro; Index: 31 December 2022 = 100)



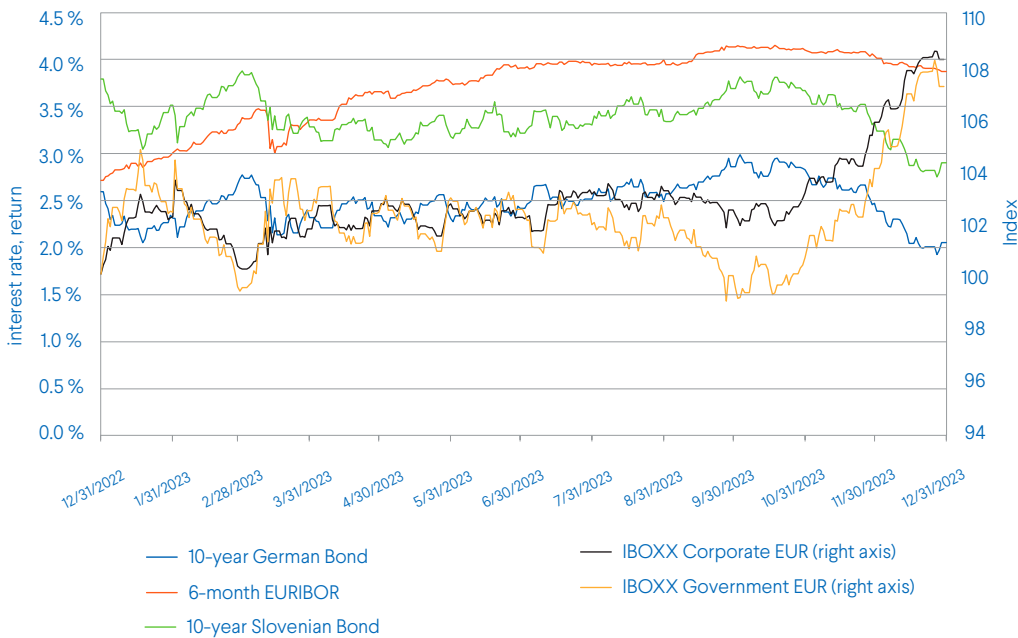
Equity Market

In 2023, the value of the MSCI global stock index recorded a 19.9% growth (measured in EUR). The highest growth in this period were recorded by Nasdaq (38.8%). It was followed by the general index of US shares S&P 500, which gained 20.3% and European shares, which gained an average of 18.5%. Japanese shares gained 15.5%, while Slovenian shares gained 19.8%. On the other hand, developing markets recorded a poor result, gaining only 3.6% of their value on average.

Debt Market

In 2023, the prices of both government and corporate bonds increased. The European government bond index (IBOXX Euro Sovereign Overall Total Return Index) gained 7.1% in this period, while the corporate bond index (IBOXX Euro Corporates Overall Total Return Index) gained 8.2%. Bond price movements were affected mainly by the expectations regarding future monetary policies in Europe and the US. The two central banks continued with the tightening of monetary policies in 2023. The European Central Bank raised the interest rate six times, and the American one four times.

Figure 2: Comparison of changes in the yield to maturity (YTM) of the 10-year German Bond, the Slovenian government bond, the 6-month EURIBOR and bond indices in 2023 (in %)



2.2 Operations in 2023

2.2.1 Financial Result and Financial Position

The operations of Modra zavarovalnica in 2023 were marked by the introduction of the new accounting standard IFRS 17, which in the case of long-term insurance contracts, which also includes annuity insurance, significantly changed the time dynamics of the income statement. The standard requires the implementation of the transition on 1 January 2022 and the preparation of comparative statements for 2022. On the date of transition, the Company recorded a capital impact in the amount of EUR -4.5 million and contractual service margin in the amount of EUR 15.1 million. Due to the recalculation of the items of the profit or loss statement and the statement of financial position, the statements for the year 2022 have been adjusted and are not the same as the audited ones for the said year.

On 1 January 2023, taking into account the provisions of IFRS 17 the Company re-assessed the financial assets business model. Since the insurance company decided to show

the effects arising from changes in financial assumptions when measuring insurance contract liabilities in the statement of other comprehensive income – in order to ensure accounting consistency – the assets that the insurance company holds in connection with insurance contracts were the assets subject to redetermination. Redetermination of assets was done prospectively, without recalculation of previous periods. At the same time, the insurance company recognized a negative result in the amount of EUR 21.9 million debited to its equity. A more detailed disclosure can be found in the Financial report in the chapter "Redetermination of financial assets".

In 2023, Modra zavarovalnica recorded a positive profit in the amount of EUR 22.7 million, while the statement of other comprehensive income also recorded a positive value of EUR 8.6 million.

The result from insurance operations in 2023 reached EUR 87 thousand and includes operations of the KS PPS, KS MR

Table 1: Financial result of Modra zavarovalnica

Item	in EUR	
	2023	2022 adjusted
Result from insurance operations	87,347	-6,621,718
Net income (expenses) from investing activities	24,369,822	-18,495,682
Financial result from insurance contracts	-5,144,856	-5,017,242
Other revenue and expenses	8,140,892	-4,426,590
Income/Expenses from asset management	17,028,656	2,059,089
Non-attributable costs	-7,744,146	-6,687,837
Other income/expenses	-1,143,619	202,157
Profit or loss before tax	27,453,205	-34,561,232
Corporate income tax	-4,671,756	0
Changes in deferred taxes	-39,254	2,987,565
Net profit or loss for the period	22,742,196	-31,573,668
Result from investments in other comprehensive income	19,822,103	-15,471,989
Result from insurance contracts in other comprehensive income	-11,197,040	67,700,550
Entire other comprehensive income	31,367,259	20,654,893

* The financial result for 2022 has been recalculated in accordance with the provisions of IFRS 17.

and KS MR II annuity funds and accident insurance. Along with this, the mentioned products also achieved financial expenses in the amount of EUR -5.1 million, which represent the elimination of the discount due to changes along the existing discount curve. In addition, the result from insurance operations is also recognized in the statement of comprehensive income in the amount of EUR -11.2 million, namely due to the changes along the discount curve. The total result from insurance operations thus reached EUR -16.2 million.

The result from investing activities in the amount of EUR 24.4 million had a significant impact on the profit or loss. The result from investing activities in other comprehensive income, which refers to investments valued at fair value through other comprehensive income, was also positive and reached EUR 19.8 million.

The most important item of other income and expenses is income from asset management, which includes income from the mutual pension fund management, and reached EUR 17 million. An important part of the items is represented by income from the reversal of provisions due to failure to achieve guaranteed return in the amount of EUR 6.9 million.

Non-attributable costs, which are directly charged to the insurance company's statement of profit or loss, reached EUR -7.7 million, while the insurance company also recorded so-called attributable costs in the amount of EUR -1.1 million, which are taken into account in the calculation of the result from insurance operations. Regardless of the changed statement of costs, the insurance company assesses the effectiveness of cost management in relation to their entire scope (EUR -8.8 million).

Written premiums to the annuity funds of Modra zavarovalnica reached EUR 83 million in 2023, exceeding the previous year's figures by 30%. The effect related to premiums written is recorded in the result from insurance operations.

The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 128 million in the relevant period, without taking into account transfers between funds or sub-funds, and increased by 4% compared to 2022.

The largest share of Modra zavarovalnica assets are financial assets, which reached EUR 713.2 million at the end of 2023, while liabilities from insurance contracts are the most important in terms of size.

Table 2: Financial position of Modra zavarovalnica

	in EUR		
Item	31 Dec 2023	31 Dec 2022 adjusted	1 Jan 2022 adjusted
Financial assets	713,175,394	644,149,984	664,754,396
Other assets	8,134,206	9,078,681	5,851,684
Total assets	721,309,600	653,228,665	670,606,080
Equity	349,582,400	343,447,691	326,986,217
Liabilities	371,727,199	309,780,974	343,619,863
Insurance contract liabilities	336,629,878	273,675,700	299,485,797
Provisions	5,055,169	11,876,366	5,495,121
Deferred tax liabilities	12,898,287	9,392,510	13,581,300
Other liabilities	17,143,865	14,836,398	25,057,645
Equity and liabilities	721,309,600	653,228,665	670,606,080

2.2.2 Mutual Pension Fund Management

Market Overview

Funds from supplementary pension insurance are collected and managed in pension funds formed in accordance with ZPIZ-2. In 2023, 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.

With the growth of share and bond prices in 2023, the returns of all sub-funds managed by Modra zavarovalnica were positive. Although both the equity and bond markets fluctuated throughout the year, Modra followed its annual management strategy, which yielded results especially in November and December, when the funds recorded very good growth.

The returns of both sub-funds with a guaranteed return investment policy were well above average compared to competing sub-funds, confirming the correct strategic positioning in the financial markets, where we were slightly more heavily weighted towards equity investment, and, within bond investments, corporate bonds.

The two sub-funds with a prudent investment policy are also at upper end of the peer group, while the two sub-funds with a dynamic investment policy have achieved returns in line with the average of competing pension sub-funds.

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

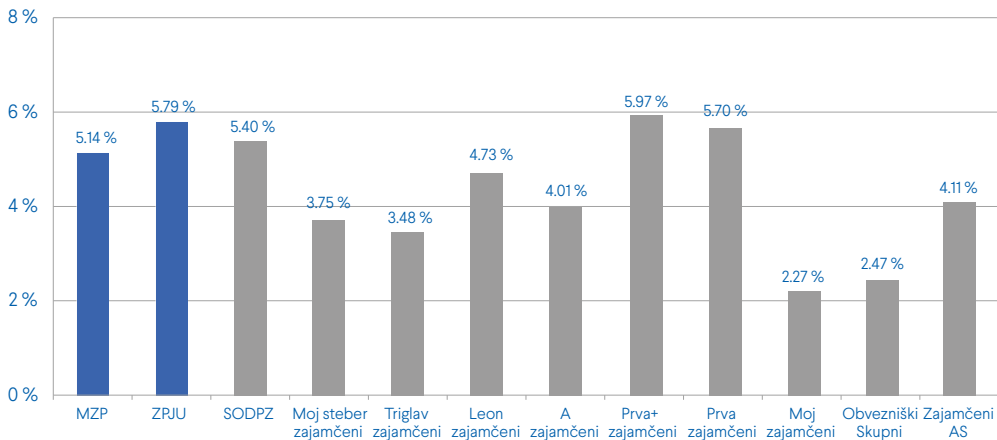


Figure 4: Comparison of 12-month return rates of domestic pension funds pursuing a balanced investment policy

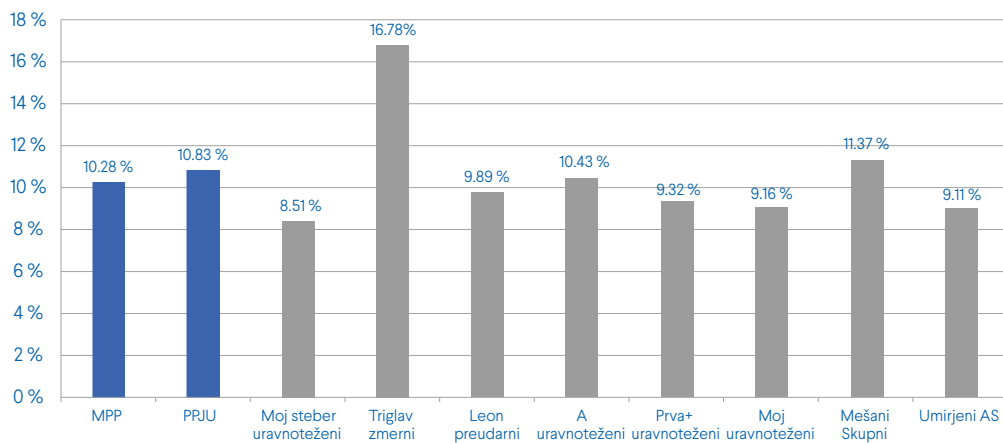
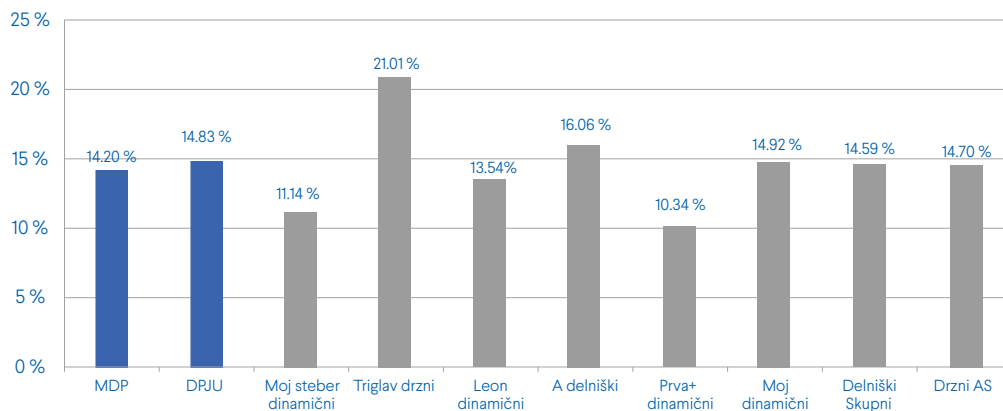


Figure 5: Comparison of 12-month return rates of domestic pension funds pursuing a dynamic investment policy



Mutual Pension Funds Managed by Modra zavarovalnica

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 2023, nearly 310 thousand individuals saved in its mutual pension funds and the assets collected totalled EUR 1.5 billion. Total supplementary pension insurance premium paid in, excluding asset transfers

between the sub-funds, reached EUR 128 million in 2023. 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 2023

Fund	No. of members/persons insured	No. of employers/premium payers	Assets under management in mio EUR
KPSJU	256,965	1,875	1,109.3
MKPS	39,555	450	382.9
PPS	13,298	-	11.8
Total	309,818	2,325	1,504.0

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 2023, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed rate of return on mutual pension funds amounting to EUR 4.7 million.

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 (DRJU) 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 (PRJU) 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.
- Zajamčeni podsklad javnih uslužbencev (ZPJU) je namenjen varčevalcem v starosti nad 60 let. Varčevalci, ki varčujejo v tem podskladu, prevzemajo le naložbeno tveganje nad zajamčenim donosom.

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 are included in the sub fund that is suitable for their age, unless they decided otherwise. Members who have saved in accordance with the guaranteed return policy at the time of its transformation in the beginning of 2017 they can decide on a possible 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 2023. 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 2023, 256,965 savers were included in it, with their funds reached EUR 1.1 billion.

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 (MZIP) 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 subfunds' 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 2023, they amounted to 2.5 percent. 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 2023, 39,555 savers were included in it, with their assets amounting to EUR 382.9 million.

First Pension Fund of the Republic of Slovenia

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

Modra zavarovalnica is entitled to an annual fee for the management of PPS, which amounted to 1% of the average annual NAV in 2023, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

At the end of 2023, 13,298 savers were included in it, with their assets amounting to EUR 11.8 million.

2.2.3 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 associates and jointly controlled entities (item F),
- Investments (item G),
- Cash and cash equivalents (item N.).

Table 4: Company's financial assets as at 31 December 2023

Item	Financial assets KS PPS	Financial assets KS MR	Financial assets KS MR II	Own financial assets	Total
Investments in associates	0	0	0	39,370,285	39,370,285
Investments	91,708,848	7,313,278	259,899,518	312,303,103	671,224,748
Cash and cash equivalents	542,414	71,965	346,096	1,619,886	2,580,361
Total	92,251,262	7,385,243	260,245,615	353,293,274	713,175,394

2.2.4 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 2023 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

(KS MR), 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 the Insurance Act (ZZavar-1), KS MR II and KS PPS funds are registered as ring-fenced funds. In 2023, Modra zavarovalnica paid a sum of EUR 37.9 million for supplementary pensions to 46,857 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra Renta" and "Modra Renta II" annuities) was received by 37,179 insured persons, while 9,678 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 2023	Assets under management (in EUR million)	Expenses for annuities (in EUR million)
KS MR	6,867	7.4	1.8
KS MR II	30,312	264.0	29.1
KS PPS	9,678	92.5	7.0
Total	46,857	363.9	37.9

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 2023, the fund's assets amounted to EUR 7.4 million. The biggest share of these assets is represented by bonds, which account for 88 percent of total assets.

Table 6: Assets of the KS MR

Assets	in EUR	
	31 Dec 2023	31 Dec 2022
Bonds	6,509,354	9,332,210
Treasury bills	803,924	0
Cash	71,965	136,938
Receivables	155	649,890
Total	7,385,398	10,119,038

At the end of 2023, 30% of the assets of the KS MR were invested in the Republic of Slovenia and 70% of all assets were held in investments of foreign issuers.

Modra Renta II Guarantee Fund

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.

An individual who chooses an annuity with guaranteed payment period can opt for the annuity to be paid in the form of an advance.

Table 7: Number of new members and amount of payments in KS MR II in 2023

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	760	11.849
KPSJU	4,540	44.410
Pension funds by other managers	1,158	28.956
Total	6,458	85.215

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 62 percent of all annuity recipients are female.

Insurances for lifetime annuity disbursements are included in the positive result achieved 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. The amount of annuities was not adjusted in 2023 due to the negative result of the fund in 2022.

As at 31 December 2023, the fund's assets amounted to EUR 264 million. The largest part of these assets comprise bonds, which account for 53%, and advances which account for 22%.

Table 8: Assets of the KS MR II

Assets	in EUR	
	31 Dec 2023	31. Dec 2022
Bonds	140,980,584	125,711,004
ETF units	44,713,242	42,002,846
Commercial paper	2,172,171	2,588,416
Treasury bills	10,228,813	3,074,686
Deposits and investment receivables	3,151,518	1,798,275
Advances	58,653,191	31,186,456
Cash	346,096	1,896,156
Receivables	3,733,269	14,593,085
Total	263,978,884	222,850,923

At the end of 2023, 35% of the assets of the KS MR II were invested in the Republic of Slovenia and 65% 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 more than 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. In 2023,

a part of the 2021 surplus of EUR 4,336,802 was allocated to the permanent annuity increase, which at the end of 2021, in accordance with the Rules on the allocation of the Surplus of KS PPS, was allocated to provisions for the compensation of the return experience. In April 2023, all insured persons or, rather, insurance or recipients of KS PPS pension annuities who took out insurance until December 2022 in the form of a monthly or annual annuity received increased annuities. The disbursement of increased annuities made in April also included a settlement for the period between January and March 2023.

In 2023, the right to a pension annuity was acquired by 1,253 insured persons aged 60 or more who paid in a total of EUR 2.3 million into the KS PPS for their supplementary pensions.

As at 31 December 2023, the fund's assets amounted to EUR 92.5 million. The largest part of these assets comprise bonds, which account for 63%, and stocks which account for 24% of all assets.

Table 9: Assets of the KS PPS

	in EUR	
Assets	31 Dec 2023	31 Dec 2022
Bonds	58,045,035	63,493,793
Stocks	21,856,507	19,925,767
ETF units	7,066,820	7,321,839
Treasury bills	2,443,546	1,000,781
Deposits and investment receivables	2,296,940	2,296,398
Cash	542,414	370,888
Receivables	250,864	4,353,410
Total	92,502,126	98,762,876

At the end of 2023, 51% of KS PPS assets were invested in investments in the Republic of Slovenia, while 49% of all assets were invested in the investments of foreign issuers.

2.2.5 Management of Own Financial Assets

The Company's own financial assets amounted to EUR 353.3 million at the end of December 2023. The largest share is taken up by the portfolio of investments into debt securities, which are followed by equity investments.

Table 10: Own financial assets of Modra zavarovalnica

	in EUR	
Assets	31 Dec 2023	31 Dec 2022
Portfolio equity investments	50,438,844	39,481,950
Non-portfolio equity investments	60,732,145	60,806,224
Portfolio debt security investments	240,502,399	229,422,085
Cash	1,619,886	2,303,273
Total	353,293,274	332,013,532

Portfolio Equity Investments

Table 11: Portfolio equity investments

	in EUR	
Assets	31 Dec 2023	31 Dec 2022
Stocks	50,438,844	39,481,950
Foreign stocks	50,438,844	39,481,950
Total	50,438,844	39,481,950

At the end of 2023, 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 portfolio is invested in the equities of US issuers and over 20% in investments of European issuers. The remainder is represented by investments in issuers from more developed Asian countries and issuers from developing economies.

Non-Portfolio Equity Investments

As at 31 December 2023, Modra zavarovalnica owned stocks or interests in Cinkarna Celje, d.d., Pozavarovalnica Sava, d.d., Delavska hranilnica, d. d., and Hotelske nepremicnine, d.o.o among its equity investments. Owing to the size of the equity interest, these investments are managed actively. The total value of these investments amounted to EUR 60.7 million at the end of 2023.

Portfolio Debt Security Investments

The value of the government bond portfolio amounted to EUR 61.1 million at the end of 2023. The portfolio mainly consists of government bonds of countries within the Euro area. All bonds are denominated in Euro. The largest share is represented by bonds of the Republic of Slovenia. The average maturity of the government bond portfolio is 4.3 years and the average rating is A. Most bonds have a fixed coupon interest rate.

Table 12: Portfolio debt security investments

	in EUR	
Assets	31 Dec 2023	31 Dec 2022
Bonds	121,388,079	66,617,653
Government bonds	61,099,633	28,190,151
Corporate bonds	60,288,445	38,427,502
Treasury bills	61,201,036	114,621,099
Commercial paper	690,530	796,436
Deposit and investment receivables	3,645,890	3,746,834
ETF units	53,576,864	43,640,063
Total	240,502,399	229,422,085

At the end of 2023, the value of the corporate bond portfolio amounted to EUR 60.3 million. Among corporate bonds, bonds of issuers from the Euro area prevail as well. All bonds are denominated in Euro. The majority of the bonds have a fixed coupon interest rate. Most corporate bond issuers come from the industries of finance, basic consumer goods, pharmaceuticals and energy. The average maturity of the government bond portfolio was 2.7 years at the end of the year, with the average rating being A-.

At the end of 2023, the value of target fund units reached EUR 53.6 million; of the mentioned amount, EUR 33.4 million are related to target funds that invest exclusively in debt securities.

The value of treasury bills amounted to EUR 61.2 million. The portfolio comprises German, Italian, Spanish, Belgian and French treasury bills.

Deposits include investment receivables of EUR 2.1 million and deposits of EUR 1.5 million. All deposits are placed with domestic banks.

Cash

At the end of December 2023, Modra zavarovalnica disclosed EUR 1.6 million of cash and cash equivalents among its financial assets.

2.3 Marketing Activities

To a greater extent, marketing activities aimed at building the recognisability of Modra zavarovalnica as a reliable insurance company that listens to its customers, is accessible and takes care of social security at all stages of life with its knowledge.

The year 2023 was marked by fresh ideas in cooperation with newly selected marketing agency, which focused on a new marketing image and corporate identity to increase the brand recognition of Modra. "The Blue Thread Connects All" campaign was launched at the beginning of the summer and ran through various advertising channels. We stopped our planned marketing activities in solidarity with the victims of the catastrophic floods in August 2023, which will be resumed in 2024.

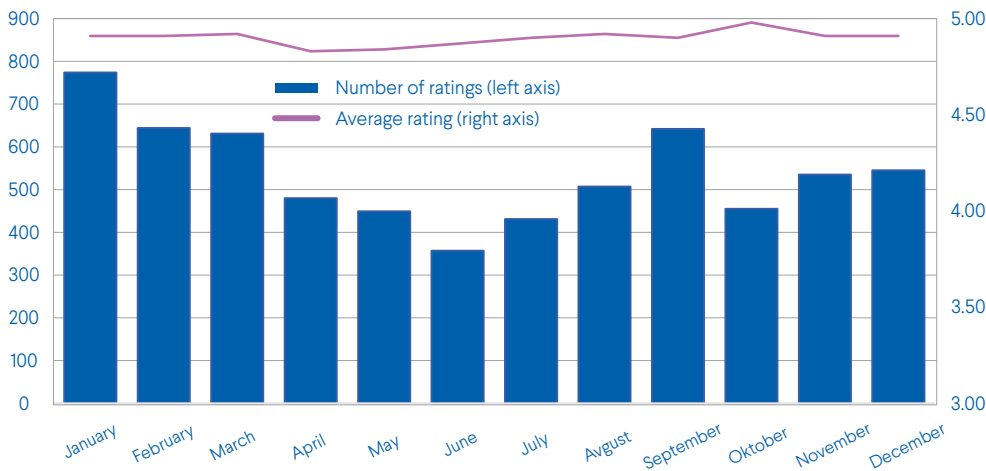
We maintain a continuous presence on digital channels, such as online media and social networks. As part of our long-term awareness-building activities, we have also created a unique soundtrack for the Modra zavarovalnica, which is used as a soundtrack for our video content (TV and online adds) and radio advertising, as well as on telephone lines during busy periods.

As experts in the field of supplementary pension insurance, we also present ourselves through events of "Financial School for Young People", the main purpose of which is to acquire general knowledge in the field of personal finances or financial literacy. With expert interlocutors and a promotional stand, we participated in various events, conferences and seminars for public administration, accountants, financiers and the general public.

We build our competitive advantages on establishing an ecosystem of partnerships with the banking sector and key stakeholders, on knowledge, expertise, excellent user experience, a genuine attitude towards insured persons and innovation.

In 2024, we will establish partnership with Delavska hranilnica; we will offer the possibility of acquiring supplementary pension insurance through Delavska hranilnica's sales network, we will implement tailored marketing campaigns, we will upgrade existing products and develop new ones as needed, depending on the feedback.

Figure 6: Results of ongoing customer satisfaction measurement in 2023



By notifying our members, we also use the opportunity to encourage new registrations to the e.Modra.si online service, as we inform members about the advantages of online insight into insurance products. We encouraged members to register and use the e.Modra.si online service more frequently, as current users recognise the online portal as a quality service which 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.

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 driver 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 2023, our customers rated us with an average rating of 4.9 out of a possible 5. The ratings given show high customer satisfaction, which we are extremely proud of.

We ended 2023 with the traditional "No Entry Costs" marketing campaign through digital channels, which encourages premium payments and thus higher income tax

savings. The results show that individuals are increasingly aware of the importance of saving for a supplementary pension and knowing the advantages of tax relief within supplementary pension insurance.

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.

2.4 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.

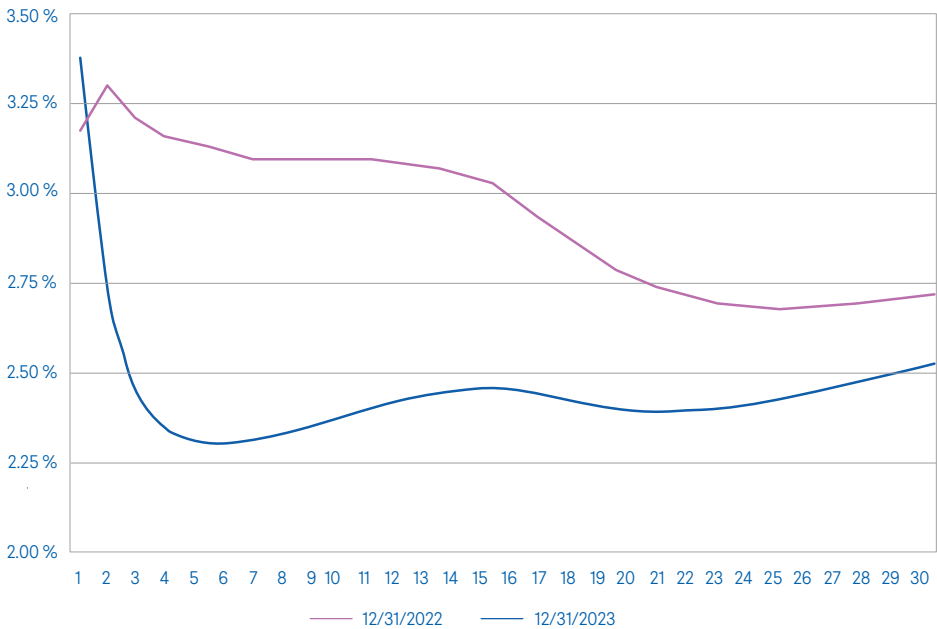
Modra zavarovalnica measures risk and monitors capital adequacy using the methods that comply with the standard formula according to Solvency II. In order to ensure long-term target capital adequacy, the Company regularly performs Own Risk and Solvency Assessment (hereinafter: ORSA) by way of which it determines the ongoing and expected capital

requirements and defines the appropriate capital management measures. ORSA carried out in 2023 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%.

All materially significant risks to earnings, which the insurance company is exposed, constitute the risk profile of the insurance company. The risk profile of Modra zavarovalnica has, compared to the situation at the end of 2022, increased slightly and the share of market risks decreased, but by less than 1 percentage point. In 2023, we witnessed the growth in stock indexes. There were also increases in central bank interest rates, so the ECB increased the fixed interest rate from 2.5% to 4% in 2023. Inflation has declined in 2023, but is still significantly higher than the ECB's benchmark inflation of 2%.

Figure 7: Risk-free interest rate curve as at 31 December 2023 and as at 31 December 2022



2.4.1 Risk Management System

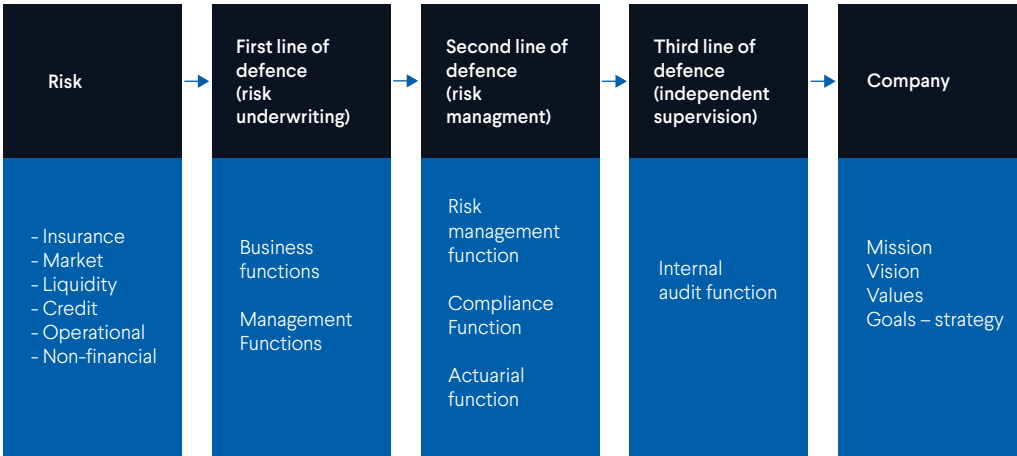
The Company devotes special attention to the comprehensive risk management system that ensures the realisation of strategic goals. Our risk management system is clear, transparent and documented. It allows us to identify important risks on time, and also encompasses processes that enable effective management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

Figure 8: Three lines of risk management



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.

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.

2.4.2 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.

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 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 and Supervisory Board;
- review and improvement of the risk management system.

the determination of planned guidelines and targets for the strategic period involves the definition of the risks that the Company is prepared to assume. 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 which 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.

Figure 9: Risk management system



2.4.3 Capital and Capital Adequacy Management

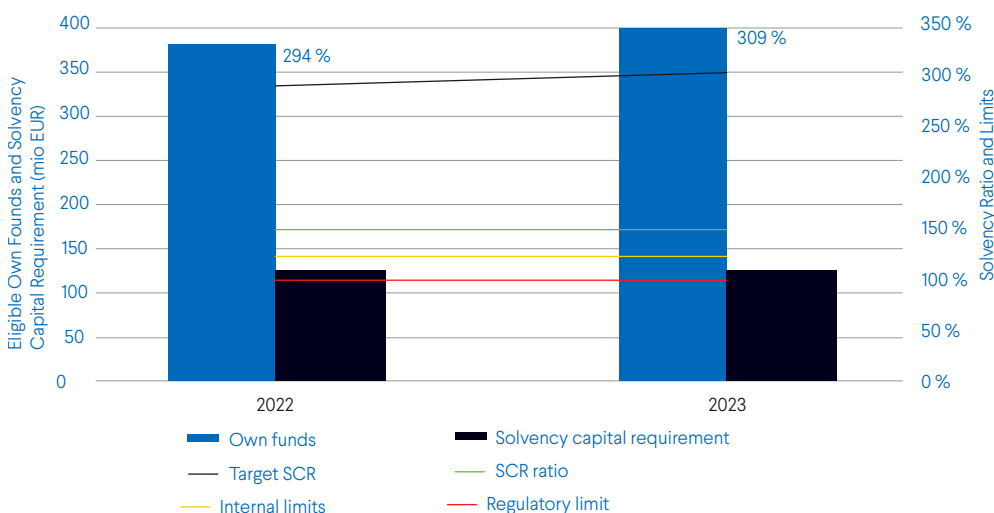
Capital management serves to optimise the operations and take suitable business decisions in order to attain the strategic goals of Modra zavarovalnica. According to its assessment, Modra zavarovalnica has at its disposal a sufficient volume of own funds with respect to its total capital requirement; the SCR ratio increased in 2023 compared to 2022.

In 2023, the ratio between the eligible own funds and total capital requirements (SCR ratio) increased from the initial 294% to 309%. The main reason for the increase in the SCR ratio is the favourable market conditions, especially in the last quarter of 2023; i.e. in the growth of the value on the stock markets and the shift of the risk-free interest rate curve down, which resulted in an increase in liabilities on the one hand and a favourable impact on the valuation of debt securities on the other. At the same time, the higher capital adequacy was positively affected by the changed tax rate, according to which we calculate deferred taxes.

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

Item	31 Dec 2023	31 Dec 2022
Solvency II		
Total capital requirement (in EUR)	129,593,794	130,162,510
Eligible own funds (in EUR)	400,253,476	383,156,370
Excess of available own funds (in EUR)	270,659,682	252,993,860
Eligible own funds to total capital need ratio	309 %	294 %

Figure 10: Risk appetite and realised capital adequacy



2.4.4 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:

- **Insurance risks** are risks related to the insurance coverages covered by the insurances. Insurance coverage represents the risk of loss or of adverse change in the value of underwriting liabilities due to inadequate premiums and assumptions taken into account in the calculation of technical provisions. Insurance risks are broken down into risks under life insurance, health insurance, which includes accident insurance, and non-life insurance. The Company is mainly exposed to life insurance risks, while health insurance risks are immaterial because of the low volume of such insurance. The Company is not exposed to non-life insurance risk.
- **Market risks** represent the risk of loss or of adverse change in the Company's financial position resulting from fluctuations in the level or volatility of the market prices of assets, liabilities and financial instruments. They include equity risk, currency risk, interest rate risk, spread risk, market concentration risk and property risk.
- **Credit risk** is the risk of loss or adverse change in the financial position of the Company resulting from fluctuations in the credit standing of security issuers, counterparties and eventual debtors, to which the Company is exposed through counterparty default risk.
- **Liquidity risks** 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 risks** 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, cyber risks, 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 the last year, increasing attention has also been paid to **sustainability risk**, which means an environmental, social or a governance event or circumstance which, if it occurs, may have an actual or potential negative impact on the value of an investment or liability.

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

2.5 Informatics

2.5.1 Information System

There is uncertainty regarding the future economic environment which is significantly impacting investment decisions in the information and communication infrastructure. High inflation and only a gradual decrease in it is reflected in the rise in the prices of services and also in the intensified battle for adequate personnel at our suppliers. Ensuring adequate personnel at suppliers and maintaining the quality of IT services is becoming more and more critically important for the performance of an insurance company's business, which is largely based on the outsourcing of services. The Company continues to pursue the model of hybrid cloud services, which represents an increasingly important model in the business environment.

The key axes of development and strengthening of the information function are:

- continuous strengthening of cyber security with an emphasis on safeguarding personal data;
- continuous improvement of digital services as a foundation of our members' trust and loyalty;
- data analytics as the foundation of user-tailored services;
- reliability and availability of information services to support the insurance company's business processes;
- compliance of the operation of the information and communication technologies (ICT) with legal requirements.

In 2023, we focused to a considerable degree on strengthening cyber security and digitizing sales processes. We have added some important functionalities to the mobile application that increase its useful value. Members can make premium payments into the fund and monitor their active payments. A simple change of payments into a sub-fund is possible with a recommended investment policy according to the member's age. The graphic image is enriched with a graphic representation of the movement of assets in the period.

As part of the digitization of sales channels, we developed a cloud service with an external contractor for e-concluding supplementary pension insurance with external intermediaries.

This is a service that contractual partners of Modra zavarovalnica will use to sell supplementary pension insurance. The digital method of electronic concluding ensures legal compliance with the Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT) and compliance with the personal data protection. The service enables online payment, remote e-signature, electronic storage of documentation and the possibility of video identification.

By offering digital solutions, we follow global trends, where we continue to see a growth in the use of mobile/ digital programmes, and, above all, an increase in the time spent using mobile devices. We see mobile or digital solutions as a strategically important tool for gaining attention, strengthening customer relationship and an alternative to current conclusion processes.

Risks related with the cyber security are among the most important operational risks of an insurance company. In 2023, we implemented the Microsoft Defender tool for e-mail protection, early detection and prevention of phishing attacks, early detection and prevention of malware, risky links and attachments, and introduced two-factor authentication. The service of an external cyber security operations center, enables us to detect, analyze and respond appropriately to various security incidents in a timely manner. In this way, we achieve a higher level of cyber protection and have a clear insight into what is happening within the information system. The processes of ensuring cyber security are certified according to international standards ISO 22301 as well as ISO/ IEC 27001.

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.

2.5.2 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 reduce risks related to the protection of the rights and freedoms of individuals in the processing of personal data. At the beginning of the year, the Personal Data Protection Act 2 entered into force, the provisions of which were implemented in the internal acts of the Company this year. We are fully aware that raising the employees' awareness constantly is key to maintaining the personal data protection. 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 introduced 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 are committed to protecting personal and confidential data and respecting the rights of individuals in the same way as Modra zavarovalnica.



*We help our savers
secure higher incomes after retirement
through effective financial planning.*

2.6 Organisation and Employees

2.6.1 Organisation

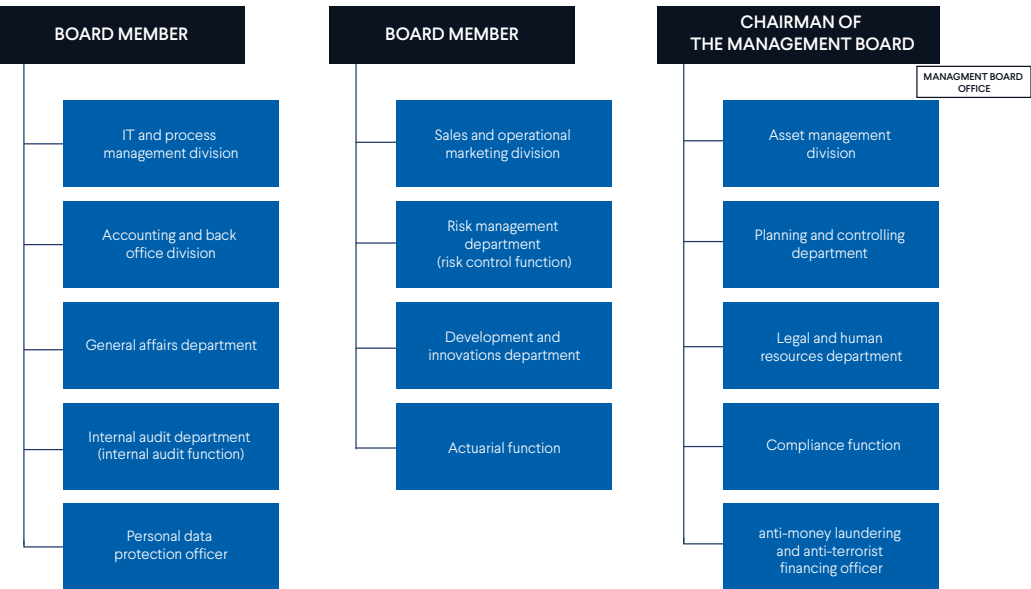
Modra zavarovalnica is organised in line with the needs of the work process and requirements regarding the efficiency and competitiveness of operations. The highest management, presentation and representation body is the Management Board. It is a three-member collective body comprised of the Chairman 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 are responsible 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.

Figure 11: Organisational chart of Modra zavarovalnica



2.6.2 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.

Number of Employees and Employee Structure

At the end of 2023, the insurance company employed 66 people, and the average number of employees in 2023 is 63.92 people.

In 2023, we hired five new employees - an employee in the accounting and back office division with indefinite period of employment, an employee in the sales and operational marketing division for a fixed term (1 year), an employee in the asset management division with indefinite period of employment and an employee in the general affairs department with indefinite period of employment. The employment relationship of three employees was regularly terminated. 64 employees are employed for an indefinite period and two are employed for a fixed term.

67% of employees are female and 33% are male. The average age of employees is 47 years, while the average period of service amounts to a little over 22 years.

In Modra zavarovalnica, we have no employees under the age of thirty. Most employees are in the age group between 45 and 50.

Figure 12: Percentage share of employees by level of education as at 31 December 2023

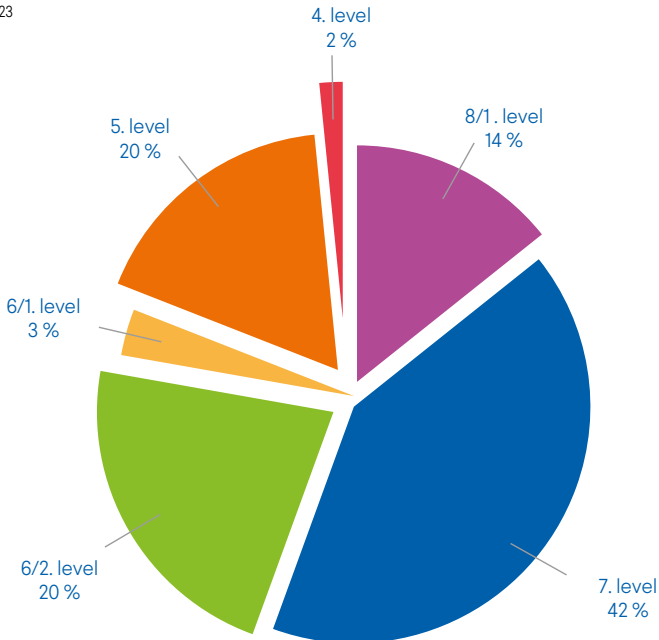
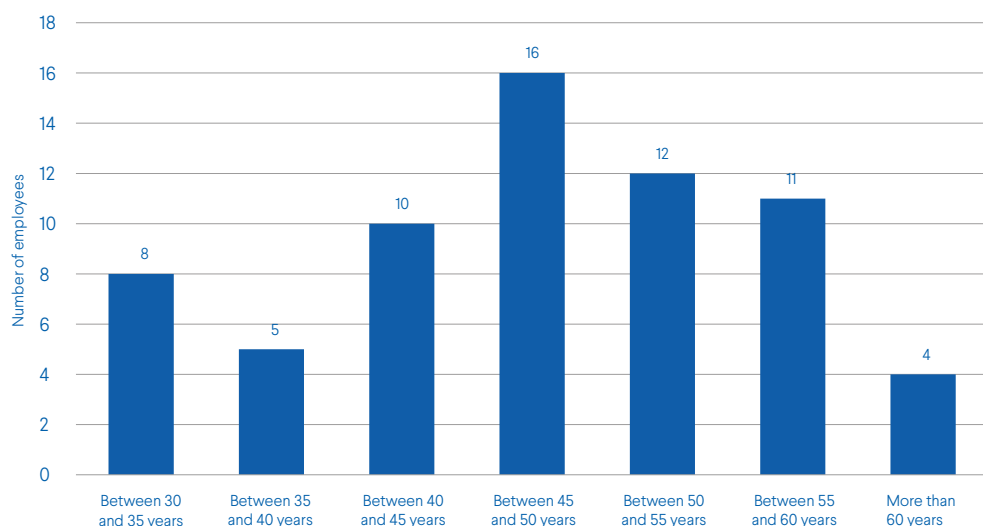


Figure 13: Structure of employees by age group as at 31 December 2023



2.6.3 Employee Training and Education

Our employees develop their knowledge and competences at numerous external and internal trainings. We are aware that investing in the knowledge and development of all employees is the way to the success of the Company. We strive to ensure that every employee is involved in at least one form of training course per year, coordinated with the development tasks of Modra zavarovalnica.

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 2023, we organised the following on-line training courses: "Alternative investment funds (provisions of ZOAIS and ZUAIS)", "The voting rights of minority shareholders according to the Companies Act", "Safety awareness of employees" and from the field of activity of the European Association of Public sector Pension Institutions (EAPSPI Association) with

a presentation of the jurisprudence of the European Court of Justice in the field of pension insurance.

With occasional work from home and digitalization of work processes, IT security is highly important 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 2023, 3 employees underwent additional education and professional training.

2.7 Social Responsibility

2.7.1 Responsibility to the Insured and the Broader Social Community

Modra zavarovalnica is an important element in maintaining a stable pension system in Slovenia and is the largest manager of mutual pension funds and the largest payer of supplementary pensions. Therefore, raising trust in the pension system and encouraging individuals to take an active approach to saving is one of the most important tasks of Modra zavarovalnica. We direct our activities to increase awareness of the importance and need of saving for the time after retirement. We believe that adequate information and knowledge lead to making the right decisions.

In 2023, we focused our efforts on education and financial literacy of the population. We participated in the Financial Festival 2023 event, organized by the Ljubljana Stock Exchange, and recorded video content with the aim of a more detailed presentation of both supplementary pension insurance and Modra zavarovalnica. In cooperation with the Union of the University Medical Centre Ljubljana, we recorded a podcast aimed at financial literacy of the employees of the University Medical Centre Ljubljana and introduced ourselves to public administration employees at the event called "XXX Slovenian Administration Days" with a presentation stand and a professional interlocutor.

As part of financial literacy, we took care of the publication of professional and substantive PR articles in the financial media, and regularly responded to opportunities for exposure through journalistic texts in the media of a wider range. On the Med.Over.Net online forum, in order to raise awareness of the importance and advantages of saving for a supplementary pension, we conducted 3 public forums, where our advisors answered users' questions live.

For several years in a row, in cooperation with the financial newspaper Finance, we have been supporting the organization of a financial school for young people, where we also work with our lecturers and thus promote greater financial literacy among young people.

Trade union representatives are also an important messenger of supplementary pension insurance as an effective way of ensuring social security, which is why we actively cooperate with them: we are present with topical content on their digital channels, our experts give lectures at trade union seminars or various conferences, we also provide ongoing professional assistance in preparing answers to questions from employees and union members, and we monitor the initiatives and reactions of members coming from the field.

By supporting organizations aimed at young people, we take care of their development. In 2023, we supported the project of Jaka

Blažič called Happy Basketball, which aims to ensure the quality development of children, the implementation of social activities and takes care of the renovation of sports fields, which young people need most at this time.

2.7.2 Charity

For all its years of operation, Modra zavarovalnica has been supporting charitable activities that help young people and the socially disadvantaged to better conditions in the field of education and development. That's why throughout the year, we respond to requests of various societies and organizations and help them with promotional material in organising tomobolas and giveaways.

At the beginning of 2023, we donated operating funds to the Association of Slovenian Cancer Patients and the Slovenian Association of Friends of Youth of Moste Polje Youth for the purpose of the Humanitarian program Sponsorship in Slovenia called Botrstvo, which is intended for children and young people from families in need from all over Slovenia who need additional support and help to improve their quality of life. We donated to the Hospital for Women Diseases and Obstetrics for the organization of the event celebrating their 100th anniversary. As a sponsor, we participated in the implementation of activities in the framework of the World Doll Day celebration.

We participate in humanitarian projects and campaigns, and the year 2023 was very special in this respect. At the beginning of August 2023, Slovenia was covered by heavy rains, which caused severe floods in most of the country. Many people were left without a roof over their heads, electricity, drinking water and other basic necessities. The whole country actively joined the rebuilding of Slovenia and Modra zavarovalnica also decided to allocate part of its funds to those affected by the floods. For this purpose, Modra zavarovalnica donated to The National Council of Disability Organizations of Slovenia, to support the psychosocial support service that helped those affected during the floods. We provided extraordinary solidarity aid to members of Trade union of education by participating in the charity event "Solidarity with colleagues". We also helped the Prevalje Volunteer Fire Brigade and donated funds to the state budget for the purpose of rescuing and financing projects and recovery measures related to flood and landslide recovery.

With the company's donations, Modra zavarovalnica shows that we care about the individual and the environment in which we live, as we believe that mutual solidarity is the foundation of social responsibility. By donating funds, we demonstrate a good intention and thereby deepen our mutual relationship and increase the trust in Modra zavarovalnica.

2.7.3 Environmental Responsibility and Compliance with Principles of Sustainability

Modra zavarovalnica has been monitoring some sustainability factors for a long time, especially in the area of asset management; in 2023, it has approached the challenge of sustainable business in a project-based manner, in cooperation with Kapitalska družba, with the aim of introducing a holistic sustainability model in the different segments of both companies' business.

When managing investments, Modra zavarovalnica has been monitoring sustainability factors for many years. At first, it monitored them only in a basic form, but in 2022, it upgraded and supplemented the information on investments published on the home website. In 2023, it was the first time that the Company published the carbon footprint of the funds and their impact of the rise in average temperature in 2022 (<https://www.modra.si/app/uploads/2021/03/lzjava-o-upostevanju-trajnostnih-nacel-Modre.pdf.pdf>). It took into account the data available in verified databases, which unfortunately do not provide data for all investments of the Company. Modra zavarovalnica plans to publish similar disclosures in the future as well.

Modra zavarovalnica understands the challenge of sustainable development and believes in the importance of green transformation and other aspects of sustainability. Although the insurance company is not legally obliged to collect and disclose information on sustainability impact on its investments and its own operations, it provides information that is available at a reasonable cost and with reasonable effort. The obligation to publish the required aspects of sustainability in accordance with the Corporate Sustainability Reporting Directive (CSRD) guidelines is expected to be mandatory for Modra zavarovalnica for the financial year 2025, meaning that the first such report will be published in 2026.

In the area of management of own assets and funds under management, Modra zavarovalnica has already in the past specified economic sectors that it avoids, 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, publicly available and verified databases were taken into account. The investment in Cinkarna Celje is considered separately. In addition, Modra zavarovalnica intends to further upgrade the investment management process in order to pursue the key principles of sustainable development.

The statement on compliance with principles of sustainability lists the codes that Modra zavarovalnica respects and the certificates it has obtained in the field of conducting with employees as well as the corporate field. In addition to the impact of investments on sustainability factors in its own operations, Modra zavarovalnica is currently mainly monitoring CO2 emissions caused by employees on business trips or driving to and from work, as well as some other impacts on the environment. In caring for the environment, Modra zavarovalnica believes that a clean environment is the foundation for the development and success of the Company. That is why we support environmentally-oriented activities, take part in waste sorting, by introducing electronic business we ensure less paper consumption, by introducing the principle of "water from the tap" we gave up plastic bottles, collect used and waste printer cartridges and give them for refilling, donate funds to charity, and at the same time, in 2023, we allocated a larger share of or donor funds to flooded areas in Slovenia. Last year, Modra zavarovalnica together with Kapitalska družba calculated the carbon footprint of the group without the investment contribution with the help of an external qualified contractor and identified possible areas for improvement.

2.7.4 Care for Employees

2.7.4.1 Promotion of Health at Workplace

By implementing an action plan to promote health, employees are encouraged to lead a healthy lifestyle, thus reducing the risk of illness. The incentives are aimed at both the professional and private life.

The intranet portal offers information regarding topical health issues and useful articles on exercise and a healthy diet. A half-hour guided training is available to employees twice per week, taking place on-line, enabling those working from home to join in as well.

Fresh fruit and veggies are available to employees. 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.

2.7.4.2 Health and Safety at Work

We provide a safe and healthy working environment for all employees. Regular trainings for safe and healthy work, which are mandatory for all employees, are carried out during working hours, and their costs are fully covered by Modra zavarovalnica. Various activities are carried out at Modra

zavarovalnica to manage sick leave. In order to prevent the introduction and limit the spread of viral infections, we introduced both sanitary and organizational measures (the possibility of working from home), thereby enabling smooth work processes.

2.7.4.3 Supplementary Pension Insurance and Other Collective Insurances

By paying premiums for the supplementary pension insurance fund for all employees, we provide for additional income that employees will receive after retirement. By concluding collective insurances with business partners, we also enable employees to be collectively included in other insurances, which represent an important part of the social security of employees and their family members.

2.7.4.4 Family Friendly Enterprise Certificate

Special attention is paid with a number of measures for the coordination of work and family life. 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.

2.7.4.5 Mutual Relations Are Important

With the aim of building a positive atmosphere and good mutual relations among employees we organized a spring picnic and held a two-day team workshop, where we strengthened mutual cooperation and communication and proved that despite our differences, we know how to come together to achieve the goal.

In 2023, we also introduced a "Blue Day" (Modri dan) on the anniversary of the founding of Modra zavarovalnica. On this day, we organize a trip for the employees, which is also a social event and, as a result, strengthens the bonds between the employees.

2.7.4.6 The Organizational Climate

The employees are very committed and feel a strong sense of belonging to the insurance company, thus co-creating a positive working environment and organizational climate, as well as good business results. We determine their opinion about working at Modra zavarovalnica by regularly measuring the organizational climate.

In 2024, the survey of the internal organisational environment

of the Modra zavarovalnica was conducted on the basis of OCS (Organisational Climate Survey) methodology, to which we added additional questions in the area of the "Družini prijazno podjetje" (Family Friendly Company) certification. The survey showed a significant improvement in all indices, indicating a trend of positive change in the insurance company. On a scale of 1 to 5, the overall OCS index has increased by +0.58 since the last measurement, moving from medium to strong development with a score of 3.93. The overall OCS index of Modra zavarovalnica exceeds the Slovenian average by +0.50 values.

The satisfaction index (4.18) recorded the highest increase compared to the last measurement and the highest absolute value, followed by the responsiveness, systems and overall climate indices.

Based on the results of the measurement of the organisational climate and employee satisfaction we conclude that the internal organisational environment of Modra zavarovalnica is again highly rated after last year's decline, with a positive trend in all measured dimensions.

2.8 Important Business Events After the End of the Financial Year

On 15 January 2024, the Insurance Supervision Agency published the Notice on the main supervisory innovations and priorities in 2024, in which it highlights some essential regulatory innovations and priority areas of supervision in 2024.

For 2024, it pays particular attention to reporting in line with the revised standards and environmental requirements.

2.9 Expected Development of Modra zavarovalnica in 2024

Regardless of the fact that in 2024, Modra zavarovalnica will start to develop new strategic orientation for the next medium-term period, the security of assets under management and of personal data remains its central guiding principle.

Security is also linked to the European Parliament's Digital Operational Resilience Act for the financial sector, effective in 2025. Therefore, in 2024, we will align our operational resilience management processes with the provisions of the Act. Key changes will be made in the fields of operational risk management, security incident management (classification, reporting), digital operational resilience testing and risk management of third parties working with the insurance company in the field of information and communication technology.

In order to ensure effective management of electronic business documentation, we will establish a framework for a paperless business system with all the company's stakeholders (members, boards, supervisor, business partners), define rules for the management of business documentation, and select an appropriate software solution that will not only enable effective management of business documentation, but will also allow integration with key back-office systems.

Sustainability will be a particular focus in 2024 as new regulatory requirements are coming into force. The first sustainability reporting under the CSRD (Corporate Sustainability Reporting Directive) guidelines is foreseen for the financial year 2025. In 2024, Modra zavarovalnica is expected to once again publish an otherwise non-binding report on its website with data on various aspects of the sustainability of investments in management, whereby it is planning an even more extensive report than last year.

For 2024, financial analysts predict moderate growth in stock and bond indexes and a positive economic growth. Unfortunately, achieving favourable investment results will continue to be affected by unpredictable geopolitical situations, with the armed conflicts in Ukraine and the Middle East at the fore.

In 2024, we plan to upgrade investment portfolios with derivative financial instruments in order to protect returns, if necessary, and we will upgrade the investment management

process in the direction of pursuing the key principles of sustainable development.

We will improve the effectiveness of risk management by comprehensively measuring, monitoring and managing assumed and potential risks, as well as by assessing risks and solvency. The Company's goal is that the amount of own funds will always exceed the amount of the required solvency capital, calculated from various types of risks, with the target value of the stated ratio being 150%.

We will follow the trends when it comes to the development of financial services, which are aimed in the direction of digitization of services, simple user experience and the offer of new– innovative ways of saving. The customer remains at the centre of our attention, we will thus focus on building relationships based on trust. We will strive to ensure that savings in pension funds as well as the disbursement of pension annuities are adapted to the needs of individuals, adequately follow changes in the economic and demographic environment, and contribute to the sustainability of the pension system.

In 2024, we will offer the existing and the potential customer an enhanced mobile app to actively involve savers in monitoring the content of supplementary pension insurance and to increase the understanding of the nature of the product (the advantage of saving according to the life cycle and taking advantage of the tax relief). We will also be available to members to communicate and arrange insurance remotely via the app.

We will continue with promoting the financial literacy among the younger population and stimulate interest in the topic within the public sector, where we also plan marketing activities in order to increase the recognition of Modra zavarovalnica and supplementary pension insurance.

We will maintain a working environment where employees feel good, collaborate well and have the opportunity to share ideas and maintain two-way communication.

2.10 Report on Relations with the Controlling Company

In the 2023 financial year, the Company took no action in relation to the controlling company deriving from contractual and business relationships at the initiative or in the interest of the controlling company and its associated companies that would result in its disadvantage or detriment.

2.11 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 2023.

2.11.1 Reference to the Applicable Corporate Governance Code

The Management 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, 17 May 2017, 27 November 2019, 17 March 2021, 6 June 2022 and 18 December 2023 by the Slovenian Sovereign Holding d. d. (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, 3 December 2020 and 25 January 2024, which entered into force when the consent of the Company's Supervisory Board was obtained.

The following are deviations from the recommendations of the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter referred to as the Code).

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 in the long term, 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.

Clarification: Pursuant to Article 80 of the Slovenian Sovereign Holding Act (ZSDH-1), 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 128.3 million in the past five years, of which EUR 14.4 million in the form of dividend distribution and EUR 113.9 million in the form of capital growth.

Description of the Company's Main Characteristics of Internal Control and Risk Management Systems Relating to the Accounting Reporting Procedure

Clarification: Modra zavarovalnica manages risks and carries out internal control procedures at all levels.

The purpose of internal controls is to ensure the accuracy, reliability, transparency and clarity of all processes and risk management 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; they are recorded accurately and honestly and provide a guarantee that the Company disposes of its assets with integrity;
- business events are recorded, and financial statements prepared in compliance with 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 8 July 2022, the Company's financial statements for 2022, 2023 and 2024 financial years will be audited by PricewaterhouseCoopers, d. o. o., Cesta v Kleče 15, 1000 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

Clarification: 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

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

Restrictions on Voting Rights

Clarification: 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 Rules on the Appointment or Replacement of Members of the Management/ Supervisory Bodies and Amendments to Articles of Incorporation

Clarification: 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. 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.

The members of the Supervisory Board of Modra zavarovalnica, who are appointed on the proposal of Kapitalska družba are nominated by the Supervisory Board of the sole shareholder. The term of office of Members of the Supervisory Board of Modra zavarovalnica lasts four years, after which they may be reappointed.

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 are appointed by the Supervisory Board. One of the Members is appointed Chairman 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 (ZGD-1). 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 and the Supervisory Board.

Authorisations to the Management, Particularly Authorisations to Issue or Purchase Own Shares

Clarification: 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

Clarification: 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, 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

Clarification: 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 the Company Bodies chapter.

Table 14: Composition of the management team in 2023

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
Borut Jamnik,	Chairman of the Management Board	Investment management, planning and controlling, strategic communications, marketing, legal and HR, ML/ATF officer's duties and compliance functions	29 August 2011	16 April 2023
Matej Golob Matzele	Chairman of the Management Board	Investment management, planning and controlling, legal and HR, ML/ ATF officer's duties and compliance functions	10 May 2023	10 May 2027
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 September 2011	14 September 2025
Matija Debelak, MSc	Chairman of the Management Board	Investment Chairman management, planning and controlling, legal and HR, ML/ATF officer's duties and compliance functions IT and process management, accounting and process support management, general affairs and the area of the data protection officer and the internal audit function	17 April 2023	9 May 2023
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	10 May 2023	14 September 2025
Boštjan Vovk	Member	Area of risk, product development and sales and the area of the actuarial function and the risk management function	1 October 2018	1 October 2026

Gender	Citizenship	Year of birth	Education	Professional profile	Membership in the supervisory boards of companies not related to the Company
M	RS	1970	BSc (Mathematics)	Insurance business, banking, financial industry, pharmaceutical business, corporate governance, asset and pension fund management	Krka, d.d.
M	RS	1972	BSc (Economics)	Insurance business, banking, financial industry, corporate governance, asset and pension fund management	HIT D.D. Nova Gorica
M	RS	1971	BSc (Economics)	Insurance business, banking, financial industry, corporate governance, asset and pension fund management	
M	RS	1971	MSc (Science)	IT and process management, financial asset management, pension fund management	
M	RS	1971	MSc (Science)	IT and process management, financial asset management, pension fund management	
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 2023 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
Branimir Štrukelj	9 December 2011	9 December 2024	Representative of those insured in the KPSJU	13/13	M
Bachtiar Djalil	14 January 2019	9 June 2025	Representative of capital	13/13	M
Marko Cvetko	9 December 2020	9 December 2024	Representative of those insured in the MKPS	13/13	M
dr. Janez Prašnikar	9 June 2017	9 June 2025	Representative of capital	13/13	M
Bojan Zupančič	9 December 2011	9 December 2024	Representative of those insured in the KPSJU	13/13	M
Roman Jerman	9 April 2019	9 December 2024	Representative of capital	13/13	M

Citizenship	Year of birth	Education	Professional profile	Independence Independence under point 6.6 of the Code (YES/NO)
RS	1957	Prof. of History and Art History	Expert in the area of pension fund management	Yes
RS	1975	BSc (Law), LL M.	Corporate governance, pension and investment fund management, commercial and financial law	No
RS	1970	BA (Chemical Technology), management specialist	Corporate governance and corporate security, HR, management of the innovation activity at the Company, HR Management	Yes
RS	1950	Sc.D.	Economic sciences, management, transition, restructuring, innovation, corporate governance	Yes
RS	1950	Senior social worker	Accounting, pension fund management	Yes
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 2023 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
Branimir Štrukelj	No	-
Bachtiar Djalil	Yes	Loterija. d. d., until 4 April 2023
dr. Janez Prašnikar	No	-
Bojan Zupančič	No	-
Roman Jerman	Yes	Gospodarsko razstavišče, d. o. o., until 15 June 2023; Loterija Slovenije, d. d., from 5 April 2023
Marko Cvetko	No	

Table 17: External members of Supervisory Board committees in 2023

Name and surname	Committee	Attendance in committee meetings compared to the total number of meetings	Gender	Citizenship
Dragan Martinović	Audit committee	11/11	M	RS

Membership in committees (president/member of the audit or HR committee)	Attendance in committee meetings compared to the total number of meetings
-	-
-	-
Chairman of the Audit Committee (from 9 June 2021)	11/11
Member of the Audit Committee (from 11 April 2019 to 9 December 2020 and from 16 December 2020)	10/11
-	-
-	-

Education	Year of birth	Professional profile	Membership in the supervisory boards of companies not related to the Company
BSc (Economics), audit specialist, certified auditor, certified tax officer, court expert for auditing	1959	Auditing, taxes	Pozavarovalnica Sava, d.d. Member of SB

Ljubljana, 22 March 2024


Boštjan Vovk,
MEMBER OF
THE MANAGEMENT BOARD


mag. Matija Debelak,
MEMBER OF
THE MANAGEMENT BOARD


Matej Golob Matzele,
CHAIRMAN OF
THE MANAGEMENT BOARD

Accounting Report

*The safety of savings has been
a priority of Modra zavarovalnica
for more than 10 years.*





3.1 Statement of Management's Responsibility

The Management Board of Modra zavarovalnica, d. d. hereby confirms the Financial Statements of Modra zavarovalnica for the period from 1 January 2023 to 31 December 2023 and the Associated Notes and Disclosures to the Financial Statements.

The Management Board hereby confirms that appropriate accounting policies were consistently applied and that accounting estimates were made under the principle of prudence and diligence of a good manager and represent a true and fair overview of the insurance company's financial position and financial performance for 2023.

The Management 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, 22 March 2024



Boštjan Vovk,
MEMBER OF
THE MANAGEMENT BOARD



mag. Matija Debelak,
MEMBER OF
THE MANAGEMENT BOARD



Matej Golob Matzele,
CHAIRMAN OF
THE MANAGEMENT BOARD

3.2 Independent Auditor's Report



Independent Auditor's Report

To the Shareholder of Modra zavarovalnica d.d.

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Modra zavarovalnica d.d. (the "Company") as at 31 December 2023, and the Company's separate financial performance and the separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee of the Supervisory Board of the Company dated 21 March 2024.

What we have audited

We audited the Company's separate financial statements, which comprise:

- the separate Statement of financial position as at 31 December 2023;
- the separate Statement of profit or loss for the year then ended;
- the separate Statement of other comprehensive income for the year then ended;
- the statement of Changes in equity for the year then ended;
- the statement of Cash flows for the year then ended; and
- the notes to the separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (the "Regulation"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers d.o.o.,
Cesta v Kleče 15, SI-1000 Ljubljana, Slovenia
T: +386 (1)5836 000, F:+386 (1) 5836 099, www.pwc.com/si
Matriculation No.: 5717159, VAT No.: SI35498161

The Company is entered into the company register at Ljubljana District Court under Insert no. 12156800 per resolution Srg. 200110427 dated 19 July 2001 and into the register of audit companies at the Agency for Public Oversight of Auditing under no. RD-A-014/04. The registered share capital is EUR 34,802. The list of employed auditors with valid licenses is available at the company's registered office.

Translation note:

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Independence

We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standard Board for Accountants (IESBA Code), and with the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia. We have fulfilled our other ethical responsibilities in accordance with those requirements and with the IESBA Code.

To the best of our knowledge and belief, we declare that the non-audit services that we have provided to the Company and its subsidiaries are in accordance with the applicable law and regulations in Slovenia and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation.

The non-audit services that we have provided to the Company in the period from 1 January 2023 to 31 December 2023 are disclosed in Note 3.2.2: Operating Costs by Nature to the separate financial statements.

Our audit approach

Overview

Materiality	Overall Company materiality: EUR 3,496 thousand, which represents 1.0 % of the Company's net assets as at 31 December 2023.
Key audit matters	Insurance contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance that the separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate financial statements as a whole.

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Overall Company materiality	EUR 3,496 thousand
How we determined it	1.0 % of net assets
Applied rationale for the materiality benchmark	The Company's net assets are an important indicator of operations for key stakeholders. Therefore, we chose net assets as a materiality benchmark because we believe that this is of most interest to the key users of the separate financial statements. We have chosen the value of 1.0 %, which is consistent with the quantitative materiality thresholds used for regulated companies in the insurance sector.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Insurance contract liabilities Refer to note 3.9.2. Important Information on Accounting Policies - Significant Accounting Judgements and Estimates, 3.9.2. Important Information on Accounting Policies – Insurance Contract Liabilities and 3.9.3. Breakdown and Disclosures to the Financial Statements izkazom – Note No. 13: Insurance Contract Liabilities to the separate financial statements for detailed information on the insurance contract liabilities. Insurance contract liabilities consist of the liability for remaining coverage (LRC) of EUR 336,629,878 as of 31 December 2023 (EUR 273,675,700 on 31 Dec 2022), split to liabilities for residual coverage - No loss component EUR 328,017,680 (EUR 265,837,672 on 31 Dec 2022) and liabilities for residual coverage - Loss component EUR 8,612,198 (EUR 7,838,028 on 31 Dec 2022). Model used by the Company for the measurement of the insurance contracts and related LRC is General measurement model (GMM). The GMM model is based on the following building blocks: a current estimate of future cash flows expected to arise during the life of the contract; an adjustment to reflect the time value of money and the financial risks related to the future cash flows and a contractual service margin (CSM) representing the unearned profit from the contract.	Our audit approach was the following: – We tested the requirements and implementation of selected internal controls in the process of determining and measuring Insurance contracts that are related to obligations, with an emphasis on internal controls for determining and validating actuarial assumptions and result models; – We evaluated important control activities in actuarial processes and verified the operational effectiveness of key internal controls in the process; – We gained our understanding of the insurance contract liabilities calculation methodology applied by the Company. We engaged our own actuarial experts to assist us in performing our audit procedures. – We tested on a sample basis accuracy of the input data of the measurement models in the source systems and reconciled it with the input in the insurance contract liabilities calculation engine. – We assessed how management determined and approved economic and non-economic actuarial assumptions used in the measurement model. Our assessments included challenging, as necessary, management's rationale for the specified economic and non-economic actuarial assumptions and judgments applied.

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Measurement models involve significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement amount of long-term policyholder liabilities, and assumptions applied in the models, and consist of significant Economic assumptions such as discount rates and actuarial assumptions such as mortality, longevity, attributable expenses are key inputs used to estimate these liabilities. Significant judgment is applied in setting these assumptions.

The complexity of the models may increase the inherent risk as a result of inadequate / incomplete data or the design or application of the models therefore we considered it a key audit matter for our audit.

- We challenged the assumptions in projected cash flows adopted by the Company considering specific product features.
- We recalculated on a sample basis projected cash flows used in the calculation of the insurance contract liabilities.
- We performed substantive analytical procedures to determine whether the insurance contract liabilities calculated in the models and systems are accurate and complete. We reconciled the output of the insurance contract liabilities calculation engine with the accounting records.
- We have assessed the disclosures related to the insurance contract liabilities in the financial statements, with respect to their adequacy, completeness, and compliance with the International Financial Reporting Standards as adopted by the European Union.

Reporting on other information including the Business Report

The management is responsible for other information. Other information comprises the Business Report which is a constituent part of the Annual Report of the Company but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information, which includes the Business Report, and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection to our audit of the separate financial statements, our responsibility is to read other information identified above and, in doing so, consider whether other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we also performed procedures required by the Slovenian Companies Act. These procedures include assessing whether the Business Report is, in all material respects, consistent with the separate financial statements and whether the Business Report was prepared in accordance with valid legal requirements.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Business Report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements; and
- the Business Report has been prepared in accordance with the requirements of the Slovenian Companies Act.

In addition, in the light of knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

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Responsibilities of the management and those charged with governance for the separate financial statements

The management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as the management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 separate 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 Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company at the shareholders' meeting of the Company on 8 July 2022 for the financial year ended 31 December 2022. The president of the supervisory board signed the audit contract on 13 June 2022. The contract was concluded for 3 years. The total period of our continuous appointment as part of the business for the insurance company, as a subject of public interest, amounts to 2 year.

The key audit partner on the audit resulting in this independent auditor's report is Primož Kovačič.

For and on behalf of PricewaterhouseCoopers d.o.o.:

Primož Kovačič,
Director, Certified auditor
22 March 2024
Ljubljana, Slovenia

Translation note:

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3.3 Separate Statement of Profit or Loss¹

in EUR			
Item	Note	2023	2022 adjusted
A. Result from insurance operations	1		
1. Insurance services income	1.1	8,781,438	7,881,422
2. Insurance service expenses	1.2	-8,694,091	-14,503,140
Result from insurance operations		87,347	-6,621,718
B. Result from investing activities	2		
1. Interest income calculated using the effective interest method		9,930,335	4,428,790
2. Dividend income		4,064,434	10,759,651
3. Net gains/losses from derecognition of financial assets:		2,611,607	-3,462,554
- that are measured at fair value through profit or loss		2,722,957	-3,426,532
- that are measured at amortized cost		-51	3,994
- measured at fair value through other comprehensive income		-111,299	-40,016
5. Net impairments/removal of impairments of financial assets		-87,648	-406,935
7. Other income/expenses from investing activities		7,851,094	-29,814,635
Net income (expenses) from investing activities		24,369,822	-18,495,683
C. Result from insurance contracts	1.3		
1. Net financial income/expenses from insurance contracts		-5,144,856	-5,017,242
Financial result from insurance contracts		-5,144,856	-5,017,242
D. Other income and expenses	3		
1. Income from asset management	3.1	17,028,656	2,059,090
2. Net other operating income/expenses		-1,225,923	10,722
3. Net other financial income/expenses		-22,938	-5,274
4. Non-attributable costs	3.2	-7,744,146	-6,687,837
7. Net other income and expenses		105,243	196,710
Other income (expenses)		8,140,892	-4,426,589
E. Profit or loss before tax		27,453,205	-34,561,232
Corporate income tax	4	-4,671,756	0
Changes in deferred taxes		-39,254	2,987,564
Net profit or loss for the period		22,742,195	-31,573,668
Net profit or loss for of controlling company equity holders		22,742,195	-31,573,668
Earnings per share (net and adjusted)		0.15	-0.21

¹ Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

3.4 Separate Statement of Other Comprehensive Income²

in EUR			
Item	Note	2023	2022 adjusted
I. Net profit and loss for the year		22,742,195	-31,573,668
II. Other comprehensive income of the accounting period after tax	5	8,625,064	52,228,561
A. Items that may be reclassified to profit or loss in future periods		-1,421,411	64,408,185
1. Unrealized net gains/losses on financial investments valued at fair value through other comprehensive income		9,775,653	-3,292,391
Gains/losses recognised in accumulated OCI		9,775,653	-3,292,391
3. Net financial income/expenses from insurance contracts		-11,197,064	67,700,576
B. Income tax on items that may be reclassified to profit or loss in future periods		-421,898	625,528
1. Income tax from investments from financial investments		-421,923	625,554
2. Income tax from insurance contracts	25	25	-26
C. Items that will not be reclassified to profit or loss in future periods		10,468,373	-12,805,152
4. Other items that cannot be reclassified to profit or loss in future periods		13,494,138	-15,282,268
5. Income tax on items that will not be reclassified to profit or loss in future periods		-3,025,765	2,477,116
III. Comprehensive income for the period		31,367,259	20,654,893
Share of controlling company owners		31,367,259	20,654,893

² Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

3.5 Separate Statement of Financial Position³

				in EUR
Item	Note	31 Dec 2023	31 Dec 2022 adjusted	1 Jan 2022 adjusted
ASSETS				
A. Property, plant and equipment	6	119,949	62,972	75,281
C. Right-of-use assets	7	278,660	593,408	879,188
Č. Intangible assets and goodwill	8	1,226,088	1,218,732	919,476
D. Deferred tax assets	4	6,021	9,888	0
F. Investments in associates and jointly controlled entities	9	39,370,285	43,444,360	48,170,287
G. Financial investments measured at:	9	671,224,748	595,998,369	613,130,692
1. Fair value through other comprehensive income		343,481,694	76,356,644	99,781,751
2. Amortised cost		139,086,230	268,176,251	210,888,156
3. Fair value through profit or loss		188,656,824	251,465,474	302,460,785
I. Insurance contract assets		0	1,241	0
L. Current income tax receivables		0	26,202	553
M. Other receivables	10	2,611,325	4,453,148	1,042,389
N. Cash and cash equivalents	9	2,580,361	4,707,255	3,453,417
O. Other assets	11	3,892,163	2,713,090	2,934,797
TOTAL ASSETS		721,309,600	653,228,665	670,606,080
EQUITY				
	12			
A. Share capital		152,200,000	152,200,000	152,200,000
C. Profit reserves		80,523,219	84,686,394	84,686,394
Č. Accumulated other comprehensive income		112,859,182	109,599,672	57,371,113
E. Retained earnings/losses		4,000,000	-3,038,375	32,728,710
1. Retained earnings/losses from previous years		-117,245	6,202,163	32,728,710
2. Retained earnings/losses for the period		4,117,245	-9,240,538	0
F. Net profit or loss for the period		0	0	0
TOTAL EQUITY		349,582,400	343,447,691	326,986,217
Equity of controlling company owners		349,582,400	343,447,691	326,986,217
LIABILITIES				

				in EUR
Item	Note	31 Dec 2023	31 Dec 2022 adjusted	1 Jan 2022 adjusted
Assets				
B. Deferred tax liabilities	4	12,898,287	9,392,510	13,581,300
C. Insurance contract liabilities	13	336,629,879	273,675,700	299,485,797
E. Provisions	14	5,055,169	11,876,366	5,495,121
F. Lease liabilities	7	285,347	595,183	885,998
G. Other financial liabilities		0	0	1,490
I. Current income tax liabilities	15	1,897,573	4,519,642	12,660,836
J. Other liabilities	16	14,960,945	9,721,573	11,509,321
TOTAL LIABILITIES		371,727,200	309,780,974	343,619,863
TOTAL EQUITY AND LIABILITIES		721,309,600	653,228,665	670,606,080

³ Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

3.6 Separate Cash-Flow Statement⁴

			in EUR
Item	2023	2022 adjusted	
A. Cash flow from operating activities			
a) Items of the statement of profit or loss	41,996,614	36,755,586	
Net profit or loss	22,742,195	-31,573,668	
Adjustments for:	19,254,419	68,329,254	
- Realised/loss on disposal of property, plant and equipment	13,327	497	
- Other financial expenses/revenues	13,594,324	73,282,272	
- Depreciation	706,478	476,850	
- Tax expense/income	4,711,010	-2,987,565	
- Net foreign exchange differences	229,280	-2,442,800	
b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities)	1,731,086	-11,740,608	
in statement of financial position items			
Opening less closing receivables from direct insurance	-1,179,277	195,181	
Opening less closing other receivables and assets	-2,505,294	22,029	
Opening less closing deferred tax assets	3,867	-9,914	
Closing less opening liabilities arising from direct insurance	36,317	77,904	
Closing less opening other operating liabilities	4,002,642	-2,021,269	

Item	2023	2022 adjusted
Closing less opening other liabilities	3,994,900	-1,863,345
Cash outflows for tax	-2,622,069	-8,141,194
c) Net receipts from operations or net disbursements from operations (a+b)	43,727,700	25,014,978
B. Cash flows from investing activities		
a) Cash receipts from investing activities	206,909,575	233,572,791
Interest received from investing activities	6,577,420	5,422,105
Receipts from dividends and profit participation	4,018,493	10,742,289
Cash receipts from disposal of tangible fixed assets	14,509	496
Cash receipts from disposal of investments	196,299,153	217,407,901
- Other receipts from disposal of financial investments	196,299,153	217,407,901
b) Cash disbursements from investing activities	-249,466,221	-252,633,931
Cash disbursements to acquire intangible assets	-359,141	-368,157
Cash disbursements to acquire tangible fixed assets	-16,331	-19,150
Cash disbursements to acquire investments	-249,090,749	-252,246,624
- Other disbursements to acquire financial investments	-249,090,749	-252,246,624
c) Net cash from investment activities or net expenditure from investment activities (a+b)	-42,556,646	-19,061,140
C. Cash flows from financing activities		
b) Cash disbursements from financing activities	-3,297,948	-4,700,000
Cash disbursements for payment of dividends and other shares in profit	-3,297,948	-4,700,000
c) Surplus of receipts/expenses from financing activities (a+b)	-3,297,948	-4,700,000
Č. Closing balance of cash and cash equivalents	2,580,361	4,707,255
x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	-2,126,894	1,253,838
y) Opening balance of cash and cash equivalents	4,707,255	3,453,417

⁴ Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

3.7 Separate Statement of Changes in Equity 2023⁵

		III. Profit reserves	
		I. Share capital	Legal and statutory
		1.	4.
1.	Balance as at the end of the previous financial year 31 Dec 2022 adjusted	152,200,000	13,010,908
3.	Retrospective adjustments due to the transition to IFRS 9 (adjustments to business models)*	0	0
4.	OPENING BALANCE FOR THE PERIOD 1 January 2023 (1+3)	152,200,000	13,010,908
5.	Comprehensive income for the year, after tax	0	0
	a) net profit or loss	0	0
	b) other comprehensive income	0	0
10.	Dividend distribution (account)	0	0
13.	Settlement of loss from previous years	0	0
15.	Others	0	0
16.	CLOSING BALANCE FOR THE PERIOD 31. 12. 2023 (4+5+10+13+15)	152,200,000	13,010,908

* Additional explanations in the chapter "Redetermination of Financial Assets"

⁵ Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

in EUR

IV. Accumulated other comprehensive income					
Other profit reserves	Investments	Insurance contracts	V. Retained net profit or loss	Net profit or loss for period	TOTAL EQUITY (from 1 to 13)
8.	9.	10.	11.	12.	14.
71,675,486	52,458,590	57,141,082	-3,038,375	0	343,447,691
0	0	0	-21,914,331	0	-21,914,331
71,675,486	52,458,590	57,141,082	-24,952,706	0	321,533,360
0	14,456,548	-11,197,038	5,365,554	22,742,195	31,367,259
0	0	0	0	22,742,195	22,742,195
0	14,456,548	-11,197,038	5,365,554	0	8,625,064
0	0	0	-3,297,948	0	-3,297,948
0	0	0	15,785,973	-15,785,973	0
-4,163,174	0	0	11,099,127	-6,956,222	-20,269
67,512,312	66,915,138	45,944,044	4,000,000	0	349,582,400

3.8 Separate Statement of Changes in Equity 2022 – Restated

		III. Profit reserves	
		I. Share capital	Legal and statutory
		1.	4.
1.	Balance as at the end of the previous financial year 31 December 2021	152,200,000	13,010,908
3.	Retrospective adjustments due to the transition to IFRS 17*	0	0
4.	OPENING BALANCE FOR THE PERIOD 1 Jan 2022 adjusted (1+3)	152,200,000	13,010,908
5.	Comprehensive income for the year, after tax	0	0
	a) net profit or loss	0	0
	b) other comprehensive income	0	0
10.	Dividend distribution (account)	0	0
13.	Settlement of loss from previous years	0	0
15.	Others	0	0
16.	CLOSING BALANCE FOR THE PERIOD 31 Dec 2022 (4+5+10+13+15)	152,200,000	13,010,908

* Additional explanations in the chapter "Implementation of IFRS 17"

§ Disclosures and notes to the financial statements form an integral part of the financial statements and should be read in conjunction with them.

in EUR

IV. Accumulated other comprehensive income					
Other profit reserves	Investments	Insurance contracts	V. Retained net profit or loss	Net profit or loss for period	TOTAL EQUITY (from 1 to 13)
8.	9.	10.	11.	12.	14.
71,675,486	67,930,578	0	26,689,859	0	331,506,831
0	0	-10,559,466	6,038,852	0	-4,520,614
71,675,486	67,930,578	-10,559,466	32,728,711	0	326,986,217
0	-15,471,988	67,700,548	0	-31,573,668	20,654,892
0	0	0	0	-31,573,668	-31,573,668
0	-15,471,988	67,700,548	0	0	52,228,560
0	0	0	-4,700,000	0	-4,700,000
0	0	0	-15,787,696	15,787,696	0
0	0	0	-15,279,389	15,785,972	506,583
71,675,486	52,458,590	57,141,082	-3,038,375	0	343,447,691

3.9 Disclosures and Notes to the Separate Financial Statements

3.9.1 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 financial and fund management.

Controlling 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 2023

Fund	Fund registration no.	Type of fund
First Pension Fund of the Republic of Slovenia	6031226001	Mutual Pension Fund
Life-Cycle Pension Fund	6031226007	Life-Cycle Pension Fund
Dynamic Sub-Fund	6031226006	Mutual Pension Fund
Prudent Sub-Fund	6031226008	Mutual Pension Fund
Guaranteed Sub-Fund	6031226009	Mutual Pension Fund
Guarantee Fund of the First Pension Fund	6031226004	Ring-Fenced fund
Modra Renta Guarantee Fund	6031226005	Guarantee Fund for the Disbursement of Pension Annuities
Modra Renta II Guarantee Fund	6031226010	Ring-Fenced Fund
Life-Cycle Civil Servants Pension Fund	6031226011	Life-Cycle Pension Fund
Dynamic Civil Servants Sub-Fund	6031226012	Mutual Pension Fund
Prudent Civil Servants Sub-Fund	6031226013	Mutual Pension Fund
Guaranteed Civil Servants Sub-Fund	6031226014	Mutual Pension Fund

Employee Data

Table 19: Number of employees by level of education

Education	31 Dec 2023	31 Dec 2022
Level 8 (8/1, 8/2)	9	9
Level 7	28	26
Level 6 (6/1, 6/2)	15	16
Level 5	13	11
Level 4	1	1
Total	66	63

Subsidiaries and Associates

As at 31 December 2023, Modra zavarovalnica had an investment in the associate Cinkarna Celje, d.d.; it did not have any subsidiaries.

Joint Ventures

As at 31 December 2023, Modra zavarovalnica, d. d. recorded the investment in Hotelske nepremicnine, d. o. o. as a joint venture investment.

3.9.2 Important Information on Accounting Policies

Basis for Preparation

The separate financial statements of Modra zavarovalnica for 2023 have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, 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 are based on book-keeping documents and books of account kept in accordance with IFRS.

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.

When preparing separate financial statements, the Company follows the requirements of the IAS 27 standard. Investments in associates are treated at fair value through comprehensive income, and investments in joint ventures are treated at cost. Separate financial statements are the only statements prepared by the Company, in compliance with Article 4a) of IFRS 10, which determines the conditions under which the controlling company is not obligated to prepare consolidated financial statements. The Company is fully owned by Kapitalska družba, d. d., which prepares consolidated financial statements. The debt and equity instruments of Modra zavarovalnica are not traded on the public market, nor has the Company submitted a request for such trading to the competent regulatory organisation. The method of valuation of investments in associates or joint ventures complies with Article 17 of IAS 27.10, which specifies exceptions to the use of the equity method.

Statement of Compliance

The financial statements of Modra zavarovalnica, d. d. are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

In its financial statements, Modra zavarovalnica, d. d. has applied all IFRS standards and IFRIC interpretations that were mandatory for the 2023 financial year. Modra zavarovalnica has not adopted any of standards or interpretations early where the use of amended standards and interpretations was not mandatory in 2023.

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.

Important changes in accounting policies relate to the application of the new accounting standards IFRS 17, which applies from 1 January 2023 onwards, with retrospective application required from the transition date of 1 January 2022. The data for the comparative year 2022 are adjusted on the basis of the introduction of the new standard as from 1 January 2022. The IFRS 17 standard replaces the IFRS 4 standard. The introduction of the mentioned standard caused significant changes in the measurement and disclosure of items in the financial statements relating to insurance operations. In the case of long-term contracts, it also significantly changes the dynamics of the business result.

The effects of the transition are presented in the section "Transition to IFRS 17". The new accounting policies regarding the items of insurance transactions are presented below.

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 used shall be verified on a periodic basis or at the date of the reporting period and at least annually.

The important judgements made by the management relate to the classification, recognition, measurement and derecognition of financial assets. Policies are explained in the "Business Models" section.

Likewise, important judgments relate to the definition or recognition of insurance contracts, which we are talking about when the insurance company assumes a significant insurance risk from the insurance policy holder upon their conclusion, by agreeing to compensate the policy holder for the damage that he would have suffered in certain future event (insured event). The definition of insurance risk is a matter of subjective judgement. We estimate that life insurance contracts, the purpose of which is to provide an annuity, carry a significant insurance risk. Consequently, we categorise them as insurance contracts. In the same manner, insurance contracts also include accident insurance contracts. Insurance contracts are valued in the financial statements in accordance with the general model prescribed by IFRS 17. The guidelines are explained in the section "Insurance Contract Liabilities".

Significant estimates on the part of the management relate also to the provisioning for the failure to achieve the guaranteed return. The guidelines are explained in the section "Provisions for Non-Achievement of the Guaranteed Return".

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. Any differences arising from the translation of foreign currencies are recognised in the income statement. 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.

Financial Assets

Business Models

The insurance company uses three business models in the management of its own assets and assets of cover funds:

- 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 or the guarantee fund in order to collect contractual cash flows, which passed the SPPI test.
- 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 apply for assessing the return on assets and for taking decisions.

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 the 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 fund 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 investment and is traded on a regulated securities market is recognised as an asset with application of accounting after the date of the conclusion of the transaction; a settlement liability is also established at that time. Upon disposal, the derecognition of the financial asset is accounted for after the date of the conclusion of the transaction.

A financial asset that is a financial investment and is traded on a regulated securities market is recognised as an asset with application of accounting as at the transaction settlement date. A financial asset is decreased or derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset is transferred and the said transfer qualifies for derecognition.

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

Fair Value Estimate

Determination of Fair Value of Investments

In accordance with IFRS 13, the Company determines the fair value of investments as if the said fair value were the price 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. 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 its absence, 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.

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

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.

In line with IFRS 13.97, the Company also discloses 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).

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.

In the case of investments in alternative funds, the market value of the investment is not available, therefore valuation based on market data is not possible. The value of the investment in the alternative fund is given by the manager of the alternative fund as the value of the fund unit or

as the value of the payment to the fund which represents the best approximation of the market value. The valuation is performed based on material non-public information of the fund's portfolio companies, to which the Company does not have access. The insurance company Modra zavarovalnica has limited access to the data used by the alternative fund manager, so we do not carry out our own valuation, nor is it possible to do a sensitivity analysis. The alternative fund manager usually uses IPEV-compliant (International Private Equity and Venture Capital Valuation) valuation methods, such as discounted cash flows method or market multiples method. In accordance with the criteria for classifying investments in fair value hierarchies, the listed investments are classified in level 3.

Fair Value Hierarchy of Equity Investments

Table 20: Fair value hierarchy 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 based on the prices provided by third parties

Table 21: Fair value hierarchy 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 investments at fair price, measured using a valuation technique (taking into account level 3 inputs) or based on the prices provided by third parties

Fair Value Hierarchy of Debt Investments

Debt investments include bonds, commercial papers, treasury bills and investments in units of target-date funds.

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 22: Fair value hierarchy 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 non-active markets 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 23: Fair value hierarchy 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

Table 24: Fair value hierarchy of target fund units

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

Fair Value Hierarchy of Loans and Deposits

The insurance company measures bank deposits in the statement of financial position at amortised cost. Deposits with a maturity of up to 1 year are measured on the basis of the original or contractual interest rate for the purposes of disclosing the fair value, and deposits with a maturity of over 1 year are measured using the interest rate reference curve; both are classified as level 2.

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:

- the insurance company took into account the exception permitted by IFRS 9.7.5, that equity instruments are valued/measured at fair value through the statement of comprehensive income, where changes in fair value are shown in other comprehensive income, and realized gains/losses from this type of instrument upon sale are recognized among capital items.
- the financial asset is a debt instrument and the company recognises certain changes in fair value in other comprehensive income.

Financial 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 in other comprehensive income and affect the increase or 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.

Gains or losses due to impairments and gains or losses from exchange differences are recognised in profit or loss.

On derecognition of a financial asset, cumulative gains or losses previously recognised in other comprehensive income is reclassified from the equity revaluation adjustment to profit or loss (recycling).

Derecognition of Financial Instruments

When accounting for ordinary purchases and ordinary sales, the Company recognises or derecognises all financial investments on the trading day (the date on the stock exchange company accounts or the date of the contract) in the accounting statements and the balance sheet.

The Company derecognises a financial investment as a financial asset in its books of account and in the balance sheet when it no longer controls the contractual rights that comprise that asset or if it realises the rights to benefits specified in the contract, if the rights expire, or if it transfers almost all the risks and rewards related to the ownership of the investment.

Investment in Associate

The Company records and presents the investment in the associate at fair value through comprehensive income in accordance with IAS 27.

The associate is valued using the equity method in the consolidated annual report of the Company's parent company.

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 include 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.

Non-Current Receivables from Financing

Current receivables from financing activities comprise current receivables from interest, current receivables from dividends and other current receivables from financing activities.

Current 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.

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

Other Current Receivables

Other current receivables are receivables due from the purchasers of securities (receivables arising from securities trading) and other current 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.

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.

Insurance Contract Liabilities

Transition Approach

In valuation of insurance contracts for the KS MR, KS MR II and KPN products on the transition date, the full retrospective method is used for all contracts concluded from 1 January 2012 onwards. This means that all existing insurance contracts must be evaluated as if IFRS 17 were already in effect at the time of the conclusion of the insurance contract.

Due to the complexity of data collection and processing, the fair value approach is used for contracts in the KS PPS and PPS funds. For more information, see "Implementation of IFRS 17".

Definition of the Insurance Contract

An insurance contract occurs when the Company assumes a substantial insurance risk from the policyholder. In this case, only the recognition of the insurance risk and the assessment of its importance are inherently subjective. Life insurance contracts, the main purpose of which is to provide an annuity, carry a significant insurance risk. Consequently, we categorise them as insurance contracts.

Valuation of Insurance Contracts

At the time of implementation of IFRS 17, the Company has the following insurance products that fall under the scope of the standard. A general valuation model is used for all the abovementioned products.

Table 25: Products of Modra zavarovalnica in the context of IFRS 17

Insurance Group	Product	Stage	Description
Life insurance (pensions)	KS MR	Payout	Old generation of pensions – no profit; closed for new contributions; the asset group is not clearly defined
	KS MR II	Payout	New generation of pensions – with profit; 90% participation in profit; the asset group is clearly defined
	PPS	Savings	After the accumulation phase, the insurance policy is transferred to KS PPS; guaranteed 1% return on assets; the asset group is clearly defined
	KS PPS	Payout	PPS payout phase; 100% participation in profit
Property insurance	KPN	None	Accident, monthly/annual premium

Aggregation Levels

The process of determining the aggregation level can be formally divided into three groups:

- the portfolio level, where we define groups of contracts with similar risks that the insurance company manages together;
- the group level, where individual portfolios are divided into at least 3 groups based on the rate of return: onerous contracts, contracts unlikely to become onerous in the future and “other” contracts.
- the cohort level, as the IFRS 17 standard prohibits combining contracts that were issued more than one year apart, which is why the Company must divide the defined groups according to the issue date of the contracts.

At Modra zavarovalnica, life insurance policies with active participation in profit are treated separately from contracts without participation in profit. KS PPS and PPS products are treated together, as one group of insurance contracts.

For property insurance, we used the type of insurance (LoB) in accordance to the Solvency 2 directive, taking into account the basic characteristics of the risk (risks covered, severity, period of validity of the policy, distribution of risk during the entire period of validity, etc.).

When determining the cohorts, Modra decided on the following approach:

- cohort date: insurance start date,
- cohort period: calendar year,
- possible other significant assumptions are taken into account (change in the technical interest rate),
- taking into account the analogy with the general principles in IAS 8, the treatment of cohorts represents the accounting policy choice.

Contractual Boundaries

The contractual boundary represents a period after the end of which the insured person no longer has material rights and the insurance company no longer has any material obligations to provide services arising from the insurance contract, which is key to determining the valuation method and the cash flows which have to be part of the valuation.

The cash flow estimates in an individual scenario must include all cash flows within the contractual boundary of the existing contract and no other cash flows.

Cash flows fall within the contractual boundary of the insurance contract if they arise from material rights and obligations that exist during the reporting period, in which the Company can require the insured person to pay premiums or has a material obligation to provide contractually defined services to the insured person. A liability or asset related to an expected premium or an expected loss outside the contractual boundary of the insurance contract may not be recognised.

When the Company has to renew the contract (specified in the contract) or otherwise continue with the contract, it must assess which premiums and related cash flows arising from the renewed contract are within the contractual boundaries of the original contract.

In accordance with the requirements of the standard, the insurance company considers the following cash flows:

- premiums;
- payment of benefits and damage claims to the insured person;
- claims processing costs (policy management costs, claim processing costs, allocation of relevant overhead costs);
- administrative costs of policy management (policy management costs, allocation of relevant overheads);
- cash flows for the acquisition (acquisition costs, allocation of relevant overhead costs);
- payouts of investment components.

Recognition and Measurement

1. Valuation Approaches

For insurance contracts with the option of discretionary participation (KS PPS and KS MR II), the Company carried out an appropriateness test of the use of the VFA method (on the 2019 cohort), which showed that both the KS PPS fund and the KS MR II fund do not meet all the eligibility criteria for measurement with the mentioned method.

The Company therefore uses a general valuation model for all its products (GMM model).

2. Billing of the Contractual Service Margin

Since the Company uses a general model to value its products, it is obliged to recognise the contractual service

margin (CSM). IFRS 17 requires that an insurance company determines the CSM upon initial recognition of a group of insurance contracts and then adjusts it accordingly and recognises it in profit or loss between coverage periods.

Upon initial recognition, the contractual service margin (assuming the contract is not onerous) represents a compensation amount for derecognition of any first-day "differences", which prevents the recognition of a first-day profit.

At the end of the reporting period, the contractual service margin represents the profit from a group of insurance contracts that the Company has not yet recognised in the profit or loss, as it relates to future services that the insurance company will provide under these contracts.

3. Calculation of Loss Component

For an onerous contract or a group of onerous contracts, the Company recognises the first-day loss in the statement of profit or loss in the amount of the net outflow and thus forms liabilities for remaining coverage (LRC), which are actually a loss component (LC). CSM in this case is zero.

A contract or group of insurance contracts becomes onerous (or more onerous) upon subsequent measurement if, due to adverse changes, the realised cash flows from changes in the estimate of future service cash flows allocated to the group exceed the carrying amount of the contractual service margin (CSM). In this case, the Company recognises a loss in the profit in the amount of this surplus.

The initial amount of the loss is determined and adjusted by the insurance company for possible subsequent losses and for the elimination and release of losses during the entire period so that at the end of the coverage period of the group of contracts the loss component equals zero.

4. Methodologies for Risk Adjustment

Article 17.32 of IFRS 17 states that upon initial measurement of a group of insurance contracts, realised cash flows and contractual service margin (CSM) are taken into account. Realised cash flows include risk adjustment (RA) for non-financial risk with referring to Article 17.37 of IFRS, which prescribes the basic requirement for measuring the risk adjustment for non-financial risk.

GConsidering that the major part of the Company's portfolio consists of annuity products, longevity risk is

⁷ An insurance contract is onerous if, on the date of initial recognition, the sum of the realised cash flows allocated to the contract (risk-adjusted present value of future cash flows), all previously recognised cash flows for insurance acquisition and all cash flows from the contract equals the net cash outflow.

the one that represents a significant part of non-financial risks. To assess the risk adjustment, the Company will use the confidence interval method analogous to the regulation brought about by the Solvency 2 directive. The Solvency 2 regime uses a confidence level of 99.5%, and the Company will choose a lower VaR for the purposes of IFRS 17, as it is not reasonable to expect that margins, which enable “almost certain” achievement of the contractual service margin (CSM), can be built into the product prices.

For the risk adjustment, the insurer has chosen a confidence level of 70%, which, when calibrated from the standard formula, translates into a shock size of 4.07%.

5. Discount Rate

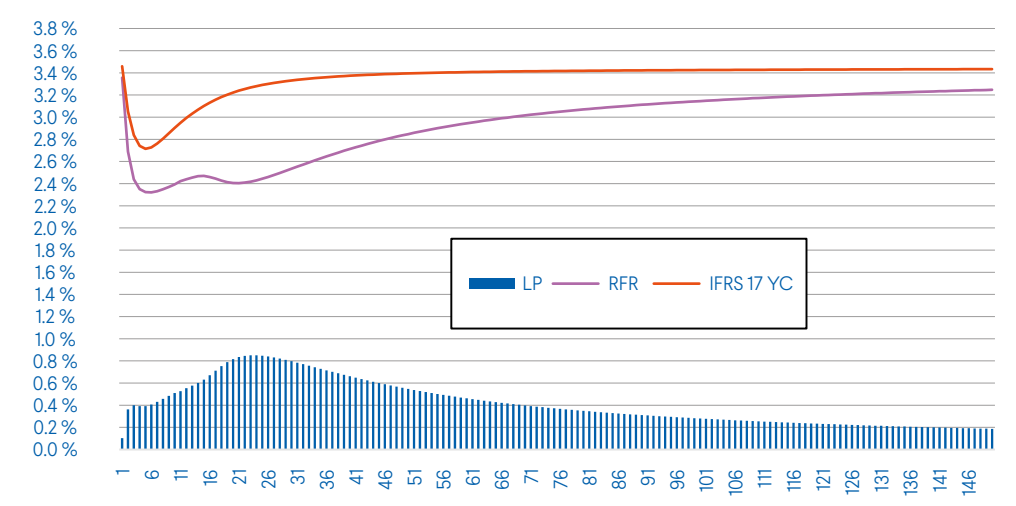
The valuation of non-current insurance liabilities and the resulting recognition of profit are largely sensitive to the discount rate. The IFRS 17 standard establishes general principles for determining discount rates, but does not include detailed instructions for their application.

Modra zavarovalnica's decision is to use a single methodology for deriving the risk-free discount curve for all portfolios, taking into account the illiquidity premium. A bottom-up approach is applied. The discount rate curve therefore consists of the risk-free interest rate and the

illiquidity premium. The source for the risk-free interest rate is the RFR curve published by EIOPA (no volatility adjustment spot curve).

The illiquidity premium estimate is calculated from the difference between the RFR curve and the covered bond curve. The determined illiquidity premium is fully attributed to the risk-free discount curve, which results from the characteristics of insurance contracts of Modra zavarovalnica (high illiquidity, it is difficult for the insured person to cash out the contract early). The basis for calculating the return on each index is covered bonds issued in Euro and rated BBG composite AAA. At the end of December 2023, the indices consisted of 435 bonds with these characteristics. Missing yields for maturities between 10 and 30 years are calculated using the Nelson Siegel Svensson model. The extrapolation of the IFRS 17 discount curve is done with the Smith Wilson model, taking into account the last liquid point (LLP) at 20 years and the ultimate forward rate (UFR), published on the EIOPA website.

Figure 14: Non-risk-adjusted RFR curve, IFRS 17 discount curve and illiquidity premium at 31 December 2023



6. Treatment of Costs

Modra zavarovalnica distributes revenues and expenses in accordance with the adopted Methodology for the distribution of revenues and expenses of Modra zavarovalnica. In doing so, expenses are monitored and analyzed three-dimensionally, namely within the framework of individual analytical account, individual cost center and within the framework of individual cost unit.

Expenses are posted to cost units either directly or indirectly using keys for allocating costs to cost units. The basis for calculating the keys is a survey on the distribution of work activities of individuals according to cost units.

In the framework of IFRS 17, the insurance company treats the costs related to the cost units KS PPS, KS MR, KS MR II and accidents. In doing so, to measure insurance contracts, it uses all costs related to the insurance contract or to the portfolio of insurance contracts (IFRS 17.33 – IFRS 17.35 and B 65 and B 66). In this sense, it is therefore necessary to take into account the costs associated with the acquisition, conclusion and implementation of these contracts, while the third group of costs does not enter into the calculation of the insurance result.

When classifying, we distinguish three types of costs:

1. Direct costs of policies (directly attributable), or costs that are directly related to policies (portfolio). This group includes:

- directly costs of obtaining insurance;
- administrative costs of policies (e.g. premium billing, policy changes),
- claim management costs.

2. Indirect costs of policies (allocation of fixed and variable overheads), which are attributed to the policies or portfolio based on the keys. This group includes:

- labour costs
- IT costs,
- leases,
- depreciation that can be directly attributed to the performance of insurance contracts.

3. Costs that are not directly related to policies

(non-attributable). This group includes certain general costs that are not attributed to policies, such as:

- costs of general marketing activities,
- centers insurance costs,
- education and training costs,
- costs of the management and supervisory board.

7. Subsequent Measurement of Insurance Contracts

The sum of liabilities for residual coverage (LRC) and liabilities for claims incurred (LIC) constitutes the book value of the group of insurance contracts at the end of the reporting period; the residual coverage liability is equal to the sum of the expected future cash flows at fulfilment (which are related to future service) and the contractual service margin for that group of insurance contracts, and the incurred claims liability represents the cash flows related to past service.

In the current period the insurance company recognizes:

- income and expenses from the change in the book value of the liability for the remaining coverage, namely:
 - insurance income from the reduction of the liability for the remaining coverage due to the services performed during this period;
 - income and expenses from the change in the book value of liabilities for incurred damages, namely:
 - financial revenue or expense from discounting (which includes the effect of the time value of money and financial risk).
- revenue and expenses from the change in the book value of liabilities for incurred damages, namely:
 - expenses from the increase in liabilities due to claims and expenses incurred during this period;
 - expenses for all subsequent changes in cash flows in fulfillment in relation to incurred claims and expenses;
 - financial revenue or expense from discounting (which includes the effect of the time value of money and financial risk).

In the income statement, the insurance company recognizes changes in expected cash flows that relate to current or past service. These include:

- the effect of the time value of money and the effect of financial risk (where the effect of a change in the discount rate along the same curve is recognised in the income statement and the effect of a shift in the discount curve is recognised in the statement of comprehensive income),
- changes in estimates of expected cash flows at fulfilment, which relate to liabilities for already incurred claims in
- experience adjustments for insurance expenses recognised in the income statement.

Changes in expected cash flows related to future service are reflected in the change in the contractual service margin or in the loss component within the liabilities for remaining coverage. Such changes are:

- experience adjustments arising from premiums received in the period relating to future service;
- changes in the estimate of the present value of future cash flows for remaining coverage liabilities;
- changes in investment components;
- adjustment changes due to non-financial risk relating to future service.

The amount of contractual service margin, which represents the profit of a group of insurance contracts that has not yet been recognised in the statement of profit and loss because it relates to future service, is affected by changes in estimates of future cash flows at fulfilment, the effect of accrued interest, which is calculated using discount rates, which were determined at the initial recognition of the contract, the transfer of the contractual service margin to income (which in the case of annuity insurance is determined by the amount of the annuity in the period) and recognised new insurance contracts in the period.

8. Derecognition of Insurance Contracts Odprava pripoznanja zavarovalnih pogodb

An insurance contract is derecognised when the contract is terminated and the contractual obligation expires, is discharged or is cancelled; it is also derecognised when the contract is transferred to a third party or the terms of the contract change significantly, either by agreement between the parties or as a result of a change in accounting policy, and a new amended contract is entered into on the basis of the derecognised contract, if certain conditions are met.

Provisions for Non-Achievement of the Guaranteed Return

Pursuant to Article 313 of ZPIZ-2, if the actual net asset value of a ZRJU, 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.

Accrued and Deferred Items

Prepayments and accrued income comprise current deferred costs or expenses and current 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 deferred accruals include that part of the paid premium KS MR II for which insurance contracts have not yet been concluded, and the deferred accident insurance premium.

Revenues

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

The expenses of Modra zavarovalnica consist of expenses from insurance services, as defined in the chapter "Obligations from insurance contracts", expenses for net operating costs, other insurance expenses and financial expenses.

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.

Expenses from asset management include expenses from provisions due to failure to achieve the guaranteed return of mutual pension funds and payments to mutual pension funds upon transfer of saved assets to an annuity fund, when the actual value of the member's assets is lower than the guaranteed value of the assets.

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.

Tax

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 directly charged or credited to capital if the taxed items relate to the items recognised in capital.

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 2023 and 31 December 2022, P&L statement data for 2023, 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 or Interpretations Effective for the First Time for the Year Ending 31 December 2023

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts with:

- (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
- (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023); The amendments include a number of clarifications intended to ease the implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

Transition option to insurers applying IFRS 17 –

Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment applies solely to the transition of the insurance companies to IFRS 17 and does not affect other requirements in IFRS 17.

Amendments to IAS 1 and IFRS Practice Statement 2:

Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023); IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements.

The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred tax related to assets and liabilities arising from a single transaction – **Amendments to IAS 12**

(issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023); The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar 2 Rules (issued on 23 May 2023). In May 2023, the Board of Directors for International Accounting Standards announced the aforementioned amendments to IAS 12 Income taxes. The amendments provide a temporary exemption from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax legislation that implements the second pillar model rules. Under the IFRS effective date, companies can use the exemption immediately, but the reporting and disclosure requirements are required for annual periods beginning on or after 1 January 2023.

The adoption of new standards or clarifications, with the exception of IFRS 17, did not lead to significant changes in the insurance company's financial statements.

Standards and amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU and therefore not yet effective.

Amendments to IFRS 16 Leases: Liabilities from sale and lease-back (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024); The amendments refer to sale and lease-back transactions which meet the requirements of IFRS 15 to be accounted for as sales.

Classification of liabilities as current or non-current – **Amendments to IAS 1** (initially issued on 23 January 2020 and subsequently amended as at 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures: Supplier finance arrangements (issued 25 May 2023). In response to financial statement users' concerns regarding inadequate or misleading disclosure of financing arrangements, the IASB issued amendments to IAS 7 and IFRS 7 in May 2023 regarding requirements for disclosure of financing arrangements by suppliers.

Amendments to IFRS 21 Lack of exchangeability

(issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help companies assess the exchangeability between two currencies and determine the spot exchange rate when there is no exchangeability information.

As those standards are not yet effective, the insurer is still assessing the potential impact of those changes on its financial statements.

Standards and notes issued by the International Accounting Standards Board but not yet adopted by the EU and therefore not yet effective.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 allows companies to continue accounting for accruals arising from regulated services in accordance with previously generally accepted accounting principles (GAAP) when applying International Financial Reporting Standards for the first time, but they must observe certain restrictions.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

As those standards are neither adopted nor effective, the insurer is still assessing the potential impact of those changes on its financial statements.

Implementation of IFRS 17

On January 1, 2023, the insurance company started using the International Financial Reporting Standard 17, whereby it also recalculated or revalued the items of the financial statements for the year 2022.

Impact of the Transition

Table 26: Impact of the transition on the IFRS 17 as at 1 January 2022

in EUR				
Impact of the transition on the application of IFRS 17	Impact on accumulated other comprehensive income	Impact on retained earnings	Total impact on capital	Contractual service margin
Insurance contracts	-10,559,466	6,038,851	-4,520,614	15,090,185

The impact on retained earnings is represented by the comprehensive income of insurance contracts before 1 January 2022, the reversal of the LAT test provision and the difference between IFRS 17 insurance contract liabilities and IFRS 4 mathematical technical provisions.

Tax Treatment of the Result of Guarantee Funds

From 1 January 2023 onwards, Modra zavarovalnica applies a special corporate income tax rate (0%) to guarantee funds under management (KS MR, KS MR II, KS PPS) on the basis of the Article 61 of the Companies Act (ZDDPO-2), as the guarantee funds in question are directly linked to the activity of implementing a pension plan. Modra zavarovalnica will produce a tax return for each individual guarantee fund. In doing so, the insurance company will also recalculate the 2022 results accordingly and include them in full in the 2023 tax return.

Redetermination of Financial Assets

On 1 January 2023, taking into account the provisions of IFRS 17.C29, the Company re-assessed the financial assets business model, taking into account the provisions of IFRS 9. It examined the appropriateness of its classification into specific business models and came to different conclusions when applying IFRS 17.4.1.2. a) and IFRS 17.4.1.2.A(a) than on 1 January 2018, when it began applying IFRS 9.

On 1 January 2023, with the application of IFRS 17, material accounting mismatch will arise, as there were different bases for measuring the insurance liabilities, which represent the central part of the Company's liabilities, and its assets.

Namely, in accordance with the provisions of IFRS 17, the Company decided to disclose the effects arising from changes in financial assumptions when measuring liabilities from insurance contracts in the statement of other comprehensive income.

The central source of accounting mismatch were financial instruments that are measured at amortised cost and at fair value through profit or loss.

In accordance with IFRS 17.C29(a), the subject of redetermination were those assets that the Company owns in connection with insurance contracts. The Company estimated the share of investments subject to reclassification by simulating the impact of changes in financial assumptions on the value of assets and liabilities with the aim of reducing accounting mismatch.

In accordance with IFRS 17.C31, the Company determined the assets prospectively, without restating prior periods. The effects of the reclassification were recognised in accordance with the provisions of IFRS 17.C28(d).

The balances of investments that were subject to reclassification and its effects are presented in the table below. The table does not include cash.

Table 27: Redetermination of the Company's financial assets by measurement method

Measurement Method	in EUR	
	31 Dec 2022	1 Jan 2023
Fair value through profit or loss	257,428,344	216,011,309
Amortised cost	268,176,251	88,794,871
Fair value through other comprehensive income	113,093,462	311,977,546
- Equity investments	94,314,129	121,452,802
- Debt investments	18,779,333	190,524,745
Total	638,698,057	616,783,726

The difference in the amount of 21,914,331 euros was recognized as a debit to the capital of the insurance company on 1 January 2023.

3.9.3 Breakdown and Disclosures to the Financial Statements

All notes and disclosures to the 2022 financial statements apply to the adjusted financial statements.

Notes to the Statement of Income

Note No. 1: Result from Insurance Operations

Item	in EUR	
	2023	2022
Insurance services income (1.1)	8,781,438	7,881,422
Insurance service expenses (1.2)	-8,694,091	-14,503,140
Total	87,347	-6,621,718

Note No. 1.1: Insurance Services Income

Item	in EUR	
	2023	2022
Amounts related to the change liabilities for remaining coverage	8,576,834	7,653,239
- Release of expected expenses from claims and other expenses from insurance services	7,242,740	6,804,796
- Release of the non-financial risk adjustment for expired risks	3,733	3,979
- Amount of contractual service margin recognised in profit or loss upon transfer for insurance contract services	1,330,361	844,464
Reimbursement of insurance acquisition cash flows	204,604	228,183
Total	8,781,438	7,881,422

The release of expected expenses from claims and other expenses from insurance services includes the expected changes in cash flows arising from the fulfillment of insurance contracts during the period and includes the release of annuities, insurance acquisition costs and administrative costs.

The non-financial risk adjustment for annuities covers longevity risk only and only applies to non-guaranteed annuity payments. The release of the risk adjustment in the period takes into account the release due to the fulfillment of contractual obligations (with unchanged expectations).

The release of the service margin represents the recognised revenues from insurance services rendered during the period.

Note No. 1.2: Insurance Service Expenses

Item	in EUR	
	2023	2022
Calculated claims (annuities)	-7,207,205	-6,549,524
Total claims (annuities)	-35,969,935	-33,244,082
Calculated guarantee claims (annuities)	28,762,730	26,694,559
Actual attributable costs (admin. costs and costs of obtaining insurance)	-807,060	-743,376
Onerous insurance contracts expenses	-1,132,965	-7,354,707
Changes in loss of onerous contracts	453,139	144,467
Total	-8,694,091	-14,503,140

Expenses from claims also include the attributable costs of claims payments.

Costs of obtaining insurance include labor costs and other costs of employees directly involved in insurance acquisition. Costs of obtaining insurance refer to KS PPS, KS MR II and accidents. Administrative expenses include that part

of the attributable costs relating to the preparation, handling, administration, updating of insurance policies.

Expenses on onerous insurance contracts mainly represent the effect of changes in the expected outcome of the guarantee funds or the expected profit sharing.

Note No. 1.3: Financial Result from Insurance Contracts

	in EUR	
Item	2023	2022
Result from insurance contracts		
Accrued interest at the locked-in interest rate	-5,144,856	-5,017,242
Change in interest rates and other financial assumptions	-11,197,064	67,700,574
Result from insurance contracts, of which	-16,341,920	62,683,332
Amounts recognised in the statement of profit or loss	-5,144,856	-5,017,242
Amounts recognised in the statement of other comprehensive income	-11,197,064	67,700,574

Accrued interest at the locked-in rate (unwinding) covers the unwinding of the discount that arises due to the movement along the existing discount curve; in other words, the difference between the discounted value of the expected insurance liabilities at the reporting date and at the last day of the previous year.

In addition, the financial result from insurance business is also recognised in the statement of comprehensive income under net financial income/expenses from insurance; In 2023, due to a downward shift in the discount curve, the insurance company recorded financial expenses from insurance contracts in the amount of -11.2 million euros, while in 2022, due to a significant upward shift in the discount curve, it recorded revenues in the amount of 67.7 million euros.

Note No. 2: Results from Investing Activities

	in EUR	
Item	2023	2022
Interest income calculated using the effective interest	9,930,335	4,428,791
Dividend income	4,064,435	10,759,651
Income from dividends paid by associates and jointly controlled entities	0	5,696,890
Income from from dividends from other investments	4,064,435	5,062,761
Net gains/losses on financial investments valued through the income statement	10,173,565	-36,256,926
Realised gains	2,751,321	1,504,044
Realised losses	-28,363	-4,930,576
Unrealised gains	7,618,801	3,955,647
Unrealised losses	-168,193	-36,786,041
Net gains/losses on financial investments valued through other comprehensive income	-111,299	-40,016
Realised gains	167	972
Realised losses	-111,466	-40,988

		in EUR
Item	2023	2022
Net gains/losses of financial investments valued at amortised cost	-51	3,994
Realised gains	0	3,994
Realised losses	-51	0
Net impairment/reversal of impairment	-87,648	-406,935
Expenses from impairment	-442,779	-777,760
Revenue from reversal of impairments	355,130	370,825
Other revenues/expenses from investing activities	400,486	3,015,759
Revenue from positive exchange differences	59,285	2,972,300
Expenses from negative exchange differences	-288,564	-529,500
Other investment income	629,766	610,131
Other investment expenses	0	-37,172
Total	24,369,822	-18,495,682

Note No. 3: Other Revenue and Expenses

Note No. 3.1: Income/Expenses from Asset Management

		in EUR
Item	2023	2022
Fees from the management of mutual pension funds	9,650,819	9,102,081
Income from the management of KS MR II (not part of IFRS 17)	1,299,694	52,570
Provisions/reversal of provisions for failure to achieve the guaranteed return	6,875,308	-6,326,177
Payments in funds	-800,386	-772,759
Other	3,221	3,374
Total	17,028,656	2,059,089

Mutual pension fund management fees include management fees from the management of mutual pension funds, income from entry and exit charges and transfer fees. The revenue from the management of KS MR II in 2023 mainly relates to the income from the sharing of the positive result of the fund (and to a lesser extent to the income from the approval of the advance), while in 2022 it covers only the income from the approval of the advance.

Note: No. 3.2.1: Insurance/Non-Insurance Activity Costs

	in EUR	
Item	2023	2022
Insurance activity costs	-1,396,240	-1,200,251
- attributable to costs	-1,055,708	-901,959
- non-attributable costs	-340,532	-298,292
Administrative expenses	-7,403,613	-6,389,545
Total	-8,799,853	-7,589,796

The total operating costs of the insurance company are divided into the costs of insurance and non-insurance activities. The costs of insurance activities include the costs of annuity funds and accident insurance; these costs are further divided into attributable and non-attributable costs, as explained in the accounting guidelines. The cost of non-insurance activities refer to the costs of mutual pension fund management and the insurance company's own assets.

Note: No. 3.2.2: Operating Costs by Nature

	in EUR	
Item	2023	2022
Cost of material	-236,409	-233,398
Costs of services	-3,235,620	-2,867,113
Write-downs in value	-706,478	-476,850
Costs of provisions	-57,754	-63,358
Labour costs	-4,390,851	-3,834,595
Other operating expenses	-172,742	-114,482
Total	-8,799,853	-7,589,796

Operating costs by nature cover the entire costs of the insurance company.

Cost of material in 2023 came in at EUR 236,409 (EUR 233,398 in 2022). The major share of the above costs are the costs of printing.

Cost of services in 2023 came in at EUR 3,235,620 (EUR 2,867,113 in 2022). 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 542,896 (EUR 574,460 in 2022). Those costs are followed by the costs of advertising, promotions and marketing in the amount of EUR 461,416 (EUR 208,478 in 2022) and software rental and information services in the amount of EUR 420,078 (EUR 377,032 in 2022). A significant part of the cost of services are also costs of intellectual and personal services, which include advisory services, intellectual IT services, legal services, auditors and other services in amount of EUR 403,439 (EUR 409,421 in 2022).

Write-downs in the amount of EUR 706,478 (EUR 476,850 in 2022) 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 increase in depreciation and amortisation expenses is mainly related to the activation of the IFRS 17 insurance contract calculation application Tagetik, the m.Modra mobile application and the API backend infrastructure.

The cost of provisions amounting to EUR 57,754 (EUR 63,358 in 2022) relates to the cost of setting aside provisions for jubilee benefits, severance pay upon retirement and other provisions.

Labour costs in 2023 came in at EUR 4,390,851 (EUR 3,834,595 in 2022). EUR 3,253,651 (EUR 2,919,311 in 2022) of the mentioned amount is accounted for by the cost of gross salaries and allowances, the cost of social insurance amount to EUR 526,166 (EUR 471,836 in 2022), and the rest is mainly represented by the costs of holiday pay,

the costs of food allowances and transportation to work, and additional pension insurance costs.

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 2023 stood at EUR 110,410 and included the cost of auditing the annual reports of the Company and the funds (with the exception of MKPS). Audit costs in 2022 stood at EUR 106,750 and included the cost of auditing the annual reports of the Company and the funds (with the exception of MKPS).

Note No. 4: Taxes on Income

Note No. 4.1: Tax Expense Recognised in Profit or Loss

Item	in EUR	
	2023	2022
Current tax expense/income	4,671,756	0
Deferred tax expense/income	39,254	-2,987,564
Tax expense/income recognised in profit or loss	4,711,010	-2,987,564

Note No. 4.2: Tax Expense, Recognised in Other Comprehensive Income

Item	in EUR	
	2023	2022
Profit/loss from fair value changes of financial investments through comprehensive income	3,447,688	-3,102,670
Profit/loss from fair value changes of insurance contracts liabilities	-25	26
Total tax in other comprehensive income	3,447,663	-3,102,644

Note No. 4.3: Reconciliation of Accounting Profit and Tax Expense

	in EUR	
Item	2023	2022
Accounting profit before taxes (total insurance company)	27,453,205	-34,561,232
Accounting profit before taxes (taxable profit)*	21,023,006	-9,462,583
Income tax rate	19%	19%
Tax expense at average/prescribed tax rate		
Non-taxable income	-2,015,294	-4,335,484
Expenses not recognised for tax	546,847	1,180,078
Tax on dividends from abroad	80,517	0
Tax relief	499,113	0
Tax loss	0	0
Other tax effects**	16,744,222	51,313,230
Tax expense/tax liability	6,736,718	7,352,096
Effective tax rate	32.04	-77.70

The effective tax rate in 2023 stood at 32.04% (-77.70% in 2022); it is the ratio between the income tax accounted and the profit/loss for the period (without guarantee funds) before taxes.

*Guarantee funds are taxed at a rate of 0% in accordance with point 3 of Article 61 of the ZDDPO-2.

**In 2022, the financial impact of the redistribution of investments into target fund units in the period 2018-2021 is shown, and in 2023, the impact from the introduction of IFRS17 and the sale of equity investments.

Note No. 4.4: Deferred Tax

in EUR				
Item	Statement of financial position as at 31 Dec 2023	Statement of financial position as at 31 Dec 2022	2023 Income Statement	2022 Income Statement
Deferred income tax – liabilities; of which:	13,900,677	10,396,062	0	0
Revaluation of financial assets at fair value through other comprehensive income	12,638,292	9,194,399	0	0
Revaluation of insurance contracts through comprehensive income	1	26	0	0
Liabilities from transferred investments	1,262,384	1,201,637	-172,143	0
Total deferred income tax liabilities	13,900,677	10,396,062	-172,143	0
Deferred income tax – receivables; of which:	1,008,411	1,013,440	132,889	2,987,564
Loss brought forward to be used as tax allowance	0	0	2,457	2,398,113
Value adjustment of investments	978,330	981,154	132,638	0
Provisions	30,081	32,286	-2,206	5,231
Changes in deferred tax recognised directly in equity	0	0	0	584,220
Total deferred income tax assets	1,008,411	1,013,440	132,889	2,987,564
Netting of deferred tax assets and liabilities	12,892,266	9,382,622	-39,254	2,987,564

Notes to the Statement of Other Comprehensive Income

Note No. 5: Other Comprehensive Income After Tax

in EUR		
Item	2023	2022
Revenue/expenses from investments	19,822,103	-15,471,989
Total insurance contract revenue/expenses	-11,197,039	67,700,550
Total	8,625,064	52,228,561

Other comprehensive income refers to net gains/losses from the remeasurement of financial assets at fair value through other comprehensive income, taking into account the associated tax effects.

The difference in the value of other comprehensive income from investments in 2023 and 2022 is due to movements in the securities markets, while income and expenses from insurance contracts are the result of the shift in the risk-free interest rate curve.

Notes to the Statement of Financial Position

Note No. 6: Changes in Property, Plant and Equipment

	in EUR		
2023	Equipment and small tools	Company cars	Total
Cost as at 1 January 2023	246,554	50,548	297,102
New acquisitions	38,551	59,555	98,106
Disposals	-41,507	-40,268	-81,775
Cost as at 31 December 2023	243,598	69,835	313,433
Valuation adjustment as at 1 January 2023	-184,549	-49,581	-234,130
Write-downs/sale	41,223	39,369	80,592
Depreciation	-35,128	-4,818	-39,946
Valuation adjustment as at 31 December 2023	-178,454	-15,030	-193,484
Carrying amount as of 1 January 2023	62,005	967	62,972
Carrying amount as of 31 December 2023	65,144	54,805	119,949

	in EUR		
2022	Equipment and small tools	Company cars	Total
Cost as at 1 January 2022	228,421	49,530	277,951
New acquisitions	28,231	1,018	29,249
Disposals	-10,098	0	-10,098
Cost as at 31 December 2022	246,554	50,548	297,102
Valuation adjustment as at 1 January 2022	-153,141	-49,530	-202,671
Write-downs/sale	10,098	0	10,098
Depreciation	-41,506	-51	-41,557
Valuation adjustment as at 31 December 2022	-184,549	-49,581	-234,130
Carrying amount as of 1 Jan 2022	75,280	0	75,280
Carrying amount as of 31 December 2022	62,005	967	62,972

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

Note No. 7: Leases: Right-of-Use Assets

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 on 1 October 2019.

Amortisation costs for business premises representing the right-of-use amounted to EUR 371,547 in 2023 (EUR 334,511 in 2022), while interest expenses amounted to EUR 21,706 (EUR 14,512 in the previous year). The total cash outflow for the lease amounted to EUR 386,566 in 2023 (EUR 347,827 in 2022).

The carrying amount of the assets representing the right-of-use amounted to EUR 278,660 as at 31 December 2023 and EUR 593,408 as at 31 December 2022.

Lease liabilities amounted to EUR 285,347 at the end of 2023, of which the principle amounted to EUR 289,925 and interest to EUR –4,578. At the end of 2022, the liabilities from the right-of-use amounted to EUR 595,183, of which the principle amounted to EUR 613,331 and interest to EUR –8,149.

Note No. 8: Changes in Intangible Assets

Item	in EUR	
	2023	2022
Cost as at 1 January	3,254,158	2,886,001
New acquisitions	302,340	400,038
Disposals	0	-31,881
Cost as at 31 December	3,556,498	3,254,158
Accumulated depreciation as at 1 January	-2,035,426	-1,966,525
Write-offs	0	31,881
Depreciation	-294,985	-100,782
Accumulated depreciation as at 31 December	-2,330,411	-2,035,426
Carrying amount as of 1 January	1,218,732	919,476
Carrying amount as at 31 December	1,226,087	1,218,732

Intangible assets in 2023 and 2022 only include software. Intangible assets have not been pledged as security.

Note No. 9: Financial Assetsa

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 Dec 2023
F. Financial investments in group companies and associated companies	39,370,285	0	39,370,285
G. Financial investments	312,303,103	358,921,645	671,224,748
• at amortised cost	74,984,582	64,101,649	139,086,230
• at fair value through other comprehensive income	115,327,157	228,154,537	343,481,693
• at fair value through profit or loss	121,991,365	66,665,459	188,656,824
M. Cash and cash equivalents	1,619,886	960,475	2,580,361
Total	353,293,274	359,882,120	713,175,394

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 Dec 2022
F. Financial investments in joint ventures and associates	43,444,360	0	43,444,360
G. Financial investments	286,265,898	309,732,470	595,998,369
• at amortised cost	48,169,476	220,006,774	268,176,251
• at fair value through other comprehensive income	76,356,644	0	76,356,644
• at fair value through profit or loss	161,739,778	89,725,696	251,465,474
M. Cash and cash equivalents	2,303,273	2,403,982	4,707,255
Total	332,013,532	312,136,452	644,149,984

Financial investments at fair value through profit or loss were determined as such upon initial recognition.

9.1. Financial Investments in Associates and Joint Ventures

9.1.1 Financial Investments in Associates

As at 31 December 2023, Modra zavarovalnica, d. d. recorded its investment in Cinkarna Celje, d. d., in the amount of EUR 33,407,415 under investments in associates (EUR 37,481,490 at the end of 2022). The investment in the associate is recorded and presented at fair value through other comprehensive income in accordance with IAS 27. 10.

				in EUR
Associate	Registered office	Equity stake	Equity 31 Dec 2023	Net profit in 2023
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20,17%	221,230,458	12,653,407

9.1.2 Changes in Investments in Associates

			in EUR
Item	2023	2022	
Balance as at 1 Jan	37,481,490	42,207,417	
Changes in revaluation surplus	-4,074,075	-4,725,927	
Balance as at 31 Dec	33,407,415	37,481,490	

9.1.3 Financial Investments in Joint Ventures

As at 31 December 2023, Modra zavarovalnica, d. d. recorded its investment in Hotelske nepremicnine, d. o. o. in the amount of EUR 5,962,870 as a joint venture investment (the same value as at 31 December 2022). 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	Equity 31 Dec 2023	Net profit in 2023
Hotelske nepremicnine, d. o. o.	Dunajska cesta 119, Ljubljana	50,00%	13,015,288	220,669

9.2 Financial Investments

9.2.1 Structure of Financial Investments

	in EUR	
Item	31 Dec 2023	31 Dec 2022
Investments at fair value through profit or loss	188,656,824	251,465,474
Equity securities	113,657	19,936,942
Debt securities	188,543,166	231,528,532
Investments at fair value through other comprehensive income	343,481,693	76,356,644
Equity securities	93,543,553	56,832,639
Debt securities	249,938,140	19,524,005
Investments at amortised cost	139,086,230	268,176,251
Debt securities	71,338,692	229,148,287
Loans and deposits	67,747,539	39,027,964
Total	671,224,748	595,998,369

9.2.2 Changes in Financial 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 31 Dec 2022	268,176,251	76,356,644	251,465,474	595,998,369
Redistribution and revaluation as at 1 Jan 2023	-179,381,380	192,176,543	-35,454,166	-22,659,003
Balance as at 1 Jan 2023	88,794,871	268,533,187	216,011,308	573,339,366
Acquisitions	64,856,190	73,673,087	88,687,966	227,217,243
Revaluation	-51	27,343,866	10,173,565	37,517,380
Maturity	-15,645,084	-24,494,271	-111,374,771	-151,514,126
Sales	-311,721	-9,278,475	-15,027,929	-24,618,125
Other changes and adjustments	1,392,026	7,704,301	186,685	9,283,042
Balance as at 31 Dec 2023	139,086,230	343,481,693	188,656,824	671,224,747

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 Jan 2022	210,888,156	99,781,751	302,460,785	613,130,692
Acquisitions	91,681,412	0	129,640,863	221,322,275
Revaluation	3,994	-40,016	-36,256,926	-36,292,948
Maturity	-37,232,056	-8,118,185	-2,043,053	-47,393,294
Sales	-881,296	-1,528,239	-145,340,282	-147,749,817
Other changes and adjustments	3,716,040	-13,738,667	3,004,087	-7,018,540
Balance as at 31 Dec 2022	268,176,251	76,356,644	251,465,474	595,998,369

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

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

in EUR

Investment	31 Dec 2023	31 Dec 2022
Debt investments	404,463,071	387,236,076
Fixed interest rate	401,049,980	386,648,401
Variable interest rate	3,413,091	587,675
Loans and deposits	67,747,539	39,027,964
Fixed interest rate	67,747,539	39,027,964
Cash and cash equivalents	2,580,361	4,707,255
ETF units	105,356,927	92,964,748
Total	580,147,899	523,936,043

Treasury bills are accounted within the scope of fixed-rate debt investments. Loans and deposits also account for the advances given.

9.2.4 Risk of Interest Rate Fluctuations

	in EUR			
Investments as at 31 Dec 2023	Less than 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Investments at fair value through profit or loss	74,417,345	521,789	8,247,105	83,186,239
Investments at amortised cost	15,469,039	17,327,123	106,290,068	139,086,230
Investments at fair value through other comprehensive income	40,658,578	96,148,659	113,130,903	249,938,140
Cash	2,580,361	0	0	2,580,361
Total	133,125,323	113,997,572	227,668,076	474,790,972

	in EUR			
Investments as at 31 Dec 2022	Less than 1 year	More than 1 year and up to 5 years	More than 5 years	Total
Investments at fair value through profit or loss	111,379,551	18,791,735	11,187,741	141,359,027
Investments at amortised cost	25,195,159	79,249,645	163,731,448	268,176,251
Investments at fair value through other comprehensive income	6,034,531	8,992,431	1,701,800	16,728,762
Cash	4,707,255	0	0	4,707,255
Total	147,316,496	107,033,811	176,620,988	430,971,295

Interest rate fluctuation risk demonstrates in which period the Company will be exposed to interest rate risk during re-investment. The table presents debt instruments with the exception of units of target funds, which are not directly exposed to the interest rate change risk. A detailed analysis of interest rate risk is presented in detail the chapter entitled "Risk Management".

9.2.5 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. The value of these investments at the end of 2023 reached EUR 93.5 million.

ISIN	Value in EUR 31 Dec 2023	ISIN	Value in EUR 31 Dec 2023
SI0031200239	1,168,583	US0231351067	2,492,916
SI0031103805	3,424,525	US17275R1023	1,336,928
SI0031105529	527,844	SI0021112212	1,361,880
SI0031107673	576,040	US02079K1079	5,065,828
SI0031104597	944,082	US02079K3059	5,008,613
SI0031108580	664,991	US4781601046	780,154
SI0031105677	490,996	US1912161007	4,175,764
SI0031102120	5,991,150	US5949181045	9,973,738
SI0031102153	2,518,847	DE0008430026	4,525,957
SI0021110513	1,993,264	US68389X1054	3,120,919
SI0031100637	476,284	US7170811035	468,977
SI0031109646	77,585	US7427181091	736,678
SI0031104290	2,646,633	NL0000009538	51,953
SI0031103730	18,187	SI0021110513	19,999,980
SI0031107103	93,919	CH0012032048	939,978
SI0031110248	129,921	FR0000120578	1,817,191
CNE1000003G1	632,875	ES0178430E18	338,077
JP3304200003	1,198,665	US8816242098	220,138
US0378331005	2,204,076	US91324P1021	767,074
DE0008404005	4,154,282	US91912E1055	428,062

In 2023, Modra zavarovalnica received dividends relating to investments measured at fair value through other comprehensive income in the amount of EUR 2,774,911 (EUR 1,945,376 in 2022). In 2023, upon disposal of investments measured at fair value through other comprehensive income, Modra zavarovalnica increased retained earnings in the amount of EUR 5,365,533 (in 2022, loss in the amount of EUR –40,016).

9.3 Cash

Item	in EUR	
	31 Dec 2023	31 Dec 2022
Bank balances	2,580,361	4,707,255

Note No. 10: Other Receivables

in EUR		
Item	31 Dec 2023	31 Dec 2022
Finance investments receivables	243,113	274,040
Trade receivables	1,289,286	4,773
Receivables for the management of mutual pension funds	845,721	760,935
Remaining other short-term receivables	233,205	3,413,400
Total	2,611,324	4,453,148

Note No. 11: Other Assets

in EUR		
Item	31 Dec 2023	31 Dec 2022
Accrued and deferred asset items	3,778,334	2,598,880
Short-term deferred costs	113,829	114,209
Total	3,892,163	2,713,090

Deferred costs and accrued income represent receivables due from mutual pension funds for guarantee fund premiums arising from the last conversion in the period.

Note No. 12: Equity

12.1 Share Capital

in EUR		
Item	31 Dec 2023	31 Dec 2022
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 2023, the carrying amount of a share was EUR 2.30 (EUR 2.26 as at 31 December 2022). Modra zavarovalnica, d. d. is wholly owned by Kapitalska družba, d. d.

12.2 Changes in Individual Equity Components

					in EUR
Item	Share capital	Profit reserves	Accumulated other comprehensive income	Net profit or loss brought forward	Total
31 Dec 2022	152,200,000	84,686,394	109,599,672	-3,038,375	343,447,691
Retrospective adjustments	0	0	0	-21,914,331	-21,914,331
1 Jan 2023	152,200,000	84,686,394	109,599,672	-24,952,706	321,533,360
Change	0	-4,163,175	3,259,510	28,952,706	28,049,040
31 Dec 2023	152,200,000	80,523,219	112,859,182	4,000,000	349,582,400

For more details, see the section "Redetermination of Financial Assets".

At the end of 2023, revenue reserves consisted of legal reserves in the amount of EUR 6,672,260, statutory reserves in the amount of EUR 6,338,647 and other revenue reserves amounting to EUR 37,512,311. In 2023, Modra released to retained earnings other reserves amounting to EUR 4,163,175. Accumulated other comprehensive income consists of a positive movement in the value of investments of EUR 14,456,548 and a negative movement in the value of liabilities of EUR -11,197,038. The retrospective adjustment is the effect when financial investments are reclassified.

The net profit for 2023 was used in full to offset losses from previous years.

					in EUR
Item	Share capital	Profit reserves	Accumulated other comprehensive income	Net profit or loss brought forward	Total
31 Dec 2021	152,200,000	84,686,394	67,930,578	26,689,859	331,506,831
Transition to IFRS 17	0	0	-10,559,466	6,038,852	-4,520,614
1 Jan 2022	152,200,000	84,686,394	57,371,112	32,728,711	326,986,217
Change	0	0	52,228,560	-35,767,086	16,461,474
31 Dec 2022	152,200,000	84,686,394	109,599,672	-3,038,375	343,447,691

At the end of 2022, revenue reserves consisted of legal reserves in the amount of EUR 6,672,260, statutory reserves in the amount of EUR 6,338,647 and other revenue reserves amounting to EUR 71,675,487. Accumulated other comprehensive income increased mainly due to the impact of the change in the discount curve on the amount of the insurance liabilities. The decrease in retained earnings of previous years consists of the payment of dividends of EUR 4,700,000 and the reversal of negative comprehensive income in 2022 of EUR 31,067,085.

12.3 Accumulated Other Comprehensive Income

Item	in EUR	
	2023	2022
Balance as at 1 Jan	109,599,672	57,371,113
Change in fair value of financial investments	17,904,237	-18,574,659
Adjustment of the reserve for fair values of financial investments for deferred tax	-3,447,688	3,102,671
Change in fair value of insurance contracts	-11,197,064	67,700,573
Adjustment of change in fair value of insurance contracts for deferred tax	25	-26
Balance as 31 Dec	112,859,182	109,599,672

The fair value reserve of financial investments is related to the changes in the financial investments market. The change in the fair value of insurance contract originates from the change discount curve.

12.4 Allocation of Accumulated Profit/Losses

Item	in EUR	
	31 Dec 2023	31 Dec 2022
a) Net profit or loss for the period	22,742,195	-31,573,668
b) Retained net profit/loss	-24,952,706	32,728,711
- adjustment to new accounting standards	-24,952,706	32,728,711
d) Decrease in revenue reserves pursuant to the decision of the Management Board	4,163,175	0
e) Profit/loss from disposals of investments, measured through other comprehensive income	5,365,554	0
f) Profit/loss from reversal of deferred tax	-20,270	506,583
g) Decrease in retained net profit for dividend payment	3,297,948	4,700,000
h) Accumulated profit / loss (a + b + d + e + f - g)	4,000,000	-3,038,375

Note No. 13: Insurance Contract Liabilities

Item	in EUR	
	31 Dec 2023	31 Dec 2022
Present value of future cash flows	316,458,351	262,338,227
Risk adjustment	2,200,457	1,544,840
Contractual service margin	17,971,070	9,792,632
Total liability for remaining coverage	336,629,878	273,675,700

Note 13.1.1: Changes in Insurance Contracts Liabilities in 2023

in EUR

Item	Liabilities for remaining coverage			Total
	No loss component	Loss component	Liabilities for incurred claims	
Liabilities	265,837,672	7,838,028	0	273,675,700
Starting balance – net liabilities 1 January 2023	265,837,672	7,838,028	0	273,675,700
Changes in income statement or statement of other comprehensive income				
Insurance contracts income	-8,781,438	0	0	-8,781,438
Contracts for which the fair value approach was applied	-5,429,202	0	0	-5,429,202
Other contracts	-3,352,236	0	0	-3,352,236
Insurance contracts expenses				
Incurred claims (without investment component) and other insurance contracts expenses	0	-453,139	7,748,267	7,295,129
Changes in fulfillment cash flows related to incurred claims	0	0	0	0
Incurred claims	0	-453,139	7,748,267	7,295,129
Amortization of insurance acquisition costs	204,604	0	0	204,604
Changes relating to future service	0	1,194,358	0	1,194,358
Insurance operating costs	204,604	1,194,358	0	1,398,962
Total insurance contract expenses	204,604	741,219	7,748,267	8,694,091
Investment component excluded from income and expenses from insurance services	-28,824,123	0	28,824,123	0
Insurance result	-37,400,956	741,219	36,572,390	-87,347
Net financial revenue/expenses from insurance	16,308,968	32,952	0	16,341,920
Total changes in income statement and statement of other comprehensive income	-21,091,988	774,171	36,572,390	16,254,572
Cash flows				
Received premiums for issued insurance contracts	83,480,154	0	0	83,480,154
Incurred claims that have been paid and paid insurance services expenses	0	0	-36,572,390	-36,572,390
Insurance acquisition cash flows	-208,158	0	0	-208,158
Total cash flows	83,271,995	0	-36,572,390	46,699,606
Liabilities	328,017,680	8,612,198	0	336,629,878
Final balance - net liabilities 31 Dec 2023	328,017,680	8,612,198	0	336,629,878

Note 13.1.2: Changes in Insurance Contracts Liabilities in 2022

in EUR

Item	Liabilities for remaining coverage			Total
	No loss component	Loss component	Liabilities for incurred claims	
Liabilities	298,877,983	607,815	0	299,485,798
Starting balance net liabilities 1 Jan 2022	298,877,983	607,815	0	299,485,798
Changes in income statement or statement of other comprehensive income				
Insurance contracts income	-7,881,422	0	0	-7,881,422
Contracts for which the fair value approach was applied	-6,068,994	0	0	-6,068,994
Other contracts	-1,812,429	0	0	-1,812,429
Insurance contracts expenses				
Incurred claims (without investment component) and other insurance contracts expenses	0	-144,467	7,055,551	6,911,084
Changes in fulfillment cash flows related to incurred claims	0	0	0	0
Incurred claims	0	-144,467	7,055,551	6,911,084
Amortization of insurance acquisition costs	228,183	0	0	228,183
Changes relating to future service	0	7,363,873	0	7,363,873
Insurance operating costs	228,183	7,363,873	0	7,592,056
Total insurance contract expenses	228,183	7,219,406	7,055,551	14,503,140
Investment component excluded from income and expenses from insurance services	-26,703,725	0	26,703,725	0
Insurance result	-34,356,964	7,219,406	33,759,275	6,621,718
Net financial revenue/expenses from insurance	-62,694,138	10,807	0	-62,683,332
Total changes in income statement and statement of other comprehensive income	-97,051,102	7,230,213	33,759,275	-56,061,614
Cash flows				
Received premiums for issued insurance contracts	64,182,177	0	0	64,182,177
Incurred claims that have been paid and paid insurance services expenses	0	0	-33,759,275	-33,759,275
Insurance acquisition cash flows	-171,385	0	0	-171,385
Total cash flows	64,010,792	0	-33,759,275	30,251,517
Liabilities	265,837,672	7,838,028	0	273,675,700
Final balance - net liabilities 31 December 2022	265,837,672	7,838,028	0	273,675,700

Note 13.2.1: Changes in Insurance Contracts Liabilities and Contractual Service Margin in 2023

in EUR

Item	Present value of future cash flows	Non-financial risk premium	Contractual service margin			Total
			Contracts for which the fair value approach was applied	Other contracts	Total contractual service margin	
Liabilities	262,338,227	1,544,840	7,473,694	2,318,938	9,792,632	273,675,700
Starting balance – net liabilities 1 Jan 2023	262,338,227	1,544,840	7,473,694	2,318,938	9,792,632	273,675,700
Changes in income statement or statement of other comprehensive income						
Changes relating to future service	-9,227,039	741,029	-7,469,576	16,747,808	9,278,232	792,222
Changes in estimates that adjust the contractual service margin	5,922,596	376,973	-12,345,121	6,065,132	-6,279,989	19,580
Changes in estimates that do not adjust the contract service margin (losses/loss reversals on onerous contracts)	-4,356,349	193,048	4,875,545	0	4,875,545	712,244
Effects of contracts for which initial recognition was made during the period	-10,793,286	171,008	0	10,682,676	10,682,676	60,398
Changes relating to current service	457,395	-6,604	0	-1,330,361	-1,330,361	-879,569
Contractual service margin recognised in profit or loss that reflects the transfer of services	0	0	0	-1,330,361	-1,330,361	-1,330,361
Change in the adjustment for non-financial risk that does not relate to a future or past service	0	-6,604	0	0	0	-6,604
Experience adjustments	457,395	0	0	0	0	457,395

in EUR

Item	Contractual service margin					Total
	Present value of future cash flows	Non-financial risk premium	Contracts for which the fair value approach was applied	Other contracts	Total contractual service margin	
Changes relating to past service	0	0	0	0	0	0
Insurance result	-8,769,644	734,425	-7,469,576	15,417,448	7,947,871	-87,347
Net financial revenue/expenses from insurance	16,190,162	-78,809	-4,118	234,685	230,566	16,341,920
Total changes in income statement and statement of other comprehensive income	7,420,518	655,616	-7,473,694	15,652,132	8,178,438	16,254,572
Cash flows						
Received premiums for issued insurance contracts	83,480,154	0	0	0	0	83,480,154
Incurred claims that have been paid and paid insurance services expenses	-36,572,390	0	0	0	0	-36,572,390
Insurance acquisition cash flows	-208,158	0	0	0	0	-208,158
Total cash flows	46,699,606	0	0	0	0	46,699,606
Liabilities	316,458,351	2,200,457	0	17,971,070	17,971,070	336,629,878
Final balance – net liabilities 31 Dec 2023	316,458,351	2,200,457	0	17,971,070	17,971,070	336,629,878

Note 13.2.2: Changes in Insurance Contracts Liabilities and Contractual Service Margin in 2022

in EUR

Item	Present value of future cash flows	Non-financial risk premium	Contractual service margin			Total
			Contracts for which the fair value approach was applied	Other contracts	Total contractual service margin	
Liabilities	282,186,411	2,209,201	12,489,193	2,600,992	15,090,185	299,485,798
Starting balance – net liabilities 1 Jan 2022	282,186,411	2,209,201	12,489,193	2,600,992	15,090,185	299,485,798
Changes in income statement or statement of other comprehensive income						
Changes relating to future service	11,564,463	113,314	-4,304,031	-144,821	-4,448,852	7,228,926
Changes in estimates that adjust the contractual service margin	22,315,408	13,572	-4,304,031	-18,146,277	-22,450,308	-121,328
Changes in estimates that do not adjust the contract service margin (losses/loss reversals on onerous contracts)	984,249	-2,653	0	6,331,723	6,331,723	7,313,319
Effects of contracts for which initial recognition was made during the period	-11,735,193	102,395	0	11,669,733	11,669,733	36,935
Changes relating to current service	243,095	-5,839	-657,140	-187,324	-844,464	-607,208
Contractual service margin recognised in profit or loss that reflects the transfer of services	0	0	-657,140	-187,324	-844,464	-844,464
Change in the adjustment for non-financial risk that does not relate to a future or past service	0	-5,839	0	0	0	-5,839
Experience adjustments	243,095	0	0	0	0	243,095

in EUR

Item	Contractual service margin					Total
	Present value of future cash flows	Non-financial risk premium	Contracts for which the fair value approach was applied	Other contracts	Total contractual service margin	
Changes relating to past service	0	0	0	0	0	0
Insurance result	11,807,558	107,475	-4,961,171	-332,145	-5,293,316	6,621,717
Net financial revenue/expenses from insurance	-61,907,259	-771,836	-54,328	50,091	-4,237	-62,683,332
Total changes in income statement and statement of other comprehensive income	-50,099,701	-664,361	-5,015,499	-282,054	-5,297,553	-56,061,614
Cash flows						
Received premiums for issued insurance contracts	64,182,177	0	0	0	0	64,182,177
Incurred claims that have been paid and paid insurance services expenses	-33,759,275	0	0	0	0	-33,759,275
Insurance acquisition cash flows	-171,385	0	0	0	0	-171,385
Total cash flows	30,251,517	0	0	0	0	30,251,517
Liabilities	262,338,227	1,544,840	7,473,694	2,318,938	9,792,632	273,675,700
Final balance – net liabilities 31 Dec 2022	262,338,227	1,544,840	7,473,694	2,318,938	9,792,632	273,675,700

Note 13.3.1: New Contracts in 2023

in EUR		
Item	Contracts issued	
	Profitable	Onerous
Insurance contracts		
Incurred claims and other insurance services expenses	69,647,190	54,104
Insurance acquisition cash flows	158,898	52,195
Present value of expected cash outflows	69,806,088	106,299
Present value of expected cash inflows	-80,656,511	-49,162
Adjustment for non-financial risk	167,747	3,261
Contractual service margin	10,682,676	0
Total at the initial recognition	0	60,398

Note 13.3.2: New Contracts in 2022

in EUR		
Item	Contracts issued	
	Profitable	Onerous
Insurance contracts		
Incurred claims and other insurance services expenses	49,795,886	41,301
Insurance acquisition cash flows	151,013	48,450
Present value of expected cash outflows	49,946,900	89,751
Present value of expected cash inflows	-61,716,055	-55,790
Adjustment for non-financial risk	99,422	2,974
Contractual service margin	11,669,733	0
Total at the initial recognition	0	36,935

Note 13.4.1: Estimated Release of the Contractual Service Margin by Year as of 31 December 2023

								in EUR
	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	> 10 years	Total
Contractual service margin	1,823,585	1,627,792	1,446,189	1,279,820	1,104,519	4,205,120	6,484,046	17,971,070

Note 13.4.2: Estimated Release of the Contractual Service Margin by Year as of 31 December 2022

								in EUR
	<1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	> 10 years	Total
Contractual service margin	903,719	838,724	767,416	707,162	637,594	2,457,478	3,480,540	9,792,632

Note 13.5.1: Projected Maturity of Insurance Contract Liabilities by Year at 31 December 2023

	in EUR					
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Liabilities	34,235,802	30,531,984	27,484,169	24,977,409	22,770,109	293,474,705
	433,474,178					

Note 13.5.2: Projected Maturity of Insurance Contract Liabilities by Year as at 31 December 2022

	in EUR					
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Liabilities	31,817,618	27,890,439	24,523,387	22,013,840	19,944,970	244,407,176
	370,597,431					

Note No. 14: Other Provisions

14.1 Other Provisions

	in EUR	
Other provisions	31 Dec 2023	31 Dec 2022
Provisions for Non-Achievement of the Guaranteed Return	4,661,204	11,536,512
Provisions related to employees (jubilee benefits, severance pay upon retirement and similar)	393,965	339,854
Total	5,055,169	11,876,366

14.2 Changes in Other Provisions

	in EUR		
Item	Provisions for non-achievement of the guaranteed return	Provisions related to employees	Total
1 Jan 2023	11,536,512	339,854	11,876,366
Newly set aside during the year	0	74,899	74,899
Utilisation	0	-3,643	-3,643
Reversal	-6,875,308	-17,145	-6,892,453
31 Dec 2023	4,661,204	393,965	5,055,169

14.2 Changes in Other Provisions

Item	in EUR		
	Provisions for non-achievement of the guaranteed return	Provisions related to employees	Total
1 Jan 2022	5,210,335	284,786	5,495,121
Newly set aside during the year	6,326,177	63,358	6,389,535
Utilisation	0	-8,290	-8,290
31 Dec 2022	11,536,512	339,854	11,876,366

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 2023, due to favourable conditions on financial markets, provisions on the amount of EUR 6,875,308 were reversed, while in 2022, provisions in the amount of EUR 6,326,177 were created.

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. 15: Current Income Tax Liabilities

Item	in EUR	
	31 Dec 2023	31 Dec 2022
Total	1,897,573	4,519,642

Current tax liabilities represent liabilities for corporate income tax.

Note No. 16: Other Liabilities

in EUR		
Item	31 Dec 2023	31 Dec 2022
Short-term deferred revenue	11,160,554	7,159,116
Liabilities for the payment of claims	1,318,969	1,282,479
Liabilities to employees	334,280	334,568
Current trade payables	379,593	415,359
Other liabilities	1,767,548	530,051
Total	14,960,945	9,721,573

Current 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 2024.

Liabilities for the payment of claims represent already calculated claims (rents) that have not been paid out for various reasons.

Liabilities to employees are payroll liabilities for December 2023 (December 2022) and long-term liabilities

for the valuable remuneration of members of the Management Board.

Trade payables comprise liabilities to securities dealers and to the controlling company.

Other liabilities are mainly accrued costs relating to the costs of unused vacations and other estimated costs for 2023 for various liabilities of guarantee funds.

Note No. 17: Off-Balance-Sheet Assets and Liabilities

in EUR		
Item	31 Dec 2023	31 Dec 2022
Off-balance sheet assets arising from the application of asset management techniques	1,987,297	2,244,881
Mutual pension fund assets	1,504,043,457	1,351,876,352
Total	1,506,030,754	1,354,121,233

Off-balance sheet assets arising from the use of asset management techniques relate to the commitment of Modra zavarovalnica to purchase target fund units.

Risk Management

Modra zavarovalnica considers that its assets are exposed to insurance, credit, currency, interest rate, liquidity and equity price risks in the context of its operations.

Insurance Risks

Insurance risks are related to the insurance coverages covered by the insurances. Insurance risk is the risk of loss or unfavourable changes in the value of insurance liabilities due to inadequate premiums and inadequate assumptions taken into account in the calculation of insurance liabilities.

Insurance risks are broken down into risks under life insurance, health insurance, which includes accident insurance, and non-life insurance.

The Company is primarily exposed to the life insurance risks. The most important insurance risk is the longevity risk in the case of annuity payments. Longevity risk is the risk that a person will live longer than predicted based on the mortality tables used.

Due to its small volume the health insurance risk is not of material importance. The Company is not exposed to non-life insurance risk.

Insurance risks are managed by regularly checking existing insurances, where the parameters used in determining the premium of an individual product are analysed, parameter sensitivity tests are carried out, the need for reinsurance is assessed and the impact of an individual product on the equity position of the insurance company is calculated.

Before starting the marketing of new insurances or products, prior internal approval is mandatory, which includes confirmation of the statistical basis for determining the insurance premium, confirmation of the limits of insurance sums and insurance premiums, examination of the need for reinsurance and assessment of the impact on the capital adequacy of the Company.

Sensitivity to Changes in Interest Rates/Return

Table 28: Change in interest rates/returns

in EUR		
Change in liabilities	31 Dec 2023	31 Dec 2022
Increase in return by 0.25 percentage points	-1,953,927	-7,469,889
Decrease in return by 0.25 percentage points	2,897,734	7,824,662

Sensitivity to Changes in Mortality

Table 29: Change in mortality

in EUR		
Change in liabilities	31 Dec 2023	31 Dec 2022
Increase in mortality probability by 10%	-4,839,672	-5,933,901
Decrease in mortality probability by 10%	5,453,298	6,732,780

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 4,839,672 (EUR 5,933,901 in 2022). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 30: Change in costs

	in EUR	
Change in liabilities	31 Dec 2023	31 Dec 2022
10 % increase in costs	3,569,149	2,899,477

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. In 2023, the SCR ratio increased compared to 2022.

Table 31: Capital adequacy pursuant to the requirements of Solvency II

	in EUR	
Item	31 Dec 2023	31 Dec 2022
Solvency II		
Total capital requirement (in EUR)	129,593,794	130,162,510
Eligible own funds (in EUR)	400,253,476	383,156,370
Excess of available own funds (in EUR)	270,659,682	252,993,860
Eligible own funds to total capital requirement ratio (in %)	309%	294%

In 2023, the ratio between the eligible own funds and total capital requirements (SCR ratio) increased from the initial 294% to 309%. The main reason for the increase in the SCR ratio is the favourable market conditions, especially in the last quarter of 2023; so the positive impact on the SCR ratio was due to the growth of the value on the stock markets and the shift of the risk-free interest rate curve down, which resulted in an increase in liabilities on the one hand and a favourable impact on the valuation of debt securities on the other.

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 32: Equity portfolio risk

	in EUR	
Change of index by +/- 10%	31 Dec 2023	31 Dec 2022
Effect of investments measured at fair value through profit or loss on the P&L	+/- 1,917,843	+/- 2,589,981
Effect of investments measured at fair value through other comprehensive income on capital	+/- 13,291,384	+/- 9,431,413
Total	+/- 15,209,227	+/- 12,021,394

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 33: Currency structure of financial assets

	in EUR	
Currency	31 Dec 2023	31 Dec 2022
Assets denominated in EUR	666,790,593	608,097,078
Assets denominated in USD	43,561,415	33,272,527
Assets denominated in other currencies	2,823,386	2,780,379
Total	713,175,394	644,149,984

As at 31 December 2023, 93.5% of the Company's financial assets were denominated in euros, 6.1% in US dollars, and the remainder in other currencies.

Table 34: Currency risk of financial assets

	in EUR	
Change of USD exchange rate by +/- 10%	31 Dec 2023	31 Dec 2022
Impact on statement of profit or loss	+/- 603,832	+/-684,140
Impact on equity	+/- 3,752,309	+/-2,643,113
Total	+/-4,356,141	+/-3,327,253

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 (valued at fair value).

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 35: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2023 – change of 50 basis points in interest rates

	in EUR			
Item	Change in interest rates	Sensitivity of interest revenue	Impact on fair value	Total
Financial investments at fair value through profit or loss	+/- 0.5%	-/+ 17,065	+/- 54,801	+/- 37,736
Financial investments at amortized cost	+/- 0.5%	+/-0	+/-0	+/-0
Financial investments at fair value through other comprehensive income	+/- 0.5%	+/-0	+/-1,209,508	+/- 1,209,508
Total	+/- 0.5%	-/+ 17,065	+/- 1,264,309	+/-1,247,244

Table 36: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2022 – change of 50 basis points in interest rates

in EUR

Item	Change in interest rates	Sensitivity of interest revenue	Impact on fair value	Total
Financial investments at fair value through profit or loss	+/- 0.5%	-/+2,938	+/-110,374	+/-107,436
Investments at amortized cost	+/- 0.5%	+/-0	+/-0	+/-0
Financial investments at fair value through other comprehensive income	+/- 0.5%	+/-0	+/-83,644	+/-83,644
Total	+/- 0.5%	-/+2,938	+/-194,018	+/-191,079

In calculating the sensitivity of interest income, floating-rate investments are taken into account, while in calculating the impact on fair value, fixed-rate investments are taken into account.

Credit Risk

Credit risk relates to debt securities (financial assets held as bonds, commercial and treasury bills, certificates of deposits, deposits, 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. Equity securities are excluded from the analysis because they do not carry 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 and 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 37: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2023

					in EUR
Internal credit risk	Credit risk	Bonds	Deposits	Other	Total
Low-risk investments	AAA	19,838,202	0	24,361,904	44,200,106
	AA	72,670,680	0	29,778,959	102,449,638
	A	129,806,851	58,653,191	8,595,565	197,055,607
	BBB	95,259,514	1,300,652	14,521,254	111,081,420
Less secure investments	BB	5,175,847	3,740,082	2,862,701	11,778,629
	B	3,258,227	4,053,614	0	7,311,842
	CCC	913,729	0	0	913,729
No rating		0	0	105,356,927	105,356,927
Total		326,923,051	67,747,539	185,477,309	580,147,899

All debt investments are presented in the table.

“No rating” investments are the investments in the units of target funds.

High-risk investments include current debt securities (deposits, commercial paper and corporate bonds of domestic issuers).

Table 38: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2022

					in EUR
Internal credit risk	Credit risk	Bonds	Deposits	Other	Total
Low-risk investments	AAA	4,951,684	0	34,522,298	39,473,982
	AA	47,817,689	0	37,083,659	84,901,347
	A	94,737,241	31,186,456	26,717,576	152,641,273
	BBB	97,483,315	1,998,822	25,080,287	124,562,425
Less secure investments	BB	14,160,681	5,842,686	3,384,852	23,388,218
	CCC	6,004,049	0	0	6,004,049
No rating		0	0	92,964,748	92,964,748
Total		265,154,659	39,027,964	219,753,420	523,936,042

All debt investments are presented in the table.

“No rating” investments are the investments in the units of target funds..

High-risk investments include current debt securities (deposits, commercial paper and corporate bonds of domestic issuers).

Table 39: Allowance for loss in 2023

	in EUR			
Stage	1. Stage	2. Stage	3. Stage	Total
Expected loss allowance as at 31 Dec 2022	-82,264	-203,224	-585,523	-871,010
Adjustment due to revaluation of investments	-809	143,053	-309,838	-167,595
Expected loss allowance as at 1 Jan 2023	-83,073	-60,171	-895,361	-1,038,605
Transfer from stage 1 to stage 2	8,327	-41,596	0	-33,269
– bonds	8,327	-41,596	0	-33,269
Financial assets derecognised in the period	12,473	16,775	596,532	625,781
– bonds	6,045	16,775	596,532	619,353
– deposits	3,968	0	0	3,968
– other	2,460	0	0	2,460
Financial assets acquired in the period	-15,027	-6,934	0	-21,961
– bonds	-13,007	0	0	-13,007
– deposits	0	-6,934	0	-6,934
– other	-2,020	0	0	-2,020
Other changes	-41,270	-22,725	-115,628	-179,624
Expected loss allowance as at 31 Dec 2023	-118,570	-114,651	-414,456	-647,677

The total loss allowance reached EUR 647,677, which means a reduction of the allowance by EUR 223,333 compared to the end of 2022.

As of December 2023, the insurance company owned one investment that was classified in stage 3, where it was already at the end of the previous year, and four more debt investments that are classified in stage 2, two of which were transferred from stage 1 to stage 2.

Changes in impairments due to acquisitions of new investments and disposals in 2023 are also recognized, as well as maturities of investments.

Changes in the valuation allowance due to the revaluation of investments on reclassification from AC to FVOCI

or from FVTPL to FVOCI are also shown.

Other changes in loss allowance arise from changes in risk parameters, which are mainly due to changes in macroeconomic indicators in 2023, as well as changed data from international credit rating agencies reports on the probability of default and losses in the event of customer default.

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.

The correction factors for the 12-month period increased mainly due to worse forecasts regarding economic growth and inflation. There was an increase of correlation coefficients and thus an increase in impairments by 38.4%.

Table 40: Allowance for loss in 2022

	in EUR			
Stage	1. Stage	2. Stage	3. Stage	Total
Expected loss allowance as at 1 Jan 2022	-126,759	-337,316	0	-464,075
Transfer between stages	-9,795	61,293	-805,684	-754,186
Transfer from stage 1 to stage 2	586	-215,204	0	-214,618
- bonds	586	-215,204	0	-214,618
Transfer from stage 1 to stage 3	4,792	0	-805,684	-800,893
- bonds	4,792	0	-805,684	-800,893
Transfer from stage 2 to stage 1	-15,172	276,496	0	261,324
- bonds	-15,172	276,496	0	261,324
Financial assets derecognised in the period	54,634	28,777	0	83,411
- bonds	10,785	28,777	0	39,562
- deposits	15,046	0	0	15,046
- other	28,803	0	0	28,803
Financial assets acquired in the period	-29,119	0	0	-29,119
- bonds	-12,981	0	0	-12,981
- deposits	-12,749	0	0	-12,749
- other	-3,388	0	0	-3,388
Other changes	28,774	44,022	220,162	292,958
Expected loss allowance as at 31 Dec 2022	-82,264	-203,224	-585,523	-871,010

In 2022, the total increase in loss allowance amounted to EUR 406,935.

The Company had two investments allocated to stage 3, both of which were transferred from stage 1 to stage 3 in 2022. The Company has four debt investments allocated to stage 2, two of which were transferred from stage 1 to stage 2 in 2022, and two were allocated to stage 2 already in the previous years. Three investments were transferred from stage 2 back to stage 1 in 2022.

Changes in impairments due to acquisitions of new investments and disposals in 2022 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 2022, as well as changed data from international credit rating agencies reports on the probability of default and losses in the event of customer default.

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.

The correction factors for the 12-month period decreased mainly due to the positive economic growth for 2022. In the macroeconomic indicators calculation model, the decrease in the correction factor is also favourably influenced by higher inflation. In the model, based on historical data, it is assumed that in times of high inflation there is usually higher economic growth and a lower rate of corporate defaults. Only when inflation starts to decrease again, it generally means an increase in unemployment and a decrease in economic growth (lagging effect).

Table 41: Changes in the gross carrying amount and the allowance in 2023

Category	in EUR	
	Gross carrying amount	Loss allowance
Starting value as at 1 Jan 2023	285,776,023	-871,010
Adjustment due to revaluation of investments	-5,007,826	-167,595
Starting value as at 1 Jan 2023	280,768,197	-1,038,605
Financial assets acquired in the period	141,834,755	-21,961
- bonds	99,682,504	-13,007
- deposits	33,424,879	-6,934
- other	8,727,371	-2,020
Financial assets derecognised in the period	-33,534,586	625,781
- bonds	-25,380,778	619,353
- deposits	-4,770,721	3,968
- other	-3,383,087	2,460
Transition between Stages (from Stage 1 to Stage 2)	13,036	-33,269
- bonds	13,036	-33,269
Other changes	5,323	-179,624
Terminal value as at 31 Dec 2023	389,086,724	-647,677

Other changes in the gross carrying amount mainly represent the changes in value and created impairments between 30 December 2023 and 31 December 2023.

Changes in the gross carrying amount and the valuation allowance due to the revaluation of investments on reclassification from AC to FVOCI or from FVTPL to FVOCI are also shown.

Table 42: Changes in the gross carrying amount and the allowance in 2022

Category	in EUR	
	Gross carrying amount	Loss allowance
Starting value as at 1 Jan 2022	240,931,318	-464,075
Transition from stage 1 to stage 2	-185,363	-214,618
Transition from stage 1 to stage 3	-930,627	-800,893
Transition from stage 2 to stage 1	-2,779	261,324
Financial assets acquired in the period	89,271,056	-29,119
Financial assets derecognised in the period	-43,179,501	83,411
Other changes	-128,082	292,958
Terminal value as at 31 Dec 2022	285,776,023	-871,010

Other changes in the gross carrying amount are mainly represented by differences in the cash balances at 31 December 2021 and 31 December 2022 and the investment forfeited at 31 December 2022.

Table 43: Geographical concentration of credit risk exposure of financial assets

Region	in EUR	
	31 Dec 2023	31 Dec 2022
Slovenia	138,510,631	103,006,379
EU (excluding Slovenia)	262,354,380	270,679,408
USA	54,640,469	38,355,474
Other	124,642,419	111,894,782
Total	580,147,899	523,936,043

Units of target funds are also allocated to the 'Other' group: at the end of 2023 in the amount of EUR 105,356,927, and at the end of 2022 in the amount of EUR 92,964,748.

Liquidity Risk

Liquidity risk represents the risk that the Company's liabilities will not be settled by their due date.

As at 31 December 2023, Modra zavarovalnica, d. d. recorded a total of EUR 338.2 million worth of surplus of expected non-discounted cash inflows over outflows.

Table 44: Expected actual non-discounted cash flows as at 31 December 2023

	in EUR			
Item	Less than 1 year	Over 1 to 5 years	Over 5 years	Total
Financial investments	368,835,182	140,206,206	275,924,406	784,965,794
- at fair value through profit or loss	176,968,660	2,451,149	13,772,502	193,192,311
- at amortised cost	15,805,365	23,615,563	120,018,571	159,439,499
- at fair value through other comprehensive income	176,061,157	114,139,493	142,133,334	432,333,984
Cash	2,580,361	0	0	2,580,361
Other receivables	2,611,325	0	0	2,611,325
Total assets	374,026,868	140,206,206	275,924,406	790,157,480
Lease liabilities	285,347	0	0	285,347
Other liabilities	16,858,518	1,318,969		18,177,487
Annuity fund liabilities	34,235,802	105,763,671	293,474,705	433,474,178
Total liabilities	51,379,667	107,082,640	293,474,705	451,937,012
Difference (assets – liabilities)	322,647,201	33,123,566	-17,550,299	338,220,468

Table 45: Expected actual non-discounted cash flows as at 31 December 2022

				in EUR
Item	Less than 1 year	Over 1 to 5 years	Over 5 years	Total
Financial investments	359,981,769	126,690,112	198,718,022	685,389,903
- at fair value through profit or loss	229,571,205	22,917,322	15,727,046	268,215,573
- at amortised cost	26,325,250	93,351,333	180,730,327	300,406,909
- at fair value through other comprehensive income	104,085,314	10,421,457	2,260,649	116,767,420
Cash	4,707,255	0	0	4,707,255
Other receivables	4,453,148	0	0	4,453,148
Total assets	369,142,172	126,690,112	198,718,022	694,550,306
Lease liabilities	335,475	259,708	0	595,183
Other liabilities	14,191,411	49,804	0	14,241,215
Annuity fund liabilities	31,817,618	94,372,637	244,407,176	370,597,431
Total liabilities	46,344,504	94,682,149	244,407,176	385,433,829
Difference (assets – liabilities)	322,797,668	32,007,963	-45,689,154	309,116,477

Fair Value of Financial Assets

Table 46: Overview of financial assets according to marketability

			in EUR
Financial asset	31 Dec 2023	31 Dec 2022	
Securities traded on the regulated market	610,845,246	572,350,244	
Investments at fair value through profit or loss	173,352,467	238,861,845	
Investments at amortised cost	69,642,388	222,445,509	
Investments at fair value through other comprehensive income	367,850,391	111,042,891	
Securities not traded on the regulated market	99,749,787	67,092,485	
Investments at fair value through profit or loss	15,304,357	18,566,499	
Investments at amortised cost	69,443,843	45,730,743	
Investments at fair value through other comprehensive income	15,001,587	2,795,243	
Cash	2,580,361	4,707,255	
Total	713,175,394	644,149,984	

At the end of 2023, investments traded on the regulated securities markets accounted for 86% of assets.

Table 47: Overview of financial assets at to carrying amount and fair value as at 31 December 2023

Item	in EUR	
	Carrying amount	Fair value
Investments at fair value through profit or loss	188,656,824	188,656,824
Investments at amortised cost	139,086,230	138,182,535
Investments at fair value through other comprehensive income	382,851,979	382,851,979
Cash	2,580,361	2,580,361
Total	713,175,394	712,271,699

Table 48: Overview of financial assets at to carrying amount and fair value as at 31 December 2022

Item	in EUR	
	Carrying amount	Fair value
Investments at fair value through profit or loss	257,428,344	257,428,344
Investments at amortised cost	268,176,251	240,553,736
Investments at fair value through other comprehensive income	113,838,134	113,838,134
Cash	4,707,255	4,707,255
Total	644,149,984	616,527,469

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 49: Hierarchy of Financial asset fair value as at 31 December 2023

	in EUR			
Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	457,882,748	86,304,800	27,321,254	571,508,802
Financial investments at fair value through profit or loss	170,196,116	3,156,351	15,304,357	188,656,824
Financial investments at fair value through other comprehensive income	287,686,632	83,148,449	12,016,897	382,851,979
Financial assets with fair value disclosed	67,245,642	73,517,254	0	140,762,896
Investments at amortised cost	67,245,642	70,936,893	0	138,182,535
Cash	0	2,580,361	0	2,580,361
Total	525,128,390	159,822,054	27,321,254	712,271,699

Table 50: Hierarchy of financial asset fair value as at 31 December 2022

	in EUR			
Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	269,448,086	79,094,769	22,723,622	371,266,478
Financial investments at fair value through profit or loss	216,216,208	22,645,637	18,566,499	257,428,344
Financial investments at fair value through other comprehensive income	53,231,879	56,449,132	4,157,123	113,838,134
Financial assets with fair value disclosed	187,939,856	18,488,712	38,832,424	245,260,991
Investments at amortised cost	187,939,856	13,781,457	38,832,424	240,553,736
Cash	0	4,707,255	0	4,707,255
Total	457,387,942	97,583,481	61,556,046	616,527,469

Level 1 includes investments where the fair value is determined entirely based on the quoted prices achieved on an active market.

Level 2 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. In 2023, level 2 also includes deposits.

Level 3 includes investments in target funds, the values of which are provided by third parties, in the amount of EUR 15,304,357 (EUR 11,802,058 in 2022). Level 3 includes the joint venture investment of EUR 5,962,870 (EUR 5,962,870 in 2022).

Level 3 also comprises shares of certain Slovenian companies in the total amount of EUR 6,054,027 (EUR 4,958,694 at the end of 2022). The major assumptions and variables observed in the valuation of these companies were: discount rate ranging from 6.5% to 12.7% and long-term growth rate from 2.0% to 2.5%.

In 2022, **level 3** also included deposits, factoring and advances in the total amount of EUR 38,832,424, which are classified as level 2 in 2023.

Table 51: Reclassification of assets between fair value levels in 2023

Transition between hierarchy levels	From level 3 to level 2
Deposits	38,832,424

Table 52: Reclassification of assets between fair value levels in 2022

Transition between hierarchy levels	From level 1 to level 2	From level 2 to level 3
Financial investments at fair value through profit or loss	7,559,783	643,358
Investments at fair value through other comprehensive income	2,073,166	0
At amortized cost	3,341,964	0

Table 53: Changes in Level 3 investments

Item	in EUR	
	2023	2022
Balance as at 1 Jan	61,556,046	53,870,484
Disposal	-2,283,127	-2,224,851
Maturity	0	-19,805,267
Acquisitions	5,011,832	28,697,231
Revaluation through profit or loss	773,594	424,025
Revaluation in other comprehensive income	1,095,333	-48,936
Reclassifications	-38,832,424	643,358
Balance as at 31 Dec	27,321,254	61,556,046

Table 54: Effective interest rates by financial asset groups

Item	2023	2022
Investments at amortised cost	2.96%	1.88%
Financial investments at fair value through other comprehensive income	3.77%	1.67%

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 2023, 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 1,315,465.

In 2023, 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 55: Gross remuneration in 2023 by category of beneficiaries

	in EUR
Category of Beneficiaries	Amount
Members of the Management Board	569,291
Members of the Supervisory Board	112,717
Employees with executive employment contracts	633,457
Total	1,315,465

Remuneration of Members of Management and Supervisory Boards

Table 56: Remuneration of members of the Management Board in 2023

	in EUR								
Name and surname	Fixed remuneration	Outstanding payments	Fringe benefits	Holiday pay	Jubilee benefits	Cost reimbursement	Participation in profit	Insurance premiums	Total
Matej Golob Matzele	101,621	0	4,845	1,387	0	3,457	0	1,936	113,246
Matija Debelak	148,092	18,372	3,210	2,159	0	1,681	5,197	2,904	181,615
Boštjan Vovk	148,214	18,304	268	2,159	0	5,338	5,197	2,904	182,384
Borut Jamnik	36,585	46,824	1,155	636	0	408	5,471	967	92,046

Fixed income includes gross salary receipts. The outstanding payments include payment of variable income, namely payment of the second part from 2020 (Jamnik, Debelak, Vovk), the second part from 2021 (Jamnik), the first part from 2022 (Jamnik, Debelak, Vovk), and of the second part from 2022 (Jamnik). 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, medical examinations as well as the life insurance benefit. Insurance premiums represent payments of the voluntary supplementary pension insurance premium.

Table 57: Remuneration of members of the Supervisory Board and external members of Supervisory Board committees in 2023

							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	-	12,801	-	-	35	15,916
Bojan Zupančič	3,080	1,980	11,321	2,830	-	35	19,246
Janez Prašnikar, PhD	3,245	1,980	11,321	4,245	605	35	21,431
Bachtiar Djalil	3,355	-	16,633	-	-	35	20,022
Roman Jerman	3,355	-	11,321	-	77	35	14,788
Cvetko Marko	3,355	-	11,321	-	605	35	15,316
Dragan Martinović (external member of SB AC)	-	2,376	-	2,830	792	-	5,998

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.

Significant Events after the Balance Sheet Date

On 15 January 2024, the Insurance Supervision Agency published the Notice on the main supervisory innovations and priorities in 2024, in which it highlights some essential regulatory innovations and priority areas of supervision in 2024.

Related Party Transactions

In 2023, 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. In 2023, the total value of these services amounted to EUR 503,769.

As at 31 December 2023, Modra zavarovalnica disclosed liabilities to Kapitalska družba in the amount of EUR 32,214; furthermore, as at 31 December 2023, non-current lease liability of Modra zavarovalnica amounted to EUR 285,347. In 2023, Modra zavarovalnica paid a dividend in the amount of EUR 3,297,949 to Kapitalska družba.

In 2023, there were no transactions between Modra zavarovalnica and the company Hotelske nepremičnine.

***Modra zavarovalnica.
True blue of savings.***



3.10 Financial Statements Pursuant to the Decision of the Insurance Supervision Agency

3.10.1 Annex 1: Segment Reporting Pursuant to the Provisions of the Decision on Annual Report and Quarterly Financial Statements of Insurance Undertakings

1.1 Statement of financial position

Item		LIFE segment	31 Dec 2023 NON-LIFE segment	TOTAL
ASSETS				
A.	Property, plant and equipment	119,949	0	119,949
C.	Right -of- use assets	278,660	0	278,660
C.	Intangible assets and goodwill	1,226,088	0	1,226,088
D.	Deferred tax assets	0	6,021	6,021
F.	Investments in associates and jointly controlled entities	39,370,285	0	39,370,285
G.	Financial investments measured at:	666,301,546	4,923,202	671,224,748
	1. Fair value through other comprehensive income	342,177,599	1,304,095	343,481,694
	2. Amortised cost	137,243,206	1,843,024	139,086,230
	3. Fair value through profit or loss	186,880,741	1,776,083	188,656,824
I.	Insurance contract assets	0	0	0
L.	Current income tax receivables	0	0	0
M.	Other receivables	2,609,416	1,909	2,611,325
N.	Cash and cash equivalents	2,563,361	17,000	2,580,361
O.	Other assets	3,843,826	48,337	3,892,163
TOTAL ASSETS		716,313,131	4,996,469	721,309,600
EQUITY				
A.	Share capital	147,200,000	5,000,000	152,200,000
C.	Profit reserves	80,444,151	79,068	80,523,219
C.	Accumulated other comprehensive income	112,879,219	-20,037	112,859,182
E.	Retained earnings/losses	4,134,196	-134,196	4,000,000
	1. Retained earnings/losses from previous years	0	-117,245	-117,245
	2. Retained earnings/losses for the period	4,134,196	-16,951	4,117,245

in EUR

LIFE segment	31 Dec 2022 NON-LIFE segment	TOTAL	LIFE segment	01 January 2022 NON-LIFE segment	TOTAL
62,972	0	62,972	75,281	0	75,281
593,408	0	593,408	879,188	0	879,188
1,218,732	0	1,218,732	919,476	0	919,476
0	9.888	9.888	0	0	0
43,444,360	0	43,444,360	48,170,287	0	48,170,287
591,142,982	4,855,387	595,998,369	607,993,835	5,136,857	613,130,692
75,069,997	1,286,647	76,356,644	98,374,992	1,406,759	99,781,751
265,334,011	2,842,240	268,176,251	207,798,472	3,089,684	210,888,156
250,738,974	726,500	251,465,474	301,820,371	640,414	302,460,785
0	1,241	1,241	0	0	0
0	26,202	26,202	553	0	553
4,452,228	920	4,453,148	1,037,468	4,921	1,042,389
4,645,336	61,919	4,707,255	3,423,940	29,477	3,453,417
2,713,090	0	2,713,090	2,934,797	0	2,934,797
648,273,108	4,955,557	653,228,665	665,434,825	5,171,255	670,606,080
147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000
84,607,326	79,068	84,686,394	84,607,326	79,068	84,686,394
109,639,837	-40,165	109,599,672	57,319,143	51,970	57,371,113
-2,921,130	-117,245	-3,038,375	32,730,216	-1,506	32,728,710
6,202,163	0	6,202,163	32,730,216	-1,506	32,728,710
-9,123,293	-117,245	-9,240,538	0	0	0

Item	LIFE segment	31 Dec 2023 NON-LIFE segment	TOTAL
TOTAL EQUITY	344,657,565	4,924,835	349,582,400
Equity of controlling company owners	344,657,565	4,924,835	349,582,400
Equity of non-controlling interests			
LIABILITIES			
B. Deferred tax liabilities	12,898,287	0	12,898,287
C. Insurance contract liabilities	336,610,557	19,322	336,629,879
E. Provisions	5,049,221	5,948	5,055,169
F. Lease liabilities	285,347	0	285,347
G. Other financial liabilities	0	0	0
I. Current income tax liabilities	1,897,573	0	1,897,573
J. Other liabilities	14,914,581	46,364	14,960,945
TOTAL LIABILITIES	371,655,566	71,634	371,727,200
TOTAL EQUITY AND LIABILITIES	716,313,131	4,996,469	721,309,600

in EUR

LIFE segment	31 Dec 2022 NON-LIFE segment	TOTAL	LIFE segment	01 January 2022 NON-LIFE segment	TOTAL
338,526,033	4,921,658	343,447,691	321,856,685	5,129,532	326,986,217
338,526,033	4,921,658	343,447,691	321,856,685	5,129,532	326,986,217
9,392,510	0	9,392,510	13,569,871	11,429	13,581,300
273,663,713	11,987	273,675,700	299,482,138	3,659	299,485,797
11,871,453	4,913	11,876,366	5,491,613	3,508	5,495,121
595,183	0	595,183	885,998	0	885,998
0	0	0	1,490	0	1,490
4,519,642	0	4,519,642	12,660,084	752	12,660,836
9,704,574	16,999	9,721,573	11,486,946	22,375	11,509,321
309,747,075	33,899	309,780,974	343,578,140	41,723	343,619,863
648,273,108	4,955,557	653,228,665	665,434,825	5,171,255	670,606,080

1.2 Statement of Profit or Loss

Item	
A.	Result from insurance operations
	1. Insurance services income
	2. Insurance service expenses
	Result from insurance operations
B.	Result from investing activities
	1. Interest income calculated using the effective interest method
	2. Dividend income
	3. Net gains/losses from derecognition of financial assets:
	- that are measured at fair value through profit or loss
	- that are measured at amortized cost
	- measured at fair value through other comprehensive income
	5. Net impairments/removal of impairments of financial assets
	7. Other income/expenses from investing activities
	Net income (expenses) from investing activities
C.	Result from insurance contracts
	1. Net financial income/expenses from insurance contracts
	2. Net financial income/expenses from reinsurance contracts
	Financial result from insurance contracts
D.	Other income and expenses
	1. Income from asset management
	2. Net other operating income/expenses
	3. Net other financial income/expenses
	4. Non-attributable costs
	7. Net other income and expenses
	Other income (expenses)
E.	Profit or loss before tax
	Corporate income tax

	LIFE segment	2023 NON-LIFE segment	TOTAL	LIFE segment	2022 NON-LIFE segment	TOTAL
	8,728,631	52,807	8,781,438	7,823,361	58,061	7,881,422
	-8,585,755	-108,336	-8,694,091	-14,424,069	-79,071	-14,503,140
	142,876	-55,529	87,347	-6,600,708	-21,010	-6,621,718
	9,885,356	44,979	9,930,335	4,389,572	39,218	4,428,790
	4,058,018	6,416	4,064,434	10,756,387	3,264	10,759,651
	2,604,539	7,068	2,611,607	-3,462,554	0	-3,462,554
	2,715,889	7,068	2,722,957	-3,426,532	0	-3,426,532
	-51	0	-51	3,994	0	3,994
	-111,299	0	-111,299	-40,016	0	-40,016
	-87,758	110	-87,648	-409,218	2,283	-406,935
	7,796,437	54,657	7,851,094	-29,702,765	-111,870	-29,814,635
	24,256,592	113,230	24,369,822	-18,428,578	-67,105	-18,495,683
	-5,143,917	-939	-5,144,856	-5,017,137	-105	-5,017,242
	0	0	0	0	0	0
	-5,143,917	-939	-5,144,856	-5,017,137	-105	-5,017,242
	17,028,656	0	17,028,656	2,059,090	0	2,059,090
	-1,225,923	0	-1,225,923	10,452	270	10,722
	-22,344	-594	-22,938	-5,274	0	-5,274
	-7,668,664	-75,482	-7,744,146	-6,634,687	-53,150	-6,687,837
	105,240	3	105,243	196,684	26	196,710
	8,216,965	-76,073	8,140,892	-4,373,735	-52,854	-4,426,589
	27,472,516	-19,311	27,453,205	-34,420,158	-141,074	-34,561,232
	-4,671,756	0	-4,671,756	0	0	0

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Changes in deferred taxes

Net profit or loss for the period

Net profit or loss for of controlling company equity holders

Net profit or loss of non-controlling interests

Earnings per share (net and adjusted)

1.3 Statement of Other Comprehensive Income

Item

I. Net profit and loss for the year

II. Other comprehensive income of the accounting period after tax

A. Items that may be reclassified to profit or loss in future periods

1. Unrealized net gains/losses on financial investments valued at fair value through other comprehensive income

Gains/losses recognised in accumulated OCI

3. Net financial income/expenses from insurance contracts

B. Income tax on items that may be reclassified to profit or loss in future periods

1. Income tax from investments from financial investments

2. Income tax from insurance contracts

C. Items that will not be reclassified to profit or loss in future periods

4. Other items that cannot be reclassified to profit or loss in future periods

5. Income tax on items that will not be reclassified to profit or loss in future periods

III. Comprehensive income for the period

Share of controlling company owners

in EUR

LIFE segment	2023 NON-LIFE segment	TOTAL	LIFE segment	2022 NON-LIFE segment	TOTAL
-41,614	2,360	-39,254	2,961,766	25,798	2,987,564
22,759,146	-16,951	22,742,195	-31,458,392	-115,276	-31,573,668
22,759,146	-16,951	22,742,195	-31,458,392	-115,276	-31,573,668
0	0	0	0	0	0
0	0	0	0	0	0

in EUR

LIFE segment	31 December 2023 NON-LIFE segment	TOTAL	LIFE segment	31 December 2022 NON-LIFE segment	TOTAL
22,759,146	-16,951	22,742,195	-31,458,392	-115,276	-31,573,668
8,604,936	20,128	8,625,064	52,320,696	-92,135	52,228,561
-1,445,309	23,898	-1,421,411	64,521,932	-113,747	64,408,185
9,751,621	24,032	9,775,653	-3,178,504	-113,887	-3,292,391
9,751,621	24,032	9,775,653	-3,178,504	-113,887	-3,292,391
-11,196,930	-134	-11,197,064	67,700,436	140	67,700,576
-418,128	-3,770	-421,898	603,916	21,612	625,528
-418,128	-3,795	-421,923	603,916	21,638	625,554
0	25	25	0	-26	-26
10,468,373	0	10,468,373	-12,805,152	0	-12,805,152
13,494,138	0	13,494,138	-15,282,268	0	-15,282,268
-3,025,765	0	-3,025,765	2,477,116	0	2,477,116
31,364,082	3,177	31,367,259	20,862,304	-207,411	20,654,893
31,364,082	3,177	31,367,259	20,862,304	-207,411	20,654,893

3.10.2 Annex 2.1: Explanatory notes for a fund where the entitlements are linked to the units or the value of the fund, but the attribution of profits is not linked to the technical result

2.1. a) Assets of the KS MR

	in EUR	
Item	31 Dec 2023	31 Dec 2022
II. Financial assets	7,313,278	9,332,210
1. Investments at fair value through other comprehensive income	6,409,193	0
2. Investments at amortised cost	0	9,238,360
3. Investments at fair value through income statement	904,085	93,850
III. Receivables	155	0
IV. Cash	71,965	136,938
TOTAL FUND ASSETS	7,385,398	9,469,148

2.1. b) Total Return of the KS MR

	in EUR	
Item	2023	2022
I. Fund's revenue	543,322	223,590
2. Income from investments	543,322	223,590
II. Fund's expenses	-243,270	-238,167
2. Expenses from investments	-8,890	-26,280
3. Expenses relating to management and business operation	-46,001	-54,977
4. Other expenses of the fund	-188,379	-156,910
TOTAL FUND RETURN	300,052	-14,577

3.10.3 Annex 2.2: Explanatory notes for funds where the profit attribution is determined on the basis of the technical result

2.2. a) Assets of the KS PPS

in EUR		
Item	31 Dec 2023	31 Dec 2022
III. Investments	91,708,848	94,038,578
1. Investments at fair value through other comprehensive income	79,813,747	0
2. Investments at amortised cost	2,296,940	63,819,897
3. Investments at fair value through income statement	9,598,161	30,218,681
IV. Receivables	81,352	24,251
V. Cash	542,414	370,888
VI. Other fund assets	169,512	169,960
TOTAL FUND ASSETS	92,502,126	94,603,677

2.2. b) Liabilities of the KS PPS

in EUR		
Item	31 Dec 2023	31 Dec 2022
Mathematical provisions at the beginning of the year	98,748,957	102,416,607
Mathematical provisions at the end of the year	94,708,882	98,748,957

2.2. c) Result of the KS PPS

in EUR		
Item	2023	2022
I. Transfer of funds from a supplementary pension scheme	2,279,267	2,343,672
II. Investment income	8,723,390	3,515,183
III. Claims expenses	-7,019,124	-6,846,992
IV. Change in mathematical provisions	4,075,326	3,738,580
VIII. Investment expenses	-108,700	-6,909,647
IX. Result of the fund before profit attribution	7,950,159	-4,159,204
XII. Result of the fund for the period	7,950,159	-4,159,204

2.2. a) Assets of the KS MR II

in EUR		
Item	31 Dec 2023	31 Dec 2022
III. Investments	259,899,520	206,361,682
1. Investments at fair value through income statement	141,931,596	0
2. Investments at amortised cost	61,804,710	146,948,517
3. Investments at fair value through income statement	56,163,214	59,413,165
IV. Receivables	124,446	79,620
V. Cash	346,096	1,896,156
VI. Other fund assets	3,608,822	2,428,920
TOTAL FUND ASSETS	263,978,884	210,766,378

2.2. b) Liabilities of the KS MR II

in EUR		
Item	31 Dec 2023	31 Dec 2022
Mathematical provisions at the beginning of the year	215,672,165	178,804,470
Mathematical provisions at the end of the year	268,490,255	215,672,165
Unallocated amounts of technical results at the beginning of the year	0	401,104

2.2.c) Prikaz izida sklada KS MR II

in EUR		
Item	2023	2022
I. Transfer of funds from a supplementary pension scheme	81,148,467	61,774,830
II. Investment income	15,022,580	3,118,371
III. Claims expenses	-29,115,683	-25,902,413
IV. Change in mathematical provisions	-52,817,101	-36,457,084
VI. Costs calculated by policy	-1,517,719	-1,216,221
VII. Other costs charged to the members of the Fund	-113,800	-87,010
VIII. Investment expenses	-364,884	-13,315,018
IX. Result of the fund before profit attribution	12,241,860	-12,084,545
XII. Result of the fund for the period	12,241,860	-12,084,545

Modra zavarovalnica d.d.

Dunajska cesta 119

1000 Ljubljana

T: + 386 1 47 46 800

F: + 386 1 47 46 754

www.modra.si

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