Annual **report** 2022

MODRA ZAVAROVALNICA

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MODRA

Annual report 2022

MODRA

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List of used abbreviations

Abbreviation	Explanation
AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ISA	Insurance Supervision Agency
CBBT	Composite Bloomberg Bond Trader
CSM	Contractual service margin
DPJU	Dynamic Civil Servants Sub-Fund
VAT	Value-added tax
ECB	European Central Bank
EU	European Union
EUR	euro – currency of the European Union
EURIBOR	interbank offered interest rate within the euro area
EAD	Exposure at Default
EWS	Early Warning System
IBOXX	reference index of liquid bonds with an investment rating

Abbreviation	Explanation
IPEV	International Private Equity and Venture Capital Valuation
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
MDP	Dynamic Sub-Fund
MPP	Prudent Sub-Fund
MZP	Guaranteed Sub-Fund
MSCI Index	Morgan Stanley Capital International Index
IFRS	International Financial Reporting Standards as adopted by EU
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
FUV	fund unit value
MPF	mutual pension fund
USA	United States of America
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, No. 42- 1799/2006)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012)
ZPJU	Guaranteed Civil Servants Sub-Fund
ZSDH-1	Slovenian Sovereign Holding Act (Official Gazette of the Republic of Slovenia, No. 25/2014)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015)

Introduction

Over 300,000 satisfied members have taken charge of their own pensions!

1.1 Statement by the Management Board

2022 was an exceptionally difficult year for Modra zavarovalnica. The shocks on the financial markets which were mainly related to the Russian Federation's attack on targets in Ukraine as well as rising inflation had a negative impact on the value of the insurance company's financial assets and the profitability of the funds under its management. Nevertheless, we managed to increase income from guarantee fund premiums and premiums paid into mutual pension funds managed by the insurance company, with the number of mutual pension fund members and the number of annuity recipients also having increased.

In 2022, the macroeconomic environment was not favourable for investors on the financial markets, as both stock and bond indices fell significantly during this period. The MSCI global stock index fell by 12.9% in euros. At the same time, higher required returns as a result of rising inflation, caused a decrease in the exchange rates of government and corporate bonds: The European government bond index lost 18.4% of its value, while the corporate bond index lost 14.2% of its value.

In 2022, Modra zavarovalnica generated EUR 79.6 million in premium income and other technical income. Guarantee fund premiums account for EUR 64.2 million, while income from the management of mutual pension and guarantee funds accounts for EUR 15.4 million, EUR 3.1 million of which relates to income from the reversal of provisions. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 123 million in the relevant period, without taking into account transfers between sub-funds, and increased by 6% compared to 2021.

Insurance expenses, which include paid annuities, operating costs and other insurance expenses, reached EUR 50.8 million; in this case, the highest item within other insurance expenses are the expenses arising from provisions set aside because of the failure to achieve the guaranteed return of mutual pension funds in the amount of EUR 6.3 million. Mathematical provisions increased by EUR 30.8 million due to the increase of guarantee fund premiums. Loss from investment activities recognised in profit or loss reached EUR -18.5 million owing to significantly negative trends on financial markets. At the same time, the additional of EUR -15.5 million was recorded by the profit or loss from investment activities recognized in the statement of comprehensive income.

The equity of Modra zavarovalnica, which represents the basis of the assurance of the insured person's assets, reached EUR 295.9 million at the end of 2022 and was 11 percent lower compared to the end of the previous year. Regardless of the latter, the capital adequacy of the Company has increased significantly, as the solvency ratio of the insurance company reached 294 percent at the end of 2022 and increased by 109 percentage of points compared to the end of 2021. The changes in the solvency ratio were influenced by the rise of the interest rates level and the consequent upward shift of the risk-free interest rate curve, which was reflected in lower liabilities of the Company.

Under the given conditions, the returns on all sub-funds managed by Modra zavarovalnica were negative. The decrease in the value of bonds had a significant impact on lower profitability of funds with an investment policy of a guaranteed rate of return. Guaranteed Sub-Fund recorded a return of -7.40%, while the Guaranteed Civil Servants Sub-Fund recorded a return of -7.22%.

In accordance with the business environment in 2022 and the structure of investments, the return of the Prudent Sub-Fund reached -11.31%, and the Prudent Civil Servants Sub-Fund -11.40%. The two sub-funds with a dynamic investment policy recorded the lowest returns, with the Dynamic Sub-Fund recording -11.96%, and the Dynamic Civil Servants Sub-Fund recording -11.94%. The returns of sub-funds with a balanced and dynamic investment policy are at the level of the average of competing funds, while the returns of the Guaranteed Sub-Fund and the Guaranteed Civil Servants Sub-Fund were above average compared to competing sub-funds.

In 2022, we also focused our marketing and communication activities on building the recognition of Modra zavarovalnica insurance company as the first or best choice for ensuring social security after retirement and raising awareness of the importance of saving for old age, developing more effective communication approaches, improving user experience and digitalisation of business processes. We continued with the development of the online service e.Modra.si, which enables users to review and edit insurance policies. We also enabled e-concluding/taking out insurance for employees in the public sector. Today, over 100,000 users, who help us to improve the user experience with their comments and directions use the e.Modra.si web service. In order to enable existing and potential customers to be even more informed, and, above all, an excellent user experience with Modra zavarovalnica insurance company, 2022 meant focusing on the design and testing of a mobile application which will provide an additional digital communication path.

We will continue to adapt our marketing activities to market conditions and perceived trends, while keeping the customer in the center of our attention, staying curious about their needs and requirements, while obtaining directions for the development of our own products. We will focus our knowledge and experience on improving the visibility of Modra, on its positioning as an innovative provider with a recognizable format, and on the development of digital communication and distribution channels, which will enable us to become even closer to the needs of existing and potential customers.

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.

Due to the changes brought by the new IFRS 17 standard in determining and monitoring the financial results of insurance companies, in 2023, the insurance company will present its operations according to new accounting schemes. The key amendment introduced by IFRS 17 is the treatment of the margin, which will generally be transferred gradually to the insurance company's profit or loss over the insurance contract term.

Forecasts of economic trends for 2023 are relatively favourable, yet uncertainty related to the development of the armed conflict in Ukraine remains high. Inflation growth has steadied, with forecasts of economic slowdown softening, as the World Bank still predicts positive economic growth at the global level. When it comes to operations of the Company in 2023, positive trends on the financial markets at the beginning of the new financial year, along with highly motivated and professionally qualified employees of the insurance company are the reason we remain moderately optimistic.

Boštjan Vovk,
MEMBER OF THE MANAGEMENT BOARD

mag. Matija Debelak,
MEMBER OF THE MANAGEMENT BOARD

Borut Jamnik,
CHAIRMAN OF THE MANAGEMENT BOARD

1.2 Presentation of Insurance Company

1.2.1 General data

Name: Modra zavarovalnica, d. d.
Registered seat: Dunajska cesta 119, Ljubljana
Registration number: 6031226
VAT ID: SI21026912
Number of employees: 63
Share capital: EUR 152.2 million
Assets under management: EUR 2.0 billion
Number of fund savers/MPF members: 304,910
Number of pension annuity beneficiaries: 41,347

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, 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;
- the leading competence for the area of an individual's supplementary social security;
- important financial intermediary with a comprehensive additional offer of financial solutions;
- innovative ecosystem of supplementary

1.2.5 Ownership structure and equity

As at 31 December 2022, 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 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,
- life insurance – point 19 of paragraph 2 of Article 7 of the Insurance Act.

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 Company bodies

Management

Pursuant to the Company's Articles of Association, the Management Board comprises three members. In 2022, Modra zavarovalnica was run by the Management Board composed of:

- **Borut Jamnik**, Chairman of the Management Board, 5-year term of office starting on 29 August 2016, and a new 4-year term of office starting on 29 August 2021;

- **Matija Debelak**, MSc, member of the Management Board, 5-year term of office starting on 14 September 2016 and a new 4-year term of office starting on 4 October 2021;

- **Boštjan Vovk**, Member of the Management Board, 4-year term of office starting on 1 October 2018.

The Management Board runs the Company in the best interest of the Company, independently and at its own responsibility. The Management Board represents and presents the Company without limitations. In legal transactions, the Company is represented by two Management Board members jointly, i.e. the Chairman and one member, a member with the Chairman or another member of the Management Board. The Company's Articles of Association lay down the transactions and decisions that are subject to approval by the Supervisory Board.

In 2022, the Management Board executed its powers in line with the Management Board's Rules of Procedure, made regular reports to the Supervisory Board and, in line with the Articles of Association, fulfilled its obligations to the shareholder as laid down by the Companies Act.

Supervisory Board

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

The Supervisory Board comprises six members. Kapitalska družba, d.d., proposes three members of the Supervisory Board according to the procedure and in the manner defined by the general acts of the Company. Half the Supervisory Board members were proposed by insured persons based on a public call to submit their candidate proposals. Two members were proposed by the Board of the Life-Cycle Civil Servants Pension Fund on behalf of the insured, while the third member was proposed by the Board of the Life-Cycle Pension Fund on behalf of other insured persons.

In 2022, the Supervisory Board comprised the following members:

- **Branimir Štrukelj**, Member of the Supervisory Board from 9 December 2020, Chairman of the Supervisory Board from 23 December 2021 to 22 December 2022 and as of 23 December onwards serves as Deputy Chairman of the Supervisory Board;

- **Bachtiar Djalil**, member of the Supervisory Board as of 9 June 2021, served as Deputy Chairman of the Supervisory Board from 23 December 2021 to 22 December 2022, and as of 23 December 2022 onwards serves as Chairman of the Supervisory Board;

- **Bojan Zupančič**, member as of 9 December 2020;

- **dr. Janez Prašnikar**, member as of 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 2022 is provided in the Report of the Supervisory Board.

The Audit Committee of the Supervisory Board was active in 2022; its composition and work are presented in the Supervisory Board Report.

General Meeting

The voting right at the general meeting in 2022 was exercised by Kapitalska družba, d. d., as the sole shareholder.

1.3 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 represent the interests of the sole shareholder, i.e. Kapitalska družba pokojninskega in invalidskega zavarovanja d.d., and are appointed at the proposal of Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

In 2022, the composition of the Supervisory Board was as follows: Branimir Štrukelj (Chairman), Bachtiar Djalil (Deputy Chairman) Marko Cvetko, Roman Jerman, Dr Janez Prašnikar, and Bojan Zupančič.

At the 151st regular meeting of the Supervisory Board held on 20 December 2021, Branimir Štrukelj and Bachtiar Djalil 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 2021 to 22 December 2022. At the 166th regular meeting of the Supervisory Board, held on 21 December 2022, Bachtiar Djalil was appointed Chairman of the Supervisory Board, and Branimir Štrukelj was appointed Deputy Chairman of the Supervisory Board, both for the period from 23 December 2022 to 22 December 2023.

Over the course of the 2022 financial year, the Supervisory Board met at 13 meetings, 11 of them regular and 2 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 conduct in the event of conflict of interests. 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: the Dynamic Sub-Fund, the Prudent Sub-Fund, and the Guaranteed Sub-Fund, and the payment 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 154th meeting held on 8 April 2022, the Supervisory Board approved the Annual Report of Modra zavarovalnica for the 2021 financial year, including the Auditor's Report and the Report of the Supervisory Board on the review of the company's Annual Report. It was briefed on the company's annual internal audit report for 2021, the report by the 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. Based on the motion tabled by the Audit Committee of the Supervisory Board, the Supervisory Board submitted a proposal to the company's General Meeting for the appointment of an authorised auditor for the 2022, 2023, and 2024 financial years. 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 2021 and approved the payment of variable remuneration to the members of the Management Board.

In 2022, 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 members 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 Audit Committee assessed the effectiveness of its own work.

At the 156th meeting, held on 20 July 2022, the Supervisory Board adopted the Policy on the Diversity of the Management and Supervisory Bodies in Modra zavarovalnica. At the 161st meeting, held on 20 October 2022, the Supervisory Board adopted the Succession Policy for Modra zavarovalnica.

In 2022, the Supervisory Board carried out a procedure for the appointment of a member of the Management Board of Modra zavarovalnica in accordance with the applicable legislation and other applicable regulations, and with the internal acts of the insurance company. At its 155th meeting, held on 10 June 2022, the Supervisory Board granted a four-year term of office to Management Board member Boštjan Vovk, starting on 1 October 2022. At the 162nd meeting of the Supervisory Board, held on 16 November 2022, the members of the Supervisory Board initiated the recruitment procedure for the selection of the Chairman of the Management Board of Modra zavarovalnica, d.d.

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 162nd meeting, held on 16 November 2022, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2023, and to the Action Plan of the Internal Audit Department for 2023.

The remuneration of Supervisory Board members complies with the resolution adopted by 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 auditor) – was a permanent operational body of the Supervisory Board in 2022, and closely monitored the company's operations and the work of the Management Board during the financial year, so as to best serve the decision-making process of the Supervisory Board. In 2022, the Audit Committee held 7 meetings. 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 participated in the selection process of the authorised auditor for the 2022, 2023, and 2024 financial years. The Audit Committee worked with the selected independent auditor in discussing the Unaudited Annual Report of Modra zavarovalnica, d.d. for 2022.

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 2023, which were both approved by the Supervisory Board. The Audit Committee assessed the effectiveness of its own work.

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 2022 successfully and properly, and successfully realised the set business goals. It prepared materials with quality information and in-depth discussions of all major operating categories in due time, and provided comprehensive answers to subsequent questions and motions put forward by the members of the Supervisory Board. The Management Board's reports to the Supervisory Board in 2022 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 2022

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 2022, 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 2022 Annual Report

Pursuant to the provisions of Article 282 of the Companies Act, the Supervisory Board hereby approves the Annual Report of Modra zavarovalnica for 2022.

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 2022

Pursuant to the provisions of Article 546.a of the Companies Act, the Supervisory Board reviewed the Report on Relations with Associated Companies for 2022, and has no comments on the statement of the management in the Report on Relations with Associated Companies for 2022.

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

Based on the statements made in indents a), b), and c) in this Report, the Supervisory Board proposes to the General Meeting of Modra zavarovalnica to adopt a resolution pursuant to the provisions of Article 294 of the Companies Act, granting discharge to the Management Board and the Supervisory Board of Modra zavarovalnica for the work performed in the 2022 financial year.

Bachtiar Djalil

Chairman of the Supervisory Board

Ljubljana, 21 April 2023

Financial report

Managing more than 2 billion in assets, we are one of the leading asset managers in Slovenia.

2.1 Business Environment

2.1.1 Economic Environment in Slovenia

In 2022, gross domestic product in the Republic of Slovenia was 5.4 percent higher than in 2021. The economic growth was higher in the first half of the year, while the second half was affected mostly by the drop of domestic consumption, which amounted as little as to 1.2% in the final quarter. Throughout the year, import grew faster than export, which meant a decrease in the foreign trade surplus. Institute of Macroeconomic Analysis and Development predicts GDP growth of 1.8% for 2023 and 2.5% for 2024.

The number of people in the workforce was 935,344 in December of 2022. The registered unemployment rate was 5.4% in December 2022, down 1.3 percentage points compared December 2021. The average monthly gross wage in 2022 was EUR 2,024, up 2.8% compared to average monthly gross wage in 2021.

2.1.2 Trends on Financial Markets

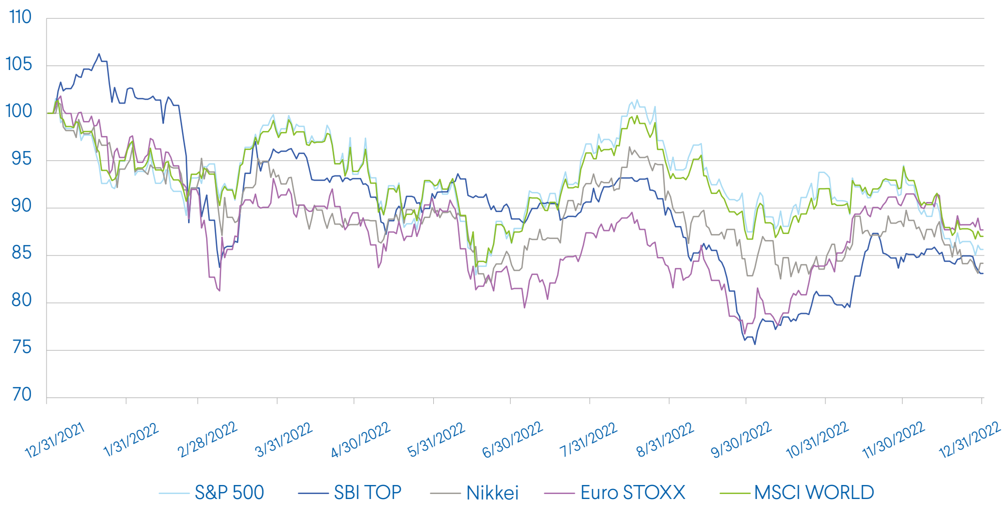
Money market

The interbank reference rate in the Eurozone, the 6-month EURIBOR, increased from -0.546% to 2.693% in 2022. The yield to maturity (YTM) of the 10Y German Bund increased in 2022, from -0.177 to 2.571%, while the YTM of the Slovenian 10Y government bond increased from 0.388 to 3.781%.

Foreign Exchange Rates

The EUR/USD rate in 2022 rose by 5.8%. 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 2022 (in euros; Index: 31 December 2021 = 100)



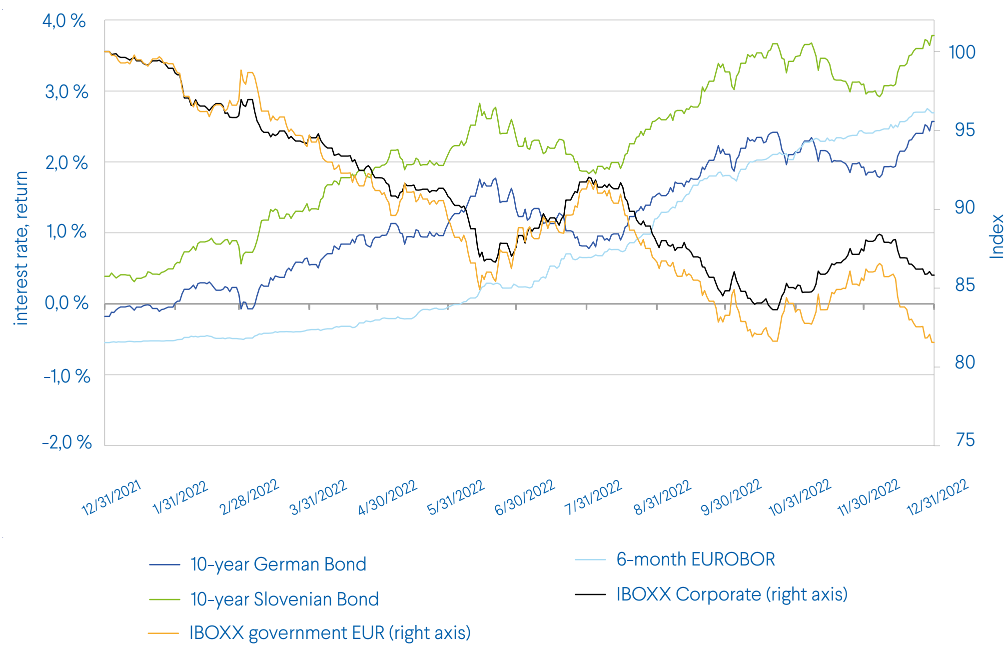
Equity Market

In 2022, the value of the MSCI global stock index fell by 12.9% (measured in EUR). The most significant losses in this period were recorded by Nasdaq (28.9%). Slovenian shares, which lost an average of 16.9%, along with Japanese and American shares (S&P 500) also recorded a significant fall in value, with losses of 15.8 percent and 14.4 percent, respectively. The most favourable result was recorded by European shares, which lost an average of 12.3 percent of their value.

Debt Market

In 2022, the prices of both government and corporate bonds fell. The European government bond index (IBOXX Euro Sovereign Overall Total Return Index) lost 18.4% in this period, while the corporate bond index (IBOXX Euro Corporates Overall Total Return Index) lost 14.2%. Bond price movements were affected mainly by the expectations regarding future monetary policies in Europe and the US. Both central banks tightened their monetary policy significantly in 2022, which is the result of inflation reaching the highest levels in the last forty years.

Figure 2: Comparison of changes in the yield to maturity (YTM) of the 10-year German Bond, the Slovenian government bond and the 6-month EURIBOR in 2022 (in %)



2.2 Operations in 2022

2.2.1 Financial Result and Financial Position

In 2022, based on an additional internal analysis of business models of target fund units primarily classified as equity instruments, Modra zavarovalnica reclassified the financial instruments in question as debt financial instruments. These debt instruments are measured at fair value through profit or loss because they do not pass the SPPI test ("solely payments of principal and interest"), whereas prior to 2022, they were measured at fair value through other comprehensive income. The Company took the change into account in the previous financial statements as well. Therefore, the individual items of the financial statements, especially those pertaining to the insurance company's financial assets and related changes, have been adjusted for the year 2021 and are not equal to the audited ones for the year in question. A more detailed disclosure can be found in the Financial report in the chapter "Reclassification of Target Fund Units".

In 2022, Modra zavarovalnica generated EUR 79.6 million in premium income and other technical income. Guarantee fund premiums account for EUR 64.2 million, while income from the management of mutual pension and guarantee funds accounts for EUR 15.4 million, EUR 3.1 million of which relates to income from the reversal of provisions. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 123 million in the relevant period, without taking into account transfers between funds or sub-funds, and increased by 6% compared to 2021.

Table 1: Financial result of Modra zavarovalnica

in EUR

Item	2022	2021
Premium income and other technical income	79,586,860	75,841,606
Expenses for claims and other technical charges	-43,212,387	-34,978,465
Change in Technical Provisions	-30,782,568	-33,326,396
Operating Expenses	-7,589,796	-7,100,664
Profit or loss from investment activities recognised in profit or loss	-18,495,701	40,097,763
Other net income/expenses	116,673	72,142
Profit or loss before tax	-20,376,918	40,605,985
Income tax	4,476,373	-6,654,082
Net operating profit or loss	**-15,900,545**	**33,951,903**
Profit or loss recognised in equity	-15,471,989	26,558,637
Total comprehensive income	**-31,372,534**	**60,510,540**

In 2022, expenses for claims including expenses arising from the annuities paid reached EUR 34.8 million, while other technical charges amounted to EUR 8.4 million. The highest item within other technical expenses are the expenses arising from provisions set aside because of the failure to achieve the guaranteed return of mutual pension funds in the amount of EUR 6.3 million. Changes in technical provisions represent an expense due to increased mathematical provisions deriving from the pension annuity insurance sold in 2022. Operating costs include the costs of labour, services, material, amortisation/depreciation and similar. Profit or loss from investment activities recognised in profit or loss reached EUR -18.5 million owing to significantly negative trends on financial markets. At the same time, the negative value in the amount of EUR -15.5 million was also recorded by the profit or loss from investment activities recognized in the statement of comprehensive income.

The largest share of Modra zavarovalnica assets are financial assets, which reached EUR 644.1 million at the end of 2022, while technical provisions for annuity insurance account for the largest share of liabilities alongside equity. The major part of off-balance sheet items is the sum total of the assets of the mutual pension funds managed by Modra zavarovalnica.

Table 2: Financial position of Modra zavarovalnica

in EUR

Item	2022	2021
Financial Assets	644,149,984	664,754,396
Other Assets	25,975,425	6,486,998
Total assets	**670,125,409**	**671,241,394**
Technical provisions	324,538,045	293,673,612
Other provisions	28,770,000	9,208,103
Other Liabilities	20,876,484	36,852,848
Equity	295,940,880	331,506,831
Total equity and liabilities	**670,125,409**	**671,241,394**
Off-balance sheet items	1,354,121,232	1,392,833,760

2.2.2 Effect of Inflation on Operations

The higher inflation rate which we witnessed in the previous period has significant effects on the economy, as it generally reduces future economic growth and affects the decline in consumer purchase power.

Inflationary pressures and the resulting rise in interest rates of central banks across the world have an impact on the operations of Modra zavarovalnica, mainly through changes in the value of assets and liabilities. Due to the higher discount factor of cash flows, higher interest rates have a negative impact on the value of investments; with investments in equity or real estate, the impact is usually lesser than that with financial instruments with fixed return as companies can pass on part of the cost increase to customers through higher selling prices of products, services or rents. In its portfolios, Modra zavarovalnica also has a smaller part of investments which are indexed to inflation (e.g. inflation-protected bonds) or tied to variable interest rates (e.g. EURIBOR) and are significantly less sensitive to inflation growth. In the case of listed investments, the full impact of inflation and other significant factors is already included in their market price. The same applies for all investments the value of which is estimated by the insurance company applying the discounted cash flow method, the forecasted inflation has already been included in the discount interest rate.

Considering the business model and the type of insurance operations carried out by Modra zavarovalnica, the impact of increased inflation does not have any significant effect on capital adequacy. Inflation is expressed through costs and does not cause a significant decrease in the ratio between own resources and the total capital requirements.

In determining product prices, inflation growth could lead to a change in the technical interest rate of annuity insurance, whereby each change in the technical interest rate requires the consent of the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

2.2.3 Mutual Pension Fund Management

Market Overview

Funds from voluntary supplementary insurance are collected and managed in pension funds formed in accordance with ZPIZ-2. In 2022, 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.

In 2022, the returns of all sub-funds managed by Modra zavarovalnica were negative, which is the result of a sharp fall in the value of both bonds and shares.

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

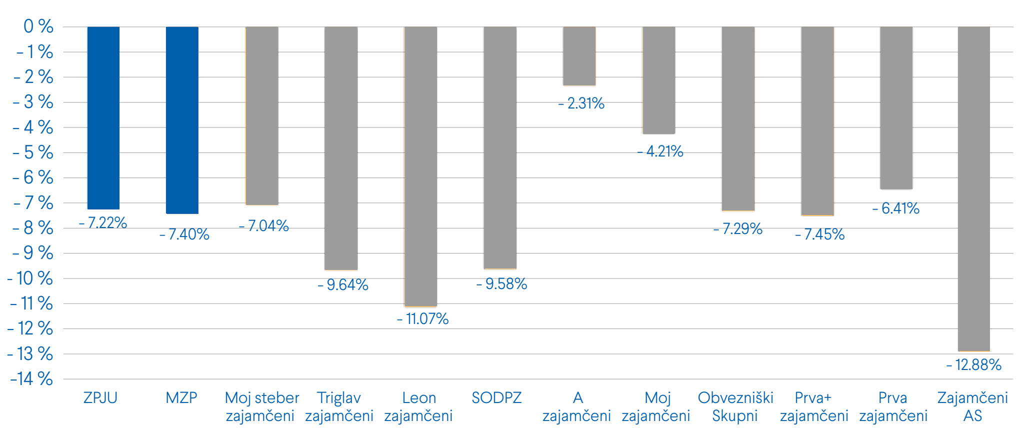
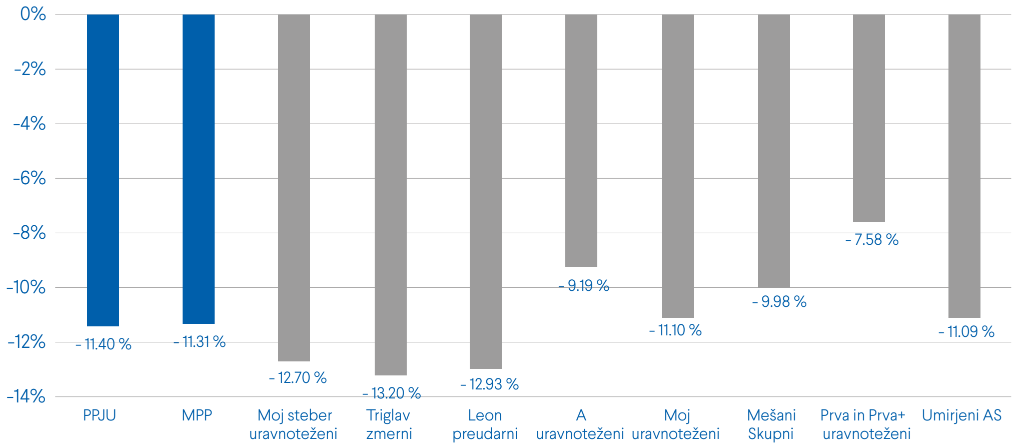
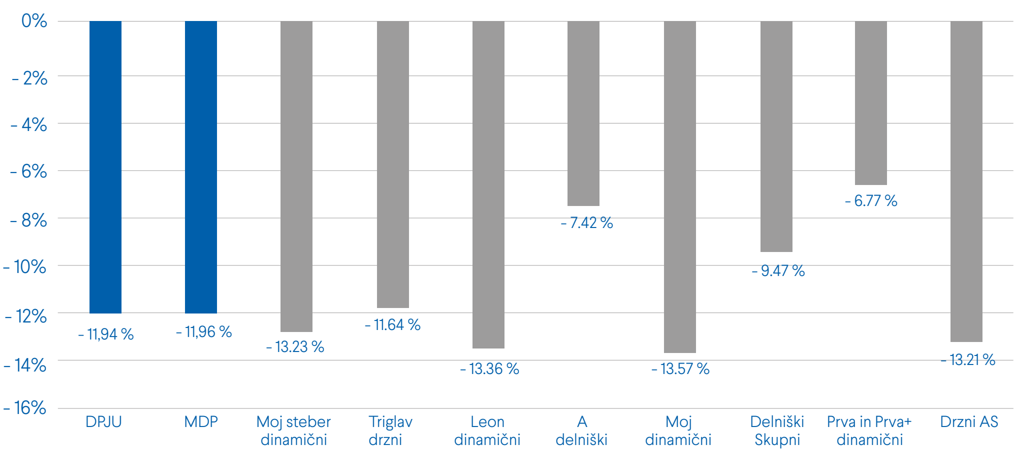


Figure 4: Comparison of 12-month return rates of domestic pension funds pursuing a balanced investment policy



The returns of both sub-funds with a dynamic investment policy were above average compared to competing sub-funds, while the returns of the sub-funds with a dynamic investment policy were at the level of the average of competing funds.

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



Mutual Pension Funds Under Management

Modra zavarovalnica is the largest provider of supplementary pension insurance in Slovenia and the main provider of old-age saving schemes within the scope of the second pension pillar. In December 2022, nearly 300 thousand individuals saved in its mutual pension funds and the assets collected totalled just below EUR 1.4 billion. Total supplementary pension insurance premium paid in, excluding asset transfers between the sub-funds, reached EUR 123 million in 2022.

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 2022

Fund	No. of members/ persons insured	No. of employers/ premium payers	Assets under management in EUR mio
KPSJU	251,856	1,879	1,000.9
MKPS	38,457	426	338.9
PPS	14,597	0	12.1
Total	**304,910**	**2,305**	**1,351.9**

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 2022, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed rate of return on mutual pension funds amounting to EUR 11.5 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 (DPJU) is intended for young savers aged up to 50 years of age and pursues a higher risk investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- The Prudent Civil Servants Sub-Fund (PPJU) is intended for savers aged between 50 and 60 years of age and pursues a balanced investment policy. Savers saving within the scope of this sub-fund assume the entire investment risk.
- The Guaranteed Civil Servants Sub-Fund (ZPJU) is intended for the oldest savers aged over 60. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

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

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

As the manager of KPSJU based on the KPSJU Rules, Modra zavarovalnica is entitled to an entry fee and management fee. Entry fees are calculated as a percentage of the paid-in premium amounted to 0.5% in 2022. 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 2022, 251,856 savers were included in it, with their funds exceeding EUR 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 (MZP) is intended for savers older than 60 years of age and pursues a guaranteed return investment policy. Savers saving within the scope of this sub-fund assume only the investment risk exceeding the guaranteed return.

As the MKPS manager and based on the detailed MKPS Rules, Modra zavarovalnica is entitled to an entry fee and management fee, which are paid from the 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 2022, they amounted to 3%. The annual fee for the management of the MKPS amounted to 1% of the average net value of assets of an individual sub-fund.

At the end of 2022, 38,457 savers were included in it, with their assets amounting to EUR 338.9 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 2022, and to exit fees charged as a percentage of the surrender value of assets paid out to heirs.

At the end of 2022, 14,597 savers were included in it, with their assets amounting to EUR 12.1 million.

2.2.4 Financial Assets of Modra zavarovalnica

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

- Investments in Group companies and associates (item F),
- Investments (item G.b),
- cash and cash equivalents (item M).

Table 4: Company's financial assets as at 31 December 2022

in EUR

Item	Financial Assets KS PPS	Financial Assets KS MR	Financial Assets KS MR II	Own financial assets	Total
Investments in associates	0	0	0	43,444,360	43,444,360
Investments	94,038,578	9,332,210	206,361,682	286,265,899	595,998,369
Cash and cash equivalents	370,888	136,938	1,896,156	2,303,273	4,707,255
Total	**94,409,466**	**9,469,148**	**208,257,838**	**332,013,532**	**644,149,984**

2.2.5 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 2022 managed three guarantee funds for the disbursement of pension annuities, which are managed separately:

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

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

In 2022, Modra zavarovalnica paid a sum of EUR 34.8 million for supplementary pensions to 41,347 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra Renta" and "Modra Renta II" annuities) was received by 31,541 insured persons, while 9,806 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 2022	Assets Under Management (in EUR million)	Expenses for annuities (in EUR million)
KS MR	6,960	10.1	2.1
KS MR II	24,581	222.8	25.9
KS PPS	9,806	98.8	6.8
Total	**41,347**	**331.7**	**34.8**

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 2022, the fund's assets amounted to EUR 10.1 million. The biggest share of these assets is represented by bonds, which account for 92% of total assets.

Table 6: Assets of the KS MR

in EUR

Assets	31 December 2022	31 December 2021
Bonds	9,332,210	11,181,298
Investment receivables	0	125,940
Cash	136,938	113,149
Receivables	649,890	635,314
Total	**10,119,038**	**12,055,701**

At the end of 2022, 31% of the assets of the KS MR were invested in the Republic of Slovenia and 69% of all assets were held in investments of foreign issuers.

Modra Renta II Guarantee Fund

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

Upon taking out annuity pension insurance, each person insured may select one of the forms of lifetime pension annuities, thereby exercising their right to a supplementary old-age pension. Modra zavarovalnica provides a diverse selection of different pension annuity forms to retired savers:

- Lifetime Modra renta: this is a supplementary pension without a guaranteed period of disbursement that is disbursed to the end of one's life. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of funds collected. An individual disbursement may not be lower than EUR 30.

- Lifetime Modra renta with a guaranteed disbursement period: this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years. It is until an insured person's death or at least until the expiry of the selected guaranteed period of disbursement. It may be disbursed monthly, quarterly, semi-annually or annually, whereby the period of disbursement depends on the amount of the funds collected. An individual disbursement may not be lower than EUR 30.

- Lifetime Modra renta with accelerated disbursement: this is a supplementary pension with a guaranteed disbursement period of 1 to 20 years, whereby the majority of the funds saved are drawn in the selected guaranteed period of disbursement, after which an amount not lower than EUR 30 is disbursed monthly (quarterly, semi-annually or annually) until the end of life.

- Lifetime Modra renta with accelerated disbursement 2/1: this is a supplementary pension with accelerated disbursements in a guaranteed period of 1 to 20 years, whereby the high monthly pension annuity in the accelerated period does not exceed twice the amount of the lifetime pension annuity after the expiry of the accelerated period.

From the start of operations of the KS MR II in 2016 until 31 December 2022, the right to supplementary old-age pension was exercised by 24,986 members with collected funds amounting to EUR 307 million who decided to receive the selected monthly pension annuity. Most insured persons opted for accelerated disbursement of annuities.

Table 7: Number of new members and amount of payments in KS MR II in 2022

Pension fund	No. of new members/ persons insured	Surrender value of assets (in EUR million)
MKPS	585	8.5
KPSJU	3,730	34.8
Pokojninski skladi drugih upravljavcev	715	16.6
Skupaj	**5,030**	**59.9**

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% of all annuity recipients are female.

Insurances for lifetime annuity disbursements are included in the positive result achieved every year during the disbursement period through the management of such insurance portfolios. The Company earmarks at least 90% of its positive underwriting result of the previous accounting period for profits. In this respect, EUR 36,061 was earmarked for an increase in annuities in 2022. In May, the insured received the payment of the increased annuity, and the settlement for the period from January to April 2022 was also paid.

As at 31 December 2022, the fund's assets amounted to EUR 222.8 million. The largest part of these assets are represented by bonds, which account for 56% of total assets, and units of target funds account for 19% of total assets.

Table 8: Assets of the KS MR II

in EUR

Assets	31 December 2022	31 December 2021
Bonds	125,711,004	94,338,936
Units of target funds	42,002,846	65,177,728
Commercial paper	2,588,416	2,754,066
Treasury bills	3,074,686	0
Deposits and investment receivables	1,798,275	8,094,083
Advances	31,186,456	14,057,885
Cash	1,896,156	1,421,553
Receivables	14,593,085	2,560,650
Total	**222,850,923**	**188,404,901**

At the end of 2022, 32% of the assets of the KS KS MR were invested in the Republic of Slovenia and 68% of all assets were held in investments of foreign issuers.

Guarantee Fund of the First Pension Fund

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

Insured persons receiving the KS PPS pension annuity are entitled to the surplus rate of return of the annuity fund over the guaranteed rate of return, pursuant to the General Terms and Conditions of Supplementary Pension Insurance in the First Pension Fund of the Republic of Slovenia – exchange for pension vouchers. The share of the surplus intended for a permanent annuity increase is identified once a year by the manager's Management Board. In 2022, the surplus return from 2020 and 2021 amounting to EUR 4,336,802 was allocated to a permanent annuity increase. All insured persons or, rather, recipients of KS PPS pension annuities who took out insurance in the form of a monthly or annual annuity by December 2021 received higher annuities in April. The disbursement of increased annuities made in April also included a settlement for the period between January and March 2022.

In 2022, the right to a pension annuity was acquired by 1,216 insured persons aged 60 or more who paid in a total of EUR 2,343,672 million into the KS PPS for their supplementary pensions.

As at 31 December 2022, the fund's assets amounted to EUR 98.8 million. The largest part of these assets comprise bonds, which account for 46%, and stocks which account for 20%.

Table 9: Assets of the KS PPS

in EUR

Assets	31 December 2022	31 December 2021
Bonds	63,493,793	66,340,852
Shares	19,925,767	23,277,572
Units of target funds	7,321,839	11,631,955
Commercial paper	0	298,318
Treasury bills	1,000,781	0
Deposits and investment receivables	2,296,398	0
Cash	370,888	647,790
Receivables	4,353,410	234,338
Total	**98,762,876**	**102,430,825**

As at 31 December 2022, 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.

2.2.6 Management of Own Financial Assets

The Company's own financial assets amounted to EUR 332 million at the end of December 2022. The largest share is taken up by the portfolio of equity investments and the portfolio of investments into debt securities, which are followed by the portfolio of non-portfolio equity investments.

Table 10: Own Financial Assets of Modra zavarovalnica

in EUR

Assets	31 December 2022	31 December 2021 adjusted
Portfolio equity investments	39,481,950	46,478,961
Non-portfolio equity investments	60,806,224	69,460,719
Portfolio debt security investments	229,422,085	248,082,667
Cash	2,303,273	1,270,925
Total	**332,013,532**	**365,293,272**

At the end of 2022, due to external circumstances, the Company tactically adjusted the investment policy of its own assets in the direction of a short-term reduction in exposure to portfolio equity investments and an increase in exposure to portfolio debt financial investments with more predictable returns. Regardless of the current deviation, our guiding principle remains a long-term strategic investment policy with a balanced exposure to higher-risk investments.

Portfolio equity investments

Table 11: Portfolio equity investments

in EUR

Assets	31 December 2022	31 December 2021
Shares	**39,481,950**	**46,478,961**
Foreign stocks	39,481,950	46,478,961
Total	**39,481,950**	**46,478,961**

At the end of 2022, 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. Two thirds of the portfolio are invested in the equities of US issuers and a quarter in investments of European issuers. The remainder is accounted for by investments in issuers from developed Asian countries and issuers from developing economies.

Non-portfolio equity investments

As at 31 December 2022, 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 at the end of 2022 amounted to EUR 60.8 million.

Portfolio debt security investments

The value of the government bond portfolio amounted to EUR 28.2 million at the end of 2022. The portfolio comprises mostly government bonds of countries within the euro area. All bonds are denominated in euros. A quarter of the portfolio is represented by the government bonds of the Republic of Slovenia. The average maturity of the government bond portfolio is 4.17 years and the average rating is A. All bonds have a fixed coupon interest rate.

Table 12: Debt security investments

in EUR

Assets	31 December 2022	31 December 2021
Bonds	66,617,653	60,229,068
Government bonds	28,190,151	24,762,960
Corporate bonds	38,427,502	35,466,108
Treasury bills	114,621,099	0
Commercial paper	796,436	497,197
Deposits and investment receivables	3,746,834	11,588,796
Units of target funds	43,640,063	175,767,606
Total	**229,422,085**	**248,082,667**

At the end of 2022, the value of the corporate bond portfolio amounted to EUR 38.4 million. Among corporate bonds, bonds of issuers from the euro area prevail as well.

All bonds are denominated in euros. The majority of the bonds have a fixed coupon interest rate. Most corporate bond issuers come from the industries of finance, energy, pharmaceuticals and basic consumer goods. The average maturity of the government bond portfolio was 2.15 years, with the average rating being BBB.

The value of treasury bills amounted to EUR 114.6 million. The portfolio comprises German, Italian, Spanish, Belgian and French treasury bills.

All deposits are placed with domestic banks.

The value of the target fund units amounted to EUR 43.6 million at the end of 2022. Most investments were in debt securities, with a smaller portion into equity securities and alternative investments.

Cash

At the end of December 2022, Modra zavarovalnica disclosed EUR 2.3 million of cash and cash equivalents among its financial assets.

2.3 Marketing Activities

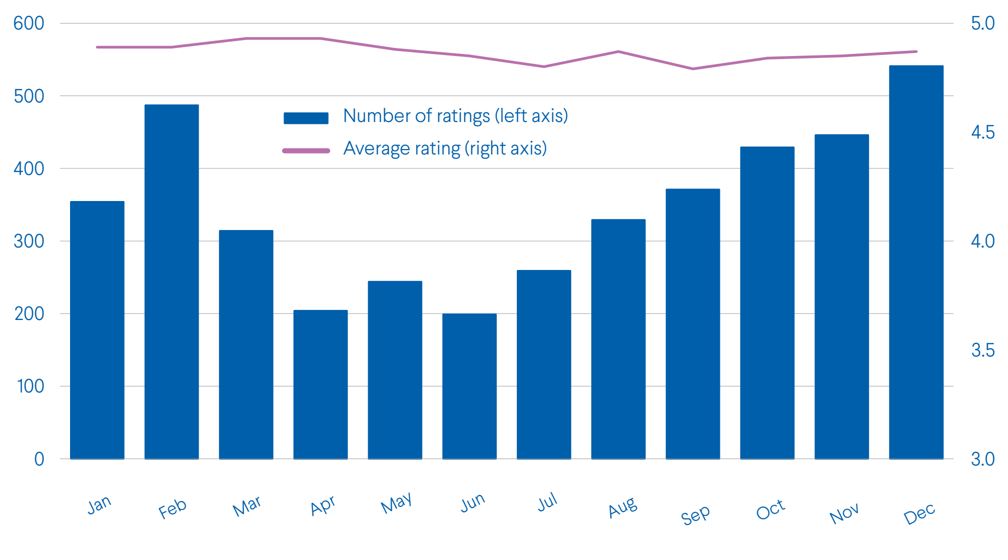
The primary direction of marketing activities is building the recognition of Modra zavarovalnica as the first and best choice for providing supplementary social security after retirement. With a unique marketing approach, continuous improvement of the user experience, more effective communication approaches, researching market routes and digitalization of business processes, we continue to follow the strategic orientation of Modra zavarovalnica. We create affordable insurance and other financial solutions aimed at increasing an individual's social security in all stages of life. We build our competitive advantages on establishing an ecosystem of partnerships with the banking and insurance sectors and key stakeholders, knowledge, genuine attitude towards policyholders and innovation. Modra zavarovalnica develops and expands a comprehensive range of products that suit different target groups in different life situations and stages in life.

By notifying our members, we also use the opportunity to encourage new registrations to the e.Modra.si online service and 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 e.Modra.si online service 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.

In order to make sure our existing and potential customers are even better informed and, above all, have a good user experience with Modra zavarovalnica, we launched a mobile application in 2022 which provides an additional route to our insurance company, and will gradually offer users additional free services.

Figure 6: Results of ongoing customer satisfaction measurement in 2022



By presenting social security products in a straightforward and understandable manner, we strive to raise the level of understanding and trust as well as position the Company as the main specialist in the area of social security in all stages of life. By adding communication content and channels we are building comprehensive consideration of customers and communication with them, while we raise their level of satisfaction and loyalty by improving the user experience. Customer satisfaction is one of the strategic goals of Modra zavarovalnica, which is why we upgrade customer satisfaction processes, while we include their responses and opinions into the development and upgrading of the offer.

We continuously measure (throughout the year) the satisfaction of customers looking for additional information by phone and e-mail. In 2022, our customers rated us with an average rating of 4.88 out of a possible 5.

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.

We completed the year 2022 with the traditional marketing campaign “No entry fees”. 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 additional pension insurance.

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 referred to as ORSA) by way of which it determines the ongoing and expected capital requirements and defines the appropriate capital management measures. ORSA carried out in 2022 shows that the Company has adequate capital available to cover all risks it assumes in its operations.

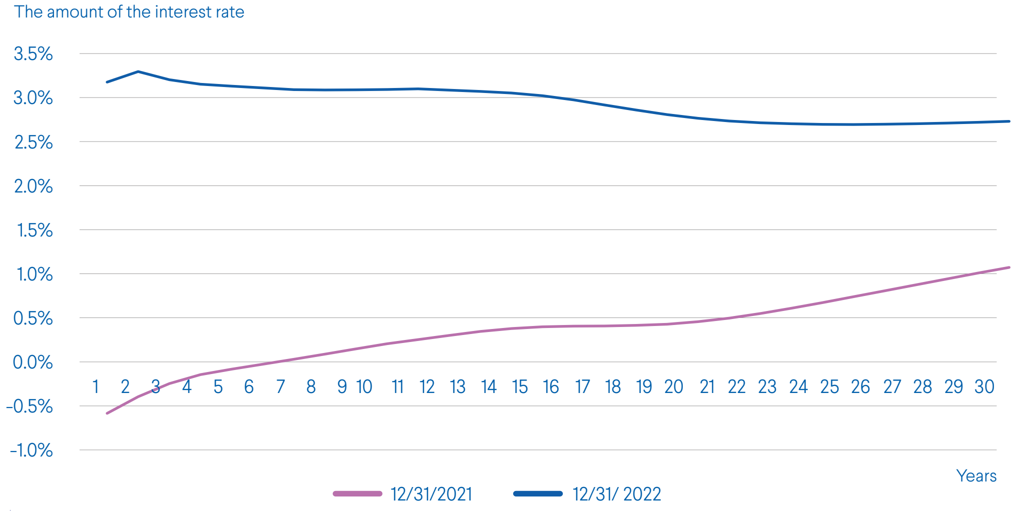
The target capital adequacy, which is defined as the ratio between the Company's eligible own funds and the total capital requirement, is set at 150%.

All materially significant risks to which the insurance company is exposed constitute the risk profile of the insurance company. The risk profile of Modra zavarovalnica remains largely unchanged compared to the situation at the end of 2021. The changes are the result of the Covid-19 epidemic, the Russian-Ukrainian war and the resulting energy crisis, high inflation, the increase in interest rates by central banks in response to increased inflation, which was also reflected in the rise of the risk-free interest rate curve published by the European Insurance and Occupational Pensions Authority (hereinafter EIOPA), which has an important impact on the quotient of the insurance company's required solvency capital.

The risk-free interest rate curve was negative for a period of 6 years at the end of 2021, and at the end of 2022 it exceeded 3 percent in the short term.

The change in the curve had a more significant impact on the value of liabilities, as the latter decreased more than the value of assets; the excess of assets over liabilities of own resources was thus higher at the end of 2022 than at the end of 2021.

Figure 7: Risk-free interest rate curve as at 31 Dec 2022 and 31 Dec 2021



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 and future capital requirements. The mentioned assessments represent the basis for deciding on the application of particular risk and capital management strategies. A part of the process that is the basis for strategic decision-making is the study of the stability of the Company's capital adequacy subject to select scenarios.

The risk management system at the Company is based on the three lines of defence model. The first line of defence is represented by the Company's Management Board and the business functions, which actively manage specific operational risks through their business decisions and are primarily responsible for risk identification, underwriting and reporting.

Figure 8: Three levels of risk management

Risks	First line of defense (risk underwriting)	Second line of defense (risk management)	Third line of defense (Independent supervision)	Insurance Company
- Underwriting - Market - Liquidity - Credit - Operational - Non-financial	Business functions Management Functions	Risk management function Compliance Function Actuarial function	Internal audit function	- Mission - Vision - Values - Goals-strategy

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.

The risk management system encompasses a continuous process involving:

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

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 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.

Figure 9: Risk Management System

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

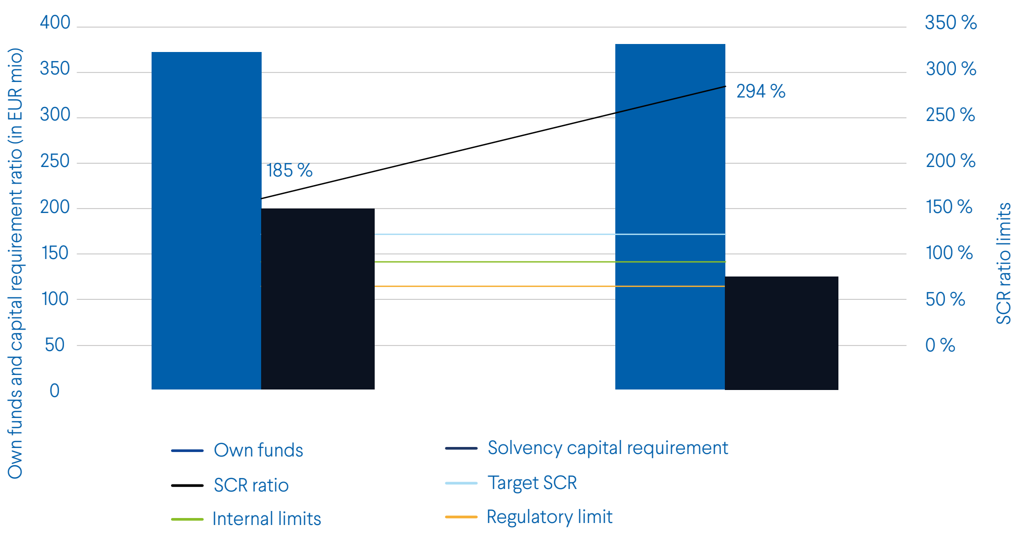
2.4.3 Capital and Capital Adequacy Management

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.

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

Item	31 December 2022	31 December 2021
Solvency II		
Total capital requirement (in EUR)	130,162,510	202,516,941
Eligible own funds (in EUR)	383,156,370	373,875,378
Surplus (+)/deficit (–) of available own funds (in EUR)	252,993,860	171,358,438
Eligible own funds to total capital need ratio	**294%**	**185%**

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:

- **Underwriting risks** are risks related to insurance coverage covered by the insurance. Underwriting risksrepresents 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 divided into life insurance risks, health insurance risks, which also includes accident insurance, and non-life insurance risks. The Company is mainly exposed to life insurance risks, while health insurance risks are immaterial because of the low volume of such insurance. The Company is not exposed to non-life insurance risk.

- **Market risks** represent the risk of loss or of adverse change in the Company's financial position resulting from fluctuations in the level or volatility of the market prices of assets, liabilities and financial instruments. They include equity risk, currency risk, interest rate risk, spread risk, market concentration risk and property risk.

- **Credit risk** is the risk of loss or adverse change in the financial position of the Company resulting from fluctuations in the credit standing of security issuers, counterparties and eventual debtors, to which the Company is exposed through counterparty default risk.

- **Liquidity risk** is the risk of loss resulting from the Company's inability to meet all of its past-due liabilities arising from the fact that the Company is forced to acquire sufficient funding for the settlement of liabilities on maturity at a cost that is significantly above the usual costs. Liquidity risk also refers to the risk of more difficult access to financing required for the settlement of liabilities arising from insurance and other contracts. Liquidity risk usually materializes in the form of the inability to liquidate investments without selling at a significant discount to the current market prices.

- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, conduct of employees, functioning of systems or external events. It includes IT risk, legal risk, compliance risk, and other risks.

- **Strategic risks** are risk of loss resulting from unsuitable strategic decisions and inconsistent implementation of strategic decisions. They include mainly the risk of loss of reputation, capital adequacy risk and the risk of competition and market position.

- In 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

After having successfully adapted the business environment to the the impact of COVID-19, a new situation is at hand which requires the adaptation of the information function. There is considerable uncertainty regarding the future economic environment which is significantly impacting investment decisions in the information and communication infrastructure. High inflation rate is reflected in the rise in service prices, which has further intensified the battle for competent personnel at our suppliers. Ensuring adequate personnel at suppliers is becoming more and more critically important for the performance of an insurance company's business, which is based on the outsourcing of services. The Company continues to pursue the model of hybrid cloud services, which has become the dominant model in the business environment in 2022. The key axes of development and strengthening of the information function are:

- 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;
- information security with an emphasis on personal data protection.

In 2022, we enabled the use of the mobile application for the first group of users. After successful registration in the mobile application, users have the opportunity to view the balance of assets in individual sub-funds and review paid premiums. The financial and geographical structure of the investments of the fund in which the individual saves is displayed. Opportunity to view the balance of assets is also enabled for members of the First Pension Fund. Users can make an informative calculation of the pension based on the Pension and Disability Insurance Act (hereinafter referred to as ZPIZ) as well as based on the Modra Renta guarantee fund, based on assets held at Modra zavarovalnica. In the application, the user can use the user-tailored calculation of tax relief and obtain other important information related to savings in supplementary pension insurance (return, saving timeline etc.). Users can also try out a demo mode of use, which does not require a registration process. The growth of the use of mobile applications in the future means strengthening the provision of simple and intuitive digital services for customers. By offering digital solutions on smart mobile devices, we follow global trends, where we continue to see a growth in the use of mobile programmes, and, above all, an increase in the time spent using mobile devices. We see mobile digital solutions as a strategically important tool for gaining attention and strengthening customer relationships.

With regard to the implementation of the IFRS 17 solution, we have successfully adopted a solution adapted for the use in Modra zavarovalnica. We continued with the process development for obtaining and providing quality data. Activities continued in the field of automation of the process of obtaining various data sources for the needs of the regional data warehouse and ensuring an audit trail.

Risks related to information security are among the most important operational risks of an insurance company. In 2022, we activated an external cyber security operations center, which 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 identify the risks. At the end of 2022, the long-awaited Personal Data Protection Act was adopted, which regulates the areas of personal data protection in more detail. The insurance company will introduce new provisions into its processes and internal documents and ensure compliance with the adopted law. In 2022 we carried out employee training in the field of information security, which was carried out by external experts, as well as an internal training or presentation of the The General Data Protection Regulation (GDPR) and the proposal for the Personal Data Protection Act (ZVOP-2). We are fully aware that employee knowledge is key to maintaining personal data security. We carefully follow the guidelines of the Information Commissioner and the European Data Protection Board, as well as the adopted guidelines of the Slovenian Insurance Association. We systematically manage all the legally prescribed records on processing activities and the catalogue of contractors. We have supplemented the risk catalogue in the area of cyber security and we also perform data protection impact assessments, through which we identify the risks of potential violations of the data subjects' rights. With the established organizational and technical measures, we provide access to personal data only to authorised employees and contractual processors, i.e. to the extent and for the purpose necessary for the uninterrupted operation of work processes, provision of insurance services and fulfilment of rights and obligations under concluded contractual relations. Our contractual processors have committed themselves to protecting confidential data and respecting the rights of individuals in the same way as Modra zavarovalnica.

63 independent experts with years of experience in the financial sector are working towards ensuring a secure future.

2.6 Organisation and Employees

2.6.1 Organisation

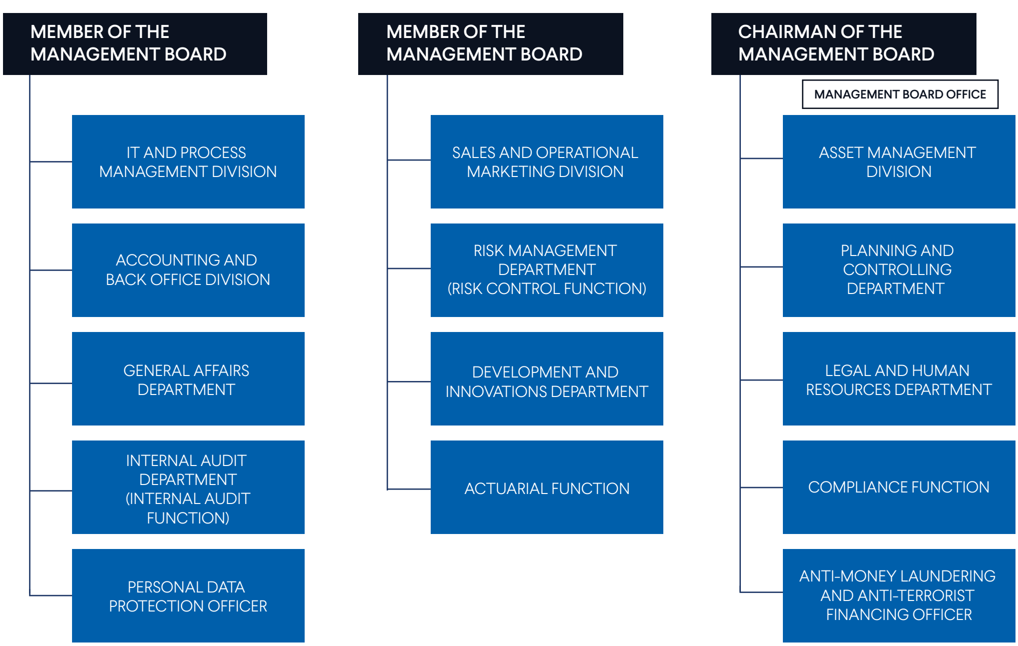
Modra zavarovalnica is organised in line with the needs of the work process and requirements regarding the efficiency and competitiveness of operations. The highest management, presentation and representation body is the Management Board. It is a three-member collective body comprised of the Chairman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

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

As at the end of 2022, the Company employed 63 people, which equals the average number of employees in 2022.

In 2022, we were joined by two new employees - an associate at the Accounting and back office division for an indefinite period and an associate at the Sales and operational marketing division for a fixed term of one year. One employee was regularly terminated and one employee retired. 61 employees are employed for an indefinite period and two are employed for a fixed term. 68% of employees are female and 32% are male. The average age of employees is 46 years, while the average period of service amounts to a little over 22 years.

Figure 12: Percentage share of employees by level of education as at 31 December 2022

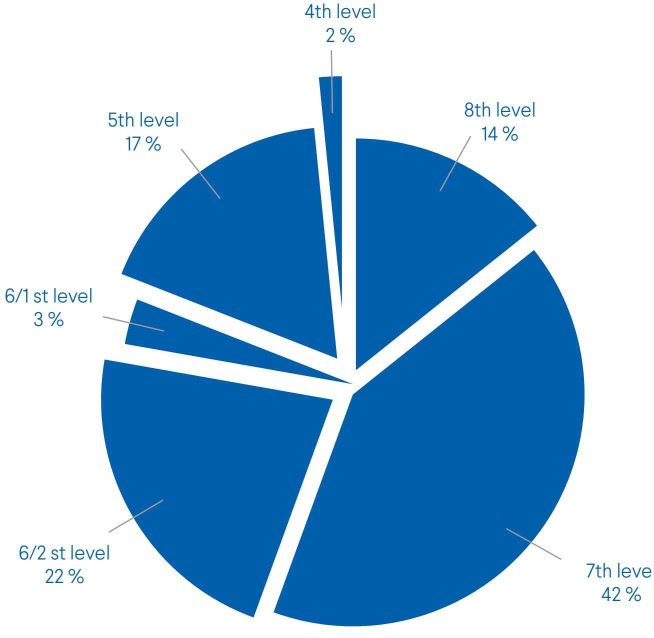
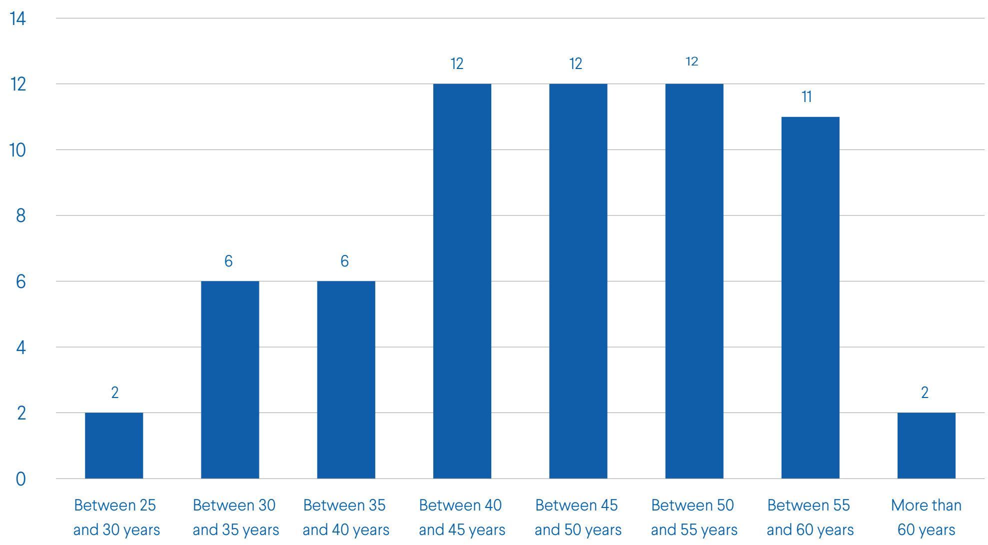


Figure 13: Structure of employees by age group as at 31 December 2022



2.6.3 Employee Training and Education

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

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 2022, we the organised the following on-line training courses: “Cyber Security”, “Social engineering simulation” and “Alternative investment funds.”

With occasional work from home and digitalization of work processes that require constant adaptation to change and the acquisition of new competencies and knowledge, IT security is highly important 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 2022, 5 employees underwent additional education and professional training.

2.7 Social responsibility

2.7.1 Responsibility to the Insured and the Broader Social Community

We are convinced that only relevant information and knowledge lead to the right decisions, so we focus an important part of communication activities on financial literacy projects and try to raise awareness of the population, decision makers and influencers about the importance and need to save for retirement.

When creating content, we work with media which covers the field of financial literacy. For this purpose, we increased our collaboration with the newspaper Finance in 2022. We participated with a speaker at the Financial Conference on the subject of Investment in EEC , provided expert lecturers at the autumn School of Finance for teenagers and at the webinar My Investments. In terms of educational content, we regularly cover the field of pensions and pension insurance with our contributions.

With the aim of raising awareness among individuals and company representatives and increasing trust in the pension system as well as providers of supplementary pension insurance, we were present at professional events and conferences with our consultants and presentation stands several times in 2022.

Trade union representatives are also an important messenger of supplementary pension insurance as an effective way of ensuring social security. Modra provides professional assistance in preparing answers to the questions of employees and trade union members and actively monitors the initiatives of savers coming from the field.

Designing financial products and accompanying services based on customer needs is one of Modra's strategic goals, which is why we constantly upgrade our satisfaction monitoring processes, taking into account their comments, wishes and opinions when upgrading and designing our products and services. The integration of our members' initiatives and wishes into our processes is our guiding principle, with which we also give policyholders an active role in the development of products and services.

2.7.2 Charity

Throughout the year, we respond to requests of various societies and organizations and help them with promotional material in organising tomobolas and giveaways.

We support charity campaigns which help create better conditions in the field of education and development of children and young people, while encouraging employee volunteer and charity activities. By purchasing tickets for the humanitarian concert "I dance to help" in May 2022, organized by the Folklore group Emona and the teachers, we helped raise funds for children who found their current home in Slovenia due to the war in Ukraine.

In 2022, we also allocated funds to the Pediatric Clinic, namely for the purchase of a radiometer, and to the Maribor Fire Brigade Union for the project of building a training center.

2.7.3 Environmental responsibility and compliance with principles of sustainability

We believe that a clean environment is the foundation for the development and success of an insurance company. That is why we support environmentally-oriented activities, take part in waste sorting, by introducing electronic business we ensure less paper consumption, collect used and waste printer cartridges, plastic caps and respond to charity campaigns.

We regularly monitor CO2 emissions caused by employees on business trips or transport to work as well as some other environmental impacts. By introducing regular work from home, we were also being mindful of reducing the carbon footprint.

We have been monitoring sustainability factors as part of our investment management activity for several years, initially only in its basic form, whereas last year's efforts included us upgrading the process, supplementing the documentation of the funds managed by Modra and publishing data on investments on the home page as required by law. Modra zavarovalnica is not yet obliged to collect and disclose data on the sustainability-related impact of investments from its operations, but we do so nonetheless because we believe in the importance of green transformation and other aspects of sustainability. In doing so, we followed the principle of economy and took into account only those data that were available at a reasonable price and with reasonable effort.

In the area of management of own assets and funds under management, we have identified industries that we avoid when investing, such as the production or sale of weapons, ammunition, tobacco and tobacco products, the production of electricity from fossil fuels, gambling and information technology that supports mentioned industries. When considering investments, we took into account the ESG rating by MSCI for equity investments and corporate bonds, and the corruption index published by Transparency International for government bonds. The investment in Cinkarna Celje is considered separately. It also lists the codes that Modra zavarovalnica abides by and the certificates it has obtained in the field of conducting with employees as well as the corporate field.

2.7.4 Care for Employees

By implementing an action plan to promote health, employees are encouraged to lead a healthy lifestyle, thus reducing the risk of illness both on the job and in private life. The 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 after the corona period, 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.

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.

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.

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

On average, members rate us as a trustworthy provider of supplementary pension insurance with an average score of 4.88/5.

2.8 Important Business Events After the End of the Financial Year

In January 2023, IFRS 17 came into force, which requires the use of a uniform approach for all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of groups of insurance contracts, whereby the present value of future cash flows from the fulfilment of insurance contracts is adjusted for risks and takes into account available market information. The Company recognises profit from a group of insurance contracts in the period during which it provides insurance coverage, while any loss is recognised immediately.

Upon the implementation of IFRS 17, Modra zavarovalnica decided, in accordance with the provisions of IFRS 17, to disclose the effects arising from changes in financial assumptions when measuring liabilities from insurance contracts in the statement of other comprehensive income. On the other hand, investments were measured both at amortised cost and at fair value through profit or loss, which leads to accounting non-compliances. Therefore, certain assets held by the Company in connection with insurance contracts have been reclassified as investments measured at fair value through other comprehensive income. The reclassification is explained in detail in the chapter Redetermination of financial assets.

At the 167th meeting of the Supervisory Board, held on 11 January 2023, Matej Golob Matzele was appointed as the Chairman of the Management Board of Modra zavarovalnica, d.d., under suspensive and resolutory conditions.

At the 244th meeting of the Supervisory Board of SID Banka, held on 12 April 2023, Borut Jamnik was appointed as the new Chairman of the Management Board of SID Banka, who will assume the position of Chairman of the Management Board on 17 April 2023.

On 16 January 2023, the Insurance Supervision Agency published the Notice on the main supervisory innovations and priorities in 2023, in which it highlights some essential regulatory innovations and priority areas of supervision in 2023.

2.9 Expected Development of Modra zavarovalnica in 2023

In 2023, Modra will remain loyal to its strategic goals, maintaining the priority of the assurance of AUM and personal data security. With a tailored offer of the payout of savings and the addition of complementary products, along with an innovative ecosystem of social security services it will strive at becoming a leading competence in the field of social security for individuals in all stages of life.

Forecasts of economic trends for 2023 are relatively favourable, as inflation growth has stabilised and so have the the forecasts around economic slowdown as positive economic growth of 1.7% is still predicted by the World Bank at the global level. Naturally, a certain degree of caution in forecasts remains, as the actual development of events also depends on the course of the armed conflict in Ukraine.

We will improve the effectiveness of risk management b 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 center of our attention, we will thus focus on building relationships based on trust.

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

Due to the changes brought by the new IFRS 17 standard in determining and monitoring the financial results of insurance companies, in 2023, the insurance company will present its operations according to new accounting schemes. The key change introduced by IFRS 17 is that the insurance premium will no longer be immediately reflected in the insurance company's profit or loss, but rather the insurance company will have to recognize a liability for the remaining coverage for the premium received, which it will then gradually, over the duration of the insurance contract, transfer to the profit or loss of the insurance company. Due to the amended accounting standards, we will also upgrade certain internal processes and regulations accordingly.

As the largest provider of supplementary pension saving, we will continue to actively participate in changes and adjustments to the system bases and strive to ensure that savings in pension funds as well as the disbursement of annuities is 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 2023, the European regulation on sustainability development and non-financial reporting will be updated, and some new requirements and standards will enter into force, which means we will have at our disposal the first examples of good practices. Although for the time being the Company is only subject to the minimum legal requirements when it comes to the publication of data, we already include sustainable risks in the process of considering investments in a basic form. We will continue with the aim of contributing to sustainable development and will gradually and systematically include environmental, social and governance (ESG) criteria in our investment decision-making processes and develop a methodology for assessing the sustainability of investments.

2.10 Report on Relations with the Controlling Company

In the 2022 financial year, the Company took no action in relation to the parent company deriving from contractual and business relationships at the initiative or in the interest of the parent company and its associated companies that would result in its disadvantage or detriment.

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 2022.

2.11.1 Reference to the Applicable Corporate Governance Code

The Management Board and the Supervisory Board of Modra zavarovalnica, which is 100% owned by Kapitalska družba d.d., hereby declare that they voluntarily observe the Corporate Governance Code for Companies with Capital Assets of the State, as adopted on 19 December 2014 and supplemented on 2 March 2016 and 17 May 2017, 27 November 2019 and 17 March 2021 by the Slovenian Sovereign Holding (hereinafter: SDH, d.d.). The Company follows the applicable Recommendation and the expectations of SDH, d.d. The Corporate Governance Code for Companies with Capital Assets of the State recommends principles, procedures and criteria for the conduct of members of governing and supervisory bodies in companies with capital assets of the State and all subsidiaries in the group in which a company with capital assets of the State holds the position of controlling company. The Code is available on the website of the Slovenian Sovereign Holding at, *http://www.sdh.si/sl-si/upravljanje-nalozb/kodeks-upravljanja-kapitalskih-nalozb-republike-slovenije.*

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

The Management and Supervisory Boards of Modra zavarovalnica hereby declare that they voluntarily observe the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: Code) in their work and operations. Deviations from the recommendations of the Code are indicated and explained below.

Governance framework for companies with capital assets of the State

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

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

Furthermore, the Company's business model is tailored to the said strategic goal, which, considering the fact that the pension fund management activity is extremely demanding in terms of capital and regulations, also implies moderate expectations about the Company's profitability. Expectations could only be raised with an over-proportionate increase in the Company's operational risk, which would reduce the level of security of the savers' savings, thus threatening the attainment of the Company's strategic goals and the goals pursued by the Republic of Slovenia through its indirect ownership in Modra zavarovalnica.

Modra zavarovalnica continues to be the largest pension fund manager and payer of supplementary pensions in the Republic of Slovenia, and an important source of funds for the first pension pillar, as it increased value for its owner by over EUR 66.6 million in the past five years, of which EUR 14.6 million in the form of dividend distribution and EUR 52 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, which serve for the accurate and fair recording of these events and provide a guarantee that the Company disposes of its assets with integrity;
- business events are recorded and financial statements compiled, pursuant to the applicable legislation.

The financial statements of Modra zavarovalnica for each financial year are also examined and audited by an external audit. Based on a resolution adopted by the General Meeting on 8 July 2022, the Company's financial statements for the 2022, 2023 and 2024 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.

When appointing members of the Supervisory Board of Modra zavarovalnica at the proposal of the sole shareholder, their suitability is to be assessed by the Accreditation Committee of the Supervisory Board of Kapitalska družba d.d. The term of office of Members of the Supervisory Board of Modra zavarovalnica lasts four years, after which they may be reappointed. Pursuant to the resolution of the Supervisory Board of Kapitalska družba d.d. as of 26 May 2015, the Management Board of Kapitalska družba d.d. must obtain prior consent of the Supervisory Board for voting at the General Meeting of Modra zavarovalnica.

Modra zavarovalnica is owned by Kapitalska družba d.d., or rather, indirectly by the Republic of Slovenia and is defined as a strategic investment. Both companies form a vital part of the Slovenian pension system and contribute to the long-term financial sustainability of the pension system in Slovenia in line with their mission. When appointing the supervisory body of both companies, an important role is not only held by the owner, but also by other stakeholders co-forming the pension system together with the Republic of Slovenia, as well as by social partners representing the interests of employed nationals. The composition and appointment of the supervisory boards of both companies are laid down by the law and allow all interested parties to co-develop the Company's business policy. The law also lays down disposal of the shares of Modra zavarovalnica in the form of a public offering, whereby the shareholdings of the Republic of Slovenia and Kapitalska družba d.d. must together account for the majority of all shares of Modra zavarovalnica. The pre-emptive right to obtain shares in a public offering is granted to the insured persons and employers financing the pension schemes in the funds managed by Modra zavarovalnica, as well as to trade unions representing public servants.

Members of the Management Board are appointed by the Supervisory Board One of the Members is appointed 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. At least one Member of the Management Board must have the relevant expertise and experience required to perform the tasks of managing the First Pension Fund and pension funds.

The Articles of Association and its amendments and supplements are adopted by the Annual General Meeting of the Company at the proposal of the Management Board and the Supervisory Board.

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

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

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

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

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 2022

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	Investment management, planning and controlling, strategic communications, marketing, legal and HR, ML/ATF officer's duties and compliance functions	29 August 2011	29 August 2025
mag. Matija Debelak	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
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	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 2022 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	12/13	M
Roman Jerman	9 April 2019	9 December 2024	Representative of capital	13/13	M

Nationality	Year of birth	Education	Professional profile	Independence under point . (of the Code (YES/NO)
RS	1957	Prof. of History and Art History	Expert in the area of pension fund management	Yes
RS	1975	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, HRM	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 2022 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.
dr. Janez Prašnikar	No	-
Bojan Zupančič	No	-
Roman Jerman	Yes	Gospodarsko razstavišče, d. o. o.
Marko Cvetko	No	-

Table 17: External members of Supervisory Board committees in 2022

Name and surname	Committee	Attendance in committee meetings compared to the total number of meetings	Gender	Citizenship
Dragan Martinović	Audit committee	7/7	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 Jun 2021)	7/7
Member of the Audit Committee (from 11 Apr 2019 to 9 Dec 2020 and from 16 Dec 2020)	7/7
-	-
-	-

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.

Ljubljana, 14 april 2023

Boštjan Vovk,
MEMBER OF THE MANAGEMENT BOARD

mag. Matija Debelak,
MEMBER OF THE MANAGEMENT BOARD

Borut Jamnik,
CHAIRMAN OF THE MANAGEMENT BOARD

Accounting Report

With you from the first steps to the very end of your savings journey. For more than 10 years, we've been committed to keeping savings secure.

3.1 Management Responsibility Statement

The Management Board of Modra zavarovalnica, d. d. hereby confirms the Financial Statements of Modra zavarovalnica for the period from 1 January 2022 to 31 December 2022 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 2022.

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

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

Ljubljana, 14 april 2023

Boštjan Vovk,
MEMBER OF THE MANAGEMENT BOARD

mag. Matija Debelak,
MEMBER OF THE MANAGEMENT BOARD

Borut Jamnik,
CHAIRMAN OF THE MANAGEMENT BOARD

3.2 Independent Auditor's Report

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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 2022, 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 18 April 2023.

What we have audited

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

- the separate Statement of financial position as at 31 December 2022;
- 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, which include significant accounting policies 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-014/94. 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 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 2022 to 31 December 2022 are disclosed in Note 9 (*Operating Expenses*) to the separate financial statements.

Our audit approach

Overview

Materiality	Overall Company materiality: EUR 2.959 thousand, which represents 1.0% of the Company's net assets as at 31 December 2022.
Key audit matters	Technical provisions for life insurance

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 2.959 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
Technical provisions for life insurance	
Refer to note: 3.9.2. Accounting Policies – Significant Accounting Judgements and Estimates, 3.9.2. Accounting Policies – Liabilities from Insurance Contracts – Technical Provisions and 3.9.3. Breakdown and Disclosures to the Financial Statements – Note No. 22: Technical Provisions The total amount of the Technical provisions for life insurance amounts to EUR 323,253,468 as at 31 December 2022 (31 December 2021: EUR 292,470,900). The preparation of separate 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. Significant estimates on the part of the management relate to the setting aside of Technical provisions for life insurance. The Company is required to set aside adequate technical provisions intended for covering future liabilities arising from insurance contracts and any losses due to risks deriving from the insurance transactions performed.	Based on the fact that the high level of complexity, estimates and assumptions increases the risk of misstatements in the financial statements, we carried out the following procedures within the scope of the audit, with the support and active involvement of actuarial experts: - Testing the design and implementation of selected internal controls in the process of measurements of technical provisions for life insurance, with an emphasis on internal controls for determining and validating actuarial assumptions and model results; - Valuation and compliance verification of the methods and models used in the measurement of technical provisions for life insurance, according to legal requirements and IFRS 4; - Review of the formation and changes in technical provisions for life insurance in the current financial year compared to the previous year, and verification of the eligibility and reasonableness of significant changes;

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

The calculations take into account actuarial assumptions, the provisions of the legislation in force as well as all contractual obligations vis-à-vis the insured persons in line with the contents of insurance contracts.

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

Technical provisions for life insurance are accounting estimates that represent a significant item from the point of view of the audit of the separate financial statements of the Company. Because they involve significant management judgments and estimates, we determined this area to be significant to our audit and a key audit matter.

- Recalculation of the amount and adequacy of the formed technical provisions for life insurance based on a sample of life insurance policies;
- Assessment and evaluation of the actuarial judgments used in the models, which may vary depending on the product, as well as compliance verification of the model with IFRS 4;
- Recalculation of the assessed amount of required technical provisions for life insurance on the entire portfolio of insurance policies, based on the provided estimated cash flows and relevant assumptions;
- Review and verification of the reasonableness of the assumptions used in the liability adequacy test (LAT), verification of the process of formulation and adoption of the used assumptions in the LAT test, review of back-testing procedures and verification of the appropriateness and sufficiency of supporting documentation, including calculations, in the LAT test;
- Review and verification of the methodology and adequacy of the actuarial methods used to assess the liability adequacy test (LAT) over mathematical provisions;
- Assessment of the adequacy and consistency of the actuarial judgments used in the models, which may vary depending on the product and/or product specifications and scenario, as well as the compliance of the model with IFRS4;
- Overview of projected cash flows and assumptions accepted in the context of Company and industry experience and specific product features;
- Validation of the model by performing independent cashflow projection over a selected sample of policies;
- Assessment of the sensitivity analysis and rationale of significant impact depending on the change of used assumption;
- Assessment of the accuracy and completeness of the presentation and disclosures in the separate financial statements as at 31 December 2022.

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4

Reporting on other information including the Business Report

The management is responsible for other information. Other information comprises the Business Report but does not include the 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 consistent with the 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.

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 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

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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.
- 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.

Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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 1 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, Certified auditor

20 April 2023

Ljubljana, Slovenia

Translation note:

This version of our report is a translation from the original, which was prepared in Slovenian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

3.3 Separate statement of profit or loss[1]

in EUR

Item		Note	2022	2021 adjusted
A.	**Net premium income**	1	**64,167,664**	**56,639,504**
	- gross written premiums		64,168,927	56,640,338
	- change in unearned premiums		-1,263	-834
B.	**Income from investments in associates**	2	**5,696,890**	**3,422,223**
C.	**Investment income, of which**	3	**18,911,038**	**40,783,000**
	- gains on disposal of investments		1,509,010	391,840
D.	**Other technical income, of which**	4	**15,419,196**	**19,202,102**
	- fee and commission income		9,157,303	8,982,447
E.	**Other income**	5	**124,442**	**81,114**
F.	**Net claims incurred**	6	**-34,842,252**	**-33,090,574**
	- gross claims paid		-34,761,651	-32,964,014
	- changes in claims provisions		-80,601	-126,560
G.	**Changes in other technical provisions**	7	**-30,782,567**	**-33,326,396**
K.	**Operating costs, of which**	8	**-7,589,796**	**-7,100,665**
	- acquisition cost		-49,122	-55,332
M.	**Investment expenses, of which**	9	**-43,103,628**	**-4,107,461**
	- financial asset impairment		-777,760	-259,713
	- loss on disposal of financial assets		-4,971,564	-341,801
N.	**Other technical expenses**	10	**-8,370,135**	**-1,887,890**
O.	**Other expenses**	11	**-7,770**	**-8,972**
P.	**Profit or loss before tax**		**-20,376,918**	**40,605,985**
R.	**Income tax**	12	**4,476,373**	**-6,654,082**
S.	**Net profit or loss for the financial year**		**-15,900,545**	**33,951,903**

[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 Income[2]

in EUR

Item		Note	2022	2021 adjusted
I.	**Net profit/loss for the financial year after tax**		**-15,900,545**	**33,951,903**
II.	**Other comprehensive income, after tax (a+b)**	**14**	**-15,471,989**	**26,558,637**
a)	Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)		-12,805,152	27,122,477
	5. Items that will not be reclassified subsequently to profit or loss		-15,282,268	32,163,367
	6. Tax on items subsequently not reclassified to profit or loss		2,477,116	-5,040,889
b)	Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)		-2,666,837	-563,840
	1.b) Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income		-3,292,391	-696,099
	5. Tax on items that may be reclassified subsequently to profit or loss		625,554	132,259
III.	**Comprehensive income for the financial year, after tax (i + ii)**		**-31,372,534**	**60,510,540**

[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 position[3]

in EUR

Item		Note	31 December 2022	31 December 2021 adjusted	1 January 2021 adjusted
ASSETS			**670,125,409**	**671,241,394**	**573,414,447**
A.	**Intangible Assets**	**15**	**1,218,732**	**919,476**	**640,705**
B.	**Property, plant and equipment**	**16**	**656,380**	**954,469**	**1,287,136**
D.	**Deferred tax liabilities**	**13**	**9,914**	**0**	**0**
F.	**Financial investments in subsidiaries, associates and joint ventures**	**17.1**	**43,444,360**	**48,170,287**	**34,970,284**
G.	**Financial assets**	**17.2**	**595,998,369**	**613,130,692**	**529,113,764**
	1. at amortised cost		268,176,251	210,888,156	197,313,909
	2. at fair value through other comprehensive income		76,356,644	99,781,751	84,350,048
	3. at fair value through profit or loss		251,465,474	302,460,785	247,449,807
K	**Receivables**	**18**	**21,377,310**	**1,678,256**	**2,626,309**
	1. Receivables from direct insurance operations		1,242	4,600	4,054
	3. Current tax assets		24,975	553	1,055,326
	4. Other receivables		21,351,093	1,673,103	1,566,929
L.	**Other Assets**	**19**	**2,713,089**	**2,934,797**	**2,416,406**
M.	**Cash and cash equivalents**	**17.3**	**4,707,255**	**3,453,417**	**2,359,843**
N.	**Off-balance sheet items**	**20**	**1,354,121,232**	**1,392,833,760**	**1,268,619,685**
EQUITY AND LIABILITIES			**670,125,409**	**671,241,394**	**573,414,447**
A.	**Equity**	**21**	**295,940,880**	**331,506,831**	**274,213,039**
	1. Share capital		152,200,000	152,200,000	152,200,000
	3. Revenue reserves		84,686,394	84,686,394	57,496,434
	5. Reserves from revaluation at fair value		52,458,590	67,930,578	40,734,311
	6. Net profit or loss brought forward		6,595,896	26,689,859	23,782,294
C.	**Technical provisions**	**22**	**324,538,044**	**293,673,611**	**260,225,821**
	1. Unearned premiums		2,098	834	0
	2. Technical provisions for life insurance		323,253,468	292,470,900	259,144,504
	3. Claims provisions		1,282,478	1,201,877	1,081,317
E.	**Other provisions**	**23**	**28,770,000**	**9,208,103**	**16,548,727**
G.	**Deferred tax liabilities**	**13**	**9,392,510**	**12,997,080**	**7,915,188**

in EUR

Item		Note	31 December 2022	31 December 2021 adjusted	1 January 2021 adjusted
I.	**Other Financial Liabilities**	**24**	**595,183**	**887,488**	**1,211,895**
J.	**Operating liabilities**	**25**	**2,445,387**	**12,660,867**	**6,348,005**
	1. Liabilities arising out of direct insurance operations		0	30	42
	3. Current tax liabilities		2,445,387	12,660,837	6,347,963
K.	**Other liabilities**	**26**	**8,443,405**	**10,307,414**	**6,951,772**
L.	**Off-balance sheet items**	**20**	**1,354,121,232**	**1,392,833,760**	**1,268,619,685**

[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 statement[4]

in EUR

Item	2022	2021
A. Cash flows from operating activities		
a) Net profit or loss and adjustments		
Profit or loss before tax	-20,376,918	40,605,985
Income taxes and other taxes not included in operating expenses	4,476,373	-6,654,082
Amortisation/depreciation adjustments	476,850	470,716
Adjustments for revaluation operating income	129,198,790	78,478,785
Adjustments for revaluation operating expenses	-19,335,635	-37,491,417
Adjustments for financial income from financing	-24,607,928	-47,714,136
Adjustments for financial expenses from financing	-43,111,398	-4,116,433
Total income statement items	**26,720,134**	**23,579,418**
b) Changes in net current assets - operating balance sheet items		
Opening less closing operating receivables	5,417	1,053,599
Opening less closing accrued and deferred asset items	221,708	-518,391
Opening less closing deferred tax assets	-9,914	0
Closing less opening operating liabilities	3,524,550	-2,151,027
Closing less opening accrued and deferred liability items, and provisions	-1,863,345	3,339,542
Closing less opening deferred tax liabilities	-3,604,570	5,081,892

in EUR

Item	2022	2021
Total net current assets - operating balance sheet items	**-1,726,154**	**6,805,615**
c) Net cash from investing activities	24,993,980	30,385,033
B. Cash flows from investing activities		
a) Receipts from investing activities		
Interest received and profit participation relating to investing activities	16,164,395	13,502,713
Receipts from disposal of property, plant and equipment	496	245
Receipts from disposal of non-current investments	149,527,170	12,531,140
Receipts from disposal of current investments	67,880,731	53,706,538
Total receipts from investing activities	**233,572,792**	**79,740,635**
b) Disbursements from investing activities		
Disbursements to acquire intangible assets	-368,157	-384,706
Disbursements to acquire property, plant and equipment	-19,150	-26,893
Disbursements to acquire non-current investments	-102,629,667	-71,339,720
Disbursements to acquire current investments	-149,616,958	-34,186,706
Total disbursements from investing activities	**-252,633,932**	**-105,938,025**
c) Net cash from investing activities	-19,061,140	-26,197,390
C. Cash flows from financing activities		
b) Disbursements for financing activities		
Dividends and other profit shares paid	-4,700,000	-3,216,747
Total disbursements for financing activities	**-4,700,000**	**-3,216,747**
c) Net cash from financing activities	-4,700,000	-3,216,747
Č. Closing balance of cash		
a) Net cash inflow or outflow for the period	1,232,840	970,896
- impact of changes in foreign exchange rates	20,998	122,678
b) Opening balance of cash	3,453,417	2,359,843
c) Total closing balance of cash	**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 for 2022[5]

	Item	I. Share capital	III. Revenue reserves
			Legal and statutory
1.	Balance as at the end of the previous financial year	152,200,000	13,010,908
4.	**Opening balance for the period**	**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
15.	Other	0	0
16.	**Closing balance for the period**	**152,200,000**	**13,010,908**

[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. Fair value reserve	V. Net profit or loss and net profit or loss brought forward	Total equity
Other revenue reserves		Net profit/loss for the financial year and net profit/loss brought forward	
71,675,486	67,930,578	26,689,859	331,506,831
71,675,486	**67,930,578**	**26,689,859**	**331,506,831**
0	-15,471,988	-15,900,545	-31,372,533
0	0	-15,900,545	-15,900,545
0	-15,471,988	0	-15,471,988
0	0	-4,700,000	-4,700,000
0	0	506,583	506,583
71,675,486	**52,458,590**	**6,595,896**	**295,940,880**

3.8 Separate Statement of Changes in Equity for 2021[6] – adjusted

	Item	I. Share capital	III. Revenue reserves
			Legal and statutory
1.	Balance as at the end of the previous financial year	152,200,000	7,106,353
3.	Retroactive adjustments	0	2,594,244
4.	**Opening balance for the period**	**152,200,000**	**9,700,597**
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
11.	Allocation of net profit to revenue reserves	0	3,310,311
12.	Allocation of net profit to retained net profit or loss	0	0
15.	Other	0	0
16.	**Closing balance for the period**	**152,200,000**	**13,010,908**

[6] 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. Fair value reserve	V. Net profit or loss and net profit or loss brought forward	Total equity
Other revenue reserves		Net profit/loss for the financial year and net profit/loss brought forward	
35,789,144	67,341,940	11,775,602	274,213,039
12,006,693	-26,607,629	12,006,692	0
47,795,837	**40,734,311**	**23,782,294**	**274,213,039**
0	27,196,267	33,314,273	60,510,540
0	0	33,951,903	33,951,903
0	27,196,267	-637,630	26,558,637
0	0	-3,216,747	-3,216,747
15,320,795	0	-18,631,106	0
0	0	0	0
8,558,854	0	-8,558,854	0
71,675,486	**67,930,578**	**26,689,859**	**331,506,831**

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 pension and financial fund management.

Parent Company Profile

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

Funds Under Management

Table 18: Funds under management of Modra zavarovalnica as at 31 December 2022

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

Employees

Table 19: Number of employees by level of education

Education	31 December 2022	31 December 2021
Level 8 (8/1, 8/2)	9	9
Level 7	26	27
Level 6 (6/1, 6/2)	16	15
Level 5	11	11
Level 4	1	1
Total	**63**	**63**

Subsidiaries and Associates

As at 31 December 2022, Modra zavarovalnica had an investment in the associate Cinkarna Celje, d.d.; it did not have any subsidiaries.

Joint Ventures

As at 31 December 2022, Modra zavarovalnica, d. d. recorded the investment in Hotelske nepremicnine, d. o. o. as a joint venture investment.

3.9.2 Accounting Policies

Basis for Preparation

The separate financial statements of Modra zavarovalnica for 2022 have been compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Companies Act, the Insurance Act (ZZavar-1), and the Decision on annual report and quarterly financial statements of insurance undertakings issued by the Insurance Supervision Agency. The data in the financial statements is based on bookkeeping documents and books of account kept in line with the International Financial Reporting Standards. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.

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 28, 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 2022 financial year, and has not adopted any of standards or interpretations early where the use of amended standards and interpretations was not mandatory in 2022.

Adjustment of Past Statements – Reclassification of Units of Target Funds

In 2022, the Company analysed the definition of business models when it comes to financial instruments set forth in IFRS 9 as well as the cash flow test (SPPI Test), which also included the identification of units of target funds (Exchange Traded Funds – ETFs) as equity instruments. During the analysis, it was established that the above-mentioned financial instruments may, in certain cases, have the characteristics of the so-called puttable financial instruments and therefore do not meet the criteria for equity instruments.

Based on a detailed internal analysis of business models and the SPPI Test, the Company reclassified the financial instruments in question as debt financial instruments. These debt instruments are mandatorily measured at fair value through profit or loss because they fail the SPPI test. Prior to 2022, these financial instruments were measured at fair value through other comprehensive income.

For the purpose of the presentation of these facts in the annual report for 2022, the Company consistently followed IAS 8. All disclosures and notes to the comparative items for 2021 in this annual report reflect the turnover/balances from financial statements prepared in accordance with IFRS as applicable in the EU. The adjustments of individual items of the statement of profit and loss and other comprehensive income and the financial position for 2021, including equity adjustments as at 1 January 2021 with the corresponding notes, are presented in the tables below. The Company no longer owned the financial instruments that were the subject of the described reclassification as at 31 December 2022, as it sold them at the end of 2022.

Table 20: Impact of the reclassification of units of target funds on the statement of profit or loss

in EUR

Item	Audited 2021	Adjustment	Adjusted 2021
C. Investment income	21,376,847	19,406,153	40,783,000
M. Investment expenses	-3,169,272	-938,189	-4,107,461
P. Profit/loss before tax	22,138,021	18,467,964	40,605,985
R. Income tax	-3,145,169	-3,508,913	-6,654,082
S. Net profit or loss for the financial year	**18,992,852**	**14,959,051**	**33,951,903**

The adjustment of the 'Investment income' item is the result of the recognition of gains from changes in fair value and positive exchange rate differences from investments valued through the statement of profit or loss. The same also applies to the 'Investment expenses' item, except that it concerns the recognition of losses in fair value from reclassified financial instruments.

Table 21: Impact of the reclassification of units of target funds on the statement of financial position

in EUR

Item	Audited 31 Dec 2021	Adjustment	31 Dec 2021 Adjusted
Assets	**671,241,394**	**0**	**671,241,394**
G. Financial assets	**613,130,692**	**0**	**613,130,692**
2. at fair value through other comprehensive income	218,230,739	-118,448,988	99,781,751
3. at fair value through profit or loss	184,011,797	118,448,988	302,460,785
Equity and liabilities	**671,241,394**	**0**	**671,241,394**
A. Equity	**331,506,831**	**0**	**331,506,831**
3. Revenue reserves	61,876,678	22,809,716	84,686,394
4. Fair value reserve	109,497,258	-41,566,680	67,930,578
8. Net profit or loss brought forward	7,932,895	18,756,964	26,689,859
G. Deferred tax liabilities	**22,747,289**	**-9,750,209**	**12,997,080**
J. Operating liabilities	**2,910,658**	**9,750,209**	**12,660,867**

The reclassification had no effect on the amount of assets, equity and liabilities. The item 'Financial assets at fair value through other comprehensive income' decreased and at the same time the item 'Financial assets at fair value through profit or loss' increased by the same amount.

As a result of the reclassification, the 'Profit reserves' and 'Retained profit or loss' items increased, while the 'Fair value reserve' item decreased by the sum of the two aforementioned increased items. As a result, deferred tax liabilities also decreased and current tax liabilities, which are an integral part of the 'Operating liabilities' item, increased. A detailed presentation of the impact on individual equity components are evident from the adjustments in the statement of changes in equity for 2021.

Table 22: Impact of the reclassification of units of target funds on the statement of other comprehensive income

in EUR

Item	2021	Adjustment	Adjusted 2021
I. Net profit or loss for the financial year after tax	**18,992,852**	**14,959,051**	**33,951,903**
II. Other comprehensive income after tax	**41,517,688**	**-14,959,051**	**26,558,637**
a. Items that will not be reclassified subse quently to profit or loss	**42,081,528**	**-14,959,051**	**27,122,477**
5. Items that will not be reclassified subsequently to profit or loss	50,631,330	-18,467,964	32,163,366
6. Tax on items subsequently not reclassified to profit or loss	-8,549,802	3,508,913	-5,040,889
III. Comprehensive income for the year, after tax	**60,510,540**	**0**	**60,510,540**

The adjusted other comprehensive income decreased in 2021 due to the reclassification of financial instruments valued at fair value through other comprehensive income into a business model where they are valued at fair value through the statement of profit or loss. The aforementioned decrease was the opposite of the increase in the net profit, so the comprehensive income for the financial year after tax remained the same.

The Company took the change into account in the previous financial statements as well. All disclosures and notes to the items for 2021 apply to the adjusted financial statements, where certain items are not the same as the audited ones for the said year.

Basic Policies

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

Significant Accounting Judgements and Estimates

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

The suitability of the assumptions and estimates employed is verified periodically.

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

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

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

Foreign Currency Translation

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

Procedure for the Adoption of the Annual Report

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

Property, Plant and Equipment

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

Each year, the Company makes an assessment of whether there are indications of impairment of property, plant and equipment. Such an event occurs if the estimated recoverable amount of an asset is lower than its carrying amount. The Company decreases the carrying amount of such assets to their recoverable amount. The decrease represents an impairment loss which the Company recognises directly in profit or loss.

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

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

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

Leases

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

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

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

Intangible Assets

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

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

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

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

Financial assets

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

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

The Company classifies financial instruments based on the following:

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

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

b) the characteristics of the financial asset's contractual cash flows;

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

Business Models

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

- Business model whose objective is to hold financial assets in order to collect contractual cash flows (Amortised Costs – AC): this business model includes financial assets held by the guarantee fund in order to collect contractual cash flows, which passed the SPPI test.   .

- 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 guarantee fund in order to manage and measure their performance based on fair value. The manager is mainly focused on the information on fair value that they use for assessing the return on assets and for taking decisions.

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

- Business model whose objective is to hold financial assets in order to collect contractual cash flows (Amortised Costs – AC): this business model includes financial assets held by the manager in order to collect contractual cash flows.

- Business model whose objective is to hold assets to collect contractual cash flows and sell the assets (Hold To Collect And To Sell – HTC & S): the manager generates returns on these assets by collecting contractual cash flows and by sales. The model is characterised by greater frequency and higher value of sales because the sale of financial assets is essential for reaching the business model targets. The model also includes equity investments within the scope of own funds, which the manager manages in an active corporate manner due to the size of the ownership interest, and non-current equity investments that are not held for the purpose of trading. When classifying equity investments, the manager takes into account the provisions of Chapter 5.7.5 of IFRS 9 and classifies them into the Hold To Collect And To Sell business model.

- 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 manage and measure their performance based on fair value. The manager is mainly focused on the information on fair value that they use for assessing the return on assets and for taking decisions.

Expected Credit Loss Model

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

The basis for the formation of impairments is the data on the probability of default – PD, loss given default – LGD and exposure at default – EAD. Data are obtained from international statistics publications of the Moody's and S&P credit agencies (PD and LGD) as well as the internal IT system holding current data on EAD.

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

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

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

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

Recognition and Derecognition of Investments

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

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

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

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

As at the investment measurement date, the Company re-verifies the principal market which was defined upon the purchase.
As at the investment fair value measurement date, the Company establishes whether the market for the investment is an active one.

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

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.

Under 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.

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

Fair Value Hierarchy of Equity Investments

Table 23: 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 24: 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 instruments with fair value measured using a valuation technique (taking into account Level 3 inputs) or prices provided by third parties

Fair Value Hierarchy of Debt Investments

Table 25: 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

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 26: 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 markets that are not active
	Debt securities measured using a valuation technique (taking into account level 2 inputs)
Level 3	Debt securities measured using a valuation technique (taking into account Level 3 inputs) or prices provided by third parties

Table 27: 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

Fair Value Hierarchy of Loans and Deposits

For fair value disclosure purposes, the Company measures deposits using the market interest rates, which is unobservable input, and thus classified in Level 3.

Determination of Gains or Losses on Investments

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

• the Company took into account the exception allowed by IFRS 9.7.5, that equity instruments are valued/measured at FVOCI when changes in fair value are shown in OCI, and realised gains/losses from this type of instrument upon sale are recognised among equity 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 statement.

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 Equity 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 insurance 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 financial investment.

Investment in Associate

The Company records and presents the investment in the associate at fair value through comprehensive income in accordance with IAS 28, which stipulates the exceptions to the use of the equity method in Article 17. The Company fully complies with these exceptions.

When preparing separate financial statements, the Company follows the requirements of the IAS 27 standard. It accounts for the investment in the associate at fair value through comprehensive income. 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 complies with Article 17 of IAS 28, which specifies exceptions to the use of the equity method.

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

Current Receivables from Direct Insurance Operations

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

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

Current Receivables for Shares in Claims Incurred

Current receivables for shares in claims incurred are receivables for annuities paid to deceased insured persons.

Current Receivables from Financing Activities

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.

Receivables for the Deficit of Assets

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

If KS MR liabilities as at the reporting date exceed its assets, the difference is recognised as a KS MR receivable for the deficit due from Modra zavarovalnica as the manager. Modra zavarovalnica creates provisions in the same amount that is debited to its equity in order to cover the shortfall of KS MR assets. If the value of assets exceeds the liabilities to the insured persons, previously made receivables/provisions for the deficit are reversed. If the receivables/provisions cannot be completely reversed within an accounting year, they are transferred to the next accounting period. The surplus assets established at the end of the calendar year (as at the balance sheet date) belong to the Company or the manager, which forms a receivable due from KS MR Guarantee Fund arising from the management fee in the amount of the established surplus.

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

Cash and cash equivalents

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

Equity

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

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

Revenue reserves are recognised based on:

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

Fair value reserve amounts disclosed in the balance sheet are adjusted by the amounts of deferred tax.

Insurance Contracts

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

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

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

Liabilities from Insurance Contracts – Technical Provisions

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

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

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

The calculations take into account actuarial assumptions, the provisions of the legislation in force as well as all contractual obligations vis-à-vis the insured persons in line with the contents of insurance contracts.

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

KS PPS technical provisions

Technical provisions of KS PPS (Guarantee Fund of the First Pension Fund) are mathematical provisions of the KS PPS insurance policies. They are intended to cover liabilities arising from insurance and insurance risks.

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

Part of the mathematical provisions that covers the mortality risk within the population with annuity insurance are derived from the first calculation of mathematical provision, where the difference between the value of transferred assets and the value of mathematical provisions for a KS PPS policy is determined. These provisions, which are calculated by individual policy upon transfer, increase the balance of provisions and are formed collectively for all insured persons. They are calculated and recognised on a monthly basis upon the calculation of mathematical provisions for KS PPS policies for the current month. These provisions can be additionally created at year-end from the surplus of KS PPS assets if mathematical provisions are not set aside pursuant to the most recent annuity tables or from the surplus of assets as a result of over-mortality within the population with annuity insurance if mathematical provisions comply with the most recent annuity tables.

Provided that mathematical provisions from KS PPS policies have been formed pursuant to the most recent annuity tables, the surplus of assets, which is a result of surplus return of KS PPS over the guaranteed return, is allocated to permanent annuity increases or is used, partially or entirely, to create additional provisions. The share of surplus earmarked for annuity increase is specified by the Company's management board.

KS MR technical provisions

KS MR technical provisions are mathematical provisions for KS MR policies concluded after retirement of the insured persons that exercised regular termination of supplementary pension insurance by 31 December 2015. They are calculated in accordance with the provisions of the Technical Bases for Annuity Insurance, prospectively for each insurance policy separately. German annuity tables DAV1994R are applied in the calculation. The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium.

KS MR II technical provisions

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

Claims provisions

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

Unearned premiums

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

Provisions for non-achievement of the guaranteed return

Pursuant to Article 313 of ZPIZ-2, if the actual net asset value of a ZPJU, MZP and PPS fund member in the accounting period falls below the member's guaranteed asset value, Modra zavarovalnica has to set aside provisions for failure to achieve the guaranteed rate of return, which are debited to equity and correspond to the sum of all shortfalls of the member's asset value and the member's guaranteed assets value as at a given date of account. The actual net or guaranteed values of the funds are calculated monthly.

Provisions for Pensions, Jubilee Benefits and Severance Pay upon Retirement

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

Accruals and Deferrals

Prepayments and accrued income comprise 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 accrued costs and deferred income comprise current deferred income for the premium paid into the KS MR II and the accident insurance premium.

Operating liabilities

Operating liabilities comprise current tax liabilities.

Other Liabilities

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

Income

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

Premium Income

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

Fee and Commission Income

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

a. Entry Fee

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

b. Management Fee

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

c. Exit Fee

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

Interest

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

Dividends

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

Expenses and Costs

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

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

Net claims incurred are net expenses of guarantee funds for the paid annuities.

Net operating costs are net costs of materials and services, amortisation and depreciation expenses of the assets required for operations, labour costs and other operating costs.

Financial expenses are classified by the Company as investment expenses.

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

Employee Benefits

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

Taxes

Current Tax

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

Deferred tax

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

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

Deferred tax assets are examined as at the balance sheet date and impaired by that portion of the asset for which it can no longer be expected that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax liabilities or assets are measured at tax rates expected to apply when the asset is realised or the liability is settled. Tax rates (and tax regulations) applicable or close to being enacted as at the balance sheet date are applied.

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

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

Cash Flow Statement Using the Indirect Method

A cash flow statement compiled using the indirect method is a financial statement showing the changes in cash flows during the financial year. The cash flow statement is compiled according to the indirect method using the statement of financial position data as at 31 December 2022 and 31 December 2021, P&L statement data for 2022, 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 2022

In the current period, the following amendments to existing standards:

The **amendment to IAS 16** prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced, while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity is required to apply IAS 2 to measure the cost of the said items.

The **amendment to IAS 37** clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The **amendment to IFRS 3** refers to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities for the entities that apply IFRS 3.

The **amendment to IFRS 9** addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative example 13 that accompanies **IFRS 15** was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under **IAS 41** was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The adoption of amendments to the existing standards has not caused significant changes in the Company's financial statement.

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

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 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. The following amendments to IFRS 17 were made:

- Effective date: The date of entry of IFRS 17 (with amendments) into force was postponed for two years, to annual reporting periods from and including 1 January 2023; the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 was also deferred to annual reporting periods from and including 1 January 2023
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and

some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

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. 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 in relation to assets and liabilities arising from an individual 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. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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. The transition requirements to IFRS 17 and IFRS 9 are effective on different dates and will result in the following one-off classification differences in the comparative information presented upon initial application of IFRS 17: accounting discrepancies between insurance contract liabilities measured at current value and any related financial assets, measured at amortized cost; and in the event that the company decides to reformulate the comparative information for IFRS 9, the differences in classification between financial assets that will be derecognized in the comparative period (for which IFRS 9 will not be applied) and other financial assets (for which used IFRS 9). The change will enable insurance companies to avoid these temporary accounting discrepancies, improving the applicability of comparative information for investors. It will achieve the latter by offering insurance companies the possibility of displaying comparative information on financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The company is currently estimating the impact of amendments on its financial statements; transition to IFRS 17 is disclosed below.

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

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 from the date determined by the International Accounting Standards Board (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. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

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. The amendments require the seller-lessee to subsequently measure the liability from the transaction in such a way that no profit or loss is recognized in connection with the retained right-of-use. This means a deferral of such profit, even if there is an obligation to make variable payments which do not depend on an index or rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (initially issued on 23 January 2020 and subsequently amended on 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. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment stipulated that those loan covenants to be taken into account after the reporting date, do not affect the classification of debt as current or non-current as at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Company is currently estimating the impact of the above-listed amendments on its financial statements.

Implementation of IFRS 17

On 1 January 2023, the Company started using the International Financial Reporting Standard 17, which treats insurance contracts in a completely new way. The Company will use the standard for the first time in the preparation of interim financial statements for the period from 1 January to 31 March 2023.

Definition of insurance contracts within IFRS 17

At the time of implementation of IFRS 17, the Company has the following insurance products that fall under the scope of the standard.

Table 28: Modra products in the context of IFRS 17

Insurance group	Product	Stage	Description
Pensions	KSMR	Payout	Old generation of pensions – no profit; closed for new contributions; the asset group is not clearly defined
	KSMR 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
Non-life insurance	KPN	None	Accident, monthly/annual premium

Transition Approach

IFRS 17 will be applied retrospectively, with the transition date 1 January 2022. In valuation of insurance contracts 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.

Such approach will be used for the KS MR, KS MR II and KPN products. Due to the complexity of data collection and processing, the fair value approach will be used for contracts in the KS PPS and PPS funds, which were concluded before the abovementioned date.

A general valuation model will be used for all the abovementioned products.

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 non-life 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 an insurance 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. The mentioned amounts are linked to future insurance contracts.

When an insurance 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);
- cash flows for the acquisition (acquisition costs, allocation of relevant overhead costs);
- payouts of investment components.

Recognition and Measurement

1. Valuation Approaches

IFRS 17 recognises three valuation approaches:

• the general model (BBA model) – usually applied for traditional life insurance portfolios, but in special cases it can also be used for non-life insurance policies;
• simplified approach (PAA model) – usually used for short-term non-life insurance policies;
• adjusted earnings model (VFA model) – usually applies for insurance contracts with the option of discretionary participation.

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.

2. Calculation of the Contractual Service Margin and Loss Component

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 insurance 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.

For an onerous contract or a group of onerous contracts, the insurance 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 insurance 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.

3. 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.

Considering that the major part of the Company's portfolio consists of annuity products, longevity risk is 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. The Company therefore chose a 4.07% shock which corresponds to a 70% VaR.

4. 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).

[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.

Assessment of the Effect of Transition to IFRS 17

The Company estimates that the impact of the changed accounting policies on the equity of the Company as at 1 January 2022 is EUR -4.4 million, and the contractual service margin is EUR 19.1 million.

An assessment of the effect of the transition on the Company's financial statements is not complete at the moment, as the Company has not yet fully completed all activities related to the transition, with the following limitations being the most important:

- adjustment of accounting processes and internal controls related to with the application of IFRS 17 is not yet completed;
- despite the calculations and processing carried out by the Company in 2022 and at the beginning of 2023, the new process of accounting for insurance contracts and the related control is not yet fully operational;
- the Company has not yet fully completed the testing and controls of the new IT system;
- the new accounting policies, guidelines, estimates and judgements may change until the Company prepares the final version of its first financial statements in compliance with the new standard.

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 non-compliances will arise, as there will be 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 non-compliances 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 are 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 non-compliances.

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 are subject to reclassification and its effects are presented in the table below.

Table 29: Redetermination of the Company's financial assets by measurement method

in EUR

Measurement method	31 Dec 2022	1 Jan 2023
Fair value through profit or loss	257,429,265	216,013,006
Amortised cost	268,176,251	88,799,230
Fair value through other comprehensive income	113,838,134	311,976,580
Total	**639,443,650**	**616,788,816**

The difference in the amount of EUR 22.7 million is recognised to the debit of the Company's equity.

3.9.3 Breakdown and Disclosures to the Financial Statements

All notes and disclosures to the 2021 financial statements apply to the adjusted financial statements.

Notes to the Statement of Profit or Loss

Note No. 1: Net premium income

in EUR

Item	2022	2021
Net life insurance premium income	64,118,502	56,591,912
Net non-life insurance premium income	49,162	47,592
Total	**64,167,664**	**56,639,504**

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

Net income from non-life insurance premiums in 2022 consists of gross written premiums in the amount of EUR 50,425 and changes in unearned premiums in the amount of EUR –1,263 (at the end of 2021, gross written premiums amounted to EUR 48,426 and unearned premiums to EUR –834).

Note No. 2: Income from investments in associates

in EUR

Item	2022	2021
Dividend income from associates	5,696,890	3,422,223
Total	**5,696,890**	**3,422,223**

Note No. 3: Income from investments

in EUR

Item	2022	2021
Interest income from investments	**5,038,922**	**4,539,282**
• at fair value through profit or loss	495,316	469,709
• at amortised cost	4,029,666	3,467,462
• at fair value through other comprehensive income	513,940	602,111
Dividend income from investments	**5,062,761**	**4,739,430**
• at fair value through profit or loss	2,943,754	3,007,352
• at fair value through other comprehensive income	**2,119,007**	1,732,078
Revaluation income	**3,955,647**	**28,036,738**
• at fair value through profit or loss	3,955,647	28,036,738
Foreign exchange gains	**2,972,300**	**2,917,184**
Gain on disposals of investments	**1,509,010**	**391,840**
• at fair value through profit or loss	1,504,044	378,915
• at fair value through other comprehensive income	972	0
• at amortised cost	3,994	12,926
Income from reversal of impairments	**370,824**	**158,436**
• at fair value through other comprehensive income	10,654	16,971
• at amortised cost	360,170	141,465
Other financial income	**1,574**	**90**
Total	**18,911,038**	**40,783,000**

Note No. 4: Expenses from investments

in EUR

Item	2022	2021
Interest expenses	**-37,112**	**-29,450**
Expenses from revaluation of investments	**-36,786,040**	**-3,387,797**
• at fair value through profit or loss	-36,786,040	-3,387,797
Foreign exchange losses	**-529,499**	**-87,054**
Loss on disposal of investments	**-4,971,564**	**-341,801**
• at fair value through profit or loss	-4,930,576	-341,801
• at fair value through other comprehensive income	**-40,988**	0
Expenses from impairment of investments	**-777,760**	**-259,713**
• at fair value through other comprehensive income	-441,775	-586
• at amortised cost	-335,985	-259,127
Other financial expenses	**-1,653**	**-1,647**
Total	**-43,103,628**	**-4,107,461**

High expenses from the revaluation of financial investments in 2022 are related to unfavourable trends in the financial markets. Higher expenses from the impairment of investments are largely related to the impairment of Russian government bonds and corporate bonds of the Russian gas company Gazprom.

Interest expenses in 2022 include interest expenses from the lease of business premises in the amount of EUR 14,512 (EUR 17,495 in 2021), and the rest represent negative interest on deposits.

Gains or Losses from Investments

in EUR

Item	2022	2021
Income from investments	24,607,928	44,205,224
Expenses from investments	-43,103,629	-4,107,461
Net gains or losses from investments	**-18,495,701**	**40,097,763**

Income from financial investments also includes income from investments in associates.

Note No. 5: Other technical income

in EUR

Item	2022	2021
Income from guarantee fund management	6,313,740	8,327,206
Income from mutual pension fund management	9,102,082	10,873,886
Other technical income	3,374	1,010
Total other technical income	**15,419,196**	**19,202,102**

Income from the management of guarantee funds, the assets of which Modra zavarovalnica discloses within its statement of financial position includes income from annuity payments, participation in the profit of annuity funds, income from KS MR II entry fees and indirect costs, and income from the reversal of provisions arising from the LAT test, which were the highest item in 2022 and amounted to EUR 3,077,668 (EUR 5,439,484 in 2021). Income from the reversal of provisions arising from the LAT test is related to the increase in interest rates in the period.

Income from the management of mutual pension funds comprises the fund management fee, income from entry and exit fee, transfer commissions and in 2021 also income from the reversal of provisions set aside for not achieving the guaranteed rate of return. On the contrary, in 2022 the Company recorded expenses from this title due to unfavourable conditions on the financial markets. The assets of mutual pension funds are disclosed in the statement of financial position of the Company under off-balance sheet items (contingent assets and liabilities).
Other technical income represents an brokerage commission from the sale of products of partner insurance companies.

Note No. 6: Other Income

in EUR

Item	2022	2021
Other income	**124,442**	**81,114**

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

Note No. 7: Net claims expenses

in EUR

Item	2022	2021
Gross claims paid from life insurance	-34,761,651	-32,964,014
Change in claims provisions	-80,602	-126,560
Total	**–34,842,252**	**–33,090,574**

Gross claims paid represent the pension annuities paid.

Note No. 8: Change in Technical Provisions

in EUR

Item	2022	2021
Change in technical provisions of the KS PPS	3,738,580	–4,302,429
Change in technical provisions of the KS MR	1,935,937	2,194,896
Change in technical provisions of the KS MR II	–36,457,084	–31,218,863
Total	**–30,782,567**	**–33,326,396**

KS PPS recorded a decrease in technical provisions, since premiums paid into the fund were lower than the annuities paid out of it. In 2021, the technical provisions of KS PPS increased due to the excess profitability of the fund and the over-mortality of the annuitant population – the newly formed provisions from the unallocated surplus of the fund reached EUR 7,336,064 in 2021.

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

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

Note No. 9: Operating Expenses

in EUR

Item	2022	2021
Cost of material	-233,398	-187,616
Costs of services, of which	-2,867,113	-2,652,785
- acquisition costs	-49,122	-55,332
Write-downs in value	-476,850	-470,716
Costs of provisions	-63,358	-9,409
Labour costs	-3,834,595	-3,678,367
Other operating expenses	-114,482	-101,772
Total	**-7,589,796**	**-7,100,665**

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

Cost of material in 2022 came in at EUR –233,398 (EUR –187,616 in 2021). The major share of the above costs are the costs of printing.

Cost of services (including insurance acquisition costs) in 2022 came in at EUR –2,867,113 (EUR –2,652,785 in 2021). 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 –574,460 (EUR –495,724 in 2021), costs of intellectual and personal services, which include advisory services, intellectual IT services, legal services, auditors and other services in the amount of EUR –409,421 (EUR –267,815 in 2021), costs of advertising, promotions and marketing in the amount of EUR –208,478 (EUR –384,408 in 2021), software rental and information services in the amount of EUR –377,032 (EUR –340,257 in 2021).

Write-downs in the amount of EUR –476,850 (EUR –470,716 in 2021) relate to depreciation and amortisation costs of intangible assets and property, plant and equipment and the amortisation of the right-of-use of leased premises in accordance with IFRS 16.

The cost of provisions amounting to EUR –63,358 (EUR –9,409 in 2021) relates to the cost of setting aside provisions for jubilee benefits, severance pay upon retirement and other provisions.

Labour costs in 2021 came in at EUR –3,834,595 (EUR –3,678,367 in 2021). EUR –2,919,331 (EUR –2,743,992 in 2021) of the mentioned amount is accounted for by the cost of gross salaries and allowances, while the remainder are the cost of contributions on salaries and wages paid, the cost of meal and transport allowances, the cost of supplementary pension insurance, etc.

Other operating costs are the costs of memberships in associations, the costs of promotion of occupational safety and health, donations and contribution for promoting employment of disabled persons.

Audit costs in 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). In 2021, audit costs amounted to EUR –30,549 and included the cost of auditing the annual reports of the Company and the funds (with the exception of MKPS). For other non-audit services, the auditor was paid an amount of EUR –21,655.

Note No. 10: Other technical expenses

in EUR

Item	2022	2021
Expenses from guarantee fund management	–1,271,198	–1,135,716
Expenses from mutual pension fund management	–7,098,937	–752,174
Other technical expenses	**–8,370,135**	**–1,887,890**

Expenses from guarantee fund management include the entry fee related to KS MR II in the amount of EUR –1,216,221 (in 2021, the entry fee and indirect costs related to KS MR II in the amount of EUR –1,070,544). The remaining amount in both years refers to the participation in the profit of KS MR.

Expenses from mutual pension fund management in 2022 include provisions for non-achievement of the guaranteed return in the amount of EUR –6,326,177 and payments made by the fund manager to settle the difference to the guaranteed return of mutual pension funds in the amount of EUR –772,759 (in 2021, all expenses from mutual pension fund management relate to the aforementioned payments).

Note No. 11: Other expenses

in EUR

Item	2022	2021
Other expenses	**-7,770**	**-8,972**

Other expenses refer to various smaller amounts arising from operations.

Note No. 12: Income Tax

Note No. 12.1: Tax Expense Recognised in Profit or Loss

in EUR

Item	2022	2021
Current tax expense/income	0	-6,480,820
Deferred tax expense/income	4,476,373	-173,262
Tax expense/income recognised in profit or loss	**4,476,373**	**-6,654,082**

Note No. 12.2: Tax Expense Recognised in Other Comprehensive Income

in EUR

Item	2022	2021
Profit/loss from fair value changes of financial investments through comprehensive income	-3,102,670	4,908,630
Total other comprehensive income	**-3,102,670**	**4,908,630**

Note No. 12.3: Reconciliation of Accounting Profit and Tax Expense

in EUR

Item	2022	2021
Accounting profit before tax	**-20,376,918**	**40,605,985**
Income tax rate	19%	19%
Tax expense at average / prescribed tax rate		
Non-taxable income	-4,335,484	-4,670,772
Non-deductible expenses	1,180,078	562,575
Tax on dividends from abroad	0	146,626
Tax relief	0	-296,422
Tax loss	0	-829,064
Other tax effects*	51,316,888	-637,630
Tax expense	**5,279,067**	**6,480,820**
Effective tax rate	**-25.91%**	**15.96%**

*financial impact of reclassification of ETF investments in the 2018–2021 period

The effective tax rate in 2022 stood at -25.91% (15.96% in 2021); it is the ratio between the income tax accounted and the profit/loss for the period before taxes.

Note No. 13: Deferred Tax

in EUR

Item	Statement of financial position as at 31 December 2022	Statement of financial position as at 31 December 2021	Income statement for 2022	Income statement for 2021
Deferred income tax – liabilities; of which:	10,396,036	14,695,476	0	-15,803
Revaluation of financial assets at fair value through other comprehensive income	9,194,399	12,287,621	0	0
Liabilities from transferred investments	1,201,637	2,407,855	0	-15,803
Total deferred income tax liabilities	10,396,036	14,695,476	0	-15,803
Deferred income tax – receivables; of which:	1,013,440	1,698,396	4,476,373	-157,459
Loss brought forward to be used as tax allowance	0	0	4,471,142	-157,522
Value adjustment of investments	981,154	1,671,341	0	0
Provisions	32,286	27,055	5,231	63
Total deferred income tax assets	1,013,440	1,698,396	4,476,373	-157,459
Netting of deferred tax assets and liabilities	**-9,382,596**	**-12,997,080**	**4,476,373**	**-173,262**

Notes to the Statement of Other Comprehensive Income

Note No. 14: Other comprehensive income after tax

in EUR

Item	2022	2021
Other comprehensive income after tax	**-15,471,989**	**26,558,637**

Other comprehensive income refers to net gains/losses from the remeasurement of financial assets at fair value through other comprehensive income. In 2022, the greater part of other comprehensive return, namely EUR –12.8 million, relates to equity investments, and –2.7 to debt investments. In 2021, EUR 27.2 million refers to equity investments, and EUR –0.6 million to debt investments. The difference in the value of other comprehensive income in 2022 and 2021 arises from the movements on security markets; 2022 was extremely difficult in this respect.

Notes to the Statement of Financial Position

Note No. 15: Changes in Intangible Assets

in EUR

2022	Total
Cost as at 1 January 2022	2,886,001
New acquisitions	400,038
Disposals	-31,881
Cost as at 31 December 2022	3,254,158
Accumulated depreciation as at 1 January 2022	-1,966,525
Write-downs	31,881
Amortisation/Depreciation	-100,782
Accumulated depreciation as at 31 December 2022	-2,035,426
Carrying amount as at 1 1 2022	919,476
Carrying amount as at 31 December 2022	**1,218,732**

in EUR

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

Intangible assets in 2022 and 2021 only include software.
Intangible assets have not been pledged as security.

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

in EUR

2022	Equipment and small tools	Company cars	Right to use premises	Total
Cost as at 1 January 2022	228,421	49,530	1,610,968	1,888,919
New acquisitions	28,231	1,018	49,846	79,095
Disposals	-10,098	0	-1,116	-11,214
Cost as at 31 December 2022	246,554	50,548	1,659,698	1,956,800
Accumulated depreciation as at 1 January 2022	-153,141	-49,530	-731,779	-934,450
Write-downs/sale	10,098	0	0	10,098
Amortisation/Depreciation	-41,506	-51	-334,511	-376,068
Accumulated depreciation as at 31 December 2022	-184,549	-49,581	-1,066,290	-1,300,420
Carrying amount as at 1 January 2022	75,280	0	879,189	954,469
Carrying amount as at 31 December 2022	**62,005**	**967**	**593,408**	**656,380**

in EUR

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

The right to use premises refers to business premises for which Modra zavarovalnica concluded a 5-year lease agreement in accordance with IFRS 16 – Leases on 1 October 2019.

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

Note No. 16.1: 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 334,511 in 2022 (EUR 319,889 in 2021), while interest expenses amounted to EUR 14,512 (EUR 17,495 in the previous year). The total cash outflow for the lease amounted to EUR 347,827 in 2022 (EUR 329,838 in 2021).

The carrying amount of the assets representing the right-of-use amounted to EUR 593,408 as at 31 December 2022 and EUR 879,189 as at 31 December 2021. Lease liabilities amounted to EUR 595,183 at the end of 2022, of which the principle amounted to EUR 613,331 and interest to EUR –18,149. At the end of 2021, the liabilities from the right-of-use amounted to EUR 885,998, of which the principle amounted to EUR 906,213 and interest to EUR –20,215.

Note No. 17: Financial Assets

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

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 Dec 2022
F. Financial investments in joint ventures and associates	43,444,360	0	43,444,360
G. Financial assets	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**

in EUR

Item	Own financial assets	Guarantee fund financial assets	Total 31 Dec 2021
F. Financial investments in subsidiaries, associates and joint ventures	48,170,287	0	48,170,287
G. Financial assets	315,852,060	297,278,632	613,130,692
• at amortised cost	35,950,515	174,937,642	210,888,156
• at fair value through other comprehensive income	99,781,751	0	99,781,751
• at fair value through profit or loss	180,119,794	122,340,991	302,460,785
M. Cash and cash equivalents	1,270,925	2,182,492	3,453,417
Total	**365,293,272**	**299,461,124**	**664,754,396**

17.1 Financial Investments in Associates and Joint Ventures

17.1.1 Financial Investments in Associates

As at 31 December 2022, Modra zavarovalnica, d. d. recorded its investment in Cinkarna Celje, d. d., in the amount of EUR 37,481,490 under investments in associates (EUR 42,207,417 at the end of 2021). The investment in the associate is recorded and presented at fair value through other comprehensive income in accordance with IAS 28. which stipulates the exceptions to the use of the equity method in Article 17. The Company fully complies with these exceptions.

in EUR

Associate	Registered office	Equity stake in %	Equity 31 Dec 2022	Net profit in 2022
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.17%	209,010,148	43,396,465

17.1.2 Changes in Investments in Associates

in EUR

Item	2022	2021
Balance as at 1 January	42,207,417	29,007,414
Change in revaluation surplus	-4,725,927	13,200,003
Balance as at 31 December	**37,481,490**	**42,207,417**

17.1.3 Financial Investments in Joint Ventures

As at 31 December 2022, 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 2021). The Company measures joint ventures at cost according to IAS 27.10. An impairment test was carried out, showing that the investment need not be impaired.

in EUR

Joint venture	Registered office	Equity stake in %	Equity 31 Dec 2022	Net profit in 2022
Hotelske nepremičnine, d. o. o.	Dunajska cesta 119, Ljubljana	50,00 %	12,794,619	546,140

17.2 Financial Investments

in EUR

Item	Own investments	Guarantee fund investments	Total 31 Dec 2022
Financial investments at amortised cost	48,169,476	220,006,774	268,176,251
Financial investments at fair value through other comprehensive income	76,356,644	0	76,356,644
Financial investments at fair value through profit or loss	161,739,778	89,725,696	251,465,474
Total	**286,265,898**	**309,732,470**	**595,998,369**

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

in EUR

Item	Own investments	Guarantee fund investments	Total 31 Dec 2022
Financial investments at amortised cost	35,950,515	174,937,642	210,888,156
Financial investments at fair value through other comprehensive income	99,781,751	0	99,781,751
Financial investments at fair value through profit or loss	180,119,794	122,340,991	302,460,785
Total	**315,852,059**	**297,278,633**	**613,130,692**

17.2.1 Breakdown of Financial Investments

in EUR

Item	31 Dec 2022	31 Dec 2021
Financial investments at fair value through profit or loss	251,465,474	302,460,785
Equity securities	19,936,942	23,320,905
Debt securities	231,528,532	279,139,879
Financial investments at fair value through other comprehensive income	76,356,644	99,781,751
Equity securities	56,832,639	67,726,059
Debt securities	19,524,005	32,055,692
Financial investments at amortised cost	268,176,251	210,888,156
Debt securities	229,148,287	177,021,453
Loans and deposits	39,027,964	33,866,704
Total	**595,998,369**	**613,130,692**

17.2.2 Changes in Financial Investments

in EUR

Item	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
Balance as at 1 January 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 December 2022	**268,176,251**	**76,356,644**	**251,465,474**	**595,998,369**

in EUR

Item	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
Balance as at 1 January 2021	**197,313,909**	**84,350,049**	**247,449,806**	**529,113,764**
Acquisitions	39,732,818	1,472,297	42,418,193	83,623,308
Revaluation	12,926	12,382,760	25,027,270	37,422,956
Maturity	-27,872,105	-2,795,033	-4,848,477	-35,515,615
Sales	-1,490,608	-2,173,444	-10,360,614	-14,024,666
Other changes and adjustments	3,191,216	6,545,123	2,774,606	12,510,945
Balance as at 31 December 2021	**210,888,156**	**99,781,751**	**302,460,785**	**613,130,692**

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

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

in EUR

Investment	31. 12. 2022	31. 12. 2021
Debt investments	387,236,076	235,639,736
Fixed interest rate	386,648,401	233,375,075
Variable interest rate	587,675	2,264,661
Loans and deposits	39,027,964	33,866,703
Fixed interest rate	39,027,964	33,866,703
Cash and cash equivalents	4,707,255	3,453,417
Units of target funds	92,964,748	252,577,288
Total	**523,936,043**	**525,537,145**

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

17.2.4 Risk of Interest Rate Fluctuations

in EUR

Investments as at 31 December 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
Financial investments at amortised cost	25,195,159	79,249,645	163,731,448	268,176,251
Financial 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**

in EUR

Investments as at 31 December 2021	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	1,581,085	7,730,763	19,708,907	29,020,755
Financial investments at amortised cost	33,248,374	77,322,423	100,317,360	210,888,156
Financial investments at fair value through other comprehensive income	4,150,320	17,283,304	8,163,904	29,597,528
Cash	3,453,417	0	0	3,453,417
Total	**42,433,196**	**102,336,489**	**128,190,171**	**272,959,856**

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”.

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

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

ISIN	Value in EUR 31 Dec 2022	ISIN	Value in EUR 31 Dec 2022
CNE1000003G1	691,245	DE0008430026	3,668,064
JP3304200003	1,038,885	US68389X1054	3,867,055
DE0008404005	3,449,453	NL0000009538	551,365
US17275R1023	1,306,102	SI0021110513	15,999,984
SI0021112212	1,361,880	CH0012032048	1,050,249
US02079K1079	3,304,290	FR0000120578	1,818,811
US02079K3059	3,277,398	DE000A2GS401	447,755
US1912161007	4,669,663	ES0178430E18	323,823
US5949181045	9,332,879	US8816242098	199,227
US91912E1055	474,511		

In 2022, Modra zavarovalnica received dividends relating to investments measured at fair value through other comprehensive income in the amount of EUR 1,945,374 (EUR 1,540,593 in 2021). In 2022, upon disposal of investments measured at fair value through other comprehensive income, Modra zavarovalnica recorded loss in the amount of EUR –40,016.

17.3 Cash

in EUR

Item	31 Dec 2022	31 Dec 2021
Cash on bank accounts and cash on hand	**4,707,255**	**3,453,417**

Note No. 18: Receivables

in EUR

Item	31 Dec 2022	31 Dec 2021
Receivables from direct insurance operations	1,242	4,600
Current tax assets	24,975	553
Other receivables	21,351,093	1,673,103
Total	**21,377,310**	**1,678,256**

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

In 2022, the highest item of other receivables is accounted for by the retained deficit of assets for the covering of liabilities owed to the insured of guarantee funds, which amounted to EUR 16,893,634 (EUR 635,314 at the end of 2021).

Other amounts are accounted for by the mutual pension fund current management commission and entry and exit fee receivables, current receivables from principal amounts due, interest, dividends, etc.

Note No. 19: Other Assets

in EUR

Item	31 Dec 2022	31 Dec 2021
Other Assets	**2,713,089**	**2,934,797**

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

Note No. 20: Off-Balance Sheet Items

in EUR

Item	31 Dec 2022	31 Dec 2021
Assets/liabilities of mutual pension funds under management	1,351,876,352	1,390,574,399
KPSJU	383,131	147,592
ZPJU	930,139,447	969,964,188
PPJU	15,986,295	13,592,838
DPJU	54,368,465	44,739,908
MKPS	154,585	63,087
MZP	270,398,153	279,333,660
MPP	28,218,869	27,681,687
MDP	40,165,288	39,347,413
PPS	12,062,120	15,704,027
Off-balance sheet items arising from financial asset management	2,244,881	2,209,361
Guarantees received	0	50,000
Total assets	**1,354,121,232**	**1,392,833,760**

Off-balance sheet items in the amount of EUR 1,351,876,352 refer to assets/liabilities of the pension funds under the management of Modra zavarovalnica; off-balance sheet assets/liabilities in the amount of EUR 2,244,881 relate to the commitment of Modra zavarovalnica to purchase target fund units. Off-balance sheet items in 2021 also include the received performance bond.

Note No. 21: Equity

21.1 Share Capital

Item	31 Dec 2022	31 Dec 2021
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 2022, the carrying amount of a share was EUR 1.94 (EUR 2.18 as at 31 December 2021). Modra zavarovalnica, d. d. is wholly owned by Kapitalska družba, d. d.

21.2 Changes in Individual Equity Components

in EUR

Item	Share capital	Revenue reserves	Fair value reserve	Net profit or loss brought forward	Total
1 January 2022	**152,200,000**	**84,686,394**	**67,930,578**	**26,689,859**	**331,506,831**
Change	0	0	-15,471,989	-20,093,963	-35,565,951
31 Dec 2022	**152,200,000**	**84,686,394**	**52,458,590**	**6,595,896**	**295,940,880**

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 (no change compared to end of 2021). The fair value reserve decreased due to unfavourable trends in the financial markets. The reduction in net profit or loss brought forward consists of net operating loss in the amount of EUR 15,900,545, dividend payments in the amount of EUR 4,700,000, and a surplus from the deferred tax liabilities on assets in the amount of EUR 506,583.

in EUR

Item	Share capital	Revenue reserves	Fair value reserve	Net profit or loss brought forward	Total
1 January 2021	**152,200,000**	**57,496,434**	**40,734,311**	**23,782,294**	**274,213,039**
Change	0	27,189,960	27,196,267	2,907,565	57,293,792
31 Dec 2021	**152,200,000**	**84,686,394**	**67,930,578**	**26,689,859**	**331,506,831**

In 2021, the Company allocated EUR 1,697,597 to legal reserves. Statutory reserves were thus increased by EUR 1,612,716 and other reserves by EUR 23,879,647.

21.3 Changes in Fair Value Reserve

in EUR

Fair value reserve	2022	2021
Balance as at 1 January	**67,930,578**	**40,734,311**
Change in fair value	-15,731,831	26,324,806
Net change due to acquisitions / disposals of investments	-189,720	853,019
Impairment of FVOCI investments	449,563	18,442
Balance as at 31 December	**52,458,590**	**67,930,578**

The fair value reserve in the amount of EUR 54.3 million refers to equity investments, and EUR -1.8 million to debt investments. At the end of 2021, EUR 67.1 million refers to equity investments, and EUR –0.8 million to debt investments.

21.4 Allocation of Accumulated Profit

in EUR

Item	2022	2021
Net profit or loss for the financial year	**-15,900,545**	**33,951,903**
Retained net profit	21,989,859	12,006,692
Increase in revenue reserves pursuant to the decision of the Management Board	0	3,310,311
Increase of other reserves pursuant to the decision of management bodies	0	15,320,795
Losses from disposals of investments in equity, measured through other comprehensive income	506,583	-637,630
Accumulated profit or loss	6,595,897	26,689,859
Allocation of accumulated profit		
- for shareholders		**4,700,000**
- for transfer to the following period		**21,989,859**

The Company's General Meeting will decide on the allocation of accumulated profit for 2022 upon the proposal of the Management Board and the Supervisory Board.

Note No. 22: Technical provisions

22.1 Technical Provisions

in EUR

Item	31 Dec 2022	31 Dec 2021
KS PPS technical provisions	98,748,957	102,416,607
KS MR technical provisions	10,114,824	12,050,597
KS MR II technical provisions	215,672,165	179,205,573
Technical provisions of the accident segment	2,098	834
Total	**324,538,044**	**293,673,611**

Technical provisions are presented under the 'Insurance Risks' section.

22.2 Changes in Technical Provisions

in EUR

Technical provisions	2022	2021
Opening balance	293,673,612	260,225,821
Change through profit or loss	30,783,832	33,326,396
Changes in claims provisions and adjustments	80,601	119,374
Closing balance	**324,538,045**	**293,673,612**

Technical provisions increased in 2022 and 2021 due to the inflows of the funds and insured persons into the KS MR II fund. The surplus generated in KS PPS further contributed to the increase in 2021. Changes in claims provisions represent the increase in charged annuities that have not yet been paid for various reasons.

in EUR

Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2022	**102,416,607**	**12,050,596**	**179,205,574**	**834**	**293,673,612**
Increase	3,037,482	156,746	62,751,095	1,264	65,946,587
Decrease	-6,776,062	-2,092,682	-26,294,011	0	-35,162,755
Change in claims provisions	70,930	165	9,506	0	80,601
Balance as at 31 December 2022	**98,748,957**	**10,114,825**	**215,672,164**	**2,098**	**324,538,044**

in EUR

Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2021	**97,996,761**	**14,245,416**	**147,977,644**	**6,000**	**260,225,821**
Increase	10,884,531	253,838	55,152,042	834	66,291,245
Decrease	–6,582,102	–2,448,734	–23,933,179	0	–32,964,015
Change in claims provisions	117,417	77	9,067	–6,000	120,561
Balance as at 31 December 2021	**102,416,607**	**12,050,597**	**179,205,574**	**834**	**293,673,612**

Note No. 23: Other provisions

23.1 Other Provisions

in EUR

Other provisions	31 Dec 2022	31 Dec 2021
Provisions for non-achievement of the guaranteed return	11,536,512	5,210,335
Provisions for the deficit of assets of guarantee funds	16,893,634	635,314
Provisions related to employees (jubilee benefits, severance pay upon retirement and similar)	339,854	284,786
Provisions arising from the LAT test	0	3,077,668
Total	**28,770,000**	**9,208,103**

23.2 Changes in Other Provisions

in EUR

Item	Provisions for non-achievement of the guaranteed return	Provisions arising from the LAT test	Provisions for the deficit of assets of guarantee funds	Provisions related to employees	Total
1 January 2022	**5,210,335**	**3,077,668**	**635,314**	**284,786**	**9,208,103**
Newly set aside during the year	6,326,177	0	16,258,320	63,358	22,647,855
Utilisation	0	0	0	-8,290	-8,290
Reversal	0	-3,077,668	0	0	-3,077,668
31 Dec 2022	**11,536,512**	**0**	**16,893,634**	**339,854**	**28,770,000**

in EUR

Item	Provisions for non-achievement of the guaranteed return	Provisions arising from the LAT test	Provisions for the deficit of assets of guarantee funds	Provisions related to employees	Total
1 January 2021	**7,167,089**	**8,517,152**	**580,364**	**284,122**	**16,548,727**
Newly set aside during the year	0	0	54,950	9,409	64,358
Utilisation	0	0	0	-8,744	-8,744
Reversal	-1,956,754	-5,439,484	0	0	-7,396,238
31 Dec 2021	**5,210,335**	**3,077,668**	**635,314**	**284,786**	**9,208,103**

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 2022, provisions were formed in the amount of EUR 6,326,177.

In 2022, provisions arising from the LAT test in the amount of EUR 3,077,668 were reversed (EUR 5,439,484 in 2021). Provisions arising from LAT are explained in more detail under the 'Disclosures of Insurance Contracts' section.

Provisions for the deficit of assets in a guarantee fund are set aside if a guarantee fund records a deficit of assets with respect to its liabilities. Provisions are set aside in the amount of the difference between net value of assets and the liabilities to the insured (the amount of mathematical provisions). In 2022, provisions for the deficit of assets were formed in the amount of EUR 16,258,320.

Provisions for retirement benefits and long-service awards are calculated according to the expected staff turnover, period of service and an estimated number of years until retirement, taking into account the regulations of individual and collective employment agreements as well as the company's internal rules. The calculation takes into account 2-percent salary growth, which is close to the ECB inflation targets, and a 2-percent discount rate. Assumptions regarding the expected employee turnover attribute the highest probability (30%) for leaving the Company to the employees with over 20 years of service until retirement, whilst employees with less than 5 years of service until retirement are attributed the probability of 0%.

Note No. 24: Other Financial Liabilities

in EUR

Item	31 Dec 2022	31 Dec 2021
Total	**595,183**	**887,488**

At the end of 2022, all financial liabilities relate to liabilities from the lease of business premises, and at the end of 2021, EUR 885,998 relate to liabilities from the lease of business premises and EUR 1,490 to liabilities from interest on deposits.

Note No. 25: Operating liabilities

in EUR

Item	31 Dec 2022	31 Dec 2021
Liabilities arising out of direct insurance operations	0	30
Current tax liabilities	2,445,387	12,660,836
Total	**2,445,387**	**12,660,867**

Current tax liabilities represent liabilities for corporate income tax.

Note No. 26: Other Liabilities

in EUR

Item	31 Dec 2022	31 Dec 2021
Current liabilities to employees	284,764	260,523
Other current liabilities from insurance operations	6,793	17,254
Current trade payables	377,375	391,580
Other current liabilities	163,162	172,552
Accrued costs	402,391	232,380
Current deferred income	7,159,116	9,192,471
Other non-current liabilities	49,804	40,654
Total	**8,443,405**	**10,307,414**

Current liabilities to employees are liabilities arising from salaries and wages for December 2022.

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

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

Accrued costs relate to the costs of unused annual leave and other estimated costs for 2022.

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 2023.

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

Risk Management

Modra zavarovalnica estimates that its own assets and the assets of KS PPS, KS MR and KS MR II are exposed to insurance, credit, currency, interest, liquidity, and equity risk. The presented tables include the Company's own assets and the assets of the guarantee funds (KS PPS, KS MR and KS MR II).

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 technical provisions.

Insurance risks are divided into life insurance risks, health insurance risks, which also includes accident insurance, and non-life insurance risks.

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.

Composition of Long-Term Insurance Contracts

Table 30: Present gross value of future

in EUR

Guarantee fund	31 Dec 2022	31 Dec 2021
KS PPS	93,156,740	92,558,517
KS MR	10,110,565	12,046,502
KS MR II	215,649,361	178,755,111
Total	**318,916,666**	**283,360,130**

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

Table 31: Composition of technical provisions as at 31 December 2022

in EUR

Fund	TP for life insurance based on policies	TP for life insurance – surplus	Claims provisions	Total
KS PPS	93,156,740	4,336,802	1,255,415	98,748,957
KS MR	10,110,565	0	4,259	10,114,824
KS MR II	215,649,361	0	22,804	215,672,165
Total	**318,916,666**	**4,336,802**	**1,282,478**	**324,535,946**

Table 32: Composition of technical provisions as at 31 December 2021

in EUR

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

Technical provisions based on individual KS PPS policies as at 31 December 2022 comprise technical provisions for life insurance based on individual KS PPS policies in the amount of EUR 93,156,740 (EUR 92,558,517 in 2021), provisions from surplus return in the amount of EUR 4,336,802 (EUR 8,673,605 in 2021), and claims provisions in the amount of EUR 1,255,415 (EUR 1,184,485 in 2021). The calculation of the value of future payments uses the DAV2004R annuity tables and the statutory technical interest rate of 1%.

Technical provisions based on individual KS MR policies as at 31 December 2022 comprise technical provisions for life insurance based on individual KS MR policies in the amount of EUR 10,110,565 (EUR 12,046,502 in 2021), and claims provisions in the amount of EUR 4,259 (EUR 4,094 in 2021). The German DAV1994R annuity tables were used in the calculation of future payments.

Technical provisions based on individual KS MR II policies as at 31 December 2022 comprise technical provisions for life insurance based on individual KS KS II policies in the amount of EUR 215,649,361 (EUR 178,755,111 in 2021), allocated part of profit of EUR 0 (EUR 36,061 at the end 2021), and unallocated part of profit of EUR 22,804 (EUR 13,298 in 2021). The German DAV1994R annuity tables were used in the calculation of future payments.

Adequacy of Liabilities

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

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

- the expected mortality was determined using the German DAV1994R mortality table for annuities, separately according to gender, that adequately describe actual mortality based on past experience;
- early terminations were not envisaged as they are not possible in line with the provisions laid down in insurance contracts;
- expected costs are the same as the accrued ones;
- the discount rate is based on the risk-free rate as at 31 December 2022 published by EIOPA.

The Liability Adequacy Test as at 31 December 2021 showed that mathematical provisions for all annuity funds (KS PPS, KS MR and KS MR II) were adequate.

Sensitivity to Changes in Interest Rates/Return

Table 33: Changes in interest rates/returns for KS PPS

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in return by 0.25 percentage points	-2,576,082	-2,589,605
Decrease in return by 0.25 percentage points	2,703,706	2,718,856

Table 34: Changes in interest rates/returns for KS MR

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in return by 0.25 percentage points	-215,572	-239,705
Decrease in return by 0.25 percentage points	225,548	250,800

Table 35: Changes in interest rates/returns for KS MR II

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in return by 0.25 percentage points	-4,678,235	-3,672,144
Decrease in return by 0.25 percentage points	4,895,408	3,840,341

Sensitivity to Changes in Mortality

Table 36: Change in mortality for KS PPS

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in mortality probability by 10%	-3,614,987	-3,537,013
Decrease in mortality probability by 10%	4,112,588	4,046,711

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 3,614,987 (EUR 3,537,013 in 2021). Annuity tables DAV2004R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 37: Change in mortality for KS MR

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in mortality probability by 10%	-243,436	-248,440
Decrease in mortality probability by 10%	275,381	280,804

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 243,436 (EUR 248,440 in 2021). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 38: Change in mortality for KS MR II

in EUR

Change in liabilities/provisions	31 Dec 2022	31 Dec 2021
Increase in mortality probability by 10%	-2,075,478	-1,640,274
Decrease in mortality probability by 10%	2,344,811	1,848,595

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 2,075,478 (EUR 1,640,274 in 2021). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

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 2022, the SCR ratio increased compared to 2021, which is mainly the result of reduced liabilities, which was higher than the reduction in assets.

The decrease in liabilities was mainly due to the rise in the risk-free interest rate curve published by EIOPA and due to the increase in central bank interest rates in response to increased inflation in 2022.

Table 39: Capital adequacy pursuant to the requirements of Solvency II

in EUR

Item	31 Dec 2022	31 Dec 2021
Solvency II		
Total capital requirement (in EUR)	130,162,510	202,516,941
Eligible own funds (in EUR)	383,156,370	373,875,378
Surplus (+)/deficit (–) of available own funds (in EUR)	252,993,860	171,358,438
Eligible own funds to total capital requirement ratio (in %)	**294%**	**185%**

In 2022, the ratio between the eligible own funds and total capital requirements (SCR ratio) increased from the initial 185% to 294%. The main reason for the increase in the SCR ratio is the upward shift of the risk-free interest rate curve, which led to a decrease in liabilities compared to 2021, especially when taking into account the guarantee. At the end of 2021, the risk-free interest rate curve had been negative for 6 years, while at the end of 2022, the entire curve was positive.

On the other hand, 2022 also saw a decrease in the value of equity and debt securities. This led to a decrease in existing portfolio assets. The decrease in the total need for equity and thus the reduction of the capital requirement was also influenced by the sale of units of target funds from the Company's own resources.

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 40: Equity portfolio risk

in EUR

Change of index by +/– 10%	31 Dec 2022	31 Dec 2021
Effect of investments measured at fair value through profit or loss on the P&L	+/- 2,589,981	+/- 2,928,378
Effect of investments measured at fair value through other comprehensive income on capital	+/- 9,431,413	+/- 10,993,348
Total	**+/– 12,021,394**	**+/– 13,921,725**

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 41: Currency composition of financial assets

in EUR

Currency	31 Dec 2022	31 Dec 2021
Assets denominated in euros	608,097,078	571,205,508
Assets denominated in US dollars	33,272,527	89,656,358
Assets denominated in other currencies	2,780,379	3,892,530
Total	**644,149,984**	**664,754,396**

As at 31 December 2022, 94.4% of the Company's financial assets were denominated in euros, 5.2% in US dollars, and the remainder in other currencies.

Table 42: Currency risk of financial assets

in EUR

Change of USD exchange rate by +/– 10%	31 Dec 2022	31 Dec 2021
Impact on profit or loss	+/– 684,140	+/– 5,647,548
Effect on capital	+/– 2,643,113	+/– 3,318,088
Total	**+/– 3,327,253**	**+/– 8,965,636**

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.

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

in EUR

Item	Change in interest rates	Sensitivity of interest income	Effect on fair value	Total
Financial investments at fair value through profit or loss	+/– 0.5%	+/- 2,938	–/+ 110,374	–/+ 107,436
Financial investments at amortised 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**

Table 44: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2021 – change in interest rates by 50 basis points

in EUR

Item	Change in interest rates	Sensitivity of interest income	Effect on fair value	Total
Financial investments at fair value through profit or loss	+/– 0.5%	+/– 7,905	–/+ 137,198	–/+ 129,293
Financial investments at amortised cost	+/– 0.5%	+/– 0	+/– 0	+/– 0
Financial investments at fair value through other comprehensive income	+/– 0.5%	+/– 3,418	–/+ 144,570	–/+ 141,152
Total	**+/– 0.5%**	**+/– 11,323**	**–/+ 281,768**	**–/+ 270,445**

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

Credit Risk

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

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

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

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

Table 45: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2022

in EUR

Internal rating	Rating	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
High-risk 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.
High-risk investments (rating lower than BBB–) mainly include current debt securities (deposits, commercial paper and corporate bonds of domestic issuers).

"No rating" investments are the investments in the units of target funds.

Table 46: Net exposure of financial assets to credit risk without considering potential collateral (security) as at 31 December 2021

in EUR

Internal rating	Rating	Bonds	Deposits	Other	Total
Low-risk investments	AAA	4,493,793	0	0	4,493,793
	AA	20,104,704	0	0	20,104,704
	A	86,760,298	14,057,885	0	100,818,182
	BBB	104,932,790	3,698,201	3,453,417	112,084,408
High-risk investments	BB	11,735,361	16,110,617	2,186,901	30,032,880
	B	4,063,208	0	1,362,681	5,425,889
No rating		0	0	252,577,288	252,577,288
Total		**232,090,154**	**33,866,703**	**259,580,287**	**525,537,145**

All debt investments are presented in the table.
High-risk investments include current debt securities (deposits, commercial paper and corporate bonds of domestic issuers).

"No rating" investments are the investments in the units of target funds.

Table 47: Allowance for loss in 2022

in EUR

Stage	Stage 1	Stage 2	Stage 3	Total
Expected loss allowance as at 1 January 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 December 2022	**-82,264**	**-203,224**	**-585,523**	**-871,010**

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

The Company has 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 48: Allowance for loss in 2021

in EUR

Stage	Stage 1	Stage 2	Total
Expected loss allowance as at 1 January 2021	**–198,578**	**–164,220**	**–362,798**
Transfer from stage 1 to stage 2	19,785	-295,049	-275,263
- bonds	19,785	-295,049	-275,263
- deposits	0	0	0
- other	0	0	0
Financial assets derecognised in the period	**65,025**	**48,504**	**113,529**
- bonds	9,698	48,504	58,203
- deposits	41,940	0	41,940
- other	**13,386**	**0**	**13,386**
Financial assets acquired in the period	**-105,085**	**0**	**-105,085**
- bonds	-58,374	0	-58,374
- deposits	-7,372	0	-7,372
- other	**-39,339**	**0**	**-39,339**
Other changes	92,094	73,448	165,542
Expected loss allowance as at 31 December 2021	**–126,759**	**–337,316**	**–464,075**

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

The Company did not have any investments allocated to stage 3, but had five debt investments allocated to stage 2, two of which were transferred from stage 1 to stage 2 in 2021.

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

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

The macroeconomic indicators taken into account in the calculation of the adjustment of assets are gross domestic product growth, consumer price index, unemployment rate and the current account balance as a percentage of GDP.

The actual annual percentage the default rate from Standard and Poor's annual historical data is used as a dependent variable. Macroeconomic forecasts and historical data values apply to Europe, as investments in bonds of European issuers are predominant in the portfolios. The only exception is the default rate data published by Standard and Poor's globally.

Due to the deterioration of macroeconomic indicators in 2020 (which is the basis for the recalculation) as a result of the COVID-19 pandemic, correction factors for one-year probabilities of default (PD) increased in particular, which had the greatest impact on investments in phase 1. Conversely, due to the forecast of economic recovery for the next two years, the correction factors for the following years decreased, which means slightly lower lifetime expected losses.

Table 49: Changes in the gross carrying amount and the allowance in 2022

in EUR

Category	Gross carrying amount	Loss allowance
Opening value as at 1 January 2022	**240,931,318**	**-464,075**
Transfer from stage 1 to stage 2	-185,363	-214,618
Transfer from stage 1 to stage 3	-930,627	-800,893
Transfer 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
Closing balance as at 31 Dec 2022	**285,776,023**	**-871,010**

Other changes in the gross carrying amount mainly represent the differences in the balance of cash as at 31 December 2021 and 31 December 2022 and an investment due as at 31 December 2022.

Table 50: Changes in the gross carrying amount and the allowance in 2021

in EUR

Category	Gross carrying amount	Loss allowance
Opening value as at 1 January 2021	**229,414,823**	**-362,798**
Transfer from stage 1 to stage 2	-5,501	-275,263
Financial assets acquired in the period	38,875,586	-105,085
Financial assets derecognised in the period	-27,283,009	113,529
Other changes	-70,581	165,542
Closing balance as at 31 Dec 2021	**240,931,318**	**-464,075**

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

Table 51: Geographical concentration of credit risk exposure of financial assets

in EUR

Region	31 Dec 2022	31 Dec 2021
Slovenia	103,006,379	102,873,310
EU (excluding Slovenia)	270,679,408	120,174,967
USA	38,355,474	29,866,813
Other	111,894,782	272,622,055
Total	**523,936,043**	**525,537,145**

Units of target funds are also allocated to the 'Other' group: at the end of 2022 in the amount of EUR 92,964,748, and at the end of 2021 in the amount of EUR 252,577,288.

Fair Value of Financial Assets

Table 52: Overview of financial assets according to marketability

in EUR

Financial asset	31 Dec 2022	31 Dec 2021
Securities traded on the regulated market	**572,350,244**	**600,562,274**
Financial investments at fair value through profit or loss	238,861,845	292,236,365
Financial investments at amortised cost	222,445,509	170,156,785
Financial investments at fair value through other comprehensive income	111,042,891	138,169,124
Securities not traded on the regulated market	**67,092,485**	**60,738,705**
Financial investments at fair value through profit or loss	18,566,499	16,187,290
Financial investments at amortised cost	45,730,743	40,731,372
Financial investments at fair value through other comprehensive income	2,795,243	3,820,044
Cash	**4,707,255**	**3,453,417**
Total	**644,149,984**	**664,754,396**

At the end of 2022, investments traded on the regulated market accounted for 89% of the Company's assets.

Table 53: Overview of financial assets according to carrying amount and fair value as at 31 Dec 2022

in EUR

Item	Carrying amount	Fair value
Financial investments at fair value through profit or loss	257,428,344	257,428,344
Financial investments at amortised cost	268,176,251	240,553,736
Financial 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**

Table 54: Overview of financial assets according to carrying amount and fair value as at 31 Dec 2021

in EUR

Item	Carrying amount	Fair value
Financial investments at fair value through profit or loss	308,423,655	308,423,655
Financial investments at amortised cost	210,888,156	223,620,560
Financial investments at fair value through other comprehensive income	141,989,168	141,989,168
Cash	3,453,417	3,453,417
Total	**664,754,396**	**677,486,800**

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 55: Hierarchy of financial asset fair values 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**
Financial 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**

Table 56: Hierarchy of financial asset fair values as at 31 December 2021

in EUR

Item	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**346,183,693**	**84,221,796**	**20,007,334**	**450,412,823**
Financial investments at fair value through profit or loss	274,524,482	17,711,883	16,187,290	308,423,655
Financial investments at fair value through other comprehensive income	71,659,211	66,509,913	3,820,044	141,989,168
Financial assets with fair value disclosed	**175,598,089**	**17,612,737**	**33,863,151**	**227,073,977**
Financial investments at amortised cost	175,598,089	14,159,320	33,863,151	223,620,560
Cash	0	3,453,417	0	3,453,417
Total	**521,781,782**	**101,834,533**	**53,870,484**	**677,486,800**

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.

Level 3 includes deposits, factoring and advances in the total amount of EUR 38,832,424 (EUR 33,863,151 in 2021), and in target fund units for which values are provided by third parties in the amount of EUR 9,006,815 (EUR 8,699,553 in 2021).

Level 3 includes the joint venture investment of EUR 5,962,870 (EUR 5,962,870 in 2021). Level 3 also comprises shares of certain Slovenian companies in the total amount of EUR 7,753,937 (EUR 5,344,910 at the end of 2021). The major assumptions and variables observed in the valuation of these companies were: discount rate ranging from 5.5% to 12.5% and long-term growth rate of 2%.

Table 57: 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
Financial investments at fair value through other comprehensive income	2,073,166	0
At amortised cost	3,341,964	0

Table 58: Reclassification of assets between fair value levels in 2021

Transition between hierarchy levels	From level 2 to level 3
Financial investments at fair value through other comprehensive income	1,361,880

Table 59: Changes in level 3 investments

in EUR

Item	2022	2021
Balance as at 1 January	**53,870,484**	**41,087,192**
Disposal	-2,224,851	-1,963,292
Maturity	-19,805,267	-14,542,824
Acquisitions	28,697,231	27,005,921
Revaluation through profit or loss	424,025	1,026,265
Revaluation in other comprehensive income	-48,936	-104,658
Reclassifications	643,358	1,361,880
Balance as at 31 December	**61,556,046**	**53,870,484**

Liquidity Risk

Liquidity risk represents the risk that the Company's liabilities will not be settled by their due date. As at 31 December 2022, Modra zavarovalnica, d. d. recorded a total of EUR 347.8 million worth of surplus of expected non-discounted cash inflows over outflows.

Table 60: 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
Receivables	4,483,675	0	0	4,483,675
Total assets	**369,172,699**	**126,690,112**	**198,718,022**	**694,580,833**
Operating liabilities	2,445,387	0	0	2,445,387
Lease liabilities	335,475	259,708	0	595,183
Other liabilities	8,393,601	49,804	0	8,443,405
Annuity fund liabilities	34,036,450	94,815,582	206,439,739	335,291,771
Total liabilities	**45,210,912**	**95,125,094**	**206,439,739**	**346,775,746**
Difference (assets – liabilities)	**323,961,787**	**31,565,018**	**-7,721,717**	**347,805,088**

Table 61: Expected actual non-discounted cash flows as at 31 December 2021

in EUR

Item	Less than 1 year	Over 1 to 5 years	Over 5 years	Total
Financial investments	435,102,631	117,093,791	118,671,164	670,867,586
- at fair value through profit or loss	279,897,756	11,403,347	20,989,831	312,290,934
- at amortised cost	37,989,953	88,462,987	93,135,857	219,588,797
- at fair value through other comprehensive income	117,214,922	17,227,457	4,545,476	138,987,855
Cash	3,453,417	0	0	3,453,417
Receivables	1,042,942	0	0	1,042,942
Total assets	**439,598,990**	**117,093,791**	**118,671,164**	**675,363,945**
Operating liabilities	12,660,836	0	0	12,660,836
Lease liabilities	317,402	568,596	0	885,998
Other liabilities	10,266,760	40,654	0	10,307,413
Financial liabilities	1,490	0	0	1,490
Annuity fund liabilities	30,196,559	86,351,222	181,897,568	298,445,349
Total liabilities	**53,443,047**	**86,960,472**	**181,897,568**	**322,301,086**
Difference (assets – liabilities)	**386,155,943**	**30,133,319**	**-63,226,404**	**353,062,859**

Effective Interest Rates by Financial Asset Groups

Table 62: Effective interest rates by financial asset groups

Item	2022	2021
Financial investments at amortised cost	1,88 %	1,74 %
Financial investments at fair value through other comprehensive income	1,67 %	1,81 %

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 2022, 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 1,032,969.

In 2022, 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 63: Gross remuneration in 2022 by category of beneficiaries

in EUR

Category of beneficiaries	Amount
Members of the Management Board	468,138
Members of the Supervisory Board	94,359
Employees with individual contracts	470,472
Total	**1,032,969**

Remuneration of Members of Management and Supervisory Boards

Table 64: Remuneration of members of the Management Board in 2022

in EUR

Name and surname	Fixed remunera-tion	Out-standing payments	Fringe benefits	Annual leave allowance	Jubilee benefits	Cost reim-bursement	Partici-pation in profit	Insurance premiums	Total
Borut Jamnik	123,611	19,958	2,517	2,064	0	1,900	8,914	2,889	161,853
Matija Debelak	117,434	18,683	714	2,064	0	1,451	8,469	2,889	151,704
Boštjan Vovk	117,531	18,948	309	2,064	919	3,452	8,469	2,889	154,581

Fixed income includes gross salary receipts. Outstanding payments include payment of variable income, namely payment of the second part from 2019 and first part from 2021. Participation in profit includes bonuses for company performance. Reimbursements of expenses include meal and/or travel allowances and/or other reimbursements of travel expenses (per diems, mileage expenses, costs of overnight stays, parking, taxi). Fringe benefits include company cars and benefits arising from collective accident insurance as well as from collective insurance for specialist outpatient treatment, liability insurance benefit, medical examinations as well as the sports activity coverage benefit. Insurance premiums represent payments of the voluntary supplementary pension insurance premium.

Table 65: Remuneration of members of the Supervisory Board and external members of Supervisory Board committees in 2022

in EUR

Name and surname	Fixed remuneration of SB	Fixed remuneration of SB AC	Monthly remuneration of SB	Monthly remuneration of SB AC	Cost reim-bursement	Fringe benefits	Total
Branimir Štrukelj	3,520	0	10,450	0	0	0	**13,970**
Bojan Zupančič	3,245	1,540	9,579	2,395	0	0	**16,759**
dr. Janez Prašnikar	3,245	1,540	9,579	3,592	693	0	**18,649**
Bachtiar Djalil	3,520	0	10,537	0	0	0	**14,057**
Roman Jerman	3,520	0	9,579	0	75	0	**13,174**
Cvetko Marko	3,520	0	9,579	0	462	0	**13,561**
Dragan Martinović (external member of SB AC)	0	1,540	0	2,395	254	0	**4,189**

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

Related Party Transactions

In 2022, no transactions between Modra zavarovalnica, d. d. and the controlling entity, Kapitalska družba, d. d. were conducted at non-market conditions. Modra zavarovalnica had a contract for the provision of information services with Kapitalska družba and leased business premises and IT equipment from Kapitalska družba. The total value of these services amounted to EUR 475,685.

As at 31 December 2022, Modra zavarovalnica disclosed liabilities to Kapitalska družba in the amount of EUR 29,206; furthermore, as at 31 December 2022, non-current lease liability of Modra zavarovalnica amounted to EUR 595,183.

In 2022, Modra zavarovalnica paid a dividend in the amount of EUR 4,700,000 to Kapitalska družba.

Significant Events after the Balance Sheet Date

In January 2023, IFRS 17 came into force, which requires the use of a uniform approach for all types of insurance contracts, including reinsurance contracts. The standard requires the recognition and measurement of groups of insurance contracts, whereby the present value of future cash flows from the fulfilment of insurance contracts is adjusted for risks and takes into account available market information. The Company recognises profit from a group of insurance contracts in the period during which it provides insurance coverage, while any loss is recognised immediately.

Upon the implementation of IFRS 17, Modra zavarovalnica decided, in accordance with the provisions of IFRS 17, to disclose the effects arising from changes in financial assumptions when measuring liabilities from insurance contracts in the statement of other comprehensive income. On the other hand, investments were measured both at amortised cost and at fair value through profit or loss, which leads to accounting non-compliances. Therefore, certain assets held by the Company in connection with insurance contracts have been reclassified as investments measured at fair value through other comprehensive income.

At the 167th meeting of the Supervisory Board, held on 11 January 2023, Matej Golob Matzele was appointed as the Chairman of the Management Board of Modra zavarovalnica, d.d., under suspensive and resolutory conditions.

At the 244th meeting of the Supervisory Board of SID Banka, held on 12 April 2023, Borut Jamnik was appointed as the new Chairman of the Management Board of SID Banka, who will assume the position of Chairman of the Management Board on 17 April 2023.

On 16 January 2023, the Insurance Supervision Agency published the Notice on the main supervisory innovations and priorities in 2023, in which it highlights some essential regulatory innovations and priority areas of supervision in 2023.

Security is always wise. Members' investments are secured for the long-term, shielding them from economic fluctuations and crises.

3.10 Appendix

3.10.1 Selected Operating Performance Ratios[8]

Ratio			2022	Calculation
1.	Total	Increase in gross written premium (index)	113	$\frac{64,168,927 \times 100}{56,591,912}$
	Life insurance	Growth of gross premium written	113	$\frac{64,118,502 \times 100}{56,591,912}$
	Non-life insurance	Growth of gross premium written	104	$\frac{50,425 \times 100}{48,426}$
2.	Total	Net written premium as a % of the gross written premium written premium	100	$\frac{64,167,664 \times 100}{64,168,927}$
	Life insurance	Net written premium as a % of the gross written premium written premium	100	$\frac{64,118,502 \times 100}{64,118,502}$
	Non-life insurance	Net written premium as a % of the gross written premium written premium	97	$\frac{49,162 \times 100}{50,425}$
3.	Total	Changes in gross paid claims (index)	105	$\frac{34,761,651 \times 100}{32,964,014}$
	Life insurance	Changes in gross claims paid	105	$\frac{34,761,651 \times 100}{32,964,014}$
	Non-life insurance	Changes in gross claims paid	-	$\frac{0 \times 100}{0}$
4.	Total	Loss ratio	54 %	$\frac{34,842,252}{64,167,664}$
	Life insurance	Loss ratio	54 %	$\frac{34,842,252}{64,118,502}$
	Non-life insurance	Loss ratio	0	$\frac{0}{49,162}$

[8] Selected operating performance ratios have not been audited

Ratio			2022	Calculation
5.	Total	Operating costs as a % of the gross written premium	12 %	$\frac{7,589,796 \times 100}{64,168,927}$
	Life insurance	Operating costs as a % of the gross written premium	12 %	$\frac{7,469,167 \times 100}{64,118,502}$
	Non-life insurance	Operating costs as a % of the gross written premium	239 %	$\frac{120,629 \times 100}{50,425}$
6.	Total	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{49,122 \times 100}{64,168,927}$
	Life insurance	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{49,122 \times 100}{64,118,502}$
	Non-life insurance	Acquisition costs as a % of the gross written premium	0,0 %	$\frac{0 \times 100}{50,425}$
7.	Total	Net loss ratio	54 %	$\frac{(34,761,651 + 80,601)}{64,167,664}$
	Life insurance	Net loss ratio	54 %	$\frac{34,761,651 + 80,601}{64,118,502}$
	Non-life insurance	Net loss ratio	0 %	$\frac{0}{49,162}$
8.	Non-life insurance	Combined loss ratio	245 %	$\frac{(0 + 120,629) \times 100}{49,162}$
9.	Life insurance	Cost ratio	12 %	$\frac{7,469,167 \times 100}{64,118.502}$
10.	Life insurance	Benefit ratio	102 %	$\frac{(34,842,252 + 30,782,567) \times 100}{64,118.502}$
11.	Total	Investment performance as a % of the average balance of investments	–3 %	$\frac{(24,607,928 - 43,103,628) \times 100}{\left(\frac{639,442,729 + 661,300,979}{2}\right)}$
	Life insurance	Investment performance as a % of the average balance of investments	–3 %	$\frac{(24,561,114 - 42,989,709) \times 100}{\left(\frac{634,587,342 + 656,164,122}{2}\right)}$
	Non-life insurance	Investment performance as a % of the average balance of investments	–1 %	$\frac{(46,814 - 113,919) \times 100}{\left(\frac{4,855,387+5,136,857}{2}\right)}$

Ratio			2022	Calculation
12.	Total	Net claims provisions as a % of net premium income	2 %	$\frac{1,282,478 \times 100}{64,167,664}$
	Life insurance	Net claims provisions as a % of net premium income	2 %	$\frac{1,282,478 \times 100}{64,118,502}$
	Non-life insurance	Net claims provisions as a % of net premium income	0 %	$\frac{0 \times 100}{49,162}$
13.	Total	Gross loss for the year as a % of the net written premium	−32 %	$\frac{-20,376,918 \times 100}{64,167,664}$
	Life insurance	Gross loss for the year as a % of the net written premium	−32 %	$\frac{-20,238,642 \times 100}{64,118,502}$
	Non-life insurance	Gross loss for the year as a % of the net written premium	−281 %	$\frac{-138,276 \times 100}{49,162}$
14.	Total	Gross loss for the year as a % of average equity	−6 %	$\frac{(-20,376,918) \times 100}{(\frac{295,940,880 + 331,506,831}{2})}$
	Life insurance	Gross loss for the year as a % of average equity	−7 %	$\frac{(-20,238,642) \times 100)}{(\frac{291,014,939 + 326,375,011}{2})}$
	Non-life insurance	Gross loss for the year as a % of average equity	−3 %	$\frac{(-138,276) \times 100}{(\frac{4,925,941 + 5,131,820}{2)})}$
15.	Total	Gross loss for the year as a % of average assets	−3 %	$\frac{(-20,376,918) \times 100}{(\frac{670,125,409 + 671,241,394)}{2})}$
	Life insurance	Gross profit or loss for the year as a % of average assets	−3 %	$\frac{(-20,238,642) \times 100}{(\frac{665,171,052 + 666,070,139)}{2})}$
	Non-life insurance	Gross profit or loss for the year as a % of average assets	−3 %	$\frac{(-138,276) \times 100}{(\frac{4,954,357 + 5,171,255)}{2})}$
16.	Total	Gross loss for the year per share	−0,13 €	$\frac{-20,376,918}{152,200,000}$
	Life insurance	Gross loss for the year per share	−0,14 €	$\frac{-20,238,642)}{147,200,000}$

Ratio			2022	Calculation
	Non-life insurance	Gross loss for the year per share	−0,03 €	$\frac{-138,276}{5,000,000}$
17.	Total	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{295,940,880}$
	Life insurance	Reinsurance receivables and the einsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{291,014,939}$
	Non-life insurance	Reinsurance receivables and the reinsurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{4,925,941}$
18.	Total	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{64,167,664 \times 100}{\left(\frac{620,478,925 + 625,180,443}{2}\right)}$
	Life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{64,118,502 \times 100}{\left(\frac{615,550,885 + 620,047,789}{2}\right)}$
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	1 %	$\frac{(49.162) \times 100}{\left(\frac{4,928,039 + 5,132,654}{2}\right)}$
19.	Total	Average balance of net technical provisions as a % of net premium income	482 %	$\frac{\frac{(324,538,044+293,673,611) \times 100}{2}}{64,167,664}$
	Life insurance	Average balance of net technical provisions as a % of net premium income	482 %	$\frac{\frac{(324,535,946 + 293,672,778) \times 100}{2}}{64,118,502}$
	Non-life insurance	Average balance of net technical provisions as a % of net premium income	3 %	$\frac{\frac{(2,098 + 834) \times 100}{2}}{49,162}$
20.	Total	Equity as a % of liabilities	44 %	$\frac{295,940,880 \times 100}{670,125,409}$
	Life insurance	Equity as a % of liabilities	44 %	$\frac{291,014,939 \times 100}{665,171,052}$
	Non-life insurance	Equity as a % of liabilities	99 %	$\frac{4,925,941 \times 100}{4,954,357}$
21.	Total	Net technical provisions as a % of liabilities	48 %	$\frac{324,538,044 \times 100}{670,125,409}$
	Life insurance	Net technical provisions as a % of liabilities	49 %	$\frac{324,535,946 \times 100}{665,171,052}$

Ratio			2022	Calculation
	Non-life insurance	Net technical provisions as a % of liabilities	0 %	2,098 × 100 / 4,954,357
22.	Total	Net life technical provisions to net technical provisions	100 %	324,535,946 × 100 / 324,535,946
23.	Total	Gross written premium to the average number of full-time employees	1.018.554	64,168,927 / 63

Ratio			2021	Calculation
1.	Total	Increase in gross written premium (index)	92	56,639,504 × 100 / 61,883,219
	Life insurance	Growth of gross premium written	92	56,591,912 × 100 / 61,837,834
	Non-life insurance	Growth of gross premium written	107	48,427 × 100 / 45,385
2.	Total	Net written premium as a % of the gross written premium written premium	100 %	56,640,339 × 100 / 56,639.504
	Life insurance	Net written premium as a % of the gross written premium written premium	100 %	56,591,912 × 100 / 56,591,912
	Non-life insurance	Net written premium as a % of the gross written premium written premium	98 %	47,592 × 100 / 48,427
3.	Total	Changes in gross paid claims (index)	110	32,964,014 × 100 / 30,072,542
	Life insurance	Changes in gross claims paid	110	32,964,014 × 100 / 30,072,542
	Non-life insurance	Changes in gross claims paid	-	0 × 100 / 0
4.	Total	Loss ratio	58 %	33,090,575 / 56,639,504
	Life insurance	Loss ratio	58 %	33,090,575 / 56,591,912

Ratio			2021	Calculation
	Non-life insurance	Loss ratio	0 %	$\frac{0}{48,426}$
5.	Total	Operating costs as a % of the gross written premium	13 %	$\frac{7,100,664 \times 100}{56,639,504}$
	Life insurance	Operating costs as a % of the gross written premium	12 %	$\frac{7,020,929 \times 100}{56,591,912}$
	Non-life insurance	Operating costs as a % of the gross written premium	165 %	$\frac{79,735 \times 100}{48,426}$
6.	Total	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{55,332 \times 100}{56,639,504}$
	Life insurance	Acquisition costs as a % of the gross written premium	0,1 %	$\frac{55,332 \times 100}{56,591,912}$
	Non-life insurance	Acquisition costs as a % of the gross written premium	0,0 %	$\frac{0 \times 100}{48,426}$
7.	Total	Net loss ratio	58 %	$\frac{(32,964,014 + 126,561)}{56,639,504}$
	Life insurance	Net loss ratio	58 %	$\frac{32,964,014 + 126,561}{56,591,912}$
	Non-life insurance	Net loss ratio	0 %	$\frac{0}{48,427}$
8.	Non-life insurance	Combined loss ratio	168 %	$\frac{(0 + 79,735) \times 100}{47,592}$
9.	Life insurance	Cost ratio	12 %	$\frac{7,020,929 \times 100}{56,591,912}$
10.	Life insurance	Benefit ratio	117 %	$\frac{(33,090,575 + 33,326,396) \times 100}{56,591,912}$
11.	Total	Investment performance as a % of the average balance of investments	7 %	$\frac{(44,205,224 - 4,107,461) \times 100)}{\frac{(661,300,979 + 564,084,048)}{2}}$
	Life insurance	Investment performance as a % of the average balance of investments	7 %	$\frac{(44,159,352 - 4,096,131) \times 100}{\frac{(656,164,122 + 559,056,052)}{2}}$

Ratio			2021	Calculation
	Non-life insurance	Investment performance as a % of the average balance of investments	1 %	$\frac{(45,871 - 11,330) \times 100}{\left(\frac{5,136,857 + 5,027,996}{2}\right)}$
12.	Total	Net claims provisions as a % of net premium income	2 %	$\frac{1,201,877 \times 100}{56,639,504}$
	Life insurance	Net claims provisions as a % of net premium income	2 %	$\frac{1,201,877 \times 100}{56,591,912}$
	Non-life insurance	Net claims provisions as a % of net premium income	0 %	$\frac{0 \times 100}{47,592}$
13.	Total	Gross profit or loss for the year as a % of the net written premium	72 %	$\frac{40,605,985 \times 100}{56,639,504}$
	Life insurance	Gross profit or loss for the year as a % of the net written premium	72 %	$\frac{40,603,507 \times 100}{56,591,912}$
	Non-life insurance	Gross profit or loss for the year as a % of the net written premium	5 %	$\frac{2,478 \times 100}{47,592}$
14.	Total	Gross profit or loss for the year as a % of average equity	13 %	$\frac{(40,605,985) \times 100}{\left(\frac{331,506,831 + 274,213,039}{2}\right)}$
	Life insurance	Gross profit or loss for the year as a % of average equity	14 %	$\frac{(40,603,507) \times 100}{\left(\frac{326,375,011 + 269,054,404}{2}\right)}$
	Non-life insurance	Gross profit or loss for the year as a % of average equity	0 %	$\frac{(2,478) \times 100}{\frac{5,131,820+5,158,635}{2}}$
15.	Total	Gross profit or loss for the year as a % of average assets	7 %	$\frac{(40,605,985) \times 100}{\left(\frac{671,241,394 + 573,414,447}{2}\right)}$
	Life insurance	Gross profit or loss for the year as a % of average assets	7 %	$\frac{(40,603,507) \times 100}{\left(\frac{666,070,139 + 568,194,720}{2}\right)}$
	Non-life insurance	Gross profit or loss for the year as a % of average assets	0 %	$\frac{(2,478) \times 100}{\left(\frac{5,171,255 + 5,219,727)}{2}\right)}$
16.	Total	Gross profit or loss for the year per share	0,27 €	$\frac{40,605,985}{152,200,000}$

Ratio			2021	Calculation
	Life insurance	Gross profit or loss for the year per share	0,28 €	$\frac{40,603,507}{147,200,000}$
	Non-life insurance	Gross profit or loss for the year per share	0,00 €	$\frac{2,478}{5,000,000}$
17.	Total	Reinsurance receivables and the re-insurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{331,506,831}$
	Life insurance	Reinsurance receivables and the re-insurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{326,375,011}$
	Non-life insurance	Reinsurance receivables and the re-insurer's share of technical provisions as a % of the Company's equity	0 %	$\frac{0}{5,131,820}$
18.	Total	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{56,639,504 \times 100}{\left(\frac{625,180,443 + 534,438,859}{2}\right)}$
	Life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	10 %	$\frac{56,591,912 \times 100}{\left(\frac{620,047,789 + 529,274,224}{2}\right)}$
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and technical provisions	1 %	$\frac{(47,592) \times 100}{\left(\frac{5,132,654 + 5,164,635}{2}\right)}$
19.	Total	Average balance of net technical provisions as a % of net premium income	489 %	$\frac{\frac{(293,673,612 + 260,225,821) \times 100}{2}}{56,639,504}$
	Life insurance	Average balance of net technical provisions as a % of net premium income	489 %	$\frac{\frac{(293,672,778 + 260,219,821) \times 100}{2}}{56,591,912}$
	Non-life insurance	Average balance of net technical provisions as a % of net premium income	7 %	$\frac{\frac{(834 + 6,000) \times 100}{2}}{47,592}$
20.	Total	Equity as a % of liabilities	49 %	$\frac{331,506,831 \times 100}{671,241,394}$
	Life insurance	Equity as a % of liabilities	49 %	$\frac{326,375,011 \times 100}{666,070,139}$
	Non-life insurance	Equity as a % of liabilities	99 %	$\frac{5,131,820 \times 100}{5,171,255}$

Ratio			2021	Calculation
21.	Total	Net technical provisions as a % of liabilities	44 %	$\frac{293{,}673{,}612 \times 100}{671{,}241{,}394}$
	Life insurance	Net technical provisions as a % of liabilities	44 %	$\frac{293{,}672{,}778 \times 100}{666{,}070{,}139}$
	Non-life insurance	Net technical provisions as a % of liabilities	0 %	$\frac{834 \times 100}{5{,}171{,}255}$
22.	Total	Net life technical provisions to net technical provisions	100 %	$\frac{293{,}672{,}778 \times 100}{293{,}673.612}$
23.	Total	Gross written premium to the average number of full-time employees	884.992	$\frac{56{,}639{,}504}{64}$

Together with members and social partners, we contribute to the development of the pension system in Slovenia.

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

Segment Reporting Pursuant to the Provisions of the Decision on Annual Report and Quarterly Financial Statements of Insurance Undertakings (SKL-2009) – Appendix 1

Segment Reporting of Balance Sheet Items

Item		31 December 2022		
		LIFE segment	NON-LIFE segment	TOTAL
ASSETS		**665,171,052**	**4,954,357**	**670,125,409**
A.	**Intangible Assets**	**1,218,732**	**0**	**1,218,732**
B.	**Property, plant and equipment**	**656,380**	**0**	**656,380**
D.	**Deferred tax liabilities**	**0**	**9,914**	**9,914**
E.	**Investment property**	**0**	**0**	**0**
F.	**Financial investments in subsidiaries, associates and joint ventures**	**43,444,360**	**0**	**43,444,360**
G.	**Financial assets**	**591,142,982**	**4,855,387**	**595,998,369**
	1. at amortised cost	265,334,011	2,842,240	268,176,251
	2. at fair value through other comprehensive income	75,069,997	1,286,647	76,356,644
	3. at fair value through profit or loss	250,738,974	726,500	251,465,474
K.	**Receivables**	**21,350,173**	**27,137**	**21,377,310**
	1. Receivables from direct insurance operations	0	1,242	1,242
	3. Current tax assets	0	24,975	24,975
	4. Other receivables	21,350,173	920	21,351,093
L.	**Other Assets**	**2,713,089**	**0**	**2,713,089**
M.	**Cash and cash equivalents**	**4,645,336**	**61,919**	**4,707,255**
N.	**Off-balance sheet items**	**1,354,121,232**	**0**	**1,354,121,232**
EQUITY AND LIABILITIES		**665,171,052**	**4,954,357**	**670,125,409**
A.	**Equity**	**291,014,939**	**4,925,941**	**295,940,880**

[9] Financial Statements Pursuant to the Decision of the Insurance Supervision Agency have not been audited.

in EUR

31 December 2021 LIFE segment	NON-LIFE segment	TOTAL	01 January 2021 LIFE segment	NON-LIFE segment	TOTAL
666,070,139	**5,171,255**	**671,241,394**	**568,194,720**	**5,219,727**	**573,414,447**
919,476	**0**	**919,476**	**640,705**	**0**	**640,705**
954,469	**0**	**954,469**	**1,287,136**	**0**	**1,287,136**
0	**0**	**0**	**0**	**0**	**0**
0	**0**	**0**	**0**	**0**	**0**
48,170,287	**0**	**48,170,287**	**34,970,284**	**0**	**34,970,284**
607,993,835	**5,136,857**	**613,130,692**	**524,085,768**	**5,027,996**	**529,113,764**
207,798,472	3,089,684	210,888,156	193,728,273	3,585,636	197,313,909
98,374,992	1,406,759	99,781,751	82,907,688	1,442,360	84,350,048
301,820,371	640,414	302,460,785	247,449,807	0	247,449,807
1,673,335	**4,921**	**1,678,256**	**2,621,360**	**4,949**	**2,626,309**
0	4,600	4,600	0	4,054	4,054
553	0	553	1,055,326	0	1,055,326
1,672,782	321	1,673,103	1,566,034	895	1,566,929
2,934,797	**0**	**2,934,797**	**2,416,406**	**0**	**2,416,406**
3,423,940	**29,477**	**3,453,417**	**2,173,061**	**186,782**	**2,359,843**
1,392,833,760	**0**	**1,392,833,760**	**1,268,619,685**	**0**	**1,268,619,685**
666,070,139	**5,171,255**	**671,241,394**	**568,194,720**	**5,219,727**	**573,414,447**
326,375,011	**5,131,820**	**331,506,831**	**269,054,404**	**5,158,635**	**274,213,039**

Item		31 December 2022		
		LIFE segment	NON-LIFE segment	TOTAL
	1. Share capital	147,200,000	5,000,000	152,200,000
	2. Capital reserves	0	0	0
	3. Revenue reserves	84,607,326	79,068	84,686,394
	4. Revaluation surplus	0	0	0
	5. Reserves from revaluation at fair value	52,498,867	-40,277	52,458,590
	6. Net profit or loss brought forward	6,708,746	-112,850	6,595,896
C.	**Technical provisions**	**324,535,946**	**2,098**	**324,538,044**
	1. Unearned premiums	0	2,098	2,098
	2. Technical provisions for life insurance	323,253,468	0	323,253,468
	3. Claims provisions	1,282,478	0	1,282,478
E.	**Other provisions**	**28,765,087**	**4,913**	**28,770,000**
G.	**Deferred tax liabilities**	**9,392,510**	**0**	**9,392,510**
I.	**Other Financial Liabilities**	**595,183**	**0**	**595,183**
J.	**Operating liabilities**	**2,445,387**	**0**	**2,445,387**
	1. Liabilities arising out of direct insurance operations	0	0	0
	3. Current tax liabilities	2,445,387	0	2,445,387
K.	**Other liabilities**	**8,422,000**	**21,405**	**8,443,405**
L.	**Off-balance sheet items**	**1,354,121,232**	**0**	**1,354,121,232**

in EUR

31 December 2021			01 January 2021		
LIFE segment	NON-LIFE segment	TOTAL	LIFE segment	NON-LIFE segment	TOTAL
147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000
0	0	0	0	0	0
84,607,326	79,068	84,686,394	57,430,518	65,916	57,496,434
0	0	0	0	0	0
67,878,607	51,971	67,930,578	40,658,382	75,929	40,734,311
26,689,078	781	26,689,859	23,765,504	16,790	23,782,294
293,672,777	**834**	**293,673,611**	**260,219,821**	**6,000**	**260,225,821**
0	834	834	0	0	0
292,470,900	0	292,470,900	259,144,504	0	259,144,504
1,201,877	0	1,201,877	1,075,317	6,000	1,081,317
9,204,595	**3,508**	**9,208,103**	**16,545,253**	**3,474**	**16,548,727**
12,985,223	**11,857**	**12,997,080**	**7,893,505**	**21,683**	**7,915,188**
887,379	**109**	**887,488**	**1,211,880**	**15**	**1,211,895**
12,660,115	**752**	**12,660,867**	**6,345,385**	**2,620**	**6,348,005**
30	0	30	42	0	42
12,660,085	752	12,660,837	6,345,343	2,620	6,347,963
10,285,039	**22,375**	**10,307,414**	**6,924,472**	**27,300**	**6,951,772**
1,392,833,760	**0**	**1,392,833,760**	**1,268,619,685**	**0**	**1,268,619,685**

Segment Reporting of Profit or Loss Items

Item	
A.	**Net premium income**
	- gross written premiums
	- change in unearned premiums
B.	**Income from investments in associates**
C.	**Investment income, of which**
	- gains on disposal of investments
D.	**Other technical income, of which**
	- fee and commission income
E.	**Other income**
F.	**Net claims incurred**
	- gross claims paid
	- changes in claims provisions
G.	**Changes in other technical provisions**
K.	**Operating costs, of which**
	- acquisition cost
M.	**Investment expenses, of which**
	- financial asset impairment
	- loss on disposal of financial assets
N.	**Other technical expenses**
O.	**Other expenses**
P.	**Profit or loss before tax**
R.	**Income tax**
S.	**Net profit or loss for the financial year**

in EUR

31 December 2022			31 December 2021 adjusted		
LIFE segment	NON-LIFE segment	TOTAL	LIFE segment	NON-LIFE segment	TOTAL
64,118,502	**49,162**	**64,167,664**	**56,591,912**	**47,592**	**56,639,504**
64,118,502	50,425	64,168,927	56,591,912	48,426	56,640,338
0	-1,263	-1,263	0	-834	-834
5,696,890	**0**	**5,696,890**	**3,422,223**	**0**	**3,422,223**
18,864,224	**46,814**	**18,911,038**	**40,737,129**	**45,871**	**40,783,000**
1,509,010	0	1,509,010	391,840	0	391,840
15,419,196	**0**	**15,419,196**	**19,202,102**	**0**	**19,202,102**
9,157,303	0	9,157,303	8,982,447	0	8,982,447
124,146	296	124,442	81,034	80	81,114
34,842,252	**0**	**34,842,252**	**33,090,574**	**0**	**33,090,574**
34,761,651	0	34,761,651	32,964,014	0	32,964,014
80,601	0	80,601	126,560	0	126,560
-30,782,567	**0**	**-30,782,567**	**-33,326,396**	**0**	**-33,326,396**
7,469,167	**120,629**	**7,589,796**	**7,020,930**	**79,735**	**7,100,665**
49,122	0	49,122	55,332	0	55,332
42,989,709	**113,919**	**43,103,628**	**4,096,131**	**11,330**	**4,107,461**
775,710	2,050	777,760	257,485	2,228	259,713
4,971,564	0	4,971,564	341,801	0	341,801
8,370,135	**0**	**8,370,135**	**1,887,890**	**0**	**1,887,890**
7,770	**0**	**7,770**	**8,972**	**0**	**8,972**
-20,238,642	**-138,276**	**-20,376,918**	**40,603,507**	**2,478**	**40,605,985**
4,451,265	**25,108**	**4,476,373**	**-6,653,333**	**-749**	**-6,654,082**
-15,787,377	**-113,168**	**-15,900,545**	**33,950,174**	**1,729**	

Segment Reporting of the Statement of Comprehensive Income Items

Item	
I.	**Net profit/loss for the financial year after tax**
II.	**Other comprehensive income after tax (a+b)**
	a) Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)
	5. Items that will not be reclassified subsequently to profit or loss
	6. Tax on items subsequently not reclassified to profit or loss
	b) Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)
	1.b Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income
	5. Tax on items that may be reclassified subsequently to profit or loss
III.	**Comprehensive income for the financial year, after tax (I + II)**

in EUR

	2022			2021	
LIFE segment	NON-LIFE	TOTAL	LIFE segment	NON-LIFE	TOTAL
-15,787,377	**-113,168**	**-15,900,545**	**33,950,174**	**1,729**	**33,951,903**
-15,379,740	**-92,249**	**-15,471,989**	**26,582,594**	**-23,957**	**26,558,637**
-12,805,152	0	-12,805,152	27,122,477	0	27,122,477
-15,282,268	0	-15,282,268	32,163,366	0	32,163,366
2,477,116	0	2,477,116	-5,040,889	0	-5,040,889
-2,574,588	-92,249	-2,666,837	-539,883	-23,957	-563,840
-3,178,504	-113,887	-3,292,391	-666,522	-29,577	-696,099
603,916	21,638	625,554	126,639	5,620	132,259
-31,167,117	**-205,417**	**-31,372,534**	**60,532,768**	**-22,228**	**60,510,540**

Cash flow statement

in EUR

Item		2022	2021
A.	**Cash flows from operating activities**		
	a) Income statement items	**26,720,134**	**23,579,418**
	1. Net written premiums for the period	64,167,664	56,639,504
	3. Other operating income (excluding revaluation and without the reduction of provisions) and financial income from operating receivables	16,687,061	11,692,933
	4. Net claims paid in the period	-34,842,252	-33,090,574
	6. Net operating costs excluding depreciation and amortisation costs and without the change in deferred acquisition costs	-8,320,786	-7,756,255
	8. Other operating expenses excluding depreciation and amortisation (except for revaluation and without the increase in provisions)	-780,525	-761,021
	9. Income taxes and other taxes not included in operating expenses	-10,191,028	-3,145,169
	b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items	**-1,726,154**	**6,805,615**
	1. Opening less closing receivables from direct insurance	195,182	-518,135
	4. Opening less closing other receivables and assets	22,029	1,053,343
	7. Closing less opening liabilities arising from direct insurance	77,904	120,698
	9. Closing less opening other operating liabilities	-2,021,269	6,149,709
	c) Net cash flows from operating activities (a + b)	**24,993,980**	**30,385,033**
B.	**Cash flows from investing activities**		
	a) Receipts from investing activities	**233,572,792**	**79,740,635**
	1. Interest received from investing activities	5,422,106	5,412,900
	2. Receipts from dividends and profit participation	10,742,289	8,089,812
	4. Cash inflows from disposal of property, plant and equipment	496	245
	5. Receipts from disposal of financial investments	217,407,901	66,237,678
	5. 2 Other receipts from disposal of financial investments	217,407,901	66,237,678
	b) Disbursements for investing activities	**-252,633,932**	**-105,938,025**
	1. Disbursements to acquire intangible assets	-368,157	-384,706
	2. Disbursements to acquire property, plant and equipment	-19,150	-26,893
	3. Disbursements to acquire financial investments	-252,246,625	-105,526,426
	3. 2 Other disbursements to acquire financial investments	-252,246,625	-105,526,426
	c) Net cash from investment activities (a + b)	**-19,061,140**	**-26,197,390**

in EUR

Item		2022	2021
C.	**Cash flows from financing activities**		
	b) Disbursements for financing activities	**-4,700,000**	**-3,216,747**
	5. Dividends and other profit shares paid	-4,700,000	-3,216,747
	c) Net cash from financing activities (a + b)	**-4,700,000**	**-3,216,747**
C.	**Closing balance of cash and cash equivalents**	**4,707,255**	**3,453,417**
	x) Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)	1,232,840	970,896
	+		
	Impact of changes in foreign exchange rates	20,998	122,678
	+		
	y) Opening balance of cash and cash equivalents	3,453,417	2,359,843

Statement of accumulated profit

in EUR

Item		31 December 2022	31 December 2021
a)	**Net profit or loss for the period**	**-15,900,545**	**33,951,903**
b)	**Retained net profit / loss**	**26,689,859**	**12,006,692**
	- adjustment to new accounting standards	26,689,859	12,006,692
d)	**Increase in revenue reserves pursuant to the decision of the Management Board**	**0**	**3,310,311**
	- Increase of legal reserves	0	1,697,596
	- Increase of statutory reserves	0	1,612,715
d)	**Increase of other reserves pursuant to the decision of management bodies**	**0**	**15,320,795**
e)	**Profit/loss from disposals of investments measured through other comprehensive income**	**0**	**-637,630**
f)	**Protif/loss from reversal of deferred tax**	**506,583**	**0**
g)	**Decrease in retained net profit for dividend payment**	**4,700,000**	**0**
h)	**Accumulated profit / loss (a + b - č - d + e + f - g)**	**6,595,897**	**26,689,859**

Financial Statements Pursuant to the Provisions of the Decision on Annual Report and Quarterly Financial Statements of Insurance Undertakings (SKL-2009) – Appendix 2

Profit or Loss Statement and Statement of Total Comprehensive Income

in EUR

Item			31. December 2022	31. December 2021
A.		**Technical account for non-life insurance**		
	I.	Net premium income	49,162	47,592
		1. Gross written premiums	50,425	48,426
		5. Changes in gross unearned premiums (+/–)	-1,263	-834
	VII.	Net operating costs	120,629	79,735
		3. Other operating expenses	120,629	79,735
		3. 1. Depreciation of assets required for operation	11,679	7,260
		3. 2. Labour costs	72,751	52,178
		3. 3. Cost of services provided by natural persons who do not pursue an activity (costs under work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	2,723	1,458
		3. 4. Other operating costs	33,476	18,839
	IX.	**Profit or loss from non-life insurance (I + II + III – IV + V – VI – VII – VIII)**	**-71,467**	**-32,143**
B.		**Technical account for life insurance**		
	I.	Net premium income	64,118,502	56,591,912
		1. Gross written premiums	64,118,502	56,591,912
	II.	Investment income	24,561,114	44,159,352
		1. Income from dividends and shares in companies	10,756,387	8,161,653
		1.2. Dividend income and income from other profit sharing in associates	5,696,890	3,422,223
		1.3. Dividend income and income from other profit sharing in other companies	5,059,497	4,739,430
		2. Income from other investments	12,295,717	35,605,859
		2.2. Interest income	4,999,703	4,499,554
		2.3. Other investment income	7,296,014	31,106,305
		2.3.1. Financial income from revaluation	3,955,647	28,036,738
		2.3.2. Other financial income	3,340,367	3,069,567
		4. Gain on disposals of investments	1,509,010	391,840
	IV.	Other net technical income	15,419,196	19,202,102
	V.	Net claims incurred	34,842,252	33,090,574
		1. Gross claims paid	34,761,651	32,964,014
		4. Changes in gross claims provisions(+/–)	80,601	126,560
	VI.	Changes in other net technical provisions (+/–)	-30,782,567	-33,326,396
		1. Changes in technical provisions of life insurance	-30,782,567	-33,326,396
		1.1. Changes in gross technical provisions for life insurance	-30,782,567	-33,326,396
	VIII.	Net operating costs	7,469,167	7,020,930

in EUR

Item		31. December 2022	31. December 2021
	1. Acquisition costs	49,122	55,332
	3. Other operating expenses	7,420,045	6,965,598
	3.1. Depreciation of assets required for operation	465,171	463,456
	3.2. Labour costs	3,761,844	3,626,190
	3.3. Cost of services provided by natural persons who do not pursue an activity (costs under work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	126,891	108,017
	3.4. Other operating costs	3,066,139	2,767,935
IX.	Investment expenses	42,989,709	4,096,131
	2. Expenses arising from asset management, interest expense and other financial expenses	1,343,618	374,914
	3. Financial expenses from revaluation	36,674,527	3,379,416
	4. Loss on disposal of investments	4,971,564	341,801
XI.	Other net technical expenses	8,370,135	1,887,890
	2. Remaining other net technical expenses	8,370,135	1,887,890
XII.	Allocated investment return transferred to the net profit or loss (–)	-5,521,220	29,114,977
XIII.	**Profit or loss from life insurance (I + II + III + IV – V +/– VI – VII – VIII – IX – X – XI – XII)**	**-14,833,798**	**11,416,468**
C.	**Net profit or loss of the Company**		
I.	Profit or loss from non-life insurance (A.IX)	-71,467	-32,143
II.	Profit or loss from life insurance (B.XIII)	-14,833,798	11,416,468
III.	Investment income	46,814	45,871
	1. Income from dividends and shares	3,264	0
	1.3. Dividend income and income from other profit sharing in other com panies	3,264	0
	2. Income from other investments	43,550	45,871
	2.1. Income from land and buildings	0	0
	2.2. Interest income	39,218	39,818
	2.3. Other investment income	4,332	6,053
	2.3.2. Other financial income	4,332	6,053
IV.	Allocated investment return transferred from the technical account of life insurance (B.XII)	-5,521,220	29,114,977
V.	Investment expenses	113,919	11,330
	2. Expenses arising from asset management, interest expense and other financial expenses	113,919	11,330
IX.	Other income	124,442	81,114
	1. Other income from non-life insurance	296	80
	2. Other income from life insurance	124,146	81,034
X.	Other expenses	7,770	8,972
	2. Other expenses from life insurance	7,770	8,972

in EUR

Item			31. December 2022	31. December 2021
	XI.	Profit or loss for the period before tax (I + II + III + IV – V – VI + VII – VIII + IX – X)	-20,376,918	40,605,985
		1. Profit or loss for the period from non-life insurance	**-138,276**	**2,478**
		2. Profit or loss for the period from life insurance	**-20,238,642**	**40,603,507**
	XII.	**Corporate income tax**	**0**	**6,480,820**
	XIII.	**Deferred tax**	**4,476,373**	**-173,262**
	XIV.	**Net profit or loss for the financial year (XI – XII + XIII)**	**-15,900,545**	**33,951,903**
D.		**Comprehensive income**		
	I.	**NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAX**	**-15,900,545**	**33,951,903**
	II.	**OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)**	**-15,471,989**	**26,558,637**
		a. Items that will not be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5 + 6)	**-12,805,152**	**27,122,477**
		5. Items that will not be reclassified subsequently to profit or loss	-15,282,268	32,163,366
		6. Tax on items subsequently not reclassified to profit or loss	2,477,116	-5,040,889
		b. Items that may be reclassified subsequently to profit or loss (1 + 2 + 3 + 4 + 5)	**-2,666,837**	**-563,840**
		1b. Net gains/losses recognised in revaluation surplus in relation to investments measured at fair value through other comprehensive income	-3,292,391	-696,099
		5. Tax on items that may be reclassified subsequently to profit or loss	625,554	132,259
	III.	**COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX (I+II)**	**-31,372,534**	**60,510,540**

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

Presentation of Assets and Liabilities of KS PPS

in EUR

Item			31. December 2022	31. December 2021
		ASSETS	**98,762,876**	**102,430,825**
A.		FINANCIAL AND REAL ESTATE INVESTMENTS	94,038,578	101,548,697
	III.	OTHER FINANCIAL INVESTMENTS	94,038,578	101,548,697
		1. Shares and other securities with variable yield and mutual fund coupons	27,247,606	34,909,527
		2. Debt securities with fixed yield	64,494,573	66,639,170
		6. Deposits with banks	2,296,399	0
B.		RECEIVABLES	4,183,450	2,535
	III.	OTHER RECEIVABLES	4,183,450	2,535

in EUR

Item			31. December 2022	31. December 2021
C.		MISCELLANEOUS ASSETS	370,888	647,790
	I.	CASH	370,888	647,790
D.		CURRENT ACCRUED AND DEFERRED ASSET ITEMS	169,960	231,803
		3. Other current accrued and deferred asset items	169,960	231,803
		LIABILITIES	**98,762,876**	**102,430,825**
B.		GROSS TECHNICAL PROVISIONS	98,748,957	102,416,607
	II.	GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	97,493,542	101,232,122
	III.	GROSS PROVISIONS FOR OUTSTANDING CLAIMS	1,255,415	1,184,485
E.		OTHER LIABILITIES	13,919	14,218
	III.	OTHER LIABILITIES	13,919	14,218

Presentation of Assets and Liabilities of KS MR

in EUR

Item			31. December 2022	31. December 2021
		ASSETS	**10,119,038**	**12,055,700**
A.		FINANCIAL AND REAL ESTATE INVESTMENTS	9,332,210	11,307,238
	III.	OTHER FINANCIAL INVESTMENTS	9,332,210	11,307,238
		2. Debt securities with fixed yield	9,332,210	11,181,298
		7. Other investments	0	125,940
B.		RECEIVABLES	649,890	635,313
	III.	OTHER RECEIVABLES	649,890	635,313
C.		MISCELLANEOUS ASSETS	136,938	113,149
	I.	CASH	136,938	113,149
		LIABILITIES	**10,119,038**	**12,055,700**
B.		GROSS TECHNICAL PROVISIONS	10,114,824	12,050,596
	II.	GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	10,110,565	12,046,502
	III.	GROSS PROVISIONS FOR OUTSTANDING CLAIMS	4,259	4,094
E.		OTHER LIABILITIES	4,214	5,061
	III.	OTHER LIABILITIES	4,214	5,061
F.		ACCRUED COSTS AND DEFERRED REVENUE	0	43

Presentation of Assets and Liabilities of KS MR II

in EUR

Item			31. December 2022	31. December 2021
		ASSETS	**222,850,923**	**188,404,901**
A.		FINANCIAL AND REAL ESTATE INVESTMENTS	206,361,682	184,422,698
	III.	OTHER FINANCIAL INVESTMENTS	206,361,682	184,422,698
		1. Shares and other securities with variable yield and mutual fund coupons	42,002,846	65,177,728
		2. Debt securities with fixed yield	131,374,105	97,093,002
		6. Deposits with banks	1,197,412	998,430
		7. Other investments	31,787,319	21,153,538
B.		RECEIVABLES	12,164,165	1,749
	III.	OTHER RECEIVABLES	12,164,165	1,749
C.		MISCELLANEOUS ASSETS	1,896,156	1,421,553
	I.	CASH	1,896,156	1,421,553
D.		CURRENT ACCRUED AND DEFERRED ASSET ITEMS	2,428,920	2,558,901
		3. Other current accrued and deferred asset items	2,428,920	2,558,901
		LIABILITIES	**222,850,923**	**188,404,901**
B.		GROSS TECHNICAL PROVISIONS	215,672,165	179,205,574
	II.	GROSS TECHNICAL PROVISIONS FOR LIFE INSURANCE	215,649,361	179,192,276
	III.	GROSS PROVISIONS FOR OUTSTANDING CLAIMS	22,804	13,298
E.		OTHER LIABILITIES	10,251	14,737
	I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	0	30
		1. Liabilities to insured persons	0	30
	III.	OTHER LIABILITIES	10,251	14,707
F.		ACCRUED COSTS AND DEFERRED REVENUE	7,168,507	9,184,590

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

Technical Account of KS PPS

in EUR

Item		2022	2021
	TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	**2,343,672**	**2,612,734**
	4. Mutual pension fund	2,343,672	2,612,734
II.	**INVESTMENT INCOME**	**7,674,387**	**8,729,914**
	1. Dividend income and profit sharing in companies	1,542,256	1,198,145
	2. Income from other investments	6,132,131	7,531,769
	2.2. Interest income	1,397,412	1,453,144
	2.3. Other investment income	4,734,719	6,078,625
III.	**CLAIMS INCURRED**	**6,846,992**	**6,699,518**
	1. Claims paid	6,776,062	6,582,101
	2. Change in claims provisions	70,930	117,417
IV.	**CHANGES IN OTHER NET TECHNICAL PROVISIONS (+/–)**	**3,738,580**	**-4,302,429**
	1. Changes in technical provisions for life insurance(+/-)	3,738,580	-4,302,429
VI.	**INVESTMENT EXPENSES**	**6,909,647**	**340,701**
	2. Expenses arising from asset management, interest expense and other financial expenses	872	2,871
	3. Financial expenses from revaluation	6,908,775	337,830
VII.	**PROFIT OR LOSS OF THE GUARANTEE FUND (I + II – III + IV – V – VI)**	**0**	**0**
VII.a.	**Profit or loss of the guarantee fund (I + II – III + IV – V.a – VI)**	**0**	**0**

Technical Account of KS MR

in EUR

Item		2022	2021
II.	**INVESTMENT INCOME**	**238,166**	**327,789**
	2. Income from other investments	238,166	327,789
	2.2. Interest income	**209,403**	**249,197**
	2.3. Other investment income	28,763	78,592
III.	**CLAIMS INCURRED**	2,092,847	2,448,810
	1. Claims paid	2,092,682	2,448,734
	2. Change in claims provisions	165	76
	CHANGES IN OTHER NET TECHNICAL PROVISIONS (+/–)	**1,935,937**	**2,194,896**
	1. Changes in technical provisions for life insurance(+/-)	1,935,937	2,194,896
VI.	**INVESTMENT EXPENSES**	81,256	73,875
	2. Expenses arising from asset management, interest expense and other financial expenses	**55,232**	**66,663**
	3. Financial expenses from revaluation	26,024	7,212
VII.	**PROFIT OR LOSS OF THE GUARANTEE FUND (I + II – III + IV – V – VI)**	**0**	**0**
VII.a.	**Profit or loss of the guarantee fund (I + II – III + IV – V.a – VI)**	**0**	**0**

Technical Account of KS MR II

in EUR

Item		2022	2021
I.	**TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN**	**61,774,830**	**53,979,178**
	2. Other insurance companies	494,891	759,920
	3. Other pension companies	1,594,729	755,561
	4. Mutual pension fund	59,685,210	52,463,697
II.	**INVESTMENT INCOME**	**15,202,916**	**3,807,155**
	1. Dividend income and profit sharing in companies	275,570	233,570
	2. Income from other investments	14,927,346	3,573,585
	2.1. Income from land and buildings	0	0
	2.2. Interest income	2,086,488	1,626,737
	2.3. Other investment income	12,840,858	1,946,848
III.	**CLAIMS INCURRED**	**25,902,413**	**23,942,246**
	1. Claims paid	25,892,907	23,933,179
	2. Change in claims provisions	9,506	9,067
IV.	**CHANGES IN OTHER NET TECHNICAL PROVISIONS (+/–)**	**-36,457,084**	**-31,218,863**
	1. Changes in technical provisions for life insurance(+/-)	-36,457,084	-31,218,863
V.a.	**Net operating costs**	**87,010**	**66,621**
	3. Other operating expenses	87,010	66,621
	Other operating costs	87,010	66,621
VI.	**INVESTMENT EXPENSES**	**14,531,239**	**2,558,603**
	2. Expenses arising from asset management, interest expense and other finan cial expenses	1,242,931	1,084,483
	3. Financial expenses from revaluation	13,288,308	1,474,120
VII.	**PROFIT OR LOSS OF THE GUARANTEE FUND (I + II – III + IV – V – VI)**	**87,010**	**66,621**
VII.a.	**Profit or loss of the guarantee fund (I + II – III + IV – V.a – VI)**	**0**	**0**

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