



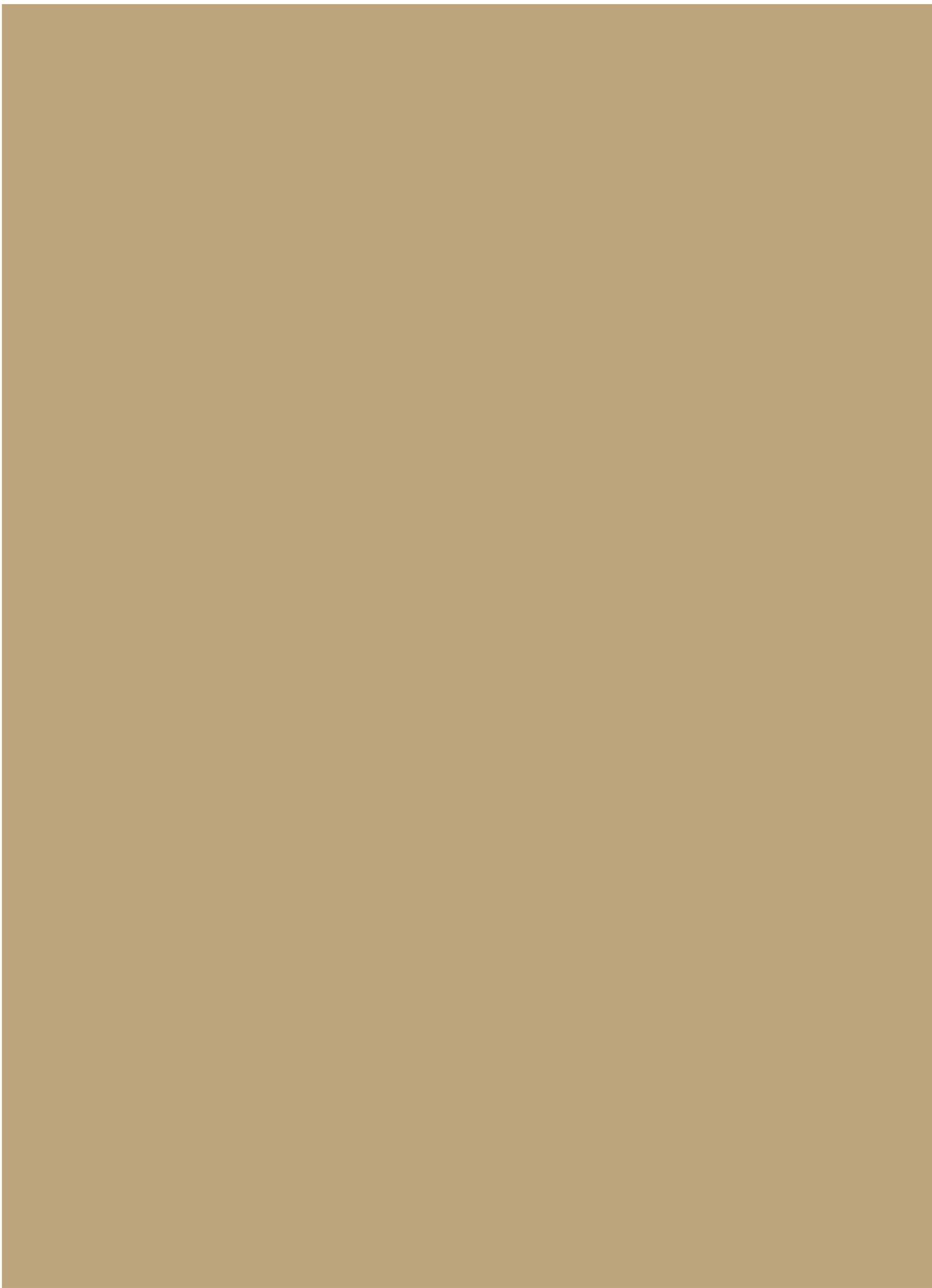
KAPITALSKA DRUŽBA

Planning growth

Consolidated Annual Report
of the Kapitalska družba Group

2020





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2020

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List of abbreviations used

ISA	Insurance Supervision Agency
GDP	Gross Domestic Product
BOE	Bank of England
BOJ	Bank of Japan
BVAL	Bloomberg Valuation Service
CBBT	Composite Bloomberg Bond Trader
ECB	European Central Bank
EUR	Euro – currency of the European Union
FED	US Federal Reserve
IMF	International Monetary Fund
KDD	Central Securities Clearing Corporation
KS MR	Modra Renta Guarantee Fund
KS MR II	Modra Renta Guarantee Fund II
KS PPS	First Pension Fund Guarantee Fund of the Republic of Slovenia
KVPS	Mutual Equity Pension Fund
KPSJU	Umbrella Pension Fund for Public-Sector Employees
MLFSAEO	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MKPS	Modri Umbrella Pension Fund
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
OdSUKND	Decree on the Strategy for Managing State Capital Investments
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
OTC	Over-the-counter market
PBOC	People's Bank of China
VSPI	Voluntary supplementary pension insurance
PNJU K	Pension plan for collective voluntary supplementary pension insurance for public-sector employees
PNMZ K	Pension plan for collective supplementary pension insurance (MKPS)
PNMZ P	Pension plan for individual voluntary supplementary pension insurance (MKPS)
PPS	First Pension Fund of the Republic of Slovenia
RS	Republic of Slovenia
SBI TOP	Central Slovenian stock market index
SDH	Slovenski državni holding, d. d. (or Slovenski državni holding)
SODPZ	Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia

USD	US dollar
VaR	Value At Risk
ZDDPO-2	Corporate Income Tax Act (Official Gazette of the Republic of Slovenia, Nos. 117/2006, 90/2007, 76/2008, 56/2008, 92/2008, 5/2009, 96/2009, 110/2009 – ZdavP-2B, 43/2010, 59/2011, 30/2012, 24/2012, 94/2012, 81/2013, 50/2014, 23/2015, 82/2015, 68/2016, 69/2017, 79/2018 and 66/2019)
ZFPPIPP	Financial Operations, Insolvency and Compulsory Dissolution Act (Official Gazette of the Republic of Slovenia, Nos. 126/2007, 40/2009, 59/2009, 52/2010, 106/2010 – ORZFPPIPP21, 26/2011, 47/2011 – ORZFPPIPP21-1, 87/2011 – ZPUOOD, 23/2012 – Constitutional Court decision, 48/2012 – Constitutional Court decision, 47/2013, 100/2013, 10/2015 – amended, 27/2016, 31/2016 – Constitutional Court decision, 38/2016 – Constitutional Court decision, 63/2016 – ZD-C, 30/2018 – ZPPDID, 54/2018 – Constitutional Court decision and 69/2019 – Constitutional Court decision)
ZGD-1	Companies Act (Official Gazette of the Republic of Slovenia, Nos. 42/2006, 60/2006 – amended, 26/2007 – ZSDU-B, 33/2007 – ZSReg-B, 67/2007 – ZTFI, 10/2008, 68/2008, 42/2009, 33/2011, 91/2011, 100/2011 – Constitutional Court decision, 32/2012, 57/2012, 44/2013 – Constitutional Court decision), 82/2013, 55/2015, 15/2017 and 22/2019 – ZPosS)
ZIPRS1819	Implementation of the Budget of the Republic of Slovenia for 2018 and 2019 Act (Official Gazette of the Republic of Slovenia, Nos. 71/2017, 13/2018 – ZJF-H, 83/2018, 19/2019 and 75/2019 – ZIPRS2021)
ZNVP-1	Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, Nos. 75/2015, 74/2016 – ORZNVP48, 5/2017, 15/2018 – Constitutional Court decision and 43/2019)
ZODPol	Organisation and Work of the Police Act (Official Gazette of the Republic of Slovenia Nos. 15/2013, 11/2014, 86/2015, 77/2016, 77/2017, 36/2019 and 66/2019 – ZDZ)
ZPIZ	Pension and Disability Insurance Institute
ZPIZ-1	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 106/1999, 72/2000, 81/2000 – ZPSV-C, 124/2000, 52/2001, 109/2001, 11/2002, 108/2002, 114/2002, 110/2002 – ZISDU-1, 29/2003, 40/2003 – Constitutional Court decision, 63/2003 – ZIPRS0304-A, 63/2003 – Constitutional Court decision, 133/2003, 135/2003, 25/2004, 63/2004 – ZZRZI, 136/2004 – Constitutional Court decision, 2/2004 – ZDSS-1, 54/2004 – ZDoh-1, 8/2005, 72/2005, 111/2005, 23/2006, 69/2006, 112/2006 – Constitutional Court decision, 114/2006 – ZUTPG, 17/2007, 5/2008, 5/2008, 10/2008 – ZVarDod, 73/2008, 53/2009, 98/2009 – ZIUZGK, 27/2010 – Constitutional Court decision, 38/2010 – ZUKN, 56/2010, 79/2010 – ZPKDPIZ, 94/2010 – ZIU, 57/2011, 94/2011 – Constitutional Court decision, 105/2011 – Constitutional Court decision, 61/2010 – ZSVarPre, 40/2011 – ZSVarPre-A, 110/2011 – ZDIU12, 40/2012 – ZUJF, 96/2012 – ZPIZ-2 and 9/2017 – Constitutional Court decision)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 96/2012, 39/2013, 46/2013 – ZIPRS1314-A, 63/2013 – ZIUPTDSV, 99/2013 – ZSVarPre-C, 101/2013 – ZIPRS1415, 111/2013 – ZMEPIZ-1, 44/2014, 85/2014 – ZUJF-B, 95/2014 – ZIUPTDSV-A, 97/2014 – ZMEPIZ-1A, 95/2014 – ZIPRS1415-C, 95/2014 – ZUPPJS15, 95/2014 – ZUJF-C, 31/2015 – ZISDU-3, 90/2015 – ZIUPTD, 90/2015 – ZUPPJS16, 96/2015 – ZIPRS1617, 102/2015, 42/2016 – Constitutional Court decision, 80/2016 – ZIPRS1718, 88/2016 – ZUPPJS17, 40/2017, 23/2017, 75/2017 – ZIUPTD-A, 65/2017, 71/2017 – ZIPRS1819, 28/2019, 75/2019 – ZIPRS2021, 75/2019 – ZUPPJS2021 and 75/2019)
ZPIZ-2G	Act Amending the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 75/2019)
ZPPOGD	Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, Nos. 21/2010, 8/2011 and 23/2014 – ZDIJZ-C)
ZPre-1	Takeovers Act (Official Gazette of the Republic of Slovenia Nos. 79/2006, 67/2007 – ZTFI, 1/2008, 68/2008, 35/11 – ORZPre75, 105/2011 – Constitutional Court decision, 10/2012, 38/2012, 56/2013, 63/2013 – ZS-K, 25/2014 and 75/2015)
ZSDH-1	Slovenian Sovereign Holding Company Act (Official Gazette of the Republic of Slovenia, Nos. 25/2014, 96/2015 – ZIPRS1617, 80/2016 – ZIPRS1718, 71/2017 – ZIPRS1819 and 51/2018 – ZIUGD)
ZUJIK	Act Governing the Promotion of Public Interest in Culture (Official Gazette of the Republic of Slovenia, Nos. 96/2002, 123/2006 – ZFO-1, 7/2007 – Constitutional Court ruling, 53/2007, 65/2007 – Constitutional Court decision, 56/2008, 4/2010, 20/2011, 100/2011 – Constitutional Court decision, 111/2013, 68/2016, 61/2017 and 21/2018 – ZNOrg)
ZVPSJU	Closed Mutual Pension Fund for Public-Sector Employees
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015 and 9/2019)





Introduction to the Annual Report

1

Presentation of Kapitalska Družba Group

The Kapitalska Družba Group comprises the parent company Kapitalska družba d.d., and two subsidiaries: Modra zavarovalnica d.d. and Hotelske nepremičnine d.o.o. All of the aforementioned companies are presented in more detail below.

1.1 KAPITALSKA DRUŽBA, D. D. (HEREINAFTER: KAPITALSKA DRUŽBA)

1.1.1 Company

Company name: Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

Registered office: Dunajska cesta 119, Ljubljana

Registration number: 5986010000

VAT ID number: SI59093927

1.1.2 Ownership structure and information about capital

The Republic of Slovenia was Kapitalska družba's sole shareholder as at 31 December 2020.

The Company's share capital, amounting to EUR 364,809,523.15, is divided into 874,235 ordinary registered no-par-value shares. Each no-par-value share represents the same stake and corresponding amount in the share capital.

1.1.3 Activities of the Company

Kapitalska družba's principal activity is the provision of supplementary funding for pension and disability insurance through the management of its own assets and the management of the Compulsory Supplementary Pension Insurance Fund (hereinafter: the SODPZ). Kapitalska družba also performs other activities related to asset management and provides asset management support services.

Kapitalska družba's activities are defined by the law and the Company's Articles of Association, according to which Kapitalska družba pursues the following business activities:

- 58.110 Book publishing
- 58.120 Publishing of directories and mailing lists
- 58.130 Publishing of newspapers
- 58.140 Publication of magazines and other periodicals
- 58.190 Other publishing activities
- 58.290 Other software publishing
- 59.200 Sound recording and music publishing activities
- 62.010 Computer programming activities
- 62.020 Computer consultancy activities
- 62.030 Computer facilities management activities
- 62.090 Other information technology and computer service activities
- 63.110 Data processing, hosting and related activities
- 63.120 Web portals
- 64.200 Activities of holding companies
- 64.300 Trusts, funds and similar financial entities
- 64.990 Other financial service activities, except insurance and pension funding activities n.e.c.
- 65.300 Pension fund activities
- 66.210 Risk and claims assessment
- 66.290 Other auxiliary activities for insurance and pension funding
- 68.100 Buying and selling of own real estate
- 68.200 Renting and operating of own or leased real estate
- 69.200 Accounting, bookkeeping and auditing activities; tax consultancy
- 70.100 Activities of head offices
- 70.220 Business and other management consultancy activities
- 73.200 Market research and public opinion polling
- 85.590 Other education n.e.c.
- 85.600 Educational support activities

1.1.4 Company bodies

1.1.4.1 Management Board

Kapitalska družba was run by its Management Board in 2020 in the following composition:

- | Bachtiar Djalil, president of the Management Board, who began his term of office on 3 January 2019;
- | Goranka Volf, who began her new term of office on 25 November 2020;¹ and
- | Gregor Bajraktarević, who began his term of office on 7 February 2018.

The president and other members of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure.²

One of the members of the Management Board is appointed the president thereof. Members of the Management Board serve a four-year term of office and may be re-appointed.

The Management Board of Kapitalska družba has no powers to issue or purchase treasury shares.

1.1.4.2 Supervisory Board

The Supervisory Board of Kapitalska družba functioned in the following composition in 2020:

- Stanislav Seničar, chair;
- Dr Boris Žnidarič, deputy-chair;
- Aleksander Mervar;
- Ladislav Rožič;
- Natalija Stošički (until 8 April 2020); and
- Mirko Miklavčič.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment of members of the Supervisory Board in the manner defined below, the Company's General Meeting appoints missing members at its own discretion. The proposal for candidates to represent SDH is formulated by SDH, which informs the Supervisory Board of its choice. The proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the repre-

¹ Ms Volf began her previous four-year term of office on 24 November 2016.

² In accordance with Article 33 of the Articles of Association, Goranka Volf was appointed for a term of office of no more than one year from the day she assumed her function.

sentatives referred to in the preceding sentence, a federation/confederation each has one representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

The four-year term of office of Natalija Stošicki ended on 8 April 2020. A new member was not appointed to the Supervisory Board when her term of office ended, and so the Supervisory Board has consisted of five members since 9 April 2020.

1.1.4.3 General Meeting

The rights of the sole shareholder are exercised by the Slovenian government.

1.1.5 Diversity policy

Kapitalska družba does not implement a diversity policy in connection with representation on the Company's management and supervisory bodies in terms of gender, age and education, but is planning to formulate a policy in 2021.

1.2 MODRA ZAVAROVALNICA, D. D. (HEREINAFTER: MODRA ZAVAROVALNICA)

1.2.1 Company

Name: Modra zavarovalnica, d. d.

Registered office: Dunajska cesta 119, Ljubljana

Registration number: 6031226000

VAT ID number: SI21026912

1.2.2 Ownership structure and data regarding capital

Kapitalska družba was Modra zavarovalnica's sole shareholder as at 31 December 2020.

Its share capital amounts to EUR 152,200,000 and is divided into 152,200,000 no-par-value shares. Each share represents the same stake and corresponding amount in the share capital. The stake of individual no-par-value shares in the share capital is determined with respect to the number of no-par-value shares issued.

1.2.3 Activities of the Company

Modra zavarovalnica provides life insurance services in accordance with the Insurance Act (hereinafter: the ZZavar) and the decision issued by the Insurance Supervision Agency (hereinafter: the ISA) authorising the company to provide services in the following insurance classes:

- | accident insurance – point 1 of the second paragraph of Article 7 of the ZZavar-1; and
- | life insurance – point 19 of the second paragraph of Article 7 of the ZZavar-1.

Modra zavarovalnica's activities are defined by law and by the company's articles of association, according to which Modra zavarovalnica pursues the following business activities:

- 65.110 Life insurance
- 65.120 Non-life insurance (only 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

1.2.4 Company bodies

1.2.4.1 Management Board

The management board has three members in accordance with the company's articles of association. Modra zavarovalnica was run by its management board in 2020 in the following composition:

- Borut Jamnik, president, whose five-year term of office began on 29 August 2016,
- Matija Debelak, whose five-year term of office began on 14 September 2016, and
- Boštjan Vovk, whose four-year term of office began on 1 October 2018.

The management board manages the company in the interests thereof, independently and at its own discretion. The management board represents Modra zavarovalnica without limitations. In legal transactions the company is represented jointly by two members of the management board, either by the president and one other member jointly, or by one member in concert with the president or another member. The company's articles of association set out the transactions and decisions for which the management board must obtain the consent of the supervisory board.

The management board exercised its powers in 2020 in accordance with its rules of procedure, reported regularly to the supervisory board, and fulfilled its obligations to the shareholder in accordance with the articles of association, as set out in the ZGD-1.

1.2.4.2 Supervisory Board

Policyholders or their representatives help co-formulate the business policy of Modra zavarovalnica.

The supervisory board comprises six members. Kapitalska družba proposes three members of the supervisory board according to the procedure and in the manner set out in the company's bylaws. Half of the members of the supervisory board were proposed by policyholders based on a public call to propose candidates. Two members were proposed by the board of the Umbrella Pension Fund for Public-Sector Employees on behalf of that fund's policyholders, while a third member was proposed by the board of the Modri Umbrella Pension Fund on behalf of the other policyholders.

The supervisory board comprised the following members in 2020:

- | Branimir Štrukelj, whose terms of office began on 9 December 2016 and 9 December 2020, and who was chair from 23 December 2019 to 22 December 2020, and has been deputy-chair since 23 December 2020;
- | Bachtiar Djalil, a supervisory board member since 14 January 2019, who was deputy-chair from 23 December 2019 to 22 December 2020, and has been chair since 23 December 2020;³
- | Goran Bizjak, whose term of office ran from 9 December 2016 to 9 December 2020;
- | Bojan Zupančič, whose terms of office began on 9 December 2016 and 9 December 2020;
- | Dr Janez Prašnikar, whose term of office began on 9 June 2017;⁴
- | Roman Jerman, whose terms of office began on 9 April 2019 and 9 December 2020;
- | Goran Bizjak, whose term of office began on 9 December 2020.

The responsibilities of the supervisory board are set out in the company's articles of association, while its working methods are governed by its rules of procedure. A detailed description of the activities and working methods of the supervisory board in 2020 is given in the Report of the Supervisory Board.

1.2.4.3 General Meeting

Kapitalska družba exercised its rights in 2020 at the general meeting as the company's sole shareholder.

1.2.5 Diversity policy

Modra zavarovalnica has been unable to formulate a diversity policy in connection with representation on its management and supervisory bodies in terms of gender, age, education and professional experience, according to the legal requirements in connection with the formulation of the supervisory board. A diversity policy with regard to the management board has not been adopted.

³ At the general meeting Mr Djalil was appointed on 31 May 2021 to a new four-year term of office beginning 9 June 2021.

⁴ At the general meeting Dr Prašnikar was appointed on 31 May 2021 to a new four-year term of office beginning 9 June 2021.

1.3 HOTELSKE NEPREMIČNINE, D. O. O. (HEREINAFTER: HOTELSKE NEPREMIČNINE)

1.3.1 Company

Naziv: Hotelske nepremičnine, d. o. o.

Registered office: Dunajska cesta 119, Ljubljana

Registration number: 8290130000

VAT ID number: SI86977334

1.3.2 Ownership structure and information about capital

Kapitalska družba and its subsidiary Modra zavarovalnica established Hotelske nepremičnine on 2 October 2018. The company's share capital amounted to EUR 25,000.00 as at 31 December 2020, while its founders each hold a 50% participating interest.

1.3.3 Activities of the company

Hotelske nepremičnine was established for the purpose of purchasing the real estate of the San Simon hotel resort.

The company's principal business activity is:

68.200 Renting and operating of own or leased real estate.

1.3.4 Senior management of the company

Hotelske nepremičnine's business was directed by two directors in 2020:

- | Zoran Perše, and
- | Roman Jerman.

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Statement of the Management Board of the parent company

The Kapitalska Družba Group comprises the parent company Kapitalska družba, and the subsidiaries Modra zavarovalnica and Hotelske nepremičnine. Together with its own assets, and the assets of mutual pension funds and guarantee funds, the Kapitalska Družba Group has over EUR 3.9 billion of assets under management.

The parent company Kapitalska družba once again achieved its dual mission in 2020: the provision of supplementary funding for the public pension and disability insurance system and the effective provision of occupational insurance. The total amount of all transfers made to date by Kapitalska družba to the Pension and Disability Insurance Institute (hereinafter: the ZPIZ) since 1999 surpassed EUR 914 million in 2020. Modra zavarovalnica creates accessible insurance solutions and other financial products to help individuals increase their social security across all phases of life. Hotelske nepremičnine's principal business activities are the buying, selling and letting of real estate. Since the end of November 2018, the company has been the owner of the San Simon hotel resort in Izola, which was leased to Hoteli Bernardin d.d. for operation by the latter immediately after the purchase. The latter was absorbed into Sava Turizem d.d. in 2020.

The 2020 financial year was dominated by the Covid-19 epidemic, which caused a large, unforeseen shock. The Kapitalska Družba Group was very quick to adapt, and was successful in dealing with the new adversity by organising its working from home practices. Good IT support in connection with digital technologies was the key to coping in a year dominated by Covid-19. The fast and effective transformation of our business allowed us to safely pursue all of our objectives, and thanks to the hard work of our staff, we were largely able to achieve them.

The Kapitalska Družba Group generated comprehensive income of EUR 43.6 million in 2020, or EUR 93.6 million before contributions to the ZPIZ (excluding tax effects). It recorded a net operating loss in the amount of EUR 6.5 million. Without the transfer to the ZPIZ, the Kapitalska Družba Group's operating result for 2020 would have been EUR 50 million better, i.e. a net profit of EUR 43.5 million (excluding tax effects).

The Kapitalska Družba Group is the largest provider of supplementary pension insurance and the largest payer of supplementary pensions and pension annuities in Slovenia. More than 342,000 people hold savings in its mutual pension funds, while the assets of the aforementioned funds now exceed EUR 2.1 billion. Supplementary pension insurance premium amounted to almost EUR 170 million in 2020. The Kapitalska Družba Group has been setting the standards for pension fund management ever since its establishment. It remains capially sound, and is once again demonstrating how vital its role is in the stability of the pension system. The Kapitalska Družba Group's total equity exceeded EUR 1.2 billion in 2020.

In terms of the content of its activities and with regard to its business objectives, Kapitalska družba has functioned as a demographic reserve fund since its establishment, makes regular payments into the public pension system, and thus helps cover the pension costs incurred by the ZPIZ. The Kapitalska Družba Group's mission is to co-create Slovenia's future pension system by meeting its stakeholders' expectations.



Gregor BAJRAKTAREVIĆ

Member of the
Management Board



Goranka VOLF

Member of the
Management Board



Bachtiar DJALIL

President of the
Management Board

3

Report of the Supervisory Board of the parent company

REPORT OF THE SUPERVISORY BOARD ON THE VERIFICATION OF THE AUDITED CONSOLIDATED ANNUAL REPORT OF THE KAPITALSKA DRUŽBA GROUP FOR 2020

Pursuant to the provisions of Article 282 of the Companies Act (hereinafter: the ZGD-1), the Supervisory Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d. (hereinafter: Kapitalska družba) hereby submits the following report to the Company's General Meeting:

a) Report of the Supervisory Board on the method and extent of the verification of the Company's management during the financial year

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. The same conditions and criteria that apply to members of SDH's Supervisory Board apply to the members of Kapitalska družba's Supervisory Board. Members of Kapitalska družba's Supervisory Board serve a four-year term of office and may be reappointed. The Supervisory Board of Kapitalska družba functioned in the following composition up to and including 8 April 2020: Stanislav Seničar (Chairman), Dr Boris Žnidarič (Deputy Chairman), Aleksander Mervar, MSc (member), Natalija Stošički (member), Mirko Miklavčič (member) and Ladislav Rožič, MSc (member). The four-year term of office of the member of the Supervisory Board Natalija Stošički ended on 8 April 2020, and a new member has not been appointed to the Supervisory Board since that date. The Supervisory Board has therefore functioned with five members since 9 April 2020.

All members were actively included in the work of the Supervisory Board, in particular through their regular attendance at sessions and through their participation in discussions and the adoption of decisions. In connection with the adoption of decisions by the Supervisory Board, the rules of procedure of Kapitalska družba's Supervisory Board include provisions regarding steps to be taken in the event of a potential conflict of interests. The Supervisory Board met at 18 sessions during the 2020 financial year as follows: 5 regular sessions and 13 correspondence sessions. At the beginning of the year, the Supervisory Board defined its work programme and key priorities for 2020, taking into account the adopted company strategy, which was co-created by the Supervisory Board.

The Kapitalska Družba Group comprises the parent company (Kapitalska družba) and two subsidiaries (Modra zavarovalnica and Hotelske nepremičnine).

A review of the important matters discussed by the Supervisory Board in 2020 follows:

- particular attention in the monitoring of Kapitalska družba's operations in 2020 was given to monitoring the management of the Company's assets and to monitoring the management of the

Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ), which is managed by Kapitalska družba;

- confirmation of the annual reports of Kapitalska družba and the Kapitalska Družba Group for the 2019 financial year;
- consent to Kapitalska družba's business-financial plan for the 2021 financial year;
- the Supervisory Board was continuously briefed on the operations of the subsidiary Modra zavarovalnica;
- in accordance with the provisions of the Company's Articles of Association, the Supervisory Board also gave the Management Board its consent to conclude transactions for the purchase and sale of securities and participating interests when the value of a specific transaction exceeded the value set out in the relevant Supervisory Board resolution;
- the Supervisory Board monitored the Company's management activities, in the scope of which individual Slovenian investments of significant value (some of them are defined as strategic or important investments by the national strategy) were presented and discussed in detail by quarters at sessions of the Supervisory Board;
- the Supervisory Board decided in September 2020 to not open the call for candidates for a member of the Management Board after the expiration of Goranka Volf's term of office due to the planned transformation of Kapitalska družba. In accordance with the provision of the Articles of Association, it appointed Goranka Volf as member of the Management Board at the same session. Her term of office was to be no more than one year from the day she assumed her function. Goranka Volf began her term of office on 25 November 2020.
- the Supervisory Board carried out a self-assessment of the effectiveness of its work. In order to assess its effectiveness, the Supervisory Board relied on the self-assessment matrix published in the Manual for Assessing the Effectiveness of Supervisory Boards, adopted by the Slovenian Directors' Association. Based on that self-assessment, the Supervisory Board adopted a set of measures to improve its work.

An audit committee, accreditation committee and HR committee functioned as advisory bodies to the Supervisory Board in 2020. The Supervisory Board finds that it cooperated with the committees, Management Board and expert departments effectively, properly and professionally at all times.

In 2020, the Supervisory Board's audit committee functioned in the following composition until 8 April 2020: Natalija Stošički (Chair), Aleksander Mervar, MSc, Ladislav Rožič, MSc, and Mirko Miklavčič (members), and Mojca Verbič (external member). The audit committee functioned in the following composition from 14 April 2020: Ladislav Rožič, MSc (chair), Aleksander Mervar, MSc, and Mirko Miklavčič (members), and Natalija Stošički and Mojca Verbič (external members). The audit committee met at eight sessions in 2020, one of which was a correspondence session. In its work, the audit committee complied with the provisions of the ZGD-1 with respect to its competences, as well as the provisions of the rules of procedure of the audit committee as adopted by the Supervisory Board. The audit committee represented a permanent working body of the Supervisory Board, and throughout the financial year closely monitored the operations of the Company and the work of the Management Board for the needs of the Supervisory Board's decisions. In addition to its legally prescribed tasks, the audit committee also reviewed the interim reports on the operations of Kapitalska družba, its subsidiary and the SODPZ under Kapitalska družba's management, and it also performed additional

tasks by authorisation of the Supervisory Board. It was briefed on information regarding the performance of individual investments of significant value. It also monitored the work of the internal audit department. The audit committee carried out a self-assessment of its work. The audit committee regularly briefed the Supervisory Board on its work during sessions of the Supervisory Board.

The Supervisory Board's accreditation committee functioned in the following composition in 2020: Dr Boris Žnidarič (Chair), Aleksander Mervar, MSc, and Ladislav Rožič, MSc (members), and Dr Alenka Stanič, Irena Prijović, MSc, and Gorazd Žmavec (external members). The accreditation committee met at four sessions in 2020. The accreditation committee's task was to provide support to the Supervisory Board in the supervision of the management of the Company's transactions as they relate to the governance of companies in which Kapitalska družba holds capital investments. In its work, the accreditation committee complied with the provisions of the rules of procedure of the accreditation committee as adopted by the Supervisory Board.

The Supervisory Board's HR committee functioned in the following composition in 2020 until 8 April 2020: Aleksander Mervar, MSc (Chair), and Mirko Miklavčič and Natalija Stošički (members). It functioned in the following composition from 9 April 2020: Aleksander Mervar, MSc (Chair), and Mirko Miklavčič (member). The HR committee met at two sessions in 2020, both of which were correspondence sessions. The committee's primary task was to support the Supervisory Board in the definition of the variable component of remuneration of the members of the Company's Management Board and to conduct a preliminary review of the contract concluded with a member of the Management Board.

The earnings of members of the Supervisory Board and the external members of its committees are disclosed in the consolidated annual report in Tables 62 and 63.

Assessment of the work of the Management Board and Supervisory Board

On the basis of the above-described continuous monitoring and supervision of the operations and management of Kapitalska družba and group companies during the 2020 financial year, and based on a review of the consolidated annual report of the Kapitalska Družba Group for 2020 compiled and submitted by the Management Board, the Supervisory Board assesses that the annual report and disclosures contained therein reflect the actual situation and position of the Kapitalska Družba Group. The Supervisory Board finds that the Management Board prepared materials in a timely manner, which facilitated quality information and the thorough discussion of the most important operational matters. The Management Board also provided exhaustive responses to the Supervisory Board's additional questions and initiatives. The Management Board's reporting to the Supervisory Board during the 2020 financial year enabled the latter to carry out its supervisory role satisfactorily.

In conclusion, the Supervisory Board finds that the parent company Kapitalska družba once again in 2020 achieved its dual mission: the effective provision of occupational insurance and the provision of supplementary funding for the public pension and disability insurance system. Modra zavarovalnica creates accessible insurance solutions and other financial products to help individuals increase their social security across all phases of life. Due to health crisis and the resulting economic crisis related to the COVID-19 epidemic, 2020 was unpredictable and full of challenges. The Kapitalska Družba Group was very quick to adapt to the new situation, and was successful in dealing with the new adversity by organising its working from home practices.

The Kapitalska Družba Group is the largest provider of supplementary pension insurance and the largest payer of supplementary pensions and pension annuities in Slovenia.

b) Supervisory Board's position on the audit report

Pursuant to the second paragraph of Article 282 of the ZGD-1, the Supervisory Board reviewed and discussed the audit report relating to the audit of the financial statements of the Kapitalska Družba Group for 2020, which was conducted by the audit firm Deloitte revizija d. o. o., Ljubljana. The Supervisory Board finds that the auditor performed its task in accordance with the law, auditing rules and international auditing standards. The Supervisory Board has no remarks regarding the audit report.

c) Decision regarding the approval of the consolidated annual report for 2020

Pursuant to the provisions of Article 282 of the Companies Act, the Supervisory Board hereby approves the consolidated annual report of the Kapitalska Družba Group for 2020.

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

Taking into account points a), b) and c) of this report, the Supervisory Board proposes that the General Meeting of Kapitalska družba adopt a decision granting discharge to the Company's Management Board and Supervisory Board for their work during the 2020 financial year pursuant to the provision of Article 294 of the ZGD-1.


Stanislav Senčar
Chair of the Supervisory Board

Ljubljana, 19 July 2021



A close-up photograph of a hand holding a small, light-colored piece of wood. The hand is positioned on the left side of the frame, with the thumb and index finger gripping the wood. The background is a large pile of dark brown wood chips or mulch, which is slightly out of focus. The lighting is warm and natural, highlighting the textures of the skin, the wood, and the mulch. A semi-transparent, light brown rectangular overlay covers the middle portion of the image, containing the title and a short paragraph.

Business Report

A good mosaic comes from a multitude of pieces, delicately assembled into a whole. Each part has its own mission and is a key building block of the final image.

4

Organisational structure of the Kapitalska Družba Group

The Group is organised in accordance with the needs of the work process, and the requirements of operational effectiveness and competitiveness. Also taken into account is Kapitalska družba's role as the parent company of an insurance group, which includes the subsidiaries Modra zavarovalnica and Hotelske nepremičnine⁵. Kapitalska družba provides IT services for both of the aforementioned subsidiaries.

4.1 REPORTING ON EMPLOYEES

Employees represent a source of effort and knowledge that contribute to the achievement of the Group's long-term objectives and the satisfaction of its stakeholders. We therefore strive to create a work environment that promotes mutual trust, respect and cooperation to achieve the Group's objectives.

The Kapitalska Družba Group had 125 employees at the end of 2020, of whom 61 were at Kapitalska družba and 64 were at Modra zavarovalnica. Hotelske nepremičnine has no employees. The two directors who run the company based on management contracts are employees of Kapitalska družba and Modra zavarovalnica.

Table 1: Breakdown of Kapitalska Družba Group employees by qualification level

Qualification level	Number of employees as at 31 Dec 2020	Number of employees as at 31 Dec 2019
Level 8 (8/1, 8/2)	21	21
Level 7	50	48
Level 6 (6/1, 6/2)	34	29
Level 5	18	20
Level 4	2	2
Total	125	120

⁵ In accordance with the IFRS and the Group's accounting policies, Hotelske nepremičnine is treated as a joint venture.

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Business environment

5.1 MACROECONOMIC BACKGROUND

5.1.1 GDP, inflation and unemployment rate

The dominant event of 2020 was the Covid-19 pandemic. According to the World Health Organisation, there were 82 million confirmed cases and 1.8 million deaths during the year. The IMF and OECD were predicting economic activity in 2020 to decline by 3.5% and 4.2% in their respective winter forecasts, before returning to its pre-pandemic level by the end of 2021. This is the largest decline in global economic activity since the Great Depression. China was alone among the major global economies in recording positive economic growth in 2020, primarily on the back of infrastructure investment.

The economy contracted sharply in the second quarter of 2020 as a result of the lockdown. While highly restrictive measures to contain the pandemic were put in place, the economy also received extensive fiscal and monetary stimulus. Central bank monetary policies were the likely cause of the differences between the recovery in the real sector and the financial markets. While the financial markets ended 2020 up on the beginning of the year (V-shaped recovery), the real economy experienced a selective, K-shaped recovery.

At the outbreak of the pandemic governments put numerous measures in place to alleviate its adverse impact and to ensure a speedier recovery. The fiscal stimulus is estimated at more than 20% of global GDP. General government debt increased significantly as a result, albeit with the cost of borrowing reaching a record low. According to IMF figures, government debt rose from 84% to 101.1% of GDP in the euro area in 2020, and from 108.7% to 131.2% of GDP in the US. The recovery that followed the economic contraction of the second quarter was strong, and better than forecast by international financial institutions in the majority of cases, but was selective in terms of countries and in terms of individual economic sectors. An important milestone in Europe's fight against the impact of Covid-19 was the adoption of a political agreement in the summer regarding a financial package for the recovery of the European economy (in the form of a seven-year budget and the creation of a recovery fund).

However, the recovery came to an end in the final quarter of the year, particularly in Europe and the UK, owing to a sharp rise in case numbers of new variants of Covid-19, logistical problems in the rollout of vaccines, and a new lockdown.

Governments put in place extensive support measures in Europe to prevent a sharp rise in unemployment, and the rise in the unemployment rate was therefore less severe (from 7.6% to 8.0%). The unemployment rate in the US rose from the record lows of the two years prior to the pandemic, when it never exceeded 4%, to 8.1%.

Changes to supply chains, increased saving and changing consumer habits did not drive a major change in price levels. Inflation remains low, but inflation expectations rose considerably in 2020.

Two major political events in 2020 were the election of Joe Biden as president of the US, and the agreement reached just before the end of the year between the EU and the UK on the post-Brexit relationship.

The IMF and OECD are forecasting economic growth of 5.5% and 4.5% respectively in 2021. According to the IMF and OECD forecasts, economic growth in 2021 will be based on expectations of the positive effects of vaccines, additional aid measures adopted at the end of 2020 (primarily in the US and Japan), and the expectation that those service sectors hit hardest by the pandemic will begin to recover when the pandemic abates. The recovery will be gradual, and will vary from sector to sector amid the ongoing containment measures. The epidemiological situation, the speed of the vaccine rollout, and the political response with measures to alleviate the impact of the epidemic and kick-start the economy will continue to have a crucial impact on the pace of recovery.

GDP in Slovenia fell by 5.5% in 2020, driven by a decline in value-added in the majority of sectors. The largest decline was recorded in accommodation and food service activities, transportation, and wholesale and retail trade, while a smaller but still notable decline was recorded in manufacturing, professional, scientific and technical activities, and administrative and support service activities. Positive growth was recorded in the sectors of financial and insurance activities, and real estate activities. The main factors reducing GDP growth were the declines in private household consumption and gross fixed capital formation, while government consumption, which strengthened slightly, and the positive trade balance (the decline in imports outstripped the decline in exports) made positive contributions to economic growth. Following the steep decline during the second quarter of 2020, the recovery during the third quarter was better than expected, while the economic consequences of the second wave of the epidemic and the extensive containment measures during the final quarter of the year were primarily felt by the service sector. According to the IMAD's winter projections, economic growth is forecast at 4.3% in 2021 and 4.4% in 2022. The IMAD's assessment is that Slovenia might see a faster economic recovery from the second quarter of 2021, but that aggregate economic activity will not reach its pre-pandemic level until 2022.

The table below presents macroeconomic aggregates (GDP, inflation and unemployment rate) in Slovenia and major global economies and regions in 2020.

Table 2: GDP, inflation and unemployment rate in 2020

	Annual inflation rate, %	Annual GDP growth, %	Unemployment rate, %
Slovenia	-1.1	-5.5	5.1
Germany	0.4	-4.9	5.9
Euro area	0.3	-6.6	7.9
US	1.2	-3.5	8.1
China	2.5	2.3	4.2

Source: Bloomberg, IMAD, SORS (10 March 2021).

5.1.2 Interest rates

Central banks continued their monetary policy stimulus in 2020. Their response to the pandemic was similar to their response to the global financial crisis in 2008, but faster and more intense, all with the aim of stabilising the financial system and ensuring adequate liquidity.

Central banks cut interest rates (depending on available manoeuvring room), and augmented their unconventional measures to loosen monetary policy: they introduced new (or expanded existing) bond purchasing programmes, through which they significantly expanded their balance sheets, increased the stock of loans to commercial banks, and relaxed capital requirements for commercial banks.

The Fed and the Bank of England (BOE) cut interest rates twice in 2020 (in March) as follows: the Fed cut its rate by a total of 150 basis points (from 1.50%-1.75% to zero-0.25%), while the BOE cut its rate by a total of 65 basis points (from 0.75% to 0.10%). Given their already low interest rates, the ECB and the Bank of Japan (BOJ) left their rates unchanged, but did reinforce other less-conventional monetary policy measures. The ECB strengthened its bond purchase programme with the introduction of the PEPP,⁶ which expanded the selection of debt securities eligible for purchase. For the first time in its history the Fed included corporate bonds in its asset purchase programme, including lower-grade bonds (sub-investment grade).

Table 3: Key interest rates of major central banks

	Level of key interest rate as at 31 December 2020
Euro area	0.00% (key interest rate)
-0.50% (deposit facility)	1,50 % do 1,75 %
US	zero to 0.25%
UK	0.10%
Japan	-0.10%
Canada	0.25%
China	4.35%

Source: Bloomberg (25 January 2021).

⁶ Pandemic Emergency Purchase Programme.

5.2 DEVELOPMENTS ON THE FINANCIAL MARKETS

The financial markets saw sharp falls and strong rebounds in 2020. Optimism returned to the financial markets following their falls in early 2020, with the lowest point being reached in mid-March (at the low, the global stock index was down 28.7% on the beginning of the year measured in euros, while the European government and corporate bond indices were down 2.3% and 7.3% respectively). Amid a slowdown in the number of new Covid-19 cases, a considerable rebound in share prices and narrowing spreads on bonds followed the comprehensive action taken by central banks and the quick response of governments across the world with record-high fiscal measures. The response of the financial markets to subsequent news was rather inconsistent after that period. Bad news such as a deterioration in the epidemiological picture, the new partial lockdown, weakening economic activity and events prior to the US elections resulted in only a minor correction on the share market, driven by a fall in prices of tech stocks in particular. Good news, most notably the announcement of successful vaccine testing, drove a further rise in the prices of financial assets.

The majority of financial markets saw gains overall in 2020. The MSCI World Index (MSCI Daily TR Gross World) gained 7.0% expressed in euros. China and the US were the best-performing regions, while IT was the best-performing sector. The European government and corporate bond indices gained 5.01% and 2.7% respectively. In terms of debt investments, investors demonstrated the appetite to take up both interest rate risk and credit risk during the year. The yield curve of risk-free government bonds in Europe flattened somewhat in 2020, while the gap between long-term and short-term interest rates widened significantly in the US. Certain stock exchanges in Europe and the UK ended the year down. The Slovenian index of prime market shares avoided a negative return thanks to high dividends.

In commodities, there were notable movements in the prices of gold and oil. Euro prices of gold rose by 14.9% in 2020. Euro oil prices fell by 27.9%, while 2020 will also be remembered for negative oil prices (seen in April).

Table 4: Returns on major financial markets

	Returns in 2020 measured in euros, including dividend yield
Share indices	
SBITOP – Slovenia	1.88%
DAX – Germany	3.55%
Dow Jones – US	0.78%
NIKKEI 225 – Japan	13.76%
MSCI World TR – global	7.01%
Bond indices	
IBOXX EUR Sovereigns TR index – euro government bonds	5.01%
IBOXX EUR Corporates TR Index – euro corporate bonds	2.73%

Returns in 2020 measured in euros, including dividend yield

Exchange rates and commodities

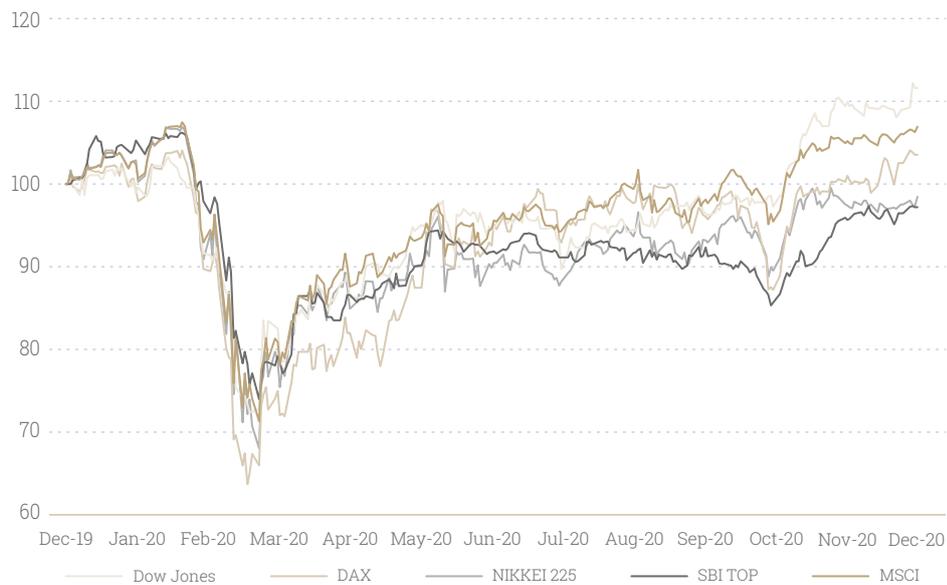
EUR/USD	10.0%
Brent crude oil	-27.9%
Gold	14.92%

Note: Returns also include dividend yields.

Source: Bloomberg (25 January 2021)

Graph 1:

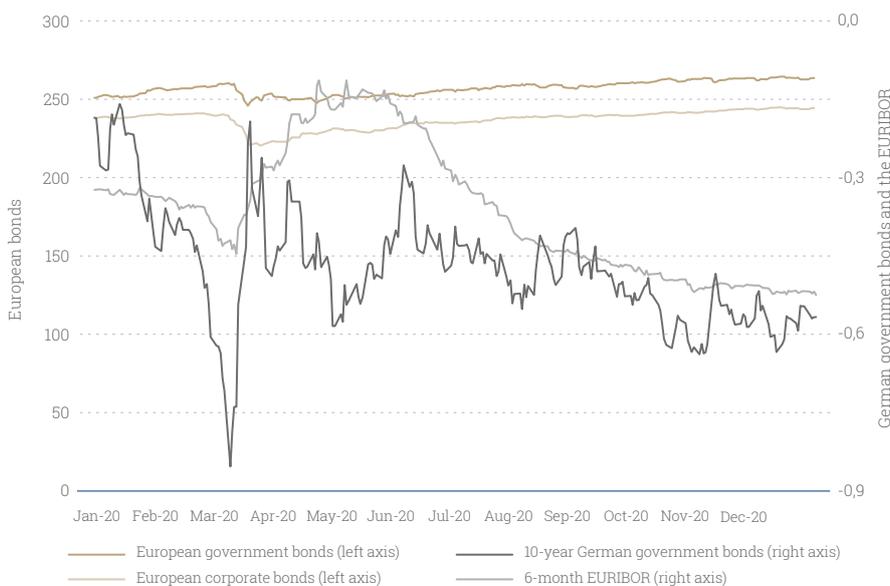
Movement in the Slovenian SBITOP and selected foreign stock indices in 2020 in euros (index: 31 December 2019 = 100)



Source: Bloomberg (25 January 2021)

Graph 2:

Movement in the overall yield on European government bonds (IBOXX EUR Sovereigns TR Index) and the overall yield on European corporate bonds (IBOXX EUR Corporates TR Index), yield to maturity on 10-year German government bonds, and the 6-month EURIBOR in 2020



Source: Bloomberg (25 January 2021)

6

Performance of the Kapitalska Družba Group in 2020

The Kapitalska Družba Group comprises the parent company (Kapitalska družba) and two subsidiaries (Modra zavarovalnica and Hotelske nepremičnine). Subsidiaries report to the parent company in accordance with the Code of the Group, which includes guidelines that define the content, deadlines and methods of reporting to the parent company by the Group's subsidiaries. The associates of Kapitalska družba are presented in the financial report (Note 15).

6.1 MANAGEMENT OF KAPITALSKA DRUŽBA'S OWN ASSETS

Kapitalska družba classifies financial assets into the following three categories with regard to the management approach:

- | capital investments,
- | abandoned securities,⁷ and
- | portfolio investments.

The table below illustrates the breakdown of financial assets, while a detailed description of the aforementioned categories follows.

Table 5: Breakdown of Kapitalska družba's financial assets as at 31 December 2020 and 31 December 2019 according to management approach

Type of investment	Value	Proportion	Value,	Proportion
	(in 000 EUR)	(in %)	(in 000 EUR)	(in %)
	2020		2019	
Capital investments⁸	631,248	57.7	593,737	56.1
Strategic investments ⁹	183,316	16.7	186,348	17.6
Material investments	394,679	36.1	345,536	32.6

⁷ Abandoned securities obtained in accordance with Article 48a of the ZNVP-1.

⁸ Strategic, material and portfolio investments are classified in accordance with the Decree on the Strategy for Managing State Capital Investments.

⁹ The table includes Modra zavarovalnica, which is valued at EUR 152.2 million according to historical cost.

Type of investment	Value (in 000 EUR)	Proportion (in %)	Value, (in 000 EUR)	Proportion (in %)
Portfolio investments ¹⁰	50,971	4.7	60,429	5.7
Investments in bankruptcy or liquidation	2,284	0.2	1,424	0.2
Abandoned securities	201	0.0	224	0.0
Portfolio investments	463,295	42.3	464,542	43.9
Portfolio equity investments ¹¹	336,362	30.7	303,747	28.7
Debt portfolio investments	91,487	8.4	103,629	9.8
Money market ¹²	13,019	1.2	34,739	3.3
Investments in financial receivables	22,427	2.0	22,427	2.1
Total financial assets	1,094,744	100.0	1,058,503	100.0

6.1.1 Capital investment management

6.1.1.1 Composition of capital investments

Kapitalska družba's capital investments comprise domestic equity investments in corporate shares and participating interests that the Company primarily obtained in corporate ownership transformation processes.

The Company held a total of 37 such investments at the end of 2020. Of these, Kapitalska družba had 33 so-called active investments, including 26 holdings in public limited companies and seven holdings in limited liability companies. In addition to the active investments, Kapitalska družba also held three investments in companies in bankruptcy proceedings and one investment in a company in liquidation proceedings.

The value of capital investments was EUR 631,248 thousand as at 31 December 2020, an increase of EUR 37,511 thousand relative to the previous year.

In accordance with the classification of investments set out in the Decree on the Strategy for Managing State Capital Investments (OdSUKND) adopted by the National Assembly in July 2015, Kapitalska družba classifies its capital investments as strategic, material and portfolio.

¹⁰ The table includes Hotelske nepremičnine, which is valued at EUR 5.96 million according to historical cost.

¹¹ Portfolio equity investments also include investment funds tied to bond indices in the amount of EUR 79.81 million.

¹² Money-market investments also include cash, which amounted to EUR 11,562 thousand as at 31 December 2020.

Table 6: Breakdown of Kapitalska družba's capital investments as at 31 December 2020 and 31 December 2019 in accordance with the Decree on the Strategy for Managing State Capital Investments

Type of investment	Number of investments	Value, (in 000 EUR)	Proportion of capital investment portfolio (in %)	2020		2019	
				Number of investments	Value, (in 000 EUR)	Number of investments	Value, (in 000 EUR)
Strategic investments	10	183,316	29	10	186,348	31.4	
Material investments	6	394,679	62.5	6	345,536	58.2	
Portfolio investments ¹³	17	50,971	8.1	17	60,429	10.2	
Investments in bankruptcy or liquidation	4	2,284	0.4	5	1,424	0.2	
Total capital investments	37	631,248	100.0	38	593,737	100.0	

Investments in which Kapitalska družba holds a participating interest of less than 20% comprise the majority of capital investments. So-called active investments include 27 such investments, as well as three investments in companies in bankruptcy and liquidation proceedings. A detailed overview of the breakdown of investments in terms of the size of the participating interest is given in the table below.

Table 7: Breakdown of capital investments in terms of size of participating interest as at 31 December 2020

Participating interest in share capital	Active investments	Investments in bankruptcy or liquidation
Up to 9.99%	18	1
From 10.00% to 19.99%	9	2
From 20.00% to 49.99% (associate)	7	1
From 50.00% to 100.00% (subsidiary and joint venture)	2	0
Total number of investments	36	4

6.1.1.2 Sales, deletions and purchases of companies

With the aim of ensuring the transparency of sales procedures and the equal treatment of bidders, the sale of capital investments is carried out via public tender. For its underlying assets Kapitalska družba published one public call for bids for the purchase of shares and participating interests in 2020, together with Modra zavarovalnica, specifically for the sale of participating interests in TKI Hrastnik d.d., Elan Inventa d.o.o. and SM Strojoplast d.o.o. Only one bid was received (for TKI Hrastnik d.d.), but it was not accepted by Kapitalska družba because the bid price was too low.

¹³ Kapitalska družba holds both preference shares and ordinary shares in one company classified under portfolio investments. Shares in both classes are deemed a single holding in the aforementioned company.

SDH also published two public calls on behalf of Kapitalska družba in 2020 for the submission of bids for the purchase of shares in Cetus d.d. That sale likewise did not go forward because the bid price was too low.

The Company also published two public calls (in January and October) for the submission of bids for the purchase of shares in companies that were acquired on the basis of Article 48a of the ZNVP-1. We sold shares valued at EUR 1,301 based on the January call, while sales based on the October call were completed in 2021.

There were no open sales procedures as at 31 December 2020.

Kapitalska družba received four bids from sellers for the purchase of shares and participating interests relating to two different capital investments. We did not respond to those bids.

6.1.1.3 Dividends of domestic companies

Kapitalska družba recorded EUR 21,883 thousand in domestic corporate dividends in 2020, down EUR 298 thousand on the 2019 figure of EUR 22,181 thousand. The ten largest capital investments in terms of dividends accounted for 99.9% of all dividends from capital investments held by Kapitalska družba.

The payment of dividends in 2020 was approved by the general meetings of 12 companies in which Kapitalska družba held a capital investment, compared with the approval of dividend payments by the general meetings of 21 companies in which Kapitalska družba held a capital investment in 2019.

6.1.1.4 Corporate Governance Code for Companies with Capital Assets of the State and the exercising of voting rights at general meetings

In connection with the management of its capital investments in the period of 1 January 2020 to 31 December 2020, Kapitalska družba applied, *mutatis mutandis*, the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which was adopted by SDH on 19 December 2014. SDH adopted certain amendments to the Code in May 2017, November 2019 and March 2021. The currently valid Code is published on SDH's website.

In addition to the Code, Kapitalska družba also applied its own bases for voting at general meetings when managing capital investments in 2020. Kapitalska družba updates the bases for voting at general meetings every year, prior to the convening thereof. These bases, *inter alia*, define the remuneration policy for supervisory boards, management committees and management boards, the dividend policy, the use of distributable profit, recapitalisations via authorised capital, the acquisition of treasury shares and the introduction of a single-tier governance system. The aforementioned document is published on Kapitalska družba's website.

Kapitalska družba exercised its management rights at general meetings of companies with a registered office in Slovenia in which the Company holds a participating interest that it manages on its own behalf or on behalf of the SODPZ.

With regard to the remuneration of supervisory boards and boards of directors, Kapitalska družba applied, *mutatis mutandis*, the recommended level of wages for the performance of a particular function and for session fees as set out in the Code, and took into account the Act Governing the Earnings of Manage-

ment Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (ZPPOGD) as regards the earnings and other rights of management boards, executive directors and the management staff of companies.

Kapitalska družba acted in accordance with the Code at all general meetings attended by its representatives in 2020. Disclosures with regard to Kapitalska družba's actions at general meetings are published on the Company's website.

6.1.1.5 Management with regard to systemic regulation

The new Slovenian Sovereign Holding Company Act (ZSDH-1) entered into force at the end of April 2014. The management of investments on behalf and for the account of the Republic of Slovenia remained the responsibility of SDH following the entry into force of the ZSDH-1. In the name of Kapitalska družba, SDH also exercises voting rights and conducts sales in the event of joint investments.

The ZSDH-1 defines Kapitalska družba's maximum annual obligation to provide funding to the ZPIZ: based on the provision of the third paragraph of Article 52 of the ZSDH-1, the Company must transfer funds in the amount of EUR 50 million every year to the ZPIZ by no later than 29 September, primarily for the purpose of adjusting pensions, or a proportionally lower amount if the amount for adjusting pensions is lower. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2020.

SDH will manage investments in accordance with the ZSDH-1, the OdSUKND, the relevant investment management policy and the Corporate Governance Code, and on the basis of the annual investment management plan. The OdSUKND also includes the classification of investments (the definition and classification of capital investments into strategic, material and portfolio investments). The annual investment management plan, which must be adopted by no later than the end of November for the next calendar year, defines SDH's precise objectives in the management of specific investments, as well as measures and guidelines for achieving those objectives.

6.1.2 Abandoned securities under Article 48a of the ZNVP-1

Kapitalska družba held 118 investments in 115 different issuers as at 31 December 2020 in the form of abandoned securities acquired on the basis of Article 48a of the ZNVP-1, in the total amount of EUR 201 thousand.

Kapitalska družba considered 91 general meetings of companies in which it acquired abandoned securities, and participated in four of those meetings in 2020. It received EUR 2 thousand from the sale or liquidation of abandoned securities in 2020.

6.1.3 Management of portfolio investments

Kapitalska družba uses active and passive strategies in the management of portfolio investments, where it combines the top-down approach with the bottom-up approach. Decisions regarding the composition of the portfolio by investment category (top-down approach) are made by the investment committee, which meets at least twice a year. The comparable share portfolio index is the globally diversified share

portfolio index, while the comparable bond portfolio indices (government and corporate bonds) are the indices of diversified European government and corporate bonds.

The year 2020 was characterised by volatility, as we were witness to very high fluctuations on the share and bond markets. Despite the extraordinary deterioration in the economic situation due to the pandemic, shares recorded solid returns until the end of the year, where returns were entirely the result of rising values, while profits were down globally. Bond indices performed very well during the year. The sharp drop in economic activity and inflation expectations pushed interest rates lower, while the quick reaction by central banks and fiscal authorities stabilised the financial markets and credit spreads. Those factors and the improving epidemiological situation in the spring were enough for one of the quickest rebounds of the financial markets in history.

Despite positive returns, the portfolio investment portfolio was down by more than a million euros in 2020 due to the transfer to the pension fund. We took advantage of the volatility of the markets by increasing the proportion of the portfolio accounted for by equities. The proportions of the portfolio accounted for by debt investments, money-market instruments and receivables were down. The proportion of Kapitalska družba's total portfolio accounted for by portfolio equity investments rose from 28.7% at the beginning of 2020 to 30.5% at the end of 2020. The proportion of debt portfolio investments fell from 9.8% to 8.4%. The five largest holdings in the portfolio of portfolio equity investments as at 31 December 2020 were index funds tracking the MSCI World global stock index (SMSWLD GY, XMWO GY, IWDA LN and XDWD GY) and an index fund tracking the US S&P 500 (SPY US). The five largest holdings in the portfolio of debt investments as at 31 December 2020 were in Slovenian government bonds of various maturities from 2021 to 2026, the XGLE GY index fund, which tracks the European index of government bonds, and German government bonds maturing in 2029.

Table 8: Breakdown of portfolio financial assets as at 31 December 2020 and 31 December 2019

Type of investment	Value	Proportion	Value	Proportion
	(in 000 EUR)	(in %)	(in 000 EUR)	(in %)
	31 Dec 2020		31 Dec 2019	
Investment funds	336,361	72.7	303,747	65.4
Bonds	91,489	19.7	103,631	22.3
Commercial paper	1,458	0.3	2,174	0.5
Investments in financial receivables	22,427	4.8	22,427	4.8
Deposits	0	0.0	16,960	3.6
Cash and cash equivalents	11,562	2.5	15,605	3.4
Total portfolio managed financial assets	463,297	100.0	464,544	100.0

6.1.4 Transfers to the ZPIZ

In accordance with the third paragraph of Article 52 of the ZSDH-1, Kapitalska družba's annual obligation to the ZPIZ depends on the size of the pension adjustment, which is limited to EUR 50 million. Kapitalska družba transferred EUR 50 million to the ZPIZ in 2020. Kapitalska družba has transferred a total of EUR 914,321 thousand to the ZPIZ to date.

6.1.5 Investment property

Kapitalska družba held investment property in the following commercial real estate in 2020:

- Stekleni dvor, Dunajska cesta 119, Ljubljana;
- Glavarjeva rezidenca, Pegamova ulica G, Ljubljana;
- Bežigrajski dvor, Dunajska cesta 56, 58 and Kržičeva ulica 3, Ljubljana;
- Nebotičnik, Štefanova ulica 1, 3 and 5, Ljubljana; and
- Smelt, Dunajska cesta 160, Ljubljana.

All commercial premises and nearly all parking places located at all investment properties were let as at 31 December 2020.

Kapitalska družba sold its entire interest in the Smelt building on 3 June 2020.

6.2 MANAGEMENT OF MUTUAL PENSION FUNDS

The Group operates four mutual pension funds, which are managed and disclosed as segregated assets owned by the policyholders and members of the fund in question.¹⁴

- | the Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia (SODPZ),
- | the Umbrella Pension Fund for Public-Sector Employees (KPSJU),
- | the Modri Umbrella Pension Fund (MKPS), and
- | the First Pension Fund of the Republic of Slovenia (PPS), which was created under a special law through the conversion of pension certificates.

The Kapitalska družba Group is the largest provider of supplementary pension insurance in Slovenia. More than 342,000 people held savings in its mutual pension funds in December 2020, while the assets of the aforementioned funds amounted to more than EUR 2.1 billion. Premium paid amounted to more than EUR 169 million in 2020.

¹⁴ For more on the operation of the mutual pension funds, see the annual reports of the individual funds.

Table 9: Figures for mutual pension funds operated by the Kapitalska Družba Group as at 31 December 20

Fund	Number of policyholders/members¹⁵	Number of employers/liable persons¹⁶	Assets under management, EUR million
SODPZ	48,570	493	846.6
KPSJU	240,541	1,861	941.3
MKPS	36,492	397	308.9
PPS	17,192	0	16.2
Total	342,795	2,751	2,113.0

6.2.1 Compulsory Supplementary Pension Insurance Fund of the Republic of Slovenia

Pursuant to the Pension and Disability Insurance Act (ZPIZ-1), Kapitalska družba has been the manager of the SODPZ since its establishment in 2001. The SODPZ is a mutual pension fund that provides occupational insurance in accordance with the provisions of the Pension and Disability Insurance Act (ZPIZ-2), the Organisation and Work of the Police Act (ZODPol) and the Act Governing the Promotion of Public Interest in Culture (ZUJIK).

Policyholders who perform especially difficult work and work that is harmful to the health, and policyholders who perform work that can no longer be performed successfully after a certain age are covered by occupational insurance, which replaced the insurance period increased by a bonus in 2001. Occupational insurance is an element of compulsory social security insurance.

Occupational insurance is provided on the basis of the occupational insurance pension plan (hereinafter: the pension plan), which is drawn up based on the provisions of the ZPIZ-2. The pension plan was amended twice in 2020. It was first amended due to the extension of the transitional period in which a differentiated contribution rate applies and takes into account the proportion of the net value of SODPZ assets up to which unallocated solidarity reserves are created. The Minister of Labour, Family, Social Affairs and Equal Opportunities issued decision 1032-9/2019-5 of 20 May 2020 approving the amended pension plan, which entered into force on 1 July 2020.

The new pension plan entered into force on 1 October 2020. That plan was harmonised with the provisions of the ZPIZ-2G and was approved by the Minister of Labour, Family, Social Affairs and Equal Opportunities under decision 1032-16/2020-2 of 27 July 2020.

The rules on the management of the SODPZ (hereinafter: the management rules) govern the content of legal relationships between Kapitalska družba and SODPZ policyholders. The management rules were amended in 2020 for harmonisation with the ZPIZ-2G. The Securities Market Agency issued consent on 27 August 2020 to an amendment to the management rules, which entered into force on 1 October 2020.

Based on the pension plan, Kapitalska družba was entitled in 2020 to the reimbursement of entry and exit fees, an annual fee for management of the SODPZ, and fees for the payment of occupational pensions.

¹⁵ Certain individuals may be policyholders/members of multiple funds.

¹⁶ Certain employers and liable persons may hold pension plan funding contracts with multiple funds.

Entry fees are charged as a percentage of the inward payments, and amounted to 2.0%. Exit fees are charged as a percentage of the outward payments, and amounted to 0.5%. Exit fees are not charged in the event of transfer to supplementary insurance, or in the event of the buyback of years of pensionable service. Fees for the payment of occupational pensions amounted to 0.5% of the monthly occupational pension. Taking into account the net value of SODPZ assets, the annual management fee is equal to 0.88% of the average annual net value of SODPZ assets.

6.2.2 Umbrella Pension Fund for Public-Sector Employees

The Umbrella Pension Fund for Public-Sector Employees (KPSJU) implements a lifecycle investment policy, and comprises three different sub-funds:

- | A dynamic public-sector sub-fund (DPJU) intended for younger members up to 50 years of age, which implements a higher-risk investment policy. Members who save in this sub-fund assume all investment risk.
- | A conservative public-sector sub-fund (PPJU) intended for members aged 50 to 60 years, which implements a balanced investment policy. Members who save in this sub-fund assume all investment risk.
- | A guaranteed public-sector sub-fund (ZPJU) intended for members aged over 60 years. Members who save in this sub-fund only assume the investment risk in excess of the guaranteed return.

The KPSJU is a closed mutual pension fund intended exclusively for public-sector employees. It ensures them the right to a supplementary old-age pension and other rights defined in the pension plan. In addition to the premiums paid into the fund by employers, public-sector employees may also pay premiums themselves, thus ensuring a higher supplementary pension and the utilisation of tax allowances.

New public-sector employees join the sub-fund that fits their age, unless they decide otherwise themselves, while members who saved in the fund with a guaranteed return at the time of the conversion at the beginning of 2017 decide themselves whether to move to a higher-risk investment policy, taking account of their age.

As the operator of the KPSJU and on the basis of the KPSJU rules, Modra zavarovalnica is entitled to entry fees and management fees for the KPSJU. The entry fees are charged as a percentage of the paid-in premium, and amounted to 0.5% in 2020. The annual management fee for the KPSJU is 0.5% of the average annual net asset value of the KPSJU. All other direct operating costs of the fund are borne by Modra zavarovalnica.

6.2.3 Modri Umbrella Pension Fund

The Modri Umbrella Pension Fund (MKPS) is an open mutual pension fund intended for the implementation of supplementary pension insurance plans. Any employees included in the compulsory pension insurance scheme may participate in the fund. A pension plan for collective supplementary pension insurance (the PNMZ K) is available to employees and includes policyholders via their employers. Also available is an individual supplementary pension plan (the PNMZ P) intended for individuals.

The MKPS comprises three sub-funds that are created as segregated assets, where each sub-fund defines its own investment objectives and policy, and each sub-fund is intended for a target age group of savers.

- | The Modri Dynamic Sub-Fund (MDP) is intended for younger savers up to 50 years of age and implements a higher-risk investment policy. Members who save in this sub-fund assume all investment risk.
- | The Modri Conservative Sub-Fund (MPP) is intended for savers aged 50 to 60, and implements a conservative investment policy. Members who save in this sub-fund assume all investment risk.
- | The Modri Guaranteed Sub-Fund (MZP) is intended for savers aged over 60 and implements an investment policy with a guaranteed return. Members who save in this sub-fund only assume the investment risk in excess of the guaranteed return.

On the basis of the detailed rules of the Modri Umbrella Pension Fund, Modra zavarovalnica, as operator of the MKPS, is entitled to entry fees and management fees for the MKPS, which are paid from the aforementioned sub-funds' assets. Entry fees are charged as a percentage of the premium at the time of payment, and are transferred to the fund operator's account; they amounted to 3% in 2020. The annual management fee for the MKPS is 1% of the average annual net value of the individual sub-fund's assets.

6.2.4 First Pension Fund of the Republic of Slovenia

The First Pension Fund of the Republic of Slovenia (PPS) is a pension fund that accumulated its assets through the conversion of pension certificates. Since 1 January 2003, the PPS is a closed mutual pension fund, to which additional payments or the inclusion of additional members is not possible. Since August 2004, the accumulated assets of all members at least 60 years in age are transferred to the KS PPS, the purpose of which is to cover payments of supplementary pension annuities. When a PPS member dies before they obtain the right to a pension annuity, their heirs have the right to the payment of the surrender value of their policy.

Modra zavarovalnica is entitled to an annual fee for managing the PPS, which amounted to 1% of the average annual net value of assets in 2020. It is also entitled to an exit fee, which is calculated as a percentage of the surrender value paid to heirs.

6.3 MANAGEMENT OF MODRA ZAVAROVALNICA'S OWN FINANCIAL ASSETS

Modra zavarovalnica's financial assets include the financial assets of the guarantee funds¹⁷ and its own financial assets arising from the following statement of financial position items:¹⁸

- | Financial assets in undertakings in the group and associates,
- | Financial assets, and
- | Cash and cash equivalents.

Modra zavarovalnica's own financial assets amounted to EUR 303.1 million at the end of 2020. The largest proportion is accounted for by portfolio equities, followed by portfolio debt instruments and by non-portfolio equities.

Table 10: Modra zavarovalnica's own financial assets

Assets	in 000 EUR	
	31 Dec 2020	31 Dec 2019
Portfolio equities	175,414	159,164
Non-portfolio equities	49,420	49,376
Portfolio debt instruments	76,477	81,239
Cash and cash equivalents	1,775	5,207
Total	303,086	294,986

6.3.1 Portfolio equities

The composition of portfolio equities roughly tracks the composition of the global stock index. This ensures a high level of diversification of investments and cost-efficient management. Diversification is largely achieved by investing in funds that track benchmark indices, while active deviations from those indices are achieved via direct investments in specific shares.

The portfolio equities portfolio was most exposed to the information technology sector at the end of December 2020, followed by the financial and healthcare sectors. In terms of currencies, the portfolio was most exposed to the US dollar and the euro. More than half of the aforementioned portfolio is invested in the equities of issuers from the US, while slightly less than a third is invested in European issuers. The remainder is accounted for by investments in issuers from more advanced Asian economies and from developing economies.

¹⁷ The guarantee funds are presented in detail in Section 6.4 (Management of guarantee funds for the payment of pension annuities)..

¹⁸ For more on the management of Modra zavarovalnica's financial assets, see Modra zavarovalnica's annual report.

6.3.2 Non-portfolio equities

As at 31 December 2020 Modra zavarovalnica held shares or participating interests in Cinkarna Celje d.d., Pozavarovalnica Sava d.d., Delavska hranilnica d.d. and Hotelske nepremičnine. The size of these equity holdings meant that they require a more active approach to management. Their total value amounted to EUR 49.4 million at the end of 2020.

6.3.3 Portfolio debt instruments

The value of Modra zavarovalnica's government bond portfolio was EUR 26.6 million as at 31 December 2020. The aforementioned portfolio primarily comprises the government bonds of euro area countries. The majority of the bonds are denominated in euros, while a small proportion are denominated in US dollars. Slovenian government bonds account for more than 40% of the portfolio, while developing countries account for 15%. The average duration of the government bond portfolio is 6.6 years, while the average rating is A. Bonds with a fixed coupon rate account for the majority.

The majority of corporate bonds are likewise accounted for by euro area countries. The value of the corporate bond portfolio was EUR 33.9 million at the end of December 2020. All the bonds are denominated in euros. Bonds with a fixed coupon rate accounted for the majority. The majority of issuers of corporate bonds were from the sectors of finance, energy and pharmaceuticals. The average duration of the corporate bond portfolio is 3.2 years, while the average rating is BBB.

Deposits are placed exclusively with domestic banks, while investment claims are also disclosed against Slovenian issuers. The treasury bills are from the euro area.

6.3.4 Cash and cash equivalents

Modra zavarovalnica held EUR 1.77 million in cash and cash equivalents at the end of 2020.

6.4 MANAGEMENT OF GUARANTEE FUNDS FOR THE PAYMENT OF PENSION ANNUITIES

Modra zavarovalnica is the largest payer of supplementary pensions and pension annuities in Slovenia, and separately managed three guarantee funds in 2020 for the payment of pension annuities:

- | the Modra Renta Guarantee Fund (KS MR), which collected insurance premiums from December 2011 to December 2015;
- | the Modra Renta Guarantee Fund II (KS MR II), which was established on 1 January 2016 based on the ZPIZ-2; since January 2016, assets are only paid into this fund and no longer into the KS MR, while annuities are paid from both funds; and
- | the First Pension Fund Guarantee Fund (KS PPS), from which supplementary pension annuities have been paid since August 2004 from converted pension certificates to all persons who have reached 60 years of age.

In accordance with the ZZavar-1, the KS MR II and KS PPS are deemed restricted funds.

Modra zavarovalnica paid EUR 30.1 million in supplementary pensions to 32,602 policyholders in 2020. A total of 22,683 policyholders received a pension annuity from supplementary pension insurance (Modra Renta and Modra Renta II), while 9,919 policyholders received a pension annuity from supplementary pension insurance under the PPS (in exchange for pension certificates).

Table 11: Basic data on the guarantee funds of Modra zavarovalnica for 2020

Guarantee fund	Number of annuity recipients at year-end	Assets under management at year-end (EUR million)	Expenses for annuities (in million EUR)
KS MR	7,114	14.3	2.9
KS MR II	15,569	154.0	20.6
KS PPS	9,919	98.0	6.6
Total	32,602	266.2	30.1

6.4.1 Modra Renta Guarantee Fund

The KS MR comprises segregated assets intended for the payment of pension annuities to members of supplementary pension insurance plans who have exercised their right to a pension from compulsory insurance via the ZPIZ.

Payments were made into the KS MR until the end of 2015, while the KS MR has only paid lifetime pension annuities since 2016. When concluding an annuity pension insurance policy, an individual may choose one form of lifetime annuity, and thus exercise their right to a supplementary old-age pension.

The fund's assets amounted to EUR 14.3 million as at 31 December 2020, of which bonds account for 94%.

At the end of 2020 a total of 35% of KS MR assets were held in Slovenia, while 65% of its assets were invested in foreign issuers.

6.4.2 Modra Renta Guarantee Fund II

The KS MR II comprises segregated assets intended for the payment of pension annuities to members of supplementary pension insurance plans who have exercised their right to a pension from compulsory insurance via the ZPIZ.

When concluding an annuity pension insurance policy, each policyholder may choose one form of lifetime pension annuity, and thus exercise their right to a supplementary old-age pension.

Modra zavarovalnica offers savers a wide range of different forms of pension annuities:

- I Lifetime Modra Renta: a supplementary pension without a guaranteed payment period; it is paid until the death of the policyholder. It may be paid monthly, quarterly, half-yearly or annually, while the payment period depends on the amount of accumulated assets. An individual payment may not be less than EUR 30;

- | Lifetime Modra Renta with a guaranteed payment period: a supplementary pension with a guaranteed payment period of 1 to 20 years. It is paid until the death of the policyholder or at a minimum until the expiry of the selected guaranteed payment period. It may be paid monthly, quarterly, half-yearly or annually, while the payment period depends on the amount of accumulated assets. An individual payment may not be less than EUR 30;
- | Lifetime Modra Renta with accelerated payment: a supplementary pension with a guaranteed payment period of 1 to 20 years, where the majority of accumulated savings are paid out over the selected guaranteed payment period, and then monthly (quarterly, half-yearly or annually) until the death of the policyholder in an amount of at least EUR 30; and
- | Lifetime Modra Renta with accelerated payment 2/1: a supplementary pension with accelerated payment and a guaranteed payment period of 1 to 20 years, where the high monthly pension annuity during the accelerated period does not exceed twice the amount of the lifetime pension annuity following the end of the accelerated period.

Between the beginning of its operation in 2016 and 31 December 2020, a total of 15,569 policyholders with accumulated assets in the amount of EUR 188.7 million opted to receive a selected monthly pension annuity from the KS MR II. The majority of policyholders selected accelerated annuity payments.

The amount of an individual's pension annuity depends on accumulated supplementary pension insurance assets, the technical interest rate, mortality tables broken down by gender, the policyholder's date of birth, the policyholder's age when the annuity insurance entered into force and the costs of the payment of the annuity. The average age of annuity recipients is 62, while a total of 61% of all annuity recipients are female.

The KS MR II comprised 15,569 insurance policies as at 31 December 2020.

The fund's assets amounted to EUR 154.0 million as at 31 December 2020, largely comprising bonds (57%) and investment coupons (33%).

At the end of 2020 a total of 19% of KS MR II assets were held in Slovenia, while 81% of its assets were invested in foreign issuers.

6.4.3 First Pension Fund Guarantee Fund

The KS PPS comprises segregated assets formulated on 13 July 2004 for everyone who has reached a minimum of 60 years of age and thus obtained the right to an annuity. When they obtain the right to an annuity on the basis of an informative calculation, a policyholder selects the relevant form of pension annuity. Policyholders with 2,000 or less points may receive a pension annuity in a lump-sum amount. A policyholder with more than 2,000 points on their insurance policy may choose between a lifetime pension annuity and a lifetime pension annuity with a guaranteed payment period. Policyholders with between 2,000 and 5,000 points may also be paid an annual pension annuity. The guaranteed payment period is set at 5, 10 or 15 years. Should the policyholder die during the guaranteed payment period, the pension annuity is paid to their beneficiaries or heirs until the expiration of that period.

Policyholders who receive a KS PPS pension annuity are entitled to the surplus return on the annuity fund over the guaranteed return in accordance with the general terms and conditions of supplementary pension insurance under the First Pension Fund of the Republic of Slovenia (conversion for pension certificates). The proportion of the surplus earmarked for the permanent increase in annuities is determined once a year by the fund manager's management board. The surplus return in the amount of EUR 1,625 thousand was allocated in 2020 for a permanent increase in annuities. All policyholders/recipients of KS PPS pension annuities who entered into an insurance policy by December 2019 in the form of a monthly or annual annuity received higher annuities in April. The difference for the period of January to April 2020 was paid together with the April payment of increased annuities.

A total of 1,219 policyholders who reached the age of 60 obtained the right to a pension annuity in 2020. They had paid a total of EUR 2.7 million into the KS PPS for supplementary pensions.

The fund's assets amounted to EUR 98.0 million as at 31 December 2020, largely comprising bonds (72%) and shares (18%).

The KS PPS held 47% of its assets in domestic issuers at the end of 2020, and 53% in foreign issuers.

6.5 MANAGEMENT OF ASSETS OF HOTELSKE NEPREMIČNINE

Hotelske nepremičnine was established in October 2018 by Kapitalska družba and its subsidiary Modra zavarovalnica. Its principal business activities are the buying and selling of own real estate, and the renting and operating of own or leased real estate.

Since the end of November 2018, the company has been the owner of the San Simon Hotel Resort in Izola, which was let to Hoteli Bernardin d.d. for operation by the latter immediately after the purchase. The latter was absorbed into Sava Turizem d.d. in 2020.

The San Simon hotel resort is located in the bay at Izola, where the remains of an ancient Roman port are still visible today. The accommodation capacities of the resort comprise the Haliaetum and Mirta hotels, the Korala, Palma, Sirena and Perla guesthouses, and holiday homes. The Haliaetum Hotel has an indoor pool with heated salt water, while the Mirta hotel has a wellness centre and spa. The resort also boasts two restaurants, a bistro, a beach bar, and two halls suited to the organisation of larger events, such as weddings, receptions, dance and musical events, etc.

The San Simon Hotel Resort's range of services was upgraded with the family-friendly hotel concept.

The first phase of renovation was undertaken in 2019, while the second phase of the investment is planned in 2021, and will include the comprehensive refurbishment of the remaining three guesthouses (Korala, Palma and Perla).

7

Risk management

Risk management is explained in Section 17.2 Accounting policies in the financial report section of the Kapitalska Družba Group's annual report.

8

Significant business events after the end of 2020

Based on an assessment of the impact of the pandemic on transactions in capital investments, we have determined that the impact on individual companies will vary depending on the sector in which the companies operate. Our assessment is that companies in the tourism and gaming sector (e.g. Sava d.d., Hit d.d., Terme Olimia d.d., Terme Čatež d.d.) will be hit hardest, as this is where the relaxation of measures will be slowest. Eight emergency laws adopted by the government will mitigate or lessen the adverse effects of the epidemic and the impact on performance in 2021.

The Implementation of the Budget of the Republic of Slovenia for 2021 and 2022 Act (ZIPRS2122) was adopted at the end of 2020, based on which Kapitalska družba must transfer EUR 50 million a year to the ZPIZ in 2021 and 2022, by no later than 29 September of the current year. In accordance with the aforementioned act, an agreement was concluded in January 2021 between Kapitalska družba and the ZPIZ on the coverage of Kapitalska družba's liabilities to the ZPIZ in 2021 and 2022.

Based on the Act on Emergency Measures to Assist in Mitigating the Consequences of the Second Wave of the COVID-19 Epidemic (ZIUPOPDVE), Kapitalska družba paid a solidarity bonus in January 2021 to 53 occupational pensioners in the total amount of EUR 11,460. The total amount earmarked for the payment of the solidarity bonus was reimbursed to Kapitalska družba by the MLFSAEO.

The Slovenian government proposed that the National Assembly adopt the draft National Demographic Fund Act. The National Assembly has already completed the first and second readings of the act, while a third reading is pending. The draft act envisages the merger of Kapitalska družba with the National Demographic Fund, resulting in the transfer of all of the authorisations, rights and obligations of Kapitalska družba to the fund.

The EU's SFDR entered into force on 10 March 2021, and applies to Modra zavarovalnica and the funds under its management. Modra zavarovalnica has been preparing for the entry into force of the SFDR for some time. It requires sustainability risks to be included in the investment decision-making process, or a disclosure that the operator is not taking them into account and a clarification of when it will begin to do so. Modra zavarovalnica already includes sustainability risks in their basic form, and is intending to enhance the process. In so doing it will apply the principle of efficiency, and will only take account of information available without undue cost or effort. The expectation is that the introduction of additional criteria into the process of investment decision-making will have a minimal impact on fund members, or will bring benefits in the long run on account of the reduced risks in investment portfolios. With

regard to the requirements of the SFDR, Modra zavarovalnica will update the accession forms for fund members and the forms for switching sub-funds. By 10 March 2021 Modra zavarovalnica had disclosed its approach to including sustainability factors in the investment process on its website. The SFDR's requirements in connection with disclosures in annual reports begin to be applied on 1 January 2022.

The Act Amending the Pension and Disability Insurance Act (ZPIZ-2G) transposed the EU's IORP-II directive into Slovenian law in the area of supplementary pension insurance. The amendments were introduced with the aim of providing clearer information and ensuring greater protection for savers in pension funds and recipients of supplementary pensions. The aforementioned amendments also made changes to documents important to the operation of the MKPS and KPSJU (the rules and the pension plan), which were submitted to the competent authorities (the SMA and the MLFSAEO) for approval. The MKPS's amended rules and pension plans have been in force since 19 January 2021, while those of the KPSJU have been in force since 19 May 2021.

On 5 March 2021 Modra zavarovalnica received a letter from the ISA calling on insurance corporations to withhold dividends payments, to give no irrevocable commitments to pay dividends, and to refrain from share buybacks aimed at remunerating shareholders until 30 September 2021, all with the aim of ensuring financial stability during the Covid-19 epidemic. Modra zavarovalnica's general meeting on 31 May 2021 passed a resolution stating that half of the distributable profit for 2020 in the total amount of EUR 11.8 million should be distributed to other profit reserves, and half should remain undistributed. At the proposal of Kapitalska družba, distribution for dividends will be decided on at an additional general meeting later in the year, after the ISA has given permission for dividend payments at Modra zavarovalnica's request.

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Expected development of the Kapitalska Družba Group for 2021

The Kapitalska Družba Group represents the largest provider of voluntary supplementary pension insurance in Slovenia. The operations of the Group in 2021 will focus on the achievement of the strategic objectives set out in Kapitalska družba's strategy for the period of 2019 to 2021 and in Modra zavarovalnica's strategic business plan for the period of 2020 to 2022.

Kapitalska družba's basic objective of asset management is the payment of its legally prescribed obligations, which dictates the definition of a comprehensive investment strategy. Through its planned payment of EUR 50 million to the ZPIZ, Kapitalska družba will reduce the burden on the state budget again in 2021. With that payment, which represents an additional pension source, Kapitalska družba's total payments to the pension fund will reach nearly EUR 1 billion.

We expect operations to return to some form of normalcy by no later than the second half of 2021 following the easing of the Covid-19 epidemic. Nevertheless, we can expect that our operational norm following the epidemic will still include working from home, new forms of communication and the accelerated digitalisation of operations. Comprehensive risk management in connection with cost-efficiency will ensure successful, sustainability-oriented operations again in 2021. We will introduce in daily operations best practices, innovative approaches and techniques in the area of portfolio management, and actively participate in the continued development of supplementary pension insurance. The Kapitalska Družba Group will therefore continue to strive to be one of the most successful pension savings managers in Slovenia, and to ensure that systematic pension solutions are aimed at providing higher-quality and safer forms of insurance. In this way we will contribute as much as possible to the improved pension stability of policyholders and occupational pensioners.

The biggest challenges in the area of occupational insurance are still tied to amendments to the ZPIZ-2G, which tasks Kapitalska družba with stringent controls over employers' payments, including the collection of unpaid contributions with the help of the Financial Administration of the Republic of Slovenia (FARS). The business process of control over calculations and payments of occupational insurance contributions was established in 2020, but will be implemented in full in 2021 due to a transitional period. The new tasks in this area will bring a number of challenges, particularly in terms of defining and obtaining the relevant

data from the FARS, the MLFSAEO, the ZPIZ and the Central Population Register. The successful performance of legally defined tasks will require considerable investment in IT support and the recruitment of new staff.

In 2021 we will continue the sale of Slovenian equity investments and the placement of the proceeds into liquid portfolio investments. We will adapt our activities to the unstable conditions on the global financial markets, low interest rates and lower forecasts of economic growth. We will also update our umbrella investment policies and portfolio management investment policies.

The focus of Modra zavarovalnica's operations remains the security of savings, which the company ensures through a sufficient level of capital, and through prudent and safe operations. Modra zavarovalnica will also pursue its other strategic objectives: satisfied customers, competent employees, organised processes, and the creation of a work environment for the development of innovation, creativity and the achievement of business excellence.

Hotelske nepremičnine is planning investment in 2021, including the comprehensive refurbishment of three guesthouses at the San Simon hotel resort in Izola (Koralā, Palma and Perla).

As the largest provider of supplementary pension savings, the Group will remain actively involved in changes and adjustments to systemic bases, and will strive to adapt savings in pension funds and the payment of annuities to the needs of individuals, monitor changes in the economic and demographic environment, and contribute to the sustainability of the pension system. Through the professional, successful and effective management of our own assets and the assets of the pension funds, our aim is to become a socially responsible and sustainability-oriented group focused on achieving business excellence. By responding agilely to changes in the external environment, we will continue to contribute to the strengthening and modernisation of the Slovenian pension system, by effectively adapting to the latest developments in connection with the establishment of the National Demographic Fund. This will allow us to continue pursuing our mission effectively in the Slovenian pension ecosystem in the future.

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Social responsibility

10.1 RESPONSIBILITY TO THE WIDER SOCIAL COMMUNITY

Kapitalska družba's mission is the provision of supplementary funding for compulsory pension and disability insurance. Kapitalska družba transfers funds in the amount of EUR 50 million to the ZPIZ every year by no later than 29 September, primarily for the purpose of adjusting pensions, or a proportionally lower amount if the amount for adjusting pensions is lower. In accordance with the third paragraph of Article 52 of the ZSDH-1, the annual obligation to the ZPIZ depends on the size of the pension adjustment, which is limited to EUR 50 million. Taking into account the annual adjustment of pensions, Kapitalska družba's obligation amounted to EUR 50 million in 2020. Kapitalska družba has transferred the cumulative amount of EUR 914,321 thousand to the budget of the ZPIZ.

Raising awareness of and confidence in the pension system, encouraging people to take a more serious approach, and jointly creating systemic foundations that appropriately track changes in the environment constitute the vital tasks of Modra zavarovalnica, which is a key company in maintaining a stable pension system in Slovenia, and is the largest operator of mutual pension funds and the largest provider of supplementary pensions. With the aim of improving awareness of supplementary pension insurance and promoting saving in lifecycle funds, it supports financial literacy projects, is participating substantively in the creation of the financial manual by Finance, a financial newspaper, and is a sponsor of the Best Pension Funds event. In its work to raise awareness of supplementary pension insurance throughout the year, it is also active at firms and trade unions, where it helps to draw up information and news for websites and in-house journals. It is an active member of the European Association of Public Sector Pension Institutions (EAPSPI), which includes 26 public pension institutions from 16 European countries. It also attended the aforementioned association's meetings and annual general meeting. It has always supported charitable work aiming to improve conditions in education and to provide investment in knowledge and development for children and young people.

10.2 RESPONSIBILITY TO EMPLOYEES

Existing work areas and the development of new business functions at Kapitalska družba are enhanced using various forms of pre-planned training adapted to the specific job requirements and knowledge required by each employee, and to the Company's developmentally established tasks. Employees thus receive regular additional training, the majority of which in 2020 took the form of online seminars, conferences and workshops due to the epidemic, while only a limited amount of in-person training was organised. In accordance with its education and training plan, Kapitalska družba also organised internal training programmes in 2020 on the following topics: prevention of money laundering and terrorist financing, information security in the workplace and legal issues. We organised a workshop in 2020 on the subject of improved cooperation and understanding according to the Strength Deployment Inventory (SDI) methodology for employees who did not attend the aforementioned training in 2019. Kapitalska družba promotes continuing education and the acquisition of higher levels of education and various licences in the employer's interest. This improves the quality of the work process and improves qualifications of employees for work in a specific position and thus offers them an opportunity for professional growth.

We ensure a safe and healthy work environment by respecting all regulations governing occupational health and safety, thereby ensuring the appropriate working conditions. Tasks relating to occupational health and safety, fire safety and healthcare at work are carried out regularly.

Kapitalska družba and Modra zavarovalnica are aware of the importance and advantages of an active family-friendly policy. A series of measures focus on the balance between work and family life, while the companies are also holders of a full Family-Friendly Enterprise certificate. The balancing of career development and family life has become part of our organisational culture.

We are also aware that maintaining and improving health is important, as only healthy and satisfied employees who work in a safe and stimulating work environment are effective and innovative, and are

less prone to sick leave. Through the implementation of an action plan to promote health, we encourage employees to pursue a healthy lifestyle and reduce the risks of disease.

When the Covid-19 epidemic was declared, numerous measures were put in place to protect the health of employees and prevent the spread of the novel coronavirus. During the epidemic provisions were made for safe working conditions, and work processes were primarily undertaken electronically.

Collective supplementary pension insurance is another important aspect of ensuring the social security of employees. Kapitalska družba and Modra zavarovalnica pay monthly premiums into the Modri Umbrella Pension Fund (MKPS). Employees also have the option of enrolling in collective health insurance.

10.3 ENVIRONMENTAL RESPONSIBILITY

Kapitalska družba issued a tender in 2020 for the supply of electricity in accordance with the Decree on Green Public Procurement. Taking into account the provisions of the aforementioned decree, it signed an agreement for electricity supply where 80% of production comes from renewable sources. Energy that is produced from environmentally friendly, renewable sources does not use fossil fuels, while the production of energy from renewable sources does not drain natural resources. The burden on the environment from greenhouse gases, harmful emissions and radioactive waste is thereby reduced.

Kapitalska družba d.d. opted for environment-friendly products. in its procurement of sanitary materials in 2020. We also strive to order the most environmental-friendly paper products. We are making efforts to introduce paperless operations with the aim of reducing paper consumption. The first step to achieving this objective was taken with the purchase of software support for the document system that was introduced at the beginning of 2021.

Modra zavarovalnica supports environmentally oriented activities and waste separation, and strives to reduce the use of paper, to collect used printer cartridges and plastic bottle caps, and to respond to charitable campaigns.

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Report on relations with the subsidiary

No transactions were executed between Kapitalska družba, Modra zavarovalnica and Hotelske nepremičnine in 2020 under conditions that deviated from market conditions.

Letting of commercial premises

Modra zavarovalnica leases business premises from Kapitalska družba. The new tenancy agreement was concluded in 2019, and is valid until September 2024. The tenant relinquished some of the commercial premises in August 2020. The total monthly rent for commercial and warehouse premises measuring 1,704.93 m², 39 indoor parking places, two outdoor parking places and 12 parking places at Glavarjeva Rezidenca amounts to EUR 27,767. The aforementioned rent also includes electricity costs.

Provision of IT services

Modra zavarovalnica uses the systems infrastructure (servers, communications equipment, printing devices, system software, disk capacities, etc.) owned by Kapitalska družba. Kapitalska družba also provides IT-related services to Modra zavarovalnica. The leasing of the systems infrastructure and the provision of IT services are governed by an agreement on the provision of IT services.

Agreement on the financing of the pension plan

Kapitalska družba has an agreement with Modra zavarovalnica on the financing of the pension plan for collective supplementary pension insurance, which is implemented by the open Modri Umbrella Pension Fund (MKPS).

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Indicators

	Value (in 000 EUR)		Value of indicator	
	2020	2019	2020	2019
1. FINANCING RATIOS				
a) Equity financing ratio				
equity	1,221,383	1,177,658	0.73	0.80
total equity and liabilities	1,662,931	1,479,663		
b) Long-term financing ratio				
equity + long-term liabilities (including provisions) + long-term accruals and deferred income	1,602,603	1,464,702	0.96	0.99
total equity and liabilities	1,662,931	1,479,663		
2. INVESTMENT RATIOS				
a) Operating fixed asset investment ratio				
non-current assets (at carrying amount)	57,330	8,140	0.03	0.01
total assets	1,662,931	1,479,663		
b) Long-term investment ratio				
non-current assets + non-current prepayments and accrued income (at carrying amount) + investment property + non-current financial assets + non-current operating receivables	1,486,469	1,330,392	0.89	0.90
total assets	1,662,931	1,479,663		
3. HORIZONTAL FINANCIAL STRUCTURE RATIOS				
a) Equity to fixed assets ratio				
equity	1,221,383	1,177,658	21.30	144.68
non-current assets (at carrying amount)	57,330	8,140		

	Value (in 000 EUR)		Value of indicator	
	2020	2019	2020	2019
b) Acid test ratio				
liquid assets	14,723	23,270	0.24	1.56
current liabilities	60,328	14,961		
c) Quick ratio				
liquid assets + current receivables	74,878	30,435	1.24	2.03
current liabilities	60,328	14,961		
d) Current ratio				
current assets	156,504	130,719	2.59	8.74
current liabilities	60,328	14,961		
4. EFFICIENCY RATIOS				
a) Operating efficiency				
operating revenues	85,035	77,009	0.98	1.06
operating expenses	86,752	72,674		
5. PROFITABILITY RATIOS				
a) Net return on equity				
net profit for accounting period	-6,507	2,587	-0.01	0.00
average equity (excluding net profit for accounting period)	1,201,481	1,125,373		
b) Dividends to share capital ratio				
dividends for financial year	0	0	0.0	0.0
average share capital	364,810	364,810		

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Corporate governance statement

In accordance with the provision of the fifth paragraph of Article 70 of the ZGD-1 and point 3.4 of the Corporate Governance Code for Companies with Capital Assets of the State, Kapitalska družba hereby issues its corporate governance statement for the period 1 January 2020 to 31 December 2020.

I. As a public limited company whose sole shareholder is the Republic of Slovenia, Kapitalska družba voluntarily complies with the Corporate Governance Code for Companies with Capital Assets of the State (hereinafter: the Code), which includes the principles, procedures and criteria for conduct by members of the management and supervisory bodies of companies in which the Republic of Slovenia is a shareholder. Kapitalska družba also complies with the applicable Recommendations and Expectations of SDH.

Kapitalska družba hereby issues its statement of compliance with the Code adopted by SDH and applicable in 2020. The Code includes principles and recommended best practices for the corporate governance of companies with capital assets of the state. The current Code is published on SDH's website at <http://www.sdh.si/sl-si/upravljanje-nalozb/kljucni-dokumenti-upravljanja>.

The Management Board and the Supervisory Board of Kapitalska družba hereby declare that they voluntarily comply with the Code. Deviations from individual recommendations of the Code are cited and explained below:

Point 3.1 of the Code: The core objective of a company with capital assets of the state shall be to maximise the value of the company and generate the highest possible returns for owners over the long term, unless otherwise stated by the law or articles of association. In addition to the core objective, companies shall pursue other objectives that are defined for a specific company by the law or articles of association of that company. Companies shall ensure that all objectives are clearly defined in their articles of association in order to ensure increased transparency with respect to those objectives. If a company has conflicting objectives, its articles of association or another relevant legal document (e.g. the company's governance policy) shall define the relationships between objectives and the resolution of conflicts between those objectives.

Explanation: Given the specific purpose of its establishment and its planned transformation into an autonomous and independent demographic reserve fund, and taking into account the state capital investment management strategy, Kapitalska družba's primary concerns are the fulfilment of its legal obligation to provide funds to the ZPIZ, and the management of the SODPZ.

Point 3.2 of the Code: Notwithstanding the ownership structure, the management board of a public limited company with capital assets of the state and the management boards of large and medium-sized public limited companies and limited liability companies in which SDH has a controlling influ-

ence shall formulate and adopt a corporate governance policy in conjunction with the supervisory board. That policy shall define the principal guidelines regarding corporate governance and the other content set out in Chapter II of the Slovenian Corporate Governance Code as regards the definition of the concept of 'governance policy'. The governance policy shall be adopted for the future period and shall be updated by the company so that it is in line at all times with regulations, the company's articles of association, the state capital asset management strategy, applying Recommendation no. 3.1.1 of this Code *mutatis mutandis*, and current corporate governance guidelines. The governance policy shall include the date of the last update and shall be accessible on a company's public website.

Explanation: Given its transformation into an autonomous and independent demographic reserve fund, as envisaged by the law, Kapitalska družba (in which SDH does not exercise a controlling influence) has not yet adopted a corporate governance policy. That policy will be formulated taking into account the provisions of the law governing its transformation, which will define the functioning of the demographic reserve fund and additional permanent sources of financing thereof, and taking into account the state capital investment management strategy.

Point 3.6 of the Code: The supervisory board of a company subject to auditing in accordance with the ZGD-1 shall formulate and adopt a diversity policy in the form of a special act that is implemented in connection with representation on management and supervisory bodies in terms of gender, age and professional profile. The diversity policy shall include a corporate governance statement and shall be published on the company's publicly accessible website. The corporate governance statement shall also include a report on the implementation and achieved results of the diversity policy during the reporting period.

Explanation: Kapitalska družba has been unable to formulate a diversity policy in connection with the establishment of the Supervisory Board, and has not yet adopted such a policy in connection with its Management Board, as regards representation on its management and supervisory bodies in terms of gender, age, education and professional experience. It is, however, planning to adopt such a policy with regard to the Management Board in 2021. Nevertheless, it should be noted that the composition of the Supervisory Board is in line with the interests of stakeholders as prescribed by the law, as two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations, which indirectly facilitates the pursuit of certain elements of the diversity policy.

Point 4.3 of the Code: The management and supervisory bodies of companies with capital assets of the State shall refrain from all communication with representatives of ministries regarding matters that relate to the exercising of membership rights arising from the capital assets of the State at a particular company with such assets.

Explanation: Kapitalska družba does not comply with the aforementioned provision of the Code in full because it is not a company managed by SDH. In accordance with the law, Kapitalska družba is the operator of the SODPZ, which represents an element of compulsory insurance. For this reason, communication with representatives of the competent ministries regarding the provision of occupational insurance is necessary.

Point 6.2 of the Code: In cooperation with senior management, the supervisory board shall draft a succession policy to ensure the smooth transfer of management rights in the event that the terms of office of members of senior management are terminated, and to manage the associated risks. The objective of that policy is to train potential candidates from the ranks of employees who would be qualified to assume managerial functions at a company.

Explanation: Given its transformation into an autonomous demographic reserve fund, as envisaged by the law, Kapitalska družba has not yet adopted a succession policy. That policy will be formulated taking into account the provisions of the law governing its transformation, which will define the composition of and conditions for appointing the senior management of the Company.

Point 6.5 of the Code: The supervisory board shall be comprised in such a way as to ensure responsible supervision and decision-making for the benefit of a company. Regardless of whether a company has adopted a diversity policy or not, the composition of the supervisory board shall take into account professional knowledge, experience and skills that differ from member to member but are complementary (in terms of knowledge and experience). The continuity and diverse composition of the supervisory board, in terms of characteristics such as age, international composition and gender representation (i.e. the heterogeneity of its composition), shall be ensured to the greatest extent possible.

Explanation: Kapitalska družba complies with the aforementioned provision of the Code, mutatis mutandis, taking into account the cogent provisions of Article 51 of the ZSDH-1 and the Company's Articles of Association, which set out a special composition of Kapitalska družba's Supervisory Board.

Point 6.8 of the Code: If the general meeting elects members of the supervisory board based on a proposal from that body, the substantiation of proposals for the adoption of resolutions shall include, in addition to the data required by the law, at a minimum information regarding each proposed candidate's membership in other management or supervisory bodies and an assessment of potential conflicts of interests, where that assessment shall also take into account the individual circumstances stated in Appendix 3 to the Code. Moreover, the supervisory board shall disclose all information regarding whether a proposed candidate is independent in terms of the definition set out in this Code and whether procedures defined by this Code have been taken into account by the supervisory board in the selection of that candidate.

Sub-point 6.8.1 of the Code: In the justification of its proposal (subject to voting), the supervisory board shall also provide a description of the competence profile for a member of the supervisory board and information regarding a candidate that allows shareholders to assess whether that candidate meets the characteristics of the profile being sought.

Explanation: The Company does not comply with the aforementioned provision of the Code in full due to the cogent provisions of the ZSDH-1 and Kapitalska družba's Articles of Association, which envisage a special procedure for nominating members to Kapitalska družba's Supervisory Board

Point 6.9 of the Code: The selection procedure for supervisory board members and the formulation of a proposal for a general meeting resolution on the appointment of supervisory board members shall be transparent and defined in advance.

Sub-point 6.9.8 of the Code: Immediately following the convening of the general meeting that will vote on new supervisory board members based on a proposal of the supervisory board of a company with capital assets of the state, the chairman of that company's supervisory board shall invite candidates who have been proposed for election by the supervisory board to submit their applications to SDH's human resource committee for accreditation and nomination. Candidates may also be invited by SDH's human resource committee to submit their application for accreditation and nomination. This recommendation shall not apply when the proposal of candidates by SDH is the only recruitment channel.

Explanation: Kapitalska družba does not comply with the recommendation under sub-point 6.9.8 of the Code in full because the Slovenian government represents Kapitalska družba's General Meeting. In accordance with the provisions of the ZSDH-1, three members are appointed to the Supervisory Board based on SDH's proposal. Thus, in accordance with the Articles of Association, a proposal for candidates who are representatives of SDH is drafted by the latter's management board and the Supervisory Board are informed of its selection. Two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners, while one member is appointed on the basis of a proposal by national-level trade union federations or confederations.

Point 7.4 of the Code: At a minimum at large companies, a culture for identifying talented individuals and the development of employees' knowledge and skills shall be present not only at the second level, but also deeper within an organisation. The development plan of a specific employee shall define the direction of their career and the critical competences for the current and future success of an organisation. The senior management shall be responsible for motivating employees, strengthening the feeling of responsibility amongst employees and for promoting the desired conduct. The remuneration system shall be based on knowledge, performance and the complexity of work.

Explanation: Kapitalska družba does not comply with this provision of the Code in full, as it has not yet adopted development plans for all employees given its transformation into an autonomous demographic reserve fund, as envisaged by the law. It does, however, comply with the essential guidelines of the provision in question.

Point 8.5 of the Code: Prior to the beginning of the year, large and medium-sized companies shall prepare a financial calendar of the planned dates of their significant announcements (general meetings, date of dividend payment, annual and interim reports, etc.) in the forthcoming financial year. The financial calendar shall be published and publicly accessible on a company's web site.

Explanation: The Company cannot comply with the aforementioned provision of the Code due to the specifics set out in the provisions of the ZSDH-1 with regard to Kapitalska družba (in accordance with the second paragraph of Article 52 of the ZSDH-1, the Company's distributable profit may not be allocated to shareholders, while the role of the Company's General Meeting is performed by the general meeting of SDH, i.e. the Slovenian government in accordance with Article 51 of the ZSDH-1).

Point 11.2 of the Code: In addition to valid legislation governing integrity and the prevention of corruption, reference documents aimed at enhancing the importance of corporate integrity, such as the guidelines of the Commission for the Prevention of Corruption, the Slovenian Corporate Integrity Guidelines and anti-corruption principles for state-owned companies, should also be complied with to

the greatest extent possible, taking into account the specifics of individual sectors and companies with the aim of strengthening corporate integrity.

Explanation: Kapitalska družba complies with the essential elements set out in the Slovenian Corporate Integrity Guidelines, the guidelines of the Commission for the Prevention of Corruption and anti-corruption principles for state-owned companies. It has also appointed a corporate integrity officer. Kapitalska družba plans to establish a comprehensive corporate integrity system during 2021.

II. Main features of internal control systems and risk management at the Kapitalska Družba Group in connection with the financial reporting process

Explanation: Kapitalska družba manages risks and conducts internal controls at all levels. The purpose of internal controls is to ensure the accuracy, reliability and transparency of all processes, and to manage the risks associated with financial reporting at the Kapitalska Družba Group.

The financial statements of Kapitalska družba and the Kapitalska Družba Group for each financial year are reviewed and audited by an external auditor. On the basis of the resolution passed by the General Meeting on 6 September 2019, the financial statements for 2020 were audited by Deloitte revizija d.o.o., Ljubljana.

The internal audit departments are independent organisational units at Kapitalska družba and also at Modra zavarovalnica, and report directly to the management board and are also subordinated in functional terms to the audit committee and the supervisory board. This ensures the independence of their work and their segregation from the executive functions that are subject to auditing. The verification of the internal control systems and the provision of assurances regarding the functioning of those systems represent the core area of internal auditing work. Internal auditors assess the effectiveness of the functioning of internal controls in terms of the management of the risks to which each company is exposed. The two internal audit departments meet periodically with the aim of collaborating, exchanging experience, and ensuring greater harmonisation in their work. The two internal audit departments conduct audits of individual areas of operations in line with the annual programme of work. Internal auditing contributes to improved performance through recommendations for improvements to business processes and procedures.

III. Significant direct and indirect ownership of a company's securities in terms of achieving a qualifying holding as set out in the act governing takeovers

Explanation: Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares (100% of share capital).

IV. Holders of securities that provide special controlling rights

Explanation: The Company does not have securities that would provide special controlling rights.

V. Restrictions on voting rights

Explanation: Kapitalska družba's sole owner is the Republic of Slovenia, which holds all 874,235 ordinary registered no-par-value shares. There are no restrictions on its voting rights.

VI. Company's rules on the appointment and replacement of members of management and supervisory bodies, and changes to the Articles of Association

Explanation: The rules on the appointment and replacement of members of the management and supervisory bodies and on changes in the Articles of Association are defined in the latter.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting. The Supervisory Board comprises six members in accordance with the sixth paragraph of Article 51 of the ZSDH-1. Three members of the Supervisory Board are appointed on the basis of a proposal by SDH, while two members are appointed on the basis of a proposal by national-level federations/organisations of pensioners. One member is appointed on the basis of a proposal by national-level trade union federations or confederations. If an individual interest group does not formulate a proposal for the appointment of members of the Supervisory Board in the manner defined below, the General Meeting of the Company appoints missing members at its own discretion. The proposal for candidates to represent SDH is formulated by SDH's Management Board, which informs the Supervisory Board of its choice. The proposal for candidates to represent pensioners is formulated by national-level federations/organisations of pensioners, which inform the Supervisory Board of their choice. The proposal for a candidate to represent trade unions is voted on by representatives (electors) of national-level representative federations/confederations, which inform the Supervisory Board of their choice. Each representative federation/confederation has as many representatives as the number of representative trade unions amalgamated within them. In addition to the representatives referred to in the preceding sentence, a federation/confederation shall each have one representative for every ten thousand members. Members of the Supervisory Board serve a four-year term of office and may be reappointed.

Members of the Management Board are appointed by the Supervisory Board on the basis of a public tender. One of the members of the Management Board is appointed the President thereof. Members of the Management Board serve a four-year term of office and may be re-appointed. The Management Board or its individual members may be recalled prior to the end of their term of office, but only for the reasons set out in the second paragraph of Article 268 of the ZGD-1. A violation of the Articles of Association of Kapitalska družba that is deemed to be a serious violation of obligations may constitute a reason of culpability resulting in recall.

The Articles of Association and amendments thereto are adopted by the General Meeting of Kapitalska družba at the proposal of the Management Board and Supervisory Board.

VII. Powers of senior management, in particular powers to issue or purchase treasury shares

Explanation: The powers of senior management are set out in the Company's Articles of Association. The Management Board of Kapitalska družba has no powers to issue or purchase treasury shares.

VIII. Information on the functioning of the Company's General Meeting of Shareholders and its key competences, and a description of the rights of shareholders and how those rights are exercised

Explanation: The Company's sole shareholder exercises its rights arising from the ownership of shares at the General Meeting. The General Meeting is the Company's highest body and functions in accordance with the provisions of the ZGD-1, the ZSDH-1 and the Company's Articles of Association. The General

Meeting is convened by the Company's Management Board, as defined by the law and the Articles of Association, and whenever its convening is in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened if the shareholder requests that the Management Board do so. The shareholder's written request to convene the General Meeting must include an agenda, a proposed resolution for each proposed item of the agenda to be decided upon by the General Meeting, or an explanation of the agenda item if the General Meeting will not decide on the item in question. The convening of the General Meeting must be published at least 30 days prior to the meeting. The convening of the General Meeting is published on the websites of the AJPES and Kapitalska družba. The publication of the convening of the General Meeting must also include proposed resolutions and details of the place where all materials submitted for decision-making at the General Meeting may be accessed at the time of publication. A shareholder who is registered as such in the central register of book-entry securities at the end of the fourth day prior to the General Meeting is entitled to participate and exercise their voting rights at the General Meeting.¹⁹

The General Meeting makes decisions on basic matters relating to Kapitalska družba, in particular the adoption of the Company's Articles of Association and amendments thereto. It adopts the annual report, if the Supervisory Board has not confirmed the annual report or if the Management Board and the Supervisory Board defer the decision regarding the adoption of the annual report to the General Meeting. It decides on the use of distributable profit at the proposal of the Management Board and Supervisory Board and on the granting of discharge to members of the Management Board and Supervisory Board. It appoints and recalls members of Kapitalska družba's Supervisory Board and appoints the Company's auditor. It decides on measures to increase or reduce share capital, unless the Articles of Association or the law determine otherwise. It decides on the winding-up of Kapitalska družba and on status changes thereto, and decides on other matters in accordance with the law and the Articles of Association.

IX. Information regarding the composition and functioning of management and supervisory bodies and their committees

Explanation: The governance of Kapitalska družba is based on legal provisions and the provisions of the Company's Articles of Association. The Company has a two-tier governance system under which the Company is managed by its Management Board and the work of the latter is supervised by the Supervisory Board.

a) Supervisory Board

The responsibilities of the Supervisory Board are set out in the company's Articles of Association, while its work method is governed by the aforementioned body's rules of procedure. A detailed description of the activities and work method of the Supervisory Board in 2020 is given in the report of the Supervisory Board. The Supervisory Board of Kapitalska družba functioned in the following composition in 2020:

¹⁹ Since the entry into force of the latest amendments to the ZGD-1 on 24 February 2021, a shareholder who is registered as such in the central register of book-entry securities at the end of the seventh day prior to the General Meeting is entitled to participate and exercise their voting rights at the General Meeting.

- | Stanislav Seničar, chair;
- | Dr Boris Žnidarič, deputy-chair;
- | Aleksander Mervar;
- | Ladislav Rožič;
- | Natalija Stošički (until 8 April 2020); and
- | Mirko Miklavčič.

Three committees functioned within the Supervisory Board in 2020: an audit committee, an accreditation committee and an HR committee. The composition and work of the aforementioned committees are presented in the report of the Supervisory Board.

b) Management Board

In accordance with the ZSDH-1 and the Company's Articles of Association, the Management Board has a minimum of two and a maximum of three members. The members of the Management Board are appointed to a four-year term of office by the Supervisory Board based on a public tender procedure. Kapitalska družba, d. d. was run by its Management Board in 2020 in the following composition:

- | Bachtiar Djalil, president of the Management Board, who began his term of office on 3 January 2019;
- | Goranka Volf, who began her new term of office on 25 November 2020,²⁰ and
- | Gregor Bajraktarević, who began his term of office on 7 February 2018.

The President and members of Kapitalska družba's Management Board were appointed by the Supervisory Board in accordance with the Company's Articles of Association and the provisions of the ZSDH-1, on the basis of a public tender procedure.²¹

The Management Board manages the company in the interests thereof, independently and at its own discretion. The members of the Management Board represent Kapitalska družba independently and without restrictions. The company's Articles of Association set out the transactions and decisions for which the Management Board must obtain the consent of the Supervisory Board. The Management Board of Kapitalska družba is answerable to the Supervisory Board and the General Meeting for its work. In managing the Company's transactions, it must act with the due professional diligence of a good manager, safeguard the trade secrets of Kapitalska družba and uphold with the non-compete clause.

The Management Board exercised its powers in 2020 in accordance with the rules of procedure of that body, reported regularly to the Supervisory Board and fulfilled its obligations to the shareholder, as set out in the ZGD-1 and ZSDH-1, in accordance with the Articles of Association.

²⁰ Ms Volf began her previous four-year term of office on 24 November 2016.

²¹ In accordance with Article 33 of the Articles of Association, Goranka Volf was appointed for a term of office of no more than one year from the day she assumed her function.

Table 12: Composition of the senior management during the 2020 financial year

First name and surname	Function (President, member)	Work area as member of the Management Board	First appointment to function	Completion of function/term of office	Gender	Nationality	Year of birth	Education	Professional profile	Membership in supervisory bodies of unaffiliated companies
Bachtiar Djalil	President	Legal and HR affairs, internal audit, risk management	1 January 2010	3 January 2023	M	RS	1975	Bachelor's degree in law (Groningen)	Corporate governance, management of pension and investment funds, economic and financial law	Loterija Slovenije, d. d.
GoRanka Volf	Member	Pension fund management, finance and accounting, general affairs	24 November 2016	25 November 2021	F	RS	1959	Bachelor's degree in economics	Pension fund management, corporate governance, corporate communications	Terme Čatež, d.d.
Gregor Bajraktarević	Member	Asset management, IT and business processes	6 February 2017	7 February 2022	M	RS	1975	Master's of science	Asset management, corporate governance, investment banking and corporate restructuring	Hit, d.d.

Table 13: Composition of the Supervisory Board and its committees during the 2020 financial year

Name	Function (Chairman, Deputy Chairman, member)	First appointment to function	Completion of function/term of office	Shareholder/employee representative	Participation in Supervisory Board sessions with respect to total number (e.g. 5/7)	Gender	Nationality	Year of birth	Education	Professional profile	Independence in accordance with point 6.6 of the Code (YES/NO)	Existence of conflicts of interest	Membership in supervisory bodies of other companies	Membership on committees (e.g. audit, human resource or remuneration)	Chair/member	Participation in committee sessions with respect to total number (e.g. 5/7)
Stanislav Seničar	Chair	28 August 2013	30 August 2022	Shareholder representative	18/18	M	RS	1942	Bachelor's degree in sociology	Corporate governance	Yes	No	/	/	/	/
Boris Žnidarič	Deputy-chair	1 February 2015	1 February 2023	Pensioner representative	18/18	M	RS	1948	Doctorate of science	Master's degree in law and other social sciences, qualified university professor	Yes	No	Krka, d. d.,	Accreditation	Chair	4/4
Aleksander Mervar	Member	28 August 2013	30 August 2022	Shareholder representative	15/18	M	RS	1962	Master's of science	Finance, accounting, corporate governance, governance systems	Yes	No	Stelkom d.o.o. (until 27 January 2020), SZ d.o.o.	HR, audit, accreditation	Chair member, member	2/2 5/8 3/4
Natalija Stošički (member until 8 April 2020)	Member	8 April 2016	8 April 2020	Shareholder representative	3/3	F	RS	1966	Bachelor's degree in economics	Financial services expert	Yes	No	/	Audit, HR	Chair, member	1/1 /
Ladislav Rožič	Member	31 January 2011	1 February 2023	Trade union representative	18/18	M	RS	1957	Master's of science	Finance, corporate governance	Yes	No	/	Audit, accreditation	member and chair, member	8/8 4/4
Mirko Miklavčić	member	2 February 2019	1 February 2023	Pensioner representative	18/18	M	RS	1947	Bachelor's degree in labour governance and organisation	Finance, corporate governance and insurance	Yes	No	/	Audit, HR	Member, member	7/8 2/2

Table 14: External members of Supervisory Board committees during the 2020 financial year

Name	Committee	Participation in committee sessions with respect to total number (e.g. 5/7)	Gender	Nationality	Education	Year of birth	Professional profile	Membership in supervisory bodies of unaffiliated companies
Mojca Verbič	Audit committee	7/8	F	RS	Bachelor's degree in economics	1975	Director of Finance and Business Support Sector	/
Irena Prijović	Accreditation	4/4	F	RS	Master's of science	1968	Corporate governance	Uradni list d.o.o. Športna loterija d.d.
Alenka Stanič	Accreditation	4/4	F	RS	Doctorate of science	1963	Adviser for key personnel	/
Gorazd Žmavc	Accreditation	4/4	M	RS	Lawyer	1947	Legal affairs	/
Natalija Stošički (member from 14 April 2020)	Audit committee	7/7	F	RS	Bachelor's degree in economics	1966	Financial services expert	/

X. Description of the diversity policy that is implemented in connection with representation on the Company's management and supervisory bodies

Kapitalska družba has been unable to formulate a diversity policy in connection with the establishment of the Supervisory Board, and has not yet adopted such a policy in connection with its Management Board, as regards representation on its management and supervisory bodies in terms of gender, age, education and professional experience. It is, however, planning to adopt such a policy with regard to the Management Board in 2021. Nevertheless, it should be noted that the composition of the Supervisory Board is in line with the interests of stakeholders as prescribed by the law, as two of its six members are appointed on the basis of a proposal by a national-level federation/organisation of pensioners and one member is appointed on the basis of a proposal by national-level trade union federations or confederations, which indirectly facilitates the pursuit of certain elements of the diversity policy.



Gregor BAJRAKTAREVIĆ

Member of the Management Board



Goranka VOLF

Member of the Management Board



Bachtiar DJALIL

President of the Management Board

Ljubljana, 29 June 2021





Financial Report

A tree that can barely be embraced grew from a seed.
A tower nine stories high started on a lump of soil.
A journey thousands of kilometres long starts with a
step...

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Statement of the Management's Responsibility

The Management Board of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., approves the financial statements of the Kapitalska družba Group for the year ended 31 December 2020, and the accompanying notes and disclosures.

The Management Board confirms that the appropriate accounting policies were consistently applied, and that the accounting estimates were made under the principle of prudence and good management. The Management Board also confirms that the consolidated financial statements give a true and fair presentation of the Group's financial position and the results of its operation for 2020.

The Management Board is also responsible for the appropriate accounting system and adoption of measures to secure the property and other assets. The Management Board confirms that the consolidated financial statements and notes thereof have been compiled under the assumption of a going concern, and in accordance with the applicable legislation and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Tax authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Group's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that could give rise to possible material liability in this respect.



Gregor BAJRAKTAREVIĆ

Member of the
Management Board



Goranka VOLF

Member of the
Management Board



Bachtiar DJALIL

President of the
Management Board

Ljubljana, 29 June 2021

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Auditor's Report

INDEPENDENT AUDITOR'S REPORT to the shareholder of Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the company Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d. and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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



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Deloitte revizija d.o.o. - The company is registered with the Ljubljana District Court, registration no. 1647105 - VAT ID SI62560085 - Nominal capital EUR 74,214.30.

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Key Audit Matters

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

Financial assets

Key Audit Matter	Audit Procedures Related to Key Audit Matters
<p>Disclosures related to financial assets are included in disclosure 17.2. <i>Accounting Policies - Financial Assets</i> and Note 17. <i>Investments, excluding loans</i>.</p> <p>As at 31 December 2020, financial investments in the Group's financial statements amounted to EUR 1,461,727 thousand (2019: EUR 1,352,319 thousand), which represents 87.9% of the Group's assets as at 31 December 2020 (91.4% as at 31 December 2019).</p> <p>They comprise investments measured at fair value, investments at amortized cost, cash and cash equivalents.</p> <p>Upon initial recognition, management decides on their classification based on the purpose of their acquisition.</p> <p>Due to its importance in the Group's statement of financial position, long-term financial investments are considered a key audit matter.</p>	<p>As part of the implementation of audit procedures, we assessed the adequacy of accounting policies and checked the design and implementation of internal controls related to the recognition of investments and their periodic valuation.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> - For investments in marketable securities, we recalculated the fair value of these investments based on the values arising from the securities market as at 31 December 2020. - For investments in non-marketable securities measured at fair value, we assessed the adequacy of the assumptions used and the methodology used by the Group. In particular, we considered the assumptions used to calculate discount rates and expected future cash flows. The auditor's experts were included in the procedures for assessing the adequacy of valuation assumptions. - For investments measured at amortized cost, we recalculated the amortized cost based on data on the maturity of the investment as at 31 December 2020 and assessed the adequacy of the considered expected impairment losses. <p>We have also reviewed the information in the financial statements to assess whether the disclosures are appropriate against the requirements of applicable financial reporting standards.</p>

Technical Provisions

Key Audit Matter	Audit Procedures Related to Key Audit Matters
<p>Disclosures related to technical provisions are included in disclosure 17.2. <i>Accounting policies - Insurance contracts</i> and Note 26. <i>Provisions and long-term accrued costs and deferred revenue</i>.</p> <p>The Group recognizes technical provisions and claims provisions for the long-term business fund of the First Pension Fund, the long-term business fund of Modra renta, the long-term business fund of Modra rente II.</p> <p>Technical provisions are an important liability of the Group in the statement of financial position. The value of technical provisions as at 31 December 2020 amounts to EUR 260,226 thousand (2019: EUR 223,390 thousand). Provisions are measured in accordance with the accounting policies described in the financial statements.</p> <p>Calculating provisions for insurance contracts is complex as it involves a high degree of management judgment and complex mathematical and statistical calculations. Models for calculating the amount of technical provisions are developed separately for each category of provisions. Design depends to a large extent on economic and demographic assumptions.</p> <p>Technical provisions are accounting estimates that represent significant accounting balances. Because they are subject to a high level of judgment and we have treated them as a key audit matter.</p>	<p>We obtained an understanding of key controls and checked their operation. We reviewed the model used by the Group to calculate technical provisions, the procedures for analyzing the economic and non-economic assumptions used to calculate provisions, and the data included in the model.</p> <p>We examined the adequacy of the key management assumptions used in estimating the amount of technical provisions for individual cases and reconciled them with the relevant supporting documentation.</p> <p>Experts in the field of actuarial work were involved in the assessment of actuarial assumptions, including the discussion and assessment of management's assumptions. Experts were involved in testing the Group model, and also performed independent recalculations of provisions.</p> <p>We assessed whether the disclosed provisions are in accordance with the requirements of the accounting framework, best industry practice and legal requirements.</p> <p>We have also reviewed the information in the financial statements to assess whether the balances in them are adequately disclosed to users of the financial statements.</p>

Other information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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



Report on Other Legal and Regulatory Requirements

Appointment of the Auditor and the Period of Engagement

Deloitte revizija d.o.o. was appointed as the statutory auditor of the Company on General Shareholders' Meeting held on 6 September 2019. Our total uninterrupted engagement has lasted 9 years.

Confirmation to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 June 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

Engagement partner responsible for the audit on behalf of Deloitte revizija d.o.o. is Nina Kravanja Novak, certified auditor.

DELOITTE REVIZIJA d.o.o.

Nina Kravanja Novak
Certified auditor

For signature please refer to the original Slovenian version.

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

Ljubljana, 29 June 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

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Financial Statements for 2020

16.1 CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Item	Note	in 000 EUR	
		1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
1. Net sales revenue	1		
c) Revenue from sales on the domestic market		83,126	73,312
Total sales revenue		83,126	73,312
4. Other operating revenue, including operating revenue from revaluation	2	1,909	3,697
Total revenue		85,035	77,009
5. Costs of goods, materials and services	3		
b) Costs of materials		-288	-339
c) Costs of services		-3,748	-3,958
Total costs of goods, materials and services		-4,036	-4,297
6. Labour costs	4		
a) Payroll costs		-5,276	-4,924
b) Social security insurance costs		-848	-798
c) Pension insurance costs		-250	-241
d) Other labour costs		-498	-512
Total labour costs		-6,872	-6,475
7. Amortisation, depreciation and write-offs	5		
a) Depreciation and amortisation		-2,028	-2,115
b) Operating expenses from revaluation of fixed assets		-20	-66
c) Revaluation operating expenses associated with operating assets		-34	0
Total write-downs		-2,082	-2,181
8. Other operating expenses	6	-73,762	-59,721
Total costs		-86,752	-72,674

Item	Note	in 000 EUR	
		1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
Operating profit (loss)		-1,717	4,335
9. Financial income from participating interests	7		
b) Financial income from shares and interests in associates		4,952	18,886
c) Financial income from other shares and interests		46,448	39,572
d) Financial income from other investments		9,759	9,389
Total financial income from shares and interests		61,159	67,847
10. Financial revenue from loans given	7		
b) Financial revenue from loans to others		240	298
Total financial revenue from loans given		240	298
11. Financial revenue from operating receivables			
b) Financial revenue from operating receivables due from others		25	0
Total financial revenue from operating receivables		25	0
Total financial revenue		61,424	68,145
12. Financial expenses due to write-off and impairment of investments	8		
b) Financial expenses due to impairment and write-off of other investments		-12,576	-6,893
c) Financial expenses due to write-off and impairment of associates		-4,851	0
Total financial expenses due to impairment and write-off of investments		-17,427	-6,893
13. Financial expenses for financial liabilities	8		
b) Financial expenses for bank loans		-19	0
d) Financial expenses for other financial liabilities		-50,008	-50,000
Total financial expenses for financial liabilities		-50,027	-50,000
14. Financial expenses for operating liabilities			
c) Financial expenses for other operating liabilities		-2	0
Total financial expenses for operating liabilities		-2	0
Total financial expenses		-67,456	-56,893
Profit (loss) from ordinary activity		-7,749	15,587
17. Corporate income tax	9	-109	-2,176
18. Deferred tax	10	1,351	-10,824
19. Net profit or loss for the period	11	-6,507	2,587
a) Net profit or loss of majority owner for the period		-6,507	2,587

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

16.2 STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

	in 000 EUR	
	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
Profit or loss for the period	-6,507	2,587
Items not to be reclassified subsequently to profit or loss	51,084	124,433
Actuarial gains/losses	-72	-136
Net change in fair value reserves not to be reclassified subsequently to profit or loss	42,854	82,814
Other changes (profits/losses from derecognition of equity investments measured at fair value through other comprehensive income)	8,302	41,755
Items that may be reclassified subsequently to profit or loss	-977	-871
Net change in fair value reserves that may be reclassified subsequently to profit or loss	-977	-871
Other comprehensive income for the year	43,600	126,149

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

16.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		in 000 EUR	
Item	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
A. Non-current assets			
I. Intangible assets and long-term accrued revenue and deferred costs	12		
1. Long-term property rights		1,005	1,120
5. Other long-term deferred costs and accrued revenue		50,049	33
Total intangible assets		51,054	1,153
II. Property, plant and equipment	13		
2. Buildings		5,003	5,311
4. Other plant and equipment		1,273	1,676
Total property, plant and equipment		6,276	6,987

Item	Note	in 000 EUR	
		31 Dec. 2020	31 Dec. 2019
III. Investment property	14	25,049	27,925
IV. Long-term investments			
1. Long-term investments, except loans			
b. Shares and interests in associated companies	15	81,327	87,014
c. Other shares and interests	17	1,025,126	909,173
d. Other long-term investments	17	287,664	283,024
Total long-term investments, except loans		1,394,117	1,279,211
2. Long-term loans			
b. Long-term loans to others	18	9,805	14,949
Total long-term loans		9,805	14,949
Total long-term investments		1,403,922	1,294,160
V. Long-term operating receivables	19		
3. Long-term operating receivables due from others		168	167
Total long-term operating receivables		168	167
VI. Deferred tax assets	10	19,958	18,552
Total fixed assets		1,506,427	1,348,944
B. Current assets			
I. Assets held for sale	16	870	0
III. Short-term investments			
1. Short-term investments, except loans			
d. Other short-term investments	17	66,740	73,108
Total short-term investments, except loans		66,740	73,108
2. Short-term loans	18		
b. Short-term loans to others		14,016	27,176
Total short-term loans		14,016	27,176
Total short-term investments		80,756	100,284
IV. Short-term operating receivables	19		
2. Short-term trade receivables		3,606	3,034
3. Short-term operating receivables due from others		3,995	1,060
4. Other short-term operating receivables		52,554	3,071
Total short-term operating receivables		60,155	7,165
V. Cash	20	14,723	23,270
Total current assets		156,504	130,719
Total assets		1,662,931	1,479,663

Item	Note	in 000 EUR	
		31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES			
A. Equity			
I. Called-up capital	21	364,810	364,810
II. Capital surplus	22	217,625	217,494
V. Fair value reserves	23	384,336	342,205
VI. Net profit or loss brought forward		261,119	250,562
VII. Net profit or loss for the financial year		-6,507	2,587
Total equity of the majority owner		1,221,383	1,177,658
Total equity		1,221,383	1,177,658
B. Provisions and long-term accrued costs and deferred revenue			
I. Provisions for pensions and similar liabilities	26	510	497
II. Other provisions		276,530	235,711
Total provisions and accrued costs and deferred revenue		277,040	236,208
C. Non-current liabilities			
I. Non-current financial liabilities			
4 Other non-current financial liabilities	24	50,000	0
Total non-current financial liabilities		50,000	0
II. Non-current operating liabilities			
4 Non-current operating liabilities from advances	25	10	15
5 Other non-current operating liabilities		123	69
Total non-current operating liabilities		133	84
III. Deferred tax liabilities		54,047	50,752
Total non-current liabilities		104,180	50,836
D. Current liabilities			
II. Current financial liabilities			
4 Other current financial liabilities	24	1	1
Total current financial liabilities		1	1
III. Current operating liabilities			
2 Current trade payables	25	2,975	3,032
5 Current liabilities to the state		50,439	33
6 Current corporate income tax liabilities		109	1,871
7 Other current operating liabilities		6,804	10,024
Total current operating liabilities		60,327	14,960
Total current liabilities		60,328	14,961
Total equity and liabilities		1,662,931	1,479,663

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

16.4 CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

	in 000 EUR	
	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
A. Cash flows from operating activities		
a) Net profit or loss and adjustments		
Profit or loss before tax	-7,749	15,587
Income taxes and other taxes not included in operating expenses	-109	-2,176
Adjustments for amortisation and depreciation	2,027	1,753
Adjustments for financial revenue from financing activities	-61,921	-68,145
Adjustments for financial expenses from financing activities	66,247	38,469
Total income statement items	-1,505	-14,512
b) Changes in net operating assets in balance sheet items		
Opening less closing operating receivables	-52,991	51,969
Opening less closing deferred tax assets	-1,406	12,732
Opening less closing assets (disposal groups) held for sale	-870	14,418
Closing less opening operating liabilities	45,367	-49,414
Closing less opening provisions	40,832	29,096
Closing less opening deferred tax liabilities	3,295	11,642
Total items of net current assets – operating items in the balance sheet	34,227	70,443
c) Net cash from (used in) operating activities	32,722	55,931
B. Cash flows from investing activities		
a) Cash receipts from investing activities		
Receipts from interest and dividends received from investing activities	37,362	32,136
Receipts from disposal of property, plant and equipment	111	38
Cash receipts from disposal of investment property	2,488	0
Receipts from disposal of long-term investments	28,174	172,003
Receipts from disposal of short-term investments	99,988	69,768
Total cash receipts from investing activities	168,123	273,945
b) Cash disbursements for investing activities		
Disbursements to acquire intangible assets	-352	-301
Disbursements to acquire property, plant and equipment	-114	-157
Disbursements to acquire investment property	-282	-296
Disbursements to acquire long-term investments	-103,747	-241,420
Disbursements to acquire short-term investments	-55,028	-36,454
Total cash disbursements for investing activities	-159,523	-278,628
c) Net cash from (used in) investing activities	8,600	-4,683

	in 000 EUR	
	1 Jan. to 31 Dec. 2020	1 Jan. to 31 Dec. 2019
C. Cash flows from financing activities		
a) Cash receipts from financing activities		
Cash from paid-in capital	131	163
Total cash receipts from financing activities	131	163
b) Cash disbursements for financing activities		
Disbursements for repayment of current financial liabilities	-50,000	-50,000
Total cash disbursements for financing activities	-50,000	-50,000
c) Net cash from (used in) financing activities	-49,869	-49,837
D. Closing balance of cash		
a) Net cash for the period	-8,547	1,411
b) Opening balance of cash	23,270	21,859
c) Total closing balance of cash	14,723	23,270

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

16.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 1 JANUARY TO 31 DECEMBER 2020

in 000 EUR

	Share capital	Capital surplus	Reserves arising from valuation at fair value	Net profit or loss brought forward	Net profit or loss for the period	Equity – majority shareholders	Total
A. 1. Balance as at 31 December 2019	364,810	217,494	342,205	250,562	2,587	1,177,658	1,177,658
b) Retrospective adjustments (change in accounting policies)	0	0	0	-6	0	-6	-6
A. 2. Balance as at 1 January 2020	364,810	217,494	342,205	250,556	2,587	1,177,652	1,177,652
B. 1. Changes in equity – transactions with owners	0	131	0	0	0	131	131
d) Additional paid-in capital	0	131	0	0	0	131	131
B. 2. Total comprehensive income for the period	0	0	41,805	8,302	-6,507	43,600	43,600
a) Net profit or loss for the period	0	0	0	0	-6,507	-6,507	-6,507
e) Changes in reserves arising from valuation of investments at fair value	0	0	41,902	0	0	41,902	41,902
f) Changes in reserves arising from valuation of investments at fair value – associates	0	0	-25	0	0	-25	-25
g) Other components of comprehensive income for the period	0	0	-72	8,302	0	8,230	8,230
B. 3. Changes in equity	0	0	326	2,261	-2,587	0	0
a) Allocation of the remaining net profit for the comparative period to other equity components	0	0	326	2,261	-2,587	0	0
C. Closing balance as at 31 December 2020	364,810	217,625	384,336	261,119	-6,507	1,221,383	1,221,383

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

16.6 CONSOLIDATED 1.1 STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

in 000 EUR

	Share capital	Capital surplus	Reserves arising from valuation at fair value	Net profit or loss brought forward	Net profit or loss for the period	Equity – majority shareholders	Total
A. 1. Balance as at 31 December 2018	364,810	217,331	259,809	233,725	-24,329	1,051,346	1,051,346
A. 2. Balance as at 1 January 2019	364,810	217,331	259,809	233,725	-24,329	1,051,346	1,051,346
B. 1. Changes in equity – transactions with owners	0	163	0	0	0	163	163
d) Additional paid-in capital	0	163	0	0	0	163	163
B. 2. Total comprehensive income for the period	0	0	81,807	41,755	2,587	126,149	126,149
a) Net profit or loss for the period	0	0	0	0	2,587	2,587	2,587
e) Changes in reserves arising from valuation of investments at fair value	0	0	81,892	0	0	81,892	81,892
f) Changes in reserves arising from valuation of investments at fair value – associates	0	0	51	0	0	51	51
g) Other components of comprehensive income for the period	0	0	-136	41,755	0	41,619	41,619
B. 3. Changes in equity	0	0	589	-24,918	24,329	0	0
a) Allocation of the remaining net profit for the comparative period to other equity components	0	0	589	-24,918	24,329	0	0
C. Closing balance as at 31 December 2019	364,810	217,494	342,205	250,562	2,587	1,177,658	1,177,658

Disclosures and notes on pages 90 to 174 form an integral part of the financial statements.

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Disclosures and notes

17.1 GENERAL DISCLOSURES

Parent company profile

Kapitalska družba is a public limited company with its registered office at Dunajska cesta 119, Ljubljana, Slovenia. The sole shareholder of Kapitalska družba is the Republic of Slovenia. The share capital of the Company totals EUR 364,809,523.15 and is divided into 874,235 registered no-par value ordinary shares. Each share has the same interest and the attributed amount in the share capital. The rights of the sole shareholder, i.e. the Republic of Slovenia, are exercised by the Government of the Republic of Slovenia.

The activities of Kapitalska družba are defined by law and by the Company's Articles of Association. On the basis of the Standard Classification of Activities, according to the Company's Articles of Association and entry in the Companies Register, Kapitalska družba also performs other activities related to asset management and services related to support to asset management: other financial intermediation, pension funding, activities ancillary to pension funding, trade in own property, lease of own property, software supply and consultancy, data processing, network data services, other computer related activities, accounting and bookkeeping services, tax consultancy, market research and public opinion polling, business and other management consultancy, activities of holding companies, publishing of journals and periodicals, and other educational services.

Individual financial statements of Kapitalska družba, d. d., were issued on 31 March 2021, and the auditor's unmodified opinion was issued on 13 May 2021.

Amendments to the Articles of Association and the Rules on Appointing the Management Board and the Supervisory Board of the Controlling Company

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

Members of the Management Board are appointed by the Supervisory Board on the basis of a public job announcement. One member of the Management Board is appointed President of the Management Board. The term of office of the Management Board members is four years with the possibility of re-appointment. The Management Board or any of its members may be dismissed early only due to the reasons referred to in Article 268(2) of ZGD-1. Breach of the Articles of Association of Kapitalska družba representing a severe dereliction of duties may constitute cause for dismissal.

The Management Board of Kapitalska družba is not authorised to issue or purchase treasury shares.

The Supervisory Board of Kapitalska družba is appointed by the Company's General Meeting of Shareholders. In compliance with Article 51(6) of ZSDH-1, the Supervisory Board is composed of six members. Three members of the Supervisory Board are appointed on the proposal of Slovenski državni holding, d. d. (Slovenian Sovereign Holding – SDH), two members on the proposal of the pensioners' organisations at the state level and one member on the proposal of trade union associations or confederations which are representative of the country. If stakeholders do not formulate a proposal for the appointment of Supervisory Board members as defined below, the missing members of the Supervisory Board are appointed at the discretion of the General Meeting of Shareholders. The candidates from among the representatives of SDH, d. d. are proposed by the Management Board of the Slovenian Sovereign Holding, which informs the Supervisory Board about the selection. The candidates from among the representatives of the pensioners are proposed by the pensioners' organisations and associations at the state level, which inform the Supervisory Board about the selection. The candidates from among the representatives of the trade unions are elected by the representatives (electors) of the representative government-level trade union associations or confederations, which inform the Supervisory Board about the selection. Any representative association or confederation has the number of representatives equal to the number of the representative trade unions it comprises. In addition to the representatives referred to in the previous sentence, the association or confederation elects another representative for every ten thousand members. The term of office of the Supervisory Board members is four years with the possibility of re-appointment.

Subsidiaries

Subsidiaries of Kapitalska družba are presented in the table below.

Subsidiary	Country	Share in equity	in 000 EUR	
			Equity as at 31 Dec. 2020	Net profit or loss for 2020
Modra zavarovalnica, d. d.	Slovenia	100.00%	274,213	3,981
Hotelske nepremičnine, d. o. o.	Slovenia	50.00%	12,822	409

The remaining 50% of the share in equity of the company Hotelske nepremičnine, d. o. o. is held by Modra zavarovalnica, d. d.

Kapitalska družba, d. d. consolidates Modra zavarovalnica, d. d. and Hotelske nepremičnine, d. o. o.

Consolidation

The consolidation of financial data takes place at Kapitalska družba, d. d. as the highest level. The consolidated Annual Report of the Kapitalska družba Group is published at http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila.

Own interests

The Group has no own shares.

Employees

At the end of 2020, there were 125 employees in the Kapitalska družba Group, 61 of which were employees of Kapitalska družba, d. d. and 64 of Modra zavarovalnica, d. d., while Hotelske nepremičnine, d. o. o. has no employees.

Table 15: Number of employees in the Kapitalska družba Group

	Balance as at 31 Dec. 2020	Balance as at 31 Dec. 2019
Kapitalska družba Group	125	120

17.2 ACCOUNTING POLICIES

Basis for preparation

The financial statements for 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, and the Companies Act.

The data in the financial statements are based on book-keeping documents and books of account kept in line with the International Financial Reporting Standards. Financial statements have been compiled by taking into account the fundamental accounting assumptions: going concern, consistency and accrual basis. Accounting policies have been formulated by taking into account qualitative characteristics: understandability, relevance, reliability and comparability.

Significant accounting estimates and judgements

The preparation of financial statements requires the managements to make certain estimates and assumptions that affect the reported amounts of assets and liabilities of the Group as well as the amounts of revenue and expenses.

The adequacy of used assumptions and estimates is checked periodically.

Relevant estimates refer to impairment of assets, and classification and valuation of financial instruments (including determining their fair value) based on the adopted business models and the cash flow test, and the establishment of provisions.

As at the date of statement of financial position, the manager assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. If such evidence exists, the financial investment is revalued for impairment.

The estimates of asset fair value mainly depend on the current and expected macroeconomic situation in the EU and other relevant markets where the Company operates that affect the future cash flow projection, the interest rates influencing the required return both on debt and equity capital, and the stock prices, which also influence the estimated fair value of the financial instruments.

The assessments and estimates are also applied in determining the (useful) life of fixed assets and investment property, the basis for impairment of financial assets exposed to credit risk and the setting of value of long-term provisions.

We have analysed the impact of Covid-19 on accounting estimates and found effects on valuations of companies, where the impact of Covid-19 on the operations of those companies and valuations themselves was taken into account. There was also an impact on the calculation of expected credit losses, which are higher for individual investments due to increased credit risk, as a result of changes in the estimates of risk parameters, especially the probability of default and loss given default.

Statement of compliance

The consolidated financial statements of Kapitalska družba, d. d. and all its subsidiaries (hereinafter the Group) have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as well as the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and the European Union (EU).

In its financial statements, the Group applied all IFRS and IFRIC required in 2020. It did not apply any standard or interpretation before its application became obligatory in 2020.

Amendments to standards and interpretations

Initial application of new amendments to the existing standards effective for the current reporting period

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

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

- | Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

Standards and amendments to the existing standards issued by the IASB and adopted by the EU but not yet effective

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

New standards and amendments to the existing standards issued by the IASB but not yet adopted by the EU

At present, the IFRS as adopted by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU on the day these financial statements were published (the effective dates indicated below apply for entire IFRS issued by the IASB):

- | IFRS 14 – Regulatory Deferral Accounts (effective for annual periods starting on or after 1 January 2016) – European Commission concluded not to start the procedure for endorsement of this interim standard and to wait for its final version to be;
- | IFRS 17 – Insurance Contracts, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023);
- | Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current and Non-Current (effective for annual periods beginning on or after 1 January 2023);
- | Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IFRS 3 – Business Combinations – References to the Conceptual Framework with Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022);
- | Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- | Amendments to IFRS 9 – Financial Instruments and IFRS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and

IFRS 16 – Leases – Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021);

- I Amendments to various standards due to Improvements to IFRS Standards 2018–2020, resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily with a view to remove inconsistencies and to clarify wording (Amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 refers only to the illustrative example, therefore the effective date is not specified).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

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

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

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

Foreign currency translation

The financial statements of the Group are presented in the euro (EUR), which is the functional and reporting currency of the Group. Assets and liabilities originally expressed in foreign currencies are retranslated into the domestic currency at the reference exchange rate of the ECB. Foreign currency transactions are initially recognised in the functional currency, translated at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing on the date of the statement of financial position. Any differences arising on the translation of foreign currencies are recognised in the income statement. Non-monetary assets and liabilities, recognised at historical cost in foreign currency, are translated at the exchange rate applicable on the day of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currency are translated at the exchange rate effective on the day when the fair value was established.

Basic policies

The financial statements have been prepared on a going concern basis, which the management of Kapitalska družba, d. d. has determined to be appropriate even in the event of a reorganisation or merger of Kapitalska družba, d. d. with Nacionalni demografski sklad.

The items in the separate financial statements are presented in the euro, rounded to the nearest thousand (000 EUR), except where specifically stated otherwise.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kapitalska družba, d. d. and its subsidiaries as at 31 December of each year. The financial statements of subsidiaries are prepared for the same financial year as the financial statements of the parent company using uniform accounting policies. In the event of inconsistencies in accounting policies, relevant adjustments are made in the consolidated financial statements.

All inter-company transactions and balances, including unrealized profits arising from inter-company transactions and balances, are eliminated in full.

All subsidiaries are consolidated as at the date when control is transferred to the Group, and consolidation of a subsidiary is discontinued when the Group no longer controls the subsidiary. If the Group loses control of a subsidiary during the year, the results of the subsidiary are included in the consolidated financial statements until the date when the Group still had control of the subsidiary.

Intangible assets

Intangible assets, acquired individually, are recognised at cost. Subsequent to initial recognition, the cost model is applied. The useful life of an item of intangible assets is limited. Amortisation of an intangible asset is recognised in the income statement. Internally generated intangible assets, except of development costs, are not capitalised. Costs represent expenses of the period in which they are incurred.

The carrying amount of an intangible asset is reviewed annually for impairment, if the asset has not been put to use, or more frequently when there are indications of impairment. Disclosed intangible assets are impaired when their carrying amount exceeds their net recoverable amount. In the event of impairment, the carrying amount of the asset is decreased to its net recoverable amount and at the same time an expense arising from impairment is recognised directly in profit or loss.

The amortisation of intangible assets is accounted for under the straight-line basis over the estimated useful life of the assets:

Asset	Amortisation rate in %
Software	20.00–33.33

The amortisation of intangible assets is accounted for under the straight-line basis over the estimated useful life of the assets: The estimated useful life of software applications is 3 to 5 years.

The Group reviews the value of its assets in order to establish the existence of and the amount of impairment. If the carrying amount of an asset exceeds its estimated recoverable amount, i.e. the value in use, it is written down to the recoverable amount against operating expenses.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between its sales value and the carrying amount and are recognised as revenue or expenditure in the income statement, when the asset is disposed of or derecognised.

Property, plant and equipment

Buildings and equipment are carried at cost, less depreciation and impairment losses. Depreciation is accounted for under the straight-line basis over the estimated useful life of the assets:

Asset	Depreciation rate in %
Buildings	3.00–3.33
Equipment	16.67–33.33
Building parts	6.00

Every year an impairment test is carried out on property, plant and equipment. Impairment is made if the asset's estimated recoverable amount is less than its carrying amount. The Group decreases the carrying amount of such assets to their recoverable amount. The decrease is disclosed as impairment loss directly in the income statement.

Land, buildings or equipment are derecognised when the relevant asset is sold or when the Group no longer expects economic benefits from the asset's continuing use. Gains and losses arising from derecognition of the asset are included in the income statement in the year in which the asset is eliminated from the books of account.

The residual value of the assets, their estimated useful lives and/or the amortisation or depreciation method are revised and, if necessary, changed annually upon the compilation of the 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 low value assets. Low value assets whose individual cost does not exceed EUR 500 may be classified as costs of materials.

Maintenance costs and increase in fixed assets value

Maintenance costs are the costs arising from the conclusion and execution of transactions required to maintain the conditions allowing the use and the achievement of the primary purpose of the building. Maintenance comprises all works according to the regulations on building of facilities and functioning of fire protection systems and other protection and rescue measures.

Criteria for deferral of maintenance costs and increase in fixed assets value

Maintenance costs include the costs of maintaining a fixed asset useful during its useful life. The increase in fixed asset comprises costs required to increase the future benefits of a fixed asset in comparison to past benefits.

Investment property

Investment property that qualifies for recognition is initially measured at cost. The cost of investment property comprises the purchase price and all costs directly attributable to the acquisition. Such costs include costs of legal services, real estate transfer tax, and other transaction costs.

The Group recognises investment property when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably. Investment property includes the real property that is not used by the Group for its principal activity.

Investment property is measured at cost, reduced by depreciation and impairment losses. The depreciation rate of investment property is between 3.00 and 3.33 percent annually and the estimated useful life is 33.33 or 30 years. The depreciation rate of parts of investment property is 6.00 percent annually and the estimated useful life is 16.67 years.

The depreciation rate of parts of investment property is 6.00 percent annually and the estimated useful life is 16.67 years. Impairment is made if the investment property's estimated recoverable amount is less than its carrying amount. The Group reduces the carrying amount of such investment property to its recoverable amount. The decrease is disclosed as impairment loss directly in the income statement.

Gains or losses arising on elimination or disposal of investment property are determined as the difference between the net return on disposal and the carrying amount, and are recognised in the income statement.

The cash generating unit includes investment property by locations.

Financial assets

Classification and measurement of financial assets

The Group classifies financial assets based on:

- a) the business model for financial asset management:
 - holding financial assets for the purpose of collecting contractual cash flows,
 - holding financial assets for the purpose of collecting contractual cash flows and selling financial assets,
 - holding financial assets for the purpose of selling;
- b) the characteristics of contractual cash flows of the financial asset.

The business model for obtaining contractual cash flows includes bonds and short-term securities intended for reducing the volatility of the entire portfolio that are upon acquisition expected not to be sold prior to the maturity date.

The business model aimed at holding assets with the purpose of obtaining contractual cash flows and selling investments comprises investments that are neither held for trading nor intended to reduce the volatility of the entire portfolio.

The business model intended for holding assets for sale encompasses investments that are at the time of acquisition identified as having been obtained in order to exploit price fluctuations in financial markets and create cash flows through the sale of assets that are upon purchase expected to be sold within 12 months from the date of purchase.

After initial recognition the Group measures financial assets:

- a. at amortised cost AC;
- b. at fair value through other comprehensive income (FVTOCI); or
- c. at fair value through profit or loss, (FVTPL), namely:
 - financial assets held for trading (including derivatives);
 - financial assets mandatorily measured through profit or loss – assets that do not pass the cash flow test (SPPI, solely payments of principal and interest);
 - financial assets designated as measured through profit or loss on the basis of the business model.

Upon initial recognition, a financial asset (except for trade receivables) is measured at fair value; if a financial asset is not measured at fair value through profit or loss, the transaction costs that arise directly from the acquisition or issue of a financial instrument must be added or deducted.

The Group discloses investments in the equity of other companies that are of the same type and of the same issuer using the weighted average price method, separately for each group of investments. Investments in purchased bonds that comprise investments in financial liabilities of other companies are stated according to the classification of investments as follows:

- | financial assets measured at fair value through profit or loss are recorded using the weighted average price method;
- | financial assets measured at amortised cost are stated at amortised cost;
- | financial assets measured at fair value through other comprehensive income are disclosed using the FIFO method;
- | loans are stated at amortised cost.

Debt instruments have to be measured at amortised cost if both of the following conditions are met::

- | the financial instrument is held in the context of a business model intended for holding financial assets to collect the contractual cash flows; and
- | the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt financial instrument should be measured at fair value through other comprehensive income if it meets the following two conditions:

- | the financial instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- | the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss:

- | if it is a debt instrument and is not classified in any of the above measurement categories, provided one of the conditions specified below is fulfilled:
 - i. according to the business model, the financial instrument was upon initial recognition classified into the category at fair value through profit or loss;

- ii. the financial instrument did not pass the cash flow test;
- l it is an equity instrument and is not classified in the category measured at fair value through other comprehensive income;
- l doing so eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- l it is a derivative.

The Group may decide to measure certain investments in equity instruments at fair value through other comprehensive income.

Gains and losses on financial assets

A gain or a loss on a financial asset that is measured at fair value is recognised in profit or loss.

A gain or a loss on a financial asset measured at fair value through other comprehensive income (except for shares and equity interests) is recognised in other comprehensive income, net of gains or losses arising from impairment and exchange rate gains or losses, until the financial asset is derecognised or reclassified. Upon derecognition of a financial asset, cumulative gains or losses that were previously recognised in other comprehensive income are reclassified from equity to profit or loss. If a financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss previously recognised in other comprehensive income according to IFRS 9 5.6.5. and 5.6.7. Interest calculated by using the effective interest method is recognised in profit or loss.

Investments in equity instruments

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading and is also not contingent consideration of an acquirer in a business combination to which IFRS 3 applies. If the Group chooses to do so, it recognises dividends from that investment when the financial asset is derecognised, while the cumulative gain or loss is reclassified from other comprehensive income to other equity items.

Investments in associated companies

An associate is a company in which the parent company has significant influence and which is neither a subsidiary nor a joint venture.

The Group classifies and measures investments in associated companies in accordance with IFRS 9 and states them at fair value through other comprehensive income.

Investments in abandoned securities

Kapitalska družba, d. d., may not exercise the voting rights arising from dematerialised securities acquired in line with Article 48.a of the Book Entry Securities Act (ZNVP-1) that represent the target company's securities as at the day of transfer in line with paragraph 2 of Article 48.b of the said act. Due to the above, investments in these companies are not consolidated.

Assessment of contractual cash flows

The Group classifies a debt instrument based on its contractual cash flow characteristics:

- a. if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows;
- b. if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group has to verify if the contractual cash flows from the financial asset are solely payments of principal and interest on the principal amount outstanding. For this purpose, the Group carries out the SPPI test (Solely Payments of Principal and Interest).

If a contractual cash flow characteristic could have an effect on the contractual cash flows that is more than de minimis (in each reporting period or cumulatively) but that cash flow characteristic is not genuine, it does not affect the classification of a financial asset.

A feature of contractual cash flows is non-genuine if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

Changes in cash flows and derecognition of a financial asset

The Group derecognises a financial asset only when:

- a. the contractual rights to the cash flows from the financial asset expire; or
- b. it transfers the financial asset as set out in IFRS 9 3.2.4 and 3.2.5 and the transfer qualifies for derecognition.

If a new agreement on the contractual cash flows of a financial asset has been concluded or the contractual cash flows have been modified in any other way, and the renegotiated agreement or the modifications do not lead to derecognition, the Group must recalculate the modification gain/loss in profit or loss calculated as the difference between gross carrying amount before and after the modification.

The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial instrument's original effective interest rate (or at the credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when reasonable, at changed effective interest rate.

The carrying amount of the modified financial asset is adjusted by any costs and fees amortised over the remaining term of the financial asset (IFRS 9 5.4.3).

If the Group cannot establish a system for calculating modification gain/loss without undue costs or effort, it may nevertheless derecognise all financial instruments that are not eligible for derecognition.

Measurement and classification of exposures into groups for the purpose of assessing credit losses

For the purpose of assessing credit losses subject to impairment requirements, the Group classifies the following as at the reporting date:

- | financial assets measured at amortised cost;
- | debt financial assets measured at fair value through other comprehensive income;
- | off-balance sheet liabilities from credit commitments and financial guarantee contracts;

taking into account:

- a. exposures where no significant increase in credit risk has occurred since initial recognition, for which value adjustments or provisions for credit losses are measured on the basis of 12-month expected credit losses (stage 1);
- b. exposures where a significant increase in credit risk has occurred since initial recognition until the reporting date, for which value adjustments or provisions for credit losses are measured on the basis of lifetime expected credit losses (stage 2);
- c. exposures in the position of significantly decreased solvency and default (stage 3).

Phase 3 includes financial assets purchased or originated upon initial recognition defined as unpaid exposures, i.e. purchased or originated credit-impaired financial assets (POCI). In subsequent reporting periods the Group applies an individual approach to the financial assets recognised as POCI with interest recognised only based on payment. If this is not the exposure in question, the Group classifies the exposure in stage 1 at initial recognition.

The Group does not calculate expected credit losses for cash and cash equivalents. In defining the increase in credit risk, the Group classifies operating liabilities into stages based on the number of days in default according to the recommendations of IFRS 9. A receivable is automatically classified in stage 2, when the payment is more than 30 days past due; a receivable is automatically classified in stage 3, when the payment is more than 90 days past due. The Group applies the simplified model to operating receivables and follows these rules in case of credit risk increase: a) when the receivable moves to stage 2, the Group makes an impairment for 50 % of the original amount and b) when the receivable moves to stage 3, the Group makes an impairment for 100 % of the original amount.

Upon subsequent measurement, the Group assesses according to IFRS 9 5.5.9 whether the credit risk of exposure has increased significantly since initial recognition until the reporting date.

If the credit risk has not increased significantly or in the case of low credit risk exposure, the exposure remains classified in stage 1 in accordance with IFRS 9 5.5.5 and 5.5.10.

If the credit risk has increased significantly and the exposure has not yet been designated unpaid, the Group classifies it in stage 2 according to IFRS 9 5.5.3.

In accordance with IFRS 9 5.5.4 the Group assesses significant increase in credit risk considering all reasonable and supportable information at the level of an exposure. Under IFRS 9 B 5.5.16, the Group may assess a significant increase in credit risk also on a group exposure level, but only if reasonable and supportable information (factors or indicators) for a particular exposure cannot be obtained without undue cost or effort or cannot be assessed at the level of a particular exposure.

The assessment of a significant increase in credit risk is based on clearly predefined quantitative and qualitative criteria which may vary for individual exposure groups, i.e. relevant portfolios, groups of portfolios, or elements of portfolios.

The basic criterion considered by the Group for classification into stages is the credit rating or internal rating of a particular financial instrument. The internal rating is defined by use of an algorithm in the information system and is based on international credit ratings, or, in the absence of international credit ratings, it is determined internally. The Group uses the Bloomberg Credit Rating as the primary source for determining the internal credit rating.

The Group regularly checks international ratings of investment grade financial instruments and financial instruments with non-investment grade ratings in the accounting period.

The Group must measure the expected losses on a debt financial instrument by using the approach that reflects the following:

- | an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- | the time value of money; and
- | reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group classifies exposures by group according to the common characteristics of credit risk. Upon initial recognition, financial instruments are classified into the following segments:

- | country;
- | corporates; and
- | financial institutions.

If the Group were to obtain new relevant information or if the changed expectations about credit risk indicated that a permanent change was needed, exposures could be segmented differently.

The Group classifies exposures in stages 1, 2 and 3 by employing its own methodology for estimating expected credit losses based on risk parameters:

- | exposure at default (EAD);
- | probability of default (PD); and
- | loss given default (LGD).

The estimates of the risk parameters that the Group takes into account when assessing expected credit losses are based on past events, current conditions and forecasts regarding future economic circumstances.

In the event that the Group does not have sufficient data to provide reliable estimates of the risk parameters for calculating expected credit losses, it can use commercially available data (e.g. data from credit rating agencies) or a combination of own and external data.

If the Group does not have sufficient data about a particular investment or transaction, it may use:

- | the parameters of the controlling company;
- | the parameters of a comparable financial instrument;
- | the parameters of a country, if the financial instrument has been issued by a central/regional/local government, a public sector entity or a central bank.

The Group uses the EAD risk parameters as derived from the amortisation plans (use of contractual cash flows). EAD risk parameters are not corrected for the impact of macroeconomic risk factors.

The EAD risk parameter represents the exposure estimate at the future default date, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest. This is the expected credit exposure at a specific time.

The Group applies its own PD risk parameter for each segment (country, company, financial institutions) and for each credit rating.

It calculates risk parameters based on the PD data from the S&P credit rating agency, separately for countries, companies and financial institutions. Historical PD by individual rating (credit rating) is used for the calculation.

For exposures to central governments and central banks, financial institutions, regional governments or local governments, and to public sector entities, the Group uses Moody's issuer-weighted average recovery rates (LGD – country). For exposures to companies, the Group uses Moody's issuer-weighted average recovery rates (LGD – companies).

In the process of integrating future information in determining significant increases in credit risk and calculating expected credit losses, the Group takes into account the macroeconomic scenarios that already include the impact of the Covid-19 pandemic.

Due to the impact of the pandemic, the Group perceived increased credit risk and a temporary deterioration of the macroeconomic environment, which, in line with the model it uses, increased the probability of default (PD) and loss given default (LGD); which increases expected credit losses.

In order to consider the economic cycles in calculating the probability of default, the Group takes into account forecasts of future economic performance and an adjustment for the economic cycle for the first three years in all classes of investments (government and corporate bonds and bonds of financial institutions).

Fair value measurement

Pursuant to IFRS 13, the Group determines fair value of investments as the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date. The measurement date is the date on which an investment is valued, which is the last day of the month. In case of such a transaction, fair value is measured based on the assumption that the transaction is taking place on the principal market, or in the absence of a principal market, on the most advantageous market.

Upon investment acquisition, the Group determines one of the following as the principal market for that investment:

- | stock exchange market (for equity and debt instruments and collective investment trusts), or
- | traders' market or OTC²² (market for debt investments).

At the measurement date, the Group checks again the market that was defined as the principal market of that investment upon acquisition.

At the measurement date, the Group verifies if the relevant market is active.

In case of exchange trading, the assumption of an active market is fulfilled if the average amount of an individual investment traded in a day over the last 180 days from the date of fair value measurement exceeds EUR 0.5 million, taking into account the number of trading days (in case of Ljubljana Stock Exchange, the average daily turnover of EUR 0.1 million is taken into account, while this does not apply to the determination of an active market for investments owned by Modra zavarovalnica, d. d.). In the event of an active exchange, fair value is measured using the last known quoted price. In the event of less liquid exchange markets, fair value is measured using the most recent quoted price of not more than 90 days. If neither of the above applies, fair value of the investment is measured on the basis of the valuation technique.

In the event of off-exchange trading, i.e. OTC market, the assumption of active market is fulfilled if the CBBT²³ price is quoted for at least a half of trading PDI the last 30 days from the measurement date. In the event of an active OTC market, fair value is measured using the last known CBBT price. If the OTC market is less liquid, the last known CBBT price not older than 90 days is used for fair value measurement. If the CBBT price is not available, fair value may be measured using the BVAL²⁴ price, if available. If neither of the above applies, fair value of the investment is measured on the basis of the valuation technique.

For bonds, a valuation model is used which includes benchmark against the current fair value of another instrument with similar main characteristics. Amortised cost model is applied when determining fair value of treasury and commercial bills by use of the effective interest rate.

22 OTC (Over-The-Counter) market, transactions involving securities and agreed bilaterally between two parties outside the organised market.

23 Composite Bloomberg Bond Trader is Bloomberg information on real-time prices of bonds. Bloomberg calculates the price of a bond based on the weighted average price (both indicative and binding) drawn from by a larger number of different dealers.

24 Bloomberg Valuation Service refers to Bloomberg information about the price of an individual bond at the end of trade date. The BVAL price is calculated based on the information about the price of concluded transactions and binding quotations, whereas the majority of BVALs is calculated applying models.

Commercial papers of Slovenian issuers are stated using the amortised cost model, automatically considering the effective interest rate.

Value of shares can be estimated using the following valuation techniques: market based valuation approach, income approach and, in certain cases, asset approach. Valuation is based on the most recent information on a company's performance, which must not be older than 3 to 6 months from the fair value measurement date to which the value estimate will be applied. Market data and parameters used in the valuation process must include the most recent information and must be compliant with the date the estimated value will be applied to. If 3 to 6 months old information on the company's performance cannot be obtained, or if the information does not suffice for valuation, the value can be exceptionally estimated by using older data, which however must not be older than 12 months. When applying the market approach, comparative companies should be selected taking into account their comparability in the context of industry, size, growth potential, the availability of historical data on operations and other possible elements affecting comparability of individual companies.

In line with IFRS 13.69, fair value is measured applying unadjusted, quoted prices in active markets.

For valuation, the Group uses as unadjusted, quoted price exclusively the closing quote on stock exchange or closing CBBT or BVAL price.

Criteria for classification of investments based the level of the fair value hierarchy

Investments at fair value are classified based on the fair value level pursuant to IFRS 13. To increase consistency and comparability in fair value measurements, IFRS 13 defines fair value hierarchy, which categorises the inputs used in valuation techniques into three levels:

- | Level 1 inputs are (unadjusted) quoted prices in active markets for identical investments that the entity can access at the measurement date;
- | Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Pursuant to IFRS 13.82, level 2 inputs include:
 - quoted prices for similar investments in active markets,
 - quoted prices for identical or similar assets in less liquid 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:
 - BVAL price (the Bloomberg Valuation Service),
 - Fair values obtained based on internal or external valuations taking into account Level 3 inputs.

Pursuant to IFRS 13.74, in measuring fair value, inputs used in valuation techniques are favoured over valuation techniques.

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

Investments are classified into levels based on the characteristics of the input used to determine fair value of investments and to assess whether the principal market is active.

Classification of equity investments

Table 16: Equity investment classification in case of exchange as the principal market (quoted equity investments)

Level 1	Equity investments with fair value measured on the basis of quoted prices in active markets
Level 2	Equity investments with fair value measured on the basis of quoted prices in less liquid markets Equity investments for which quoted prices are not available and for which the 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 the valuation technique (taking into account level 3 inputs) or prices provided by third parties Quoted price older than 90 days may be used if the materiality criterion is not fulfilled

Table 17: Classification of unquoted equity investments

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

Table 18: Classification of collective investment funds

Level 1	Collective investments with fair value measured on the basis of quoted prices in active market
Level 2	Collective investments with fair value measured on the basis of quoted prices in less liquid market
Level 3	Collective investment funds for which quoted prices are not available and their fair value is measured on the basis of quoted value per subfund unit

Table 19: Classification of mutual funds coupons

Level 1	Mutual fund units with fair value measured on the basis of quoted value per subfund unit
Level 2	–
Level 3	–

Classification of debt investments

The fair value hierarchy includes also debt instruments which are not measured at fair value in the statement of financial position otherwise. These normally include bonds at amortised cost that are measured at fair value for disclosure purposes. For these bonds, the same classification rules apply as for debt securities measured at fair value in the statement of financial position.

Table 20: Classification of debt investments if the stock market is the principal market

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 less liquid markets
	Debt securities measured using the 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 Quoted price older than 90 days may be used if the materiality criterion is not fulfilled

Table 21: Classification of debt investments if the OTC market is the principal market

Level 1	Debt investments with fair value measured on the basis of CBBT prices in active markets
Level 2	Debt investments with fair value measured on the basis of CBBT prices in less liquid markets
	Debt investments with fair value measured on the basis of transaction prices in less liquid markets
Level 3	Debt securities without CBBT price in (in)active markets and fair value measured using the valuation technique (taking into account level 2 inputs)
	Debt securities without CBBT price in (in)active markets and with fair value measured using the BVAL valuation technique (taking into account level 3 inputs) or prices provided by third parties

For debt securities whose principal is due in the current year and for which market price, CBBT price or BVAL price of less than 90 days are not available, are valued at the last available price and classified as Level 3.

Commercial bills of Slovenian issues are valued at amortised cost and classified as Level 3.

Classification of loans and deposits

Bank deposits are disclosed at amortised cost in the statement of financial position unless they do not pass the SPPI test. In such case, they are classified in the category at fair value through profit or loss. As there is no market for deposit interest rates with directly observable prices, for the purpose of fair value disclosure, deposits are measured using the initial or contractual interest rate, which is an unobservable input, and are thus categorised within Level 3.

Recoverable amount of non-current (non-financial) assets

As at the reporting date the Group estimates if there exist any factors indicating that non-current (non-financial) assets need to be impaired. If events occur indicating that the asset's book value is higher than the estimated recoverable amount, the value of the asset is impaired to its recoverable amount or that of cash-generating unit. The recoverable amount is the greater of an asset's (or cash generating unit's) net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss is recognised as revaluation operating expenses.

Derecognition of financial instruments

A financial asset is derecognised when all the risks and benefits as well as the control over contractual rights related to the financial instrument are transferred. A financial liability is derecognised when it is settled, cancelled or expired.

Non-current assets (disposal groups) held for sale

Non-current assets (disposal groups) held for sale are those whose carrying amount is justifiably expected to be settled predominantly through selling in the next 12 months, with the sale being highly probable, rather than with their continued use.

When an asset is designated as held for sale or classified as a disposal group held for sale or when the asset is derecognised, depending on the order of the events, the asset is no longer amortised or depreciated. Such non-current asset or disposal group held for sale is measured at the lower of its carrying amount or fair value, less costs to sell.

Operating receivables

Operating receivables are recognised at the amount of invoices issued, less any allowances. Making allowances of receivables is a process of recognising an adjustment to their carrying amount due to expected credit losses; contractual increases or decreases of their carrying amount are not considered as revaluation. It may be performed during or at the end of the financial year. The calculation of credit losses is described in the section **Measurement and classification of exposures into groups for the purpose of assessing credit losses**.

Cash and cash equivalents

Upon initial recognition, cash and cash equivalents are recognised at the amount arising from the underlying document. Cash and cash equivalents comprise bank balances, call deposits and short-term deposits with maturity of up to three months.

Equity

Kapitalska družba, d. d. has no treasury shares. Its sole shareholder is the Republic of Slovenia.

The Company's equity is share capital. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary, registered, non-par value shares. Each share has the same interest and the attributed amount in the share capital.

The total equity consists of: called-up capital, capital surplus, revenue reserves, retained net earnings or retained net loss, reserve from valuation at fair value and temporarily undistributed net profit or unsettled loss for the financial year.

Revenue reserves are recognised according to ZGD-1. In line with Article 52(2) of ZSDH-1 distributable profit of Kapitalska družba cannot be distributed to the shareholders.

Ordinary shares are classified as equity. Direct additional costs of new shares issue, less tax effects, are included in the equity.

Reserves arising from valuation at fair value

Reserves from valuation at fair value arise from the effects of valuation of financial assets at fair value through other comprehensive income and actuarial gains and losses arising from severance pay upon retirement. The amounts of reserves arising from valuation at fair value disclosed in the statement of financial position are adjusted for amounts of deferred tax.

Provisions

Provisions are recognised for current liabilities (legal or constructive) arising from past events when it is likely that an outflow of assets that generate economic benefits will be required to settle such an obligation, and when the amount of the liability can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the balance sheet date. When the value of money over time must be considered, provisions are determined on the basis of a discounted cash-flow using a discount rate (before taxes) which reflects the value of money over time and, where appropriate, includes potential risks associated with an individual liability. If provisions are made on the basis of a discounted cash-flow, an increase in the net present value is recognised over the years as financial expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by other parties, the reimbursement is recognised as a special asset, but only when it is virtually certain that reimbursement will be received. In this case, the costs of provisions are decreased by expected reimbursement.

Changes in mathematical provisions are disclosed as increases or decreases of other operating expenses in the income statement.

The Group establishes long-term provisions:

- l when the guaranteed value of assets exceeds the actual value of assets belonging to an individual insured person/member, namely in the amount of the established deficit, i.e. the sum of differences

between the guaranteed assets of the insured person/member and the actual value of the assets of the insured person/member;

- | if a lawsuit is filed against a Group company or if the Group estimates a claim is very probable;
- | for termination benefits and jubilee awards, calculated on the basis of assumption on the expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as the company's internal regulations.

The recognition of provisions in the books of account and in the statement of financial position is reversed when the possible obligations for which the provisions were made no longer exist or such provisions are no longer needed. Provisions can only be used for items of the type for which they were originally recognised.

Insurance contracts

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

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

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

Insurance contract liabilities (technical provisions)

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

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

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

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

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

KS PPS Technical Provisions

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

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

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

Equalisation provisions for mortality experience are identified upon the first calculation of mathematical provision as the difference between the value of transferred assets and the value of mathematical provisions for a KS PPS policy. Equalisation provisions for mortality experience calculated by individual policy upon transfer increase the balance of provisions set aside for the equalisation of KS PPS mortality experience and are formed collectively for all insured persons.

They are calculated and recognised on a monthly basis upon the calculation of mathematical provisions for KS PPS policies for the current month. They are posted in the mathematical provisions account, subgroup 'equalisation provisions for mortality experience'.

Equalisation provisions for mortality experience can be additionally created at year-end from the surplus of KS PPS assets, i.e.:

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

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

KS MR Technical Provisions

KS MR technical provisions are mathematical provisions for KS MR policies concluded after retirement of the insured persons that exercised regular termination of supplementary pension insurance

by 31 December 2015. They are calculated in accordance with the provisions of the Technical Bases for Annuity Insurance, prospectively for each insurance policy separately. German annuity tables DAV1994R are applied in the calculation. The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium.

KS MR II Technical Provisions

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

Claims provisions

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

Operating liabilities

Operating liabilities comprise trade payables for acquired assets or services, and liabilities to employees, the state and others. Liabilities are recognised if it is probable that an outflow of resources embodying economic benefits will result from their settlement and the amount at which the settlement will take place can be measured reliably.

Revenue

The Group recognises revenue from the transfer of the promised goods or services to the buyer, in an amount that reflects the expected consideration to which the Group will be entitled in exchange for these goods or services. The Group considers the terms of the contract and all relevant facts and circumstances. The buyer is a customer who has concluded a contract with the Group on the acquisition of goods or services that are the result of the Group's ordinary activities, in exchange for consideration.

Revenue is classified into the following categories:

1. Revenue from insurance premium

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.

2. Revenue from fees

The Group is entitled to entry and exit fees, an annual management fee for the management of pension funds and to the costs of occupational pensions or annuities.

a. Entry fees

The Group charges entry fees for the performance of its activities in accordance with the pension scheme. This means that the assets collected and transferred to an individual pension fund are reduced by the amount of the entry fees and the fund manages the assets attributable to the net premium. The entry fees are charged in the percentage of the premium at the time of the payment.

b. Management fees

The Group charges management fees to the pension funds, thus the monthly value of assets of an individual fund is reduced by the cost of management fees. The management fee for an individual fund is calculated as a percentage of the average annual value of the fund's assets, which is determined as the arithmetic mean of the net value of the fund's assets on the conversion day of the current year.

c. Exit fees

In accordance with the pension scheme, the Group is entitled to exit fees, whereby the redemption value is reduced by the exit fees and the net value is paid to the individual who terminated the scheme. Exit fees are calculated in a percentage of the redemption value when the policy is paid.

d. Costs of paying occupational pensions or annuities

In line with its pension scheme, the Group is entitled to the cost of paying out occupational pensions or annuities, which is calculated as a percentage of the monthly amount.

3. Revenue from lease payments

The revenue from lease of investment property is recognised over the duration of individual lease contract.

Financial revenue

1. Interest

Interest income is calculated and recognised at the effective interest rate. Interest on debt securities is disclosed in the Group's statement of financial position together with financial investments.

2. Dividends

Dividends are recognised in profit or loss when the Group acquires the right to payment.

3. Revenue from sale of investments

Revenue from the sale of financial assets (gains on the disposal of financial assets) is accounted for and recognised as at the trading day.

4. Revenue from revaluation of investments

Revenue from revaluation of investments constitutes revenue from valuation of those financial instruments that are classified at fair value through profit or loss.

Costs

Costs of materials and services

Costs of materials and services are classified by primary types. The Group does not classify costs by functional type, because the entire Group represents a single functional type.

Employee benefits

Labour costs include gross salaries, gross salary compensations paid by the company, benefits in kind, gifts and awards to employees, severance pay, as well as the relevant taxes and duties paid by the payer. These costs are recognised as the current expenses of the period. The Group also recognises contingencies based on collective agreements concerning the employees. These expenses are recognised over the entire period of employment of an individual employee to whom the collective agreement refers.

Expenses

Expenses are recognised if the decrease in economic benefits in the reporting period is associated with decreases in assets or increases in debt and if this decrease can be reliably measured. Expenses should therefore be recognised simultaneously with the recognition of a decrease of assets or of an increase of liabilities (debts).

Financial expenses

Financial expenses comprise expenses for financing, mostly interest expenses. Financial expenses from revaluation arise in association with the impairment of investments. Expenses from the disposal of investments (losses on the disposal of investments) are accounted for and recognised on the trading day. Financial expenses also include expenses from recognised credit losses from financial assets.

Taxes

1. Current tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the Group expects to pay to the tax authorities or amounts of income tax credits that will be available in future periods. Current tax assets or liabilities are measured using the tax rates enacted at the date of the statement of financial position.

2. Deferred tax

Deferred income tax assets and liabilities are accounted for using the liability method in the statement of financial position. Only deferred tax assets and liabilities arising from temporary differences are recognised.

A deferred tax asset is also recognised on account of unused tax losses and unused tax credits 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.

On the date of the statement of financial position, deferred tax assets are revised and impaired on account of those tax assets for which it is no longer probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets or liabilities are measured on the basis of tax rates that are expected to be used when an asset or liability will be realised. Tax rates (and tax legislation) enacted at the date of the statement of financial position are used.

Deferred tax is recognised as charged or credited directly in equity, if the tax refers to the items recognised as charged or credited directly in equity.

Cash flow statement

The cash flow statement is compiled under the indirect method (Format II) from the data included in the statement of financial position at 31 December 2020 and 31 December 2019, income statement data for the year 2020, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Reporting by segments

In 2020, the Kapitalska družba Group had no business segments.

Risk management

Effective risk management has proven to be crucial, particularly in the times of economic crises, as it can contribute to more stable and successful long-term operations. It is therefore essential for achieving objectives within the Group's activities. The use of standard methodologies of risk management ensures the qualitative evaluation of all types of risk, a timely response and the reduction of risk exposure.

The Group observes legal regulations in the forefront while also regulating risk management through internal acts such as the Rules on risk management, which include in addition to individual risk description, internal risk management organisation, measures and methods used to mitigate the risks, as well as procedures of control and responses to individual risks.

In order to improve its long-term operations, the Group constantly develops and upgrades its entire risk management system. Especially within Modra zavarovalnica's operations, it is important to comply with the Solvency II Directive, whose strategic goal is to protect the assets of policyholders. To ensure long-term target capital adequacy, the company regularly assesses its risk and solvency, thus identifying the current and expected capital requirements and defining appropriate capital management measures. Modra zavarovalnica, d. d.'s 2020 risk and solvency assessment shows that the company has sufficient capital to cover all the risks it assumes in its operations.

Table 22: Capital adequacy of Modra zavarovalnica, d. d. in line with Solvency II Directive

Item	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Total capital requirement	157,364	148,057
Available and eligible own funds	263,314	286,712
Surplus (+)/deficit(-) of available own funds	105,950	138,655
Solvency ratio	167%	194%

The annual data on the solvency position as at 31 December 2020 is presented in the report on the solvency and financial condition of Modra zavarovalnica, d. d. (Poročilo o solventnosti in finančnem položaju Modre zavarovalnice, d. d.), which is published on its website.

In the course of its activities, the Group is exposed to financial, insurance, operational and strategic risks. Financial risks include the important market risks (the risk of changes in securities prices, interest rate risk and currency risk) as well as credit and liquidity risk.

Risk of securities price change

Changes in securities prices, which are the result of various factors, greatly affect the value of the equity portfolio of investments in particular. The risk is managed by regular monitoring of the market situation and macroeconomic indicators that affect the movement in the general level of market prices and by maximum possible dispersion of investments to eliminate most of the non-systematic risk. The dispersal of a part of investments abroad decreases the dependence of the Group's portfolio of investments on the movement of prices on the Slovenian capital market.

The monitoring and measurement of risk is carried out on a weekly basis through the calculation of value at risk (VaR) applied to the portfolio as a whole as well as separately for equity and debt securities portfolios. The beta indicator is also calculated for equity securities, as a measure of systematic risk. Fluctuations in securities prices are also monitored regularly.

Interest rate risk

The very nature of investments in debt instruments exposes the Group to interest rate risk resulting from the risk that investment values will fluctuate due to changes in market interest rates. Due to decreasing interest rates, the assets were mostly exposed to the risk of reinvestment. Internal committees monitor the fluctuation in interest rates and market forecasts and analysis on a weekly basis, providing investment recommendations on this basis. The exposure to interest rate risk is regularly measured by the modified duration indicator.

The Group mitigates risks arising from interest rates by restructuring the portfolio according to market conditions, by reducing the average maturity of debt portfolios, by classifying investments as investments at amortised cost and by restructuring investments with fixed interest rates into investments with variable interest rates or vice versa, depending on expected movements in market interest rates. In 2020, the Group did not use any derivatives to hedge interest rate risk.

Currency risk

Managing a portion of financial assets invested in foreign currencies exposes the Group to currency risk.

Currency risk is monitored and managed on a daily basis by ensuring the currency consistency of financial assets with legal and internal restrictions. The basis for measuring currency risk is the monitoring and calculation of exposure to individual currencies by taking into account the currency in which the underlying instrument is denominated initially, not the currency of the securities that constitute a specific instrument or investment fund. In 2020, the Group did not use any derivatives to hedge currency risk.

Credit risk

Credit risk is related to investments in debt instruments (investments in bonds, treasury bills, commercial papers, certificates of deposits, deposits, cash assets) and entails the possibility of investments being only partly repaid or not at all. The management of credit risk is implemented by careful selection of business partners, regular monitoring of companies' operations and by establishing investment limits with regard to permitted exposure of individual investments. Credit risk is managed also by dispersion of investments according to issuers, industry sectors and geographic regions, and regular monitoring of credit margins and credit ratings of investments and issuers or contractual partners.

According to internal acts, the credit rating of business partners is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house analyses. 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 maximum exposure to the so-called "high yield" debt securities is determined.

With regards to investments in deposits, debentures and certificates of deposits, an internal model for determination of limits of such investments in individual banks has been developed. Internal limits for

individual banks are updated on a regular basis. The total exposure to an individual bank is determined on an ongoing basis and is aligned with legal regulations.

Liquidity risk

Liquidity risk is the risk related to the liquidity of the capital market or investment and the risk of solvency of the Group. Resources and investments are managed in such a way that the Group is able to meet all its due liabilities at any time. A policy of regular liquidity management in line with the legislation and regulations is implemented.

Due to the low liquidity of the Slovenian capital market, liquidity risk encompasses most investments in domestic equity and debt securities, with the highest risk posed by non-listed investments. By dispersing a portion of investments abroad, the Group is able to reduce liquidity risk by investing in highly liquid securities. Moreover, liquidity risk is managed by daily monitoring of the inflows and outflows of the Group and precise matching of maturity of assets and liabilities.

Insurance risk

Insurance risk is the risk associated with insurance coverage covered by insurance. It is the risk of loss or adverse change in the value of insurance liabilities due to inadequate premiums or inadequate assumptions taken into account in the calculation of technical provisions.

Insurance risks are divided into life insurance risk, health insurance risk (including accident insurance) and non-life insurance risk. The Group is mainly exposed to life insurance risk, while health insurance risk is immaterial due to its small volume. The Group is not exposed to non-life insurance risk.

Operational risk

Operational risk is the risk of a loss due to inappropriate internal processes or incorrect action by people or defective functioning of systems within the company or as a result of external events and actions. Operational risk also includes legal and documentary risk as well as the risks arising from trading procedures, settlement and valuation of assets and liabilities.

The Group manages operational risk through a system of authority, internal controls and by defining business processes and ensuring the suitable employee qualifications. In order to minimise operational risk, the Group has established a system of recording loss events and regular monitoring of the implementation of measures adopted. The Internal Audit Department conducts regular audits of business processes and by making recommendations contributes to the improved internal controls and risk mitigation.

Strategic risk

Strategic risk is the risk of a loss owing to incorrect business decisions, inappropriate organisation and strategy and insufficient response to the changes in the business environment. Significant strategic risks also include reputational risk, competitive risk and the risk related to the Group's market posi-

tion, and legislative, tax and political risks resulting from the state's discretionary right to adopt decisions that may lead to changes in the business and tax environment. These risks also influence the processes involved in the sale of companies where the Group holds interests, the amount of liabilities to the pension budget and consequently the management of financial assets.

The Management Board, who is in charge of formulating appropriate organisation and strategy, must adopt all measures suitable for achieving strategic goals as well as preserving and strengthening the Group's reputation. An appropriate supervision system is provided for managing this risk, enabling monitoring of the implementation of business objectives defined in the business strategy. During work from home, the organisation of business processes was adjusted accordingly. Good communication is ensured with all stakeholders and works in accordance with the contractual provisions. Strategic risks are also managed by regular monitoring and participation in the drafting of legal bases and by outsourcing external consultants (tax consultants, auditors, legal consultants, IT consultants, etc.).

17.3 DISCLOSURES AND NOTES TO THE FINANCIAL STATEMENTS

17.3.1 Notes to the income statement

Note no. 1

Net sales revenue

	in 000 EUR	
	2020	2019
Revenue from the sale of services	61,894	53,463
Revenue from asset management	18,270	16,871
Revenue from lease payments	2,628	2,771
Other sales revenue	334	207
Total	83,126	73,312

Revenue from the sale of services refers to revenue from life insurance premiums, which represent accrued payments to the guarantee funds.

	in EUR 000	
	2020	2019
Revenue from sales in Slovenia	83,126	73,312
Total	83,126	73,312

Note no. 2

Other operating revenue (including operating revenue from revaluation)

	in 000 EUR	
	2020	2019
Revenue from reversal of long-term provisions	1,376	3,470
Other operating revenue	63	137
Revaluation operating revenue	371	32
Other items	99	58
Total	1,909	3,697

In 2020, Modra zavarovalnica, d. d. reversed provisions for non-achievement of guaranteed return of the funds under management in the amount of EUR 1,007 thousand (2019: EUR 1,715 thousand), and based on the provisions adequacy test, it reversed EUR 1,435 thousand of provisions. Revenue from reversal of long-term provisions amounting to EUR 369 thousand constituted reversal of provisions for onerous

contracts or legal disputes (2019: EUR 320 thousand for the non-achievement of the guaranteed return of the SODPZ fund).

Other operating revenue includes revenue arising from annuity expiry in the amount of EUR 63 thousand (2019: EUR 133 thousand).

Operating revenue from revaluation mainly represented gains from the sale of fixed assets amounting to EUR 358 thousand, of which EUR 345 thousand were generated in the sale of investment property Smelt (2019: EUR 32 thousand), and refunds in the amount of EUR 12 thousand (2019: EUR 0).

Other items comprise revenue from compensations in the amount of EUR 85 thousand, revenue from previous periods totalling EUR 3 thousand and other revenue amounting to EUR 10 thousand (2019: EUR 49 thousand from compensations received and EUR 9 thousand from the previous periods).

Note no. 3

Costs of goods, materials and services

	in 000 EUR	
	2020	2019
Costs of materials	288	339
Costs of services	3,748	3,958
Total	4,036	4,297

Costs of materials

Costs of materials comprise costs of power supply, write-off of small tools, costs of office stationery and professional literature, and other costs of materials.

Costs of services

Costs of services include costs of transport, maintenance work on business premises and property, plant and equipment, lease payments, reimbursement of costs to employees associated with labour, costs of payment transactions, banking services and insurance premiums, costs of intellectual and personal services, costs of trade fairs, advertising and entertainment, costs of services provided by natural persons, and costs of other services.

Costs of audit

The costs of audit at the Group level in the 2020 financial year amounted to EUR 61 thousand (2019: EUR 54 thousand). In 2020, Kapitalska družba paid no amount to the auditor for tax advisory and other non-audit services (2019: EUR 1 thousand).

Note no. 4

Labour costs

	in 000 EUR	
	2020	2019
Payroll costs	5,276	4,924
Social security costs	848	798
Pension insurance costs	250	241
Other labour costs	498	512
Total labour costs	6,872	6,475

Note no. 5

Write-downs in value

	in 000 EUR	
	2020	2019
Depreciation/amortisation	2,028	2,115
Amortisation of intangible fixed assets	467	629
Depreciation of buildings	304	307
Depreciation of equipment and spare parts	357	290
Depreciation of small tools	56	41
Depreciation of investment property	844	848
Revaluation operating expenses	54	66
Operating expenses from revaluation of fixed assets	20	66
Revaluation operating expenses associated with current assets	34	0
Total	2,082	2,181

Amortisation of intangible assets

The costs represent amortisation of software and licences.

Depreciation of buildings

Depreciation of buildings represents depreciation of offices owned and used by Kapitalska družba, d. d.

Depreciation of equipment and spare parts

Depreciation of equipment and spare parts relates to the depreciation of electronic, wooden and other equipment.

Depreciation of investment property

Investment property depreciation charge refers to the depreciation of business premises leased.

Operating expenses from revaluation of fixed assets

These expenses relate to expenses from the write-off of equipment and expenses from the disposal of fixed assets.

Note no. 6

Other operating expenses

	in 000 EUR	
	2020	2019
Changes in technical provisions	36,837	33,361
Provisions	19	85
Other operating expenses	36,814	26,049
Other items	92	226
Total	73,762	59,721

In 2020, the Group increased mathematical provisions in the amount of EUR 36.837 thousand (2019: EUR 33,361 thousand) and created provisions for termination and jubilee benefits equalling EUR 19 thousand (2019: EUR 33 thousand for termination and jubilee benefits and EUR 52 thousand for onerous contracts or legal disputes).

The largest portion of other operating expenses comprised Modra zavarovalnica's gross life insurance claims paid, which amounted to EUR 30,142 thousand (2019: EUR 24,835 thousand) and which represented pension annuities paid; other insurance payments equalling EUR 5,253 thousand, which represented the creation of provisions for the liability adequacy test (LAT); and expenses of the manager for the payment of the difference to the guaranteed return of mutual pension funds in the amount of EUR 893 thousand (2019: EUR 836 thousand).

Other items mainly represent payments based on legal actions filed by insured members of the SODPZ fund demanding payment of statutory default interest related to the payment of court-ordered settlements (2019: the largest portion of other items amounting to EUR 222 thousand referred to the payment of tax on insurance contracts associated with funds under management).

Note no. 7

Financial revenue

	in 000 EUR	
	2020	2019
Financial revenue from participating interests	51,400	58,458
Financial revenue from other investments and from loans	9,999	9,687
Financial revenue from other investments	9,759	9,389
Financial revenue from loans given	240	298
Financial revenue from operating receivables	25	0
Total	61,424	68,145

Financial revenue from participating interests

	in 000 EUR	
	2020	2019
Dividends and shares in profits	25,465	23,000
Financial income from revaluation of shares and interests	35	209
Exchange rate gains	161	553
Revenue from valuation of investments at fair value through profit or loss	20,431	17,165
Effect of adjustment of financial revenue from participating interests due to restatement of associates using the equity method	4,952	15,426
Revenue from gains realized on disposal of investments	334	1,421
• Investments through other comprehensive income	15	213
• Investments at fair value through profit or loss	319	1,208
Revenue from financial receivable	0	667
Revenue from acquisition of abandoned securities	22	17
Total	51,400	58,458

Financial revenue from other investments, from loans given and from operating receivables

	in 000 EUR	
	2020	2019
Interest income	9,262	8,766
Income from revaluation of receivables, debts and loans with the view of maintaining value	174	734
Exchange rate gains	174	712
Other revaluation revenue	0	22
Revenue from realised gains	370	0
• revenue from disposals of investments measured through other comprehensive income	70	0
• revenue from the sale of investments at fair value through profit or loss	300	0
Revenue from decrease in credit losses	185	140
Other financial revenue	33	47
Total	10,024	9,687

Revenue from sale of investments

	in 000 EUR	
	2020	2019
Revenue from realised gains	704	1,421
• investments through other comprehensive income	85	213
• investments at fair value through profit or loss	619	1,208

Revenue from disposal of investments amounting to EUR 334 thousand (2019: EUR 1,421 thousand) represents realized capital gains from the sale of investments valued through other comprehensive income, and investments valued at fair value through profit or loss.

Interest income

	in 000 EUR	
	2020	2019
Deposits	128	184
• at amortised cost	128	184
Bonds	7,918	8,236
• at fair value through profit or loss	794	501
• through other comprehensive income	2,678	3,498
• at amortised cost	4,446	4,237
Other investments	1,216	346
• at fair value through profit or loss	1,216	346
Total	9,262	8,766

Note no. 8

Financial expenses for write-offs of long-term and short-term investments

	in 000 EUR	
	2020	2019
Disposal of investments	-1,605	-63
• at fair value through profit or loss	-1,571	-63
• through other comprehensive income	-34	0
Interest expenses	-58	-2
Revaluation financial expenses	-15,505	-6,583
Expenses from revaluation of investments at fair value through profit or loss	-4,374	-5,262
Expenses due to write-off and impairment of associates	-4,851	0
Exchange rate losses	-6,252	-981
Other revaluation expenses	-28	-340
Expenses from credit losses	-281	-191
Other financial expenses	-7	-54
Expenses for the Pension and Disability Insurance Institute	-50,000	-50,000
Total	-67,456	-56,893

Expenses from disposal of investments in the amount of EUR 1,605 thousand (2019: EUR 63 thousand) represent realized capital losses from the sale of investments.

The Group revalued equity investments carried at fair value through profit or loss in the amount of EUR 4,374 thousand (2019: EUR 5,262 thousand).

Kapitalska družba credited EUR 50 million to the Pension and Disability Insurance Institute in 2020 and 2019. These payments were stated under financial expenses from other financial liabilities in the income statement.

Exchange rate differences

	in 000 EUR	
	2020	2019
Exchange rate gains	335	1,265
Exchange rate losses	-6,252	-981
Net exchange rate gains/losses	-5,917	284

In 2020, net exchange rate losses amounted to EUR 5,917 thousand (2019: EUR 284 thousand).

Gains/losses on investments

	in 000 EUR	
	2020	2019
Revenue from investments	61,424	68,145
Expenses from investments	-67,456	-56,893
Net gains or losses from investments	-6,032	11,252

Note no. 9

Corporate income tax

	in 000 EUR	
	2020	2019
Profit or loss before tax	-4,114	9,436
Increases in retained earnings	8,302	38,724
Decreases in retained earnings	0	-1,409
Total	4,188	46,751
Tax on dividends from abroad	99	143
Non-deductible expenses	1,922	2,160
Provisions formation	-1	2
Non-taxable revenue	-25,927	-28,250
Tax allowance	-366	-830
Tax loss	-234	-12,315
Other	0	4,440
Total	20,319	12,101
Corporate income tax	109	2,176
Tax on dividends from abroad prior to agreement	54	126

The Kapitalska družba Group does not prepare a consolidated tax balance sheet. Kapitalska družba, d. d. did not disclose any income tax liabilities in 2020 nor in 2019. In 2020, Modra zavarovalnica, d. d. disclosed EUR 13 thousand of income tax (2019: EUR 1,157 thousand). In 2020, Hotelske nepremičnine, d. o. o. disclosed EUR 96 thousand of income tax (2019: EUR 100 thousand).

The Management Board believes that the calculation of the tax liability is appropriate and made based on the views presented below and in accordance with the opinions of tax advisors. It is however possible that the competent tax authorities would adopt a different position on certain issues, which could result in a difference between the tax liabilities disclosed in the consolidated financial statements of the companies and the amount assessed by the tax authorities.

Kapitalska družba, d. d. credited EUR 50 million to the Pension and Disability Insurance Institute in 2020. These payments were recognised in the income statement under other financial expenses and as tax deductible expenses in the calculation of the tax liability.

The effective tax rate (as the ratio between the corporate income tax and profit or loss before tax), is 2.61% (2019: 4.65%).

Note no. 10

Deferred tax

	in 000 EUR			
	Statement of financial position		Income Statement	
	31 Dec. 2020	31 Dec. 2019	2020	2019
Deferred income tax – liabilities	56,493	53,253	0	14
Deferred income tax – assets	22,404	21,053	1,351	-10,838
Loss brought forward to be used as tax allowance	20,091	18,693	1,398	-10,832
Value adjustment of receivables	0	0	0	-2
Value adjustment of investments	2,261	2,273	-12	-5
Provisions	52	87	-35	1
Netted amount	2,446	2,501	-	-
Deferred income tax assets after netting	19,958	18,552	1,351	-10,838
Deferred income tax liabilities after netting	54,047	50,752	1,351	-10,824

Disclosure of tax loss

	in 000 EUR	
	2020	2019
Tax loss as at 31 December of the accounting period	-548,845	-527,903
Tax loss not taken into account in deferred tax calculation	-443,106	-429,517
Tax loss taken into account in deferred tax calculation	-105,739	-98,386

Tax loss not taken into account in the calculation of deferred tax receivables amounted to EUR 443,106 thousand (2019: EUR 429,517 thousand), while tax loss considered in the calculation of those receivables amounted to EUR 105,739 thousand (2019: EUR 98,386 thousand). Tax losses are freely transferable.

Disclosure of changes in deferred tax recognised directly in statement of comprehensive income

	in 000 EUR	
Changes in deferred tax	2020	2019
Balance as at 1 January	53,253	39,717
Changes during the year	3,240	13,536
Balance as at 31 December	56,493	53,253

The change in deferred tax liability of EUR 3,240 thousand (2019: EUR 13,536 thousand) to EUR 56,493 thousand as at 31 December 2020 (2019: EUR 53,253 thousand) is due to the revaluation of investments measured at fair value through other comprehensive income.

Note no. 11

Earnings (loss) per share

The basic net earnings/loss per share is calculated by dividing the net profit/loss attributable to equity holders by the weighted average number of ordinary shares outstanding during the period. The weighted average of ordinary shares in issue during the year is calculated by reference to shares in issue during the period, considering any potential redemptions and sales in that period and the period during which these shares generated profit. Diluted net earnings/loss per share also includes all potential ordinary shares that originated in exchangeable bonds, options and futures. When calculated, net earnings/loss and the number of shares outstanding are adjusted for effects of all dilutive potential ordinary shares that would occur if they were swapped for ordinary shares in the accounting period.

	2020	2019
Net profit or loss attributable to holders of ordinary shares of the parent company (000 EUR)	-6,507	2,587
Diluted net profit or loss attributable to holders of ordinary shares of the parent company (000 EUR)	-6,507	2,587
Weighted average number of ordinary shares for basic net earnings per share	874,235	874,235
Diluted average number of ordinary shares for diluted net earnings per share	874,235	874,235
Net earnings per share (EUR)	-7.44	2.96

As at 31 December 2020, the Kapitalska družba Group had no financial instruments that would require adjustment of either the net profit or loss or the weighted average number of ordinary shares.

17.3.2 Notes to the statement of financial position

Note no. 12

Intangible assets and long-term deferred costs and accrued revenue

Table 23: Changes in intangible assets and long-term deferred costs and accrued revenue in 2020

in 000 EUR

31 December 2020	Long-term property rights	Other long-term deferred costs and accrued revenue	Total
Cost			
Cost as at 1 January 2020	3,926	33	3,959
Additions	352	50,049	50,401
Disposals	-33	-33	-66
Cost as at 31 December 2020	4,245	50,049	54,294
Value adjustment			
Value adjustment as at 1 January 2020	-2,806	0	-2,806
Disposals, write-offs	33	0	33
Amortisation	-467	0	-467
Value adjustment as at 31 December 2020	-3,240	0	-3,240
Carrying amount			
Carrying amount as at 1 January 2020	1,120	33	1,153
Carrying amount as at 31 December 2020	1,005	50,049	51,054

The amount of EUR 50,000 thousand referred to the deferred liability to the Pension and Disability Insurance Institute, and the rest to the deferred liability related to the payment of variable remuneration to the Management Board.

Table 24: Changes in intangible assets and long-term deferred costs and accrued revenue in 2019

in 000 EUR			
31 December 2019	Long-term property rights	Other long-term deferred costs and accrued revenue	Total
Cost			
Cost as at 1 January 2019	5,633	0	5,633
Additions	309	33	342
Disposals	-2,016	0	-2,016
Cost as at 31 December 2019	3,926	33	3,959
Value adjustment			
Value adjustment as at 1 January 2019	-4,191	0	-4,191
Additions, transfers	-2	0	-2
Disposals, write-offs	2,016	0	2,016
Amortisation	-629	0	-629
Value adjustment as at 31 December 2019	-2,806	0	-2,806
Carrying amount	0	0	0
Carrying amount as at 1 January 2019	1,442	0	1,442
Carrying amount as at 31 December 2019	1,120	33	1,153

Note no. 13

Property, plant and equipment

Table 25: Changes in property, plant and equipment in 2020

in 000 EUR			
31 Dec. 2020	Buildings	Other plant and equipment	Total
Cost			
Cost as at 1 January 2020	9,812	3,522	13,334
Additions	270	103	373
Disposals	-270	-121	-391
Cost as at 31 December 2020	9,812	3,504	13,316
Value adjustment			
Value adjustment as at 1 January 2020	-4,501	-1,846	-6,347
Additions, transfers	-101	0	-101
Disposals, write-offs	97	28	125
Amortisation	-304	-413	-717
Value adjustment as at 31 December 2020	-4,809	-2,231	-7,040
Carrying amount			

31 Dec. 2020	Buildings	Other plant and equipment	Total
Carrying amount as at 1 January 2020	5,311	1,676	6,987
Carrying amount as at 31 December 2020	5,003	1,273	6,276

The Kapitalska družba Group has no pledged property, plant and equipment or any commitments to purchase such assets.

Table 26: Changes in property, plant and equipment in 2019

	v 000 EUR		
31 December 2019	Buildings	Other plant and equipment	Total
Cost			
Cost as at 1 January 2019	9,812	2,518	12,330
Additions	0	1,389	1,389
Disposals	0	-387	-387
Cost as at 31 December 2019	9,812	3,520	13,332
Value adjustment			
Value adjustment as at 1 January 2019	-4,194	-1,839	-6,033
Additions, transfers	0	-61	-61
Disposals, write-offs	0	387	387
Amortisation	-307	-331	-638
Value adjustment as at 31 December 2019	-4,501	-1,844	-6,345
Carrying amount			
Carrying amount as at 1 January 2019	5,618	679	6,297
Carrying amount as at 31 December 2019	5,311	1,676	6,987

Note no. 14

Investment property

Table 27: Changes in investment property in 2020

	in 000 EUR			
31 December 2020	Land	Buildings	Buildings in the course of construction or manufacturing	Total
Cost				
Opening balance as at 1 January 2020	3,669	31,007	253	34,929
Acquisitions	0	346	0	346
Disposals	0	-3,085	-253	-3,338
Closing balance as at 31 December 2020	3,669	28,268	0	31,937

31 December 2020	Land	Buildings	Buildings in the course of construction or manufacturing	Total
Value adjustment				
Opening balance as at 1 January 2020	0	-7,004	0	-7,004
Amortisation	0	-844	0	-844
Disposals	0	960	0	960
Closing balance as at 31 December 2020	0	-6,888	0	-6,888
Carrying amount				
Opening balance as at 1 January 2020	3,669	24,003	253	27,925
Closing balance as at 31 December 2020	3,669	21,380	0	25,049

In 2020, the Group impaired no investment property.

Given that the fair value of investment property as at 31 December 2018 was estimated based on an external evaluation amounting to EUR 21,091 thousand and that property prices stagnated in 2019, we estimate that the fair value of investment property as at 31 December 2020 does not significantly deviate from the fair value of investment property as at 31 December 2018. The fair value of the San Simon hotel resort investment property was obtained on the basis of an appraisal by a certified real estate appraiser on 31 October 2020 and represents the fair value as at 31 December 2020.

The investment property's fair value does not significantly deviate from its carrying amount as at 31 December 2020, with the exception of the "Nebotičnik" office building, whose fair value greatly exceeds its carrying amount. The fair value of the office building "Nebotičnik" investment property as at 31 December 2018 amounted to EUR 1,653 thousand), while the carrying amount as at 31 December 2020 equalled EUR 122 thousand. As this investment property was acquired many years ago, its carrying amount was significantly reduced due to a long depreciation period, and was relatively low even upon the acquisition.

The valuation of investment property as at 31 October 2018 was prepared by a certified appraiser on 27 November 2018.

The valuation was performed applying the market comparison method, the income approach, the discounted free cash flow method and the direct capitalisation method, which includes the following assumptions: a 8.19% capitalization rate, a 6.67% deduction for vacancy and a 1.33% deduction for irrecoverability.

The fair value of the investment property Hotelske nepremičnine, d. o. o. exceeds its carrying amount as at 31 December 2020.

Table 28: Changes in investment property in 2019

	in 000 EUR			
31 December 2019	Land	Buildings	Buildings in the course of construction or manufacturing	Total
Cost				
Opening balance as at 1 January 2019	3,669	29,965	0	33,634
Acquisitions	0	1,049	253	1,302
Other	0	-7	0	-7
Closing balance as at 31 December 2019	3,669	31,007	253	34,929
Value adjustment				
Opening balance as at 1 January 2019	0	-6,156	0	-6,156
Amortisation	0	-848	0	-848
Closing balance as at 31 December 2019	0	-7,004	0	-7,004
Carrying amount				
Opening balance as at 1 January 2019	3,669	23,809	0	27,478
Closing balance as at 31 December 2019	3,669	24,003	253	27,925

Table 29: Revenue from lease of investment property and costs related to investment property

	in 000 EUR	
	2020	2019
Rental income from investment property	1,585	1,569
Costs related to investment property	459	590

Information about encumbrances

The assets owned by the Group are free from mortgages, pledges and other encumbrances. Fixed assets have not been acquired for the purpose of trading. Fixed assets have not been pledged.

Right-of-use

At the level of the Kapitalska družba Group, we have no right-of-use and no disclosures under IFRS 16 are required.

Note no. 15

Investments in associates

Investments in associates as at 31 December 2020 include:

No.	Associated company	Registered office of the company	Equity stake in %	Equity as at 31 December 2020	Net profit or loss for 2020
1.	Casino Maribor, d. d. – in bankruptcy ²⁵	Glavni trg 1, Maribor	20.00	-	-
2.	Gio, d. o. o. – in liquidation	Dunajska cesta 160, Ljubljana	28.68	-	-
3.	Gospodarsko razstavišče, d. o. o.	Dunajska cesta 18, Ljubljana	29.51	18,124	-542
4.	Hit, d. d. ²⁶	Delpinova ulica 7a, Nova Gorica	20.32	47,777	-10,439
5.	Loterija Slovenije, d. d.	Gerbičeva ulica 99, Ljubljana	25.00	19,434	4,649
6.	Sava, d. d.	Dunajska cesta 152, Ljubljana	28.05	51,648	-3,804
7.	Terme Čatež, d. d.	Čatež ob Savi, Topliška cesta 35, Brežice	23.79	94,567	-4,029
8.	Terme Olimia, d. d.	Zdraviliška cesta 24, Podčetrtek	24.79	36,034	-1,603
8.	Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.00	174,016	18,951

As the parent company, Kapitalska družba, d. d. consolidates the following associated companies using the equity method:

- | Hit, d. d.,
- | Gospodarsko razstavišče, d. o. o.,
- | Loterija Slovenije, d. d.,
- | Sava, d. d., and
- | Cinkarna Celje, d. d.

Cinkarna Celje, d. d. is an associate of Modra zavarovalnica, d. d., which does not prepare consolidated financial statements.

²⁵ Pursuant to the Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP), the bankruptcy manager deleted these shares from KDD. Prior to the company's bankruptcy, Kapitalska družba held the stake as presented above.

²⁶ The share in Hit, d. d., carries 33.33 % of the voting rights. As at 31 December 2020, the preference shares did not carry any voting rights, although no dividends were paid in 2020. In 2019, dividends were paid.

The Group's ownership stakes in associated companies do not expose the Group to any of the following risks:

- | the risk concerning the provision of funds for the operations/capital adequacy of the associated companies;
- | the risk related to participation in covering contingent liabilities of an associated company.

At the end of 2020, Kapitalska družba used internal valuation models and external valuations to verify, assess and appraise the companies' value as at 31 December 2020, taking into account the most recent available data on the companies' performance in 2020

Table 30: Changes in investments in associates

	in 000 EUR	
	2019	2018
Carrying amount as at 1 January	87,014	75,304
Changes	-5,687	10,895
<i>Attribution of net profit due to acquisition of associates using the equity method</i>	101	15,426
<i>Dividend elimination</i>	-3,736	-6,104
<i>Elimination of fair value reserves</i>	-97	-86
<i>Revaluation to fair value</i>	-1,955	1,659
Reclassification of existing investments among associates	0	815
Carrying amount as at 31 December	81,327	87,014

Note no. 16

Assets held for sale

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Assets held for sale	870	0
Total	870	0

Non-current assets available for sale as at 31 December 2020 amount to EUR 870 thousand (31 December 2019: EUR 0) and refer to equity investments held for sale in the following 12 months.

Note no. 17

Investments, excluding loans

	in 000 EUR					
	Long-term		Short-term		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Shares and interests in associated companies	81,327	87,014	0	0	81,327	87,014
Other shares and interests	1,025,126	909,173	0	0	1,025,126	909,173
Other investments	287,664	283,024	66,740	73,108	354,404	356,132
Assets held for sale	0	0	870	0	870	0
Total	1,394,117	1,279,211	67,610	73,108	1,461,727	1,352,319

Carrying amounts of financial assets

The Group classifies financial assets into one of the following groups according to IFRS 9: financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. In addition, financial assets are classified as non-current and current.

	in 000 EUR					
	Non-current		Current		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss	341,585	256,383	30,512	30,085	372,097	286,468
Set upon initial recognition	341,585	256,383	30,512	30,085	372,097	286,468
Mandatorily measured at fair value through profit or loss	0	0	0	0	0	0
Financial assets at amortised cost	170,250	163,475	23,769	15,450	194,019	178,925
Financial assets at fair value through other comprehensive income	882,282	859,353	13,329	27,573	895,611	886,926
Debt instruments	66,334	82,739	12,459	27,573	78,793	110,312
Equity instruments	815,948	776,614	870	0	816,818	776,614
Total	1,394,117	1,279,211	67,610	73,108	1,461,727	1,352,319

Changes in investments in 2020

in 000 EUR

	31 Dec. 2019	Acquisitions	Disposals, maturity	Revaluation	31 Dec. 2020
Investments at fair value through profit or loss	286,468	115,192	-33,653	4,090	372,097
Investments at amortised cost	178,925	28,529	-17,700	4,265	194,019
Investments at fair value through other comprehensive income	886,926	1,369	-51,077	58,393	895,611
Total	1,352,319	145,090	-102,430	66,748	1,461,727

Changes in investments in 2019

in 000 EUR

	31 Dec. 2018	Acquisitions	Disposals, maturity	Revaluation	31 Dec. 2019
Investments at fair value through profit or loss	122,303	184,541	-33,357	12,981	286,468
Investments at amortised cost	154,121	34,797	1,244	-11,237	178,925
Investments at fair value through other comprehensive income	889,444	71,129	-219,647	146,000	886,926
Total	1,165,868	290,467	-251,760	147,744	1,352,319

Investments by type of interest rate

in 000 EUR

	31 Dec. 2020	31 Dec. 2019
Debt investments	331,977	333,702
Fixed interest rate	329,726	328,948
Variable interest rate	2,251	4,754
Loans and deposits	23,821	42,125
Fixed interest rate	23,821	42,125
Variable interest rate	0	0
Total	355,798	375,827

Investments in equity instruments measured at fair value through other comprehensive income as at 31 December 2020

EUR

ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020
CH0012032048	1,018,367	LU1681044480	1,245,879	SI0031103375	7
CNE1000003G1	756,017	LU1681044563	2,015,588	SI0031103706	2,361,555
DE0005933931	5,385,863	LU1923627092	554,822	SI0031103748	0
DE0008404005	3,446,019	NL0000009538	1,662,852	SI0031103805	29,007,414
DE0008430026	2,929,625	PLINHOLD D.O.O.	667,490	SI0031104290	15,921,674
DE000A2GS401	616,357	PS ZA AVTO D.O.O.	312,381	SI0031104399	1,523
DSI000001003	2,562,822	SI0021100134	0	SI0031104431	0
ELAN INVENTA D.O.O.	714,000	SI0021110083	848	SI0031104514	243
ES0178430E18	274,540	SI0021110323	548	SI0031104555	0
FR0000120578	1,593,282	SI0021110513	13,229,832	SI0031104597	494,014
GIO D.O.O.	2,283,633	SI0021111313	2,920	SI0031104621	123,690
GOSPODARSKO RAZSTAVIŠČE D.O.O.	1,460,000	SI0021111651	5,760	SI0031104829	1,095,100
IE0032523478	4,468,017	SI0021112105	1,888	SI0031104845	0
IE00B3B8PX14	959,042	SI0021112212	1,235,098	SI0031105024	11,754,810
IE00B3DWVS88	23,121,928	SI0021113111	2,556	SI0031105271	0
IE00B3F81R35	3,837,718	SI0021113855	38,825	SI0031105396	3
IE00B4L5Y983	9,438,497	SI0031100082	86	SI0031105461	272
IE00B4WXJJ64	3,267,295	SI0031100090	835,101	SI0031105495	2,110
IE00B5ZR2157	290,232	SI0031100215	374	SI0031105529	519,612
IE00B60SX394	39,328,120	SI0031100637	3,476,932	SI0031105602	0
IE00B66F4759	2,027,117	SI0031100793	376	SI0031105677	1,233,969
IE00B87RLX93	1,674,600	SI0031101346	12,817,054	SI0031106907	0
IE00BC7GZW19	389,355	SI0031101494	128	SI0031107079	29
IE00BJ0KDQ92	21,708,656	SI0031101577	0	SI0031107293	6,766
IE00BSKRK281	3,813,004	SI0031101619	1,000	SI0031107459	562
IT0003132476	528,993	SI0031101700	0	SI0031107582	0
JE00B1VS3770	1,463,084	SI0031101999	9	SI0031107673	768,841
JP3304200003	1,131,767	SI0031102005	223	SI0031107772	14,045
LU0274208692	40,578,723	SI0031102120	319,274,824	SI0031107913	0
LU0290357929	2,943,126	SI0031102153	56,108,650	SI0031107954	4,917,472
LU0290358224	2,025,917	SI0031102187	65	SI0031107996	0
LU0524480265	5,618,120	SI0031102799	0	SI0031108184	0
LU1650488494	3,302,960	SI0031103151	29	SI0031108200	94
		SI0031103367	774	SI0031108259	53

ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020	ISIN code	31 Dec. 2020
SI0031108358	100	SI0031113481	6	SM STROJKOPLAST	
SI0031108556	0	SI0031113549	113	MARIBOR D.O.O.	64,987
SI0031108564	59	SI0031113770	63	US02079K1079	2,835,330
SI0031108580	1,765,156	SI0031113788	1,556	US02079K3059	2,829,419
SI0031108655	5,416,587	SI0031113879	0	US16941M1099	637,272
SI0031108846	2,645	SI0031113929	0	US17275R1023	1,066,400
SI0031108887	4	SI0031114281	0	US1912161007	3,499,284
SI0031108994	1,355,119	SI0031114307	0	US4642861037	1,230,582
SI0031109034	10	SI0031114455	6,930	US4642864007	984,979
SI0031109109	0	SI0031114596	0	US4642865095	1,980,033
SI0031109380	0	SI0031114604	2,812	US4642867729	3,013,468
SI0031109463	66	SI0031114794	19	US4642873412	811,837
SI0031109539	3,469	SI0031114893	890	US4642877397	2,547,653
SI0031109562	358	SI0031114976	29,442	US4642887453	5,995,471
SI0031109646	246,576	SI0031114984	7,493	US46434G1031	6,168,104
SI0031109661	0	SI0031115031	3,532	US46434G8226	7,652,873
SI0031109711	0	SI0031115767	0	US5949181045	7,523,600
SI0031109737	1,717	SI0031115866	3,845	US68389X1054	2,660,140
SI0031109786	0	SI0031115940	0	US78462F1030	10,632,317
SI0031109927	3,432	SI0031116062	1,357	US81369Y2090	3,435,094
SI0031110248	19,218	SI0031116104	2	US81369Y3080	2,719,217
SI0031110271	0	SI0031116138	53	US81369Y5069	1,698,721
SI0031110412	2,217	SI0031116591	434	US81369Y6059	2,909,321
SI0031110495	32	SI0031116815	0	US81369Y7040	2,164,860
SI0031110677	0	SI0031117144	3,012	US81369Y8030	10,330,821
SI0031110743	22	SI0031117169	472	US81369Y8600	1,032,684
SI0031111048	1,299	SI0031117268	8,966	US8816242098	183,233
SI0031111279	2,896	SI0031117318	14,355,825	US91912E1055	407,343
SI0031111576	0	SI0031117441	3,850	US92189F7006	4,871,251
SI0031111816	1,984	SI0031117649	0		
SI0031112053	16	SI0031117730	57		
SI0031112772	0	SI0031200239	118,046		
SI0031113143	11,662,875	SI0031200304	0		
SI0031113184	6,137	SI0031200429	3,191		
SI0031113309	0	SI0031200791	0		
SI0031113432	0	SI0033200021	0		

Due to favourable market conditions and provision of liquidity, the Group in 2020 disposed of equity investments in the total value of EUR 17,278 (2019: EUR 158,372 thousand). The cumulative effect of the sale of equity instruments measured at fair value through other comprehensive income is EUR 8,302 (2019: EUR 41,755 thousand) and is recognised under profit/loss brought forward.

Overview of financial assets by carrying amount and fair value as at 31 December 2020

Asset	in 000 EUR	
	Carrying amount	Fair value
Financial assets at fair value through profit or loss	372,097	372,097
Financial assets at amortised cost	194,019	216,402
Financial assets at fair value through other comprehensive income	895,611	895,611
Investments in loans	23,821	23,821
Cash and cash equivalents	14,723	14,723
Total	1,500,271	1,522,654

Overview of financial assets by carrying amount and fair value as at 31 December 2019

Asset	in 000 EUR	
	Carrying amount	Fair value
Financial assets at fair value through profit or loss	286,468	286,468
Financial assets at amortised cost	178,925	196,732
Financial assets at fair value through other comprehensive income	886,926	886,926
Investments in loans	42,125	42,125
Cash and cash equivalents	23,270	23,270
Total	1,417,714	1,435,521

Fair value hierarchy as at 31 December 2020

2020	in 000 EUR			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	1,023,179	156,176	88,353	1,267,708
Investments valued at fair value through profit or loss	298,188	41,280	32,629	372,097
Investments at fair value through other comprehensive income	724,991	114,896	55,724	895,611
Financial assets for which the fair value is disclosed	214,481	17,373	57,088	288,942
Investments at amortised cost	199,758	12,922	3,722	216,402
Investments in loans	0	0	23,821	23,821
Cash and cash equivalents	14,723	0	0	14,723
Investment property	0	4,451	29,545	33,996
Total	1,237,660	173,549	145,441	1,556,650

Level 1

Level 1 includes investments owned by Kapitalska družba, d. d. and Modra zavarovalnica, d. d. whose fair value is determined on the basis of quoted prices achieved in an active market. An active market is either a stock exchange (for equity and debt investments) or an over-the-counter (OTC) market (for debt investments). In this sense, Level 1 includes investments with a stock exchange as the principal market and the average daily stock exchange turnover in the previous 180 days up to the date of the fair value measurement exceeding EUR 0.5 million, taking into account the number of trading days (in the case of the Ljubljana Stock Exchange, the average daily turnover higher than EUR 0.1 million is taken into account for investments owned by Kapitalska družba, d. d., while this does not apply when determining an active market for investments owned by Modra zavarovalnica, d. d.). Level 1 also includes investments whose main market is the traders' market or OTC provided the CBBT (Composite Bloomberg Bond Trader) price was published for at least half of trading days in the 30 days preceding the valuation.

Level 2

Level 2 comprises investments to which the assumption of an active market does not apply, meaning the investments whose average daily trading volume on the stock exchange in the 180 days prior to fair value measurement was below EUR 0.5 million, taking into account the number of trading days (in the case of the Ljubljana Stock Exchange, the average daily turnover lower than EUR 0.1 million is taken into account for investments owned by Kapitalska družba, d. d., while this does not apply when determining an active market for investments owned by Modra zavarovalnica, d. d.), and the investments in the OTC market whose CBBT price was published less than half of trading days in the 30 days preceding the valuation.

This group also includes investments in collective investment trusts for which the assumption of an active market is not fulfilled.

In addition, Level 2 comprises investments valued using the market data of comparable listed companies.

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies. The valuation of investment property at Level 2 was carried out using the market comparison approach.

The estimated fair value of property, plant and equipment was higher than the carrying amount of property, plant and equipment as at 31 December 2020. The fair value of property, plant and equipment was estimated on the basis of the estimated fair value of investment property as at 31 December 2018.

Level 3

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

Level 3 also includes investments in commercial papers of Slovenian issuers. The prices of commercial papers are calculated using the theoretical (amortised) cost of the papers, which is calculated according to the interest rate associated with an individual purchase.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount).

The valuation of Level 3 investment property was performed applying the income approach and the direct capitalisation method.

The valuations of investment property – business premises Stekleni dvor and business premises in Bežigranski dvor – were prepared as at 31 December 2018 using the income approach and the direct capitalization method, which includes the following assumptions: a 8.19% capitalization rate, a 6.67% deduction for vacancy and a 1.33% deduction for irrecoverability. The San Simon hotel complex investment property was appraised on 31 October 2020 using the income approach.

The valuations of investment property – business premises in Nebotičnik and Glavarjeva rezidenca were prepared on 31 December 2018 using the market comparison approach. The land and garage in the San Simon Resort were appraised on 31 October 2020 using the market comparison approach.

The fair value of certain shares is determined using the valuation models taking into account subjective variables that are not publicly available on markets. Certain data for valuation are obtained from the Bloomberg system and other financial sources, whereas in some cases an important source is the data and documents about the past and expected future performance provided by companies.

The fair value of the shares of Elektro Ljubljana, d. d. and Elektro Celje, d. d. was estimated by applying the income-based approach, and using the discounted free cash flow method. The estimated free cash flow was discounted at a 7.17 % discount rate. The remaining growth rate of normalised cash flow is 2 %.

The fair values of the shares of Elektro Maribor, d. d., Elektro Primorska, d. d. and Elektro Gorenjska, d. d. were estimated based on a market comparison of each company with Elektro Ljubljana, d. d. and Elektro Celje, d. d. An average multiple (value of total equity) / (earnings before interest, taxes, depreciation and amortization) of 4.2 was used.

The fair value of ordinary shares of HIT, d. d. is estimated on the basis of the income-based approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.8 % discount rate. The remaining growth rate of normalised cash flow is 2 %.

The fair value of the shares of Terme Olimia, d. d. is estimated by applying the income-based approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.15% discount rate. The remaining growth rate of normalised cash flow is 1.2%.

The fair value of the shares of Loterija Slovenije, d. d. is estimated by applying the income-based approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 7.7 % discount rate. The remaining growth rate of normalised cash flow is 1.5%.

The fair value of shares of Sava, d. d., was estimated on the basis of the asset-based approach and using the net asset method under the going concern assumption. The value of the investment in Sava Turizem, d. d., which accounts for the biggest investment of the company, was estimated by applying the income-based approach, and using the discounted free cash flow method. The free cash flow of Sava Turizem, d. d. is discounted at a discount rate of 9.39%, and the remaining normalized cash flow growth is 2%.

The fair value of Gospodarsko razstavišče, d. o. o. was estimated on the basis of the income approach and using the discounted free cash flow method, without considering indebtedness. The estimated free cash flow was discounted at a 7.5 % discount rate. The remaining growth rate of normalised cash flow is 2 %.

The fair value of the holding in Plinhold, d. o. o. was estimated based on the cost approach, using the summation method (net asset method).

The fair value of investment in account receivable is determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

The fair value of investment in account receivable is measured at Level 3 of the fair value hierarchy.

Gains from the Level 3 investments comprise dividends, coupons received from bonds and profits from the sale of investments.

Fair value hierarchy as at 31 December 2019

	in 000 EUR			
2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	893,340	179,455	100,599	1,173,394
Investments valued at fair value through profit or loss	196,703	52,163	37,602	286,468
Investments at fair value through other comprehensive income	696,637	127,292	62,997	886,926
Financial assets for which the fair value is disclosed	206,431	15,607	79,293	301,332
Investments at amortised cost	183,161	8,566	5,005	196,732
Investments in loans	0	0	42,125	42,125
Cash and cash equivalents	23,270	0	0	23,270
Investment property	0	7,041	32,163	39,205
Total	1,099,771	195,062	179,892	1,474,726

Level 1

Level 1 includes investments owned by Kapitalska družba, d. d. and Modra zavarovalnica, d. d. whose fair value is determined on the basis of quoted prices achieved in an active market. An active market is either a stock exchange (for equity and debt investments) or an over-the-counter (OTC) market (for debt investments). In this sense, Level 1 includes investments with a stock exchange as the principal market and the average daily stock exchange turnover in the previous 180 days up to the date of the fair value measurement exceeding EUR 0.5 million, taking into account the number of trading days (in the case

of the Ljubljana Stock Exchange, the average daily turnover higher than EUR 0.1 million is taken into account for investments owned by Kapitalska družba, d. d., while this does not apply when determining an active market for investments owned by Modra zavarovalnica, d. d.). Level 1 also includes investments whose main market is the traders' market or OTC provided the CBBT (Composite Bloomberg Bond Trader) price was published for at least half of trading days in the 30 days preceding the valuation.

Level 2

Level 2 comprises investments to which the assumption of an active market does not apply, meaning the investments whose average daily trading volume on the stock exchange in the 180 days prior to fair value measurement was below EUR 0.5 million, taking into account the number of trading days (in the case of the Ljubljana Stock Exchange, the average daily turnover lower than EUR 0.1 million is taken into account for investments owned by Kapitalska družba, d. d., while this does not apply when determining an active market for investments owned by Modra zavarovalnica, d. d.), and the investments in the OTC market whose CBBT price was published less than half of trading days in the 30 days preceding the valuation.

This group also includes investments in collective investment trusts for which the assumption of an active market is not fulfilled.

In addition, Level 2 comprises investments valued using the market data of comparable listed companies.

The valuation of certain shares at Level 2 of the fair value hierarchy was made using the method involving a comparison with the comparable listed companies. The valuation of investment property at Level 2 was carried out using the market comparison approach.

The estimated fair value of property, plant and equipment was higher than the carrying amount of property, plant and equipment as at 31 December 2019. The fair value of property, plant and equipment was estimated on the basis of the estimated fair value of investment property as at 31 December 2018.

Level 3

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

Level 3 also includes investments in commercial papers of Slovenian issuers. The prices of commercial papers are calculated using the theoretical (amortised) cost of the papers, which is calculated according to the interest rate associated with an individual purchase.

The fair value valuation of Level 3 investments (shares and equity stakes) was made by applying the income approach, the discounted free cash flow method, and the asset-based approach according to the net asset method (adjusted carrying amount). In the assumptions used and presented below, the potential effects of Covid-19 were not foreseen or taken into account, so it was a non-adjusting event.

The valuation of Level 3 investment property was performed applying the income approach and the direct capitalisation method.

The valuations of investment property – business premises Stekleni dvor and business premises in Bežigranski dvor – were prepared as at 31 December 2018 using the income approach and the direct capitalization method, which includes the following assumptions: a 8.19% capitalization rate, a 6.67% deduction for vacancy and a 1.33% deduction for irrecoverability. The San Simon hotel complex investment property was appraised on 31 October 2019 using the income approach.

The valuations of investment property – business premises in Nebotičnik and Glavarjeva rezidenca were prepared on 31 December 2018 using the market comparison approach. The land and garage in the San Simon Resort were appraised on 31 October 2019 using the market comparison approach.

The fair value of certain shares was determined using valuation models that take into account subjective variables that were not publicly available on markets. Certain data for valuation was obtained from the Bloomberg system and other financial sources, whereas in some cases, the data and documents about the past and expected future performance provided by individual companies were an important source.

The fair value of shares of Elektro Ljubljana, d. d. was estimated as an average of six different scenarios using the discounted dividend method and the capitalization of normalized cash flow method.

The fair values of the shares of Elektro Maribor, d. d., Elektro Primorska, d. d., Elektro Celje, d. d. and Elektro Gorenjska, d. d. were estimated based on a market comparison of each company with Elektro Ljubljana, d. d. The multiple (total value of the company) / (earnings before interest, taxes, depreciation and amortization) or the EV/EBITDA multiple of 4.5 was used.

The fair value of ordinary shares of HIT, d. d. was estimated using the capitalization of normalized cash flow method taking into account the value of the first quarter of the estimated value range, which was between 8.43 and 13.1 euros.

The fair value of the shares of Terme Olimia, d. d. was estimated by applying the income-based approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 6.7% discount rate. The remaining growth rate of normalised cash flow was 1%.

The fair value of the holding in Plinhold, d. o. o. was estimated applying the method involving comparable listed companies and using the multiple (total value of the company) / (earnings before interest, taxes, depreciation and amortization) or the EV/EBITDA multiple. A median multiple of comparable companies of 11.40 was used.

The fair value of the shares of Loterija Slovenije, d. d. was estimated by applying the income-based approach and using the discounted free cash flow method. The estimated free cash flow was discounted at a 8.1% discount rate. The remaining growth rate of normalised cash flow was 2%.

The fair value of shares of Sava, d. d., was estimated on the basis of the asset-based approach and using the net asset method under the going concern assumption. The values of the investments in Sava Turizem, d. d. and Hoteli Bernardin, d. d., which represent the biggest investments of the company, were estimated by applying the income approach and using the discounted free cash flow method. The free cash flow of Sava Turizem, d. d. was discounted at a discount rate of 9.53%, while the remaining norma-

lized cash flow growth was 2%. The free cash flow of Hoteli Bernardin, d. d. was discounted at a discount rate of 9.84%, while the remaining normalized cash flow growth was 2%.

The fair value of investment in account receivable was determined on the basis of the estimated fair value of pledged assets by taking into account the nominal amount of individual account receivable. The fair value of pledged assets was assessed based on the income approach, the discounted free cash flow method, the market approach, and the comparable listed companies approach.

The fair value of investment in account receivable was measured at Level 3 of the fair value hierarchy.

Gains from the Level 3 investments comprised dividends, coupons received from bonds and profits from the sale of investments.

Table 31: Changes in Level 3 investments

Item	2020	2019
Opening balance	179,892	160,182
Disposals/maturity	-22,759	-24,414
Acquisitions	13,102	25,986
Revaluation	-22,472	13,038
Reclassifications	-2,322	5,100
Closing balance	145,441	179,892

Table 32: Transition between levels of fair value hierarchy as at 31 December 2020

Transition between hierarchy levels, portfolio as at 31 December 2020	in 000 EUR				Total
	From Level 1 to Level 2	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2	
Investments at fair value through other comprehensive income	6	671	41	4,467	5,185
Total	6	671	41	4,467	5,185

Table 33: Transition between levels of fair value hierarchy as at 31 December 2019

Transition between hierarchy levels, portfolio as at 31 December 2019	in 000 EUR				Total
	From Level 1 to Level 2	From Level 2 to Level 1	From Level 3 to Level 2	From Level 2 to Level 3	
Investments at fair value through profit or loss	0	0	0	2,693	2,693
Investments at fair value through other comprehensive income	13,737	26,645	714	0	41,096
Total	13,737	26,645	714	2,693	43,789

Table 34: Effective interest rate by investment groups

	2020	2019
Investments at amortised cost	2.27%	1.97%
Investments at fair value through other comprehensive income	3.24%	3.44%

Note no. 18

Loans to others

	in 000 EUR					
	Non-current		Current		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Loans to others	9,805	14,949	14,016	27,176	23,821	42,125
Total	9,805	14,949	14,016	27,176	23,821	42,125

Loans to others represent deposits given to banks and Slovenian institutions. Loans to others are not pledged.

Note no. 19

Operating receivables

	in 000 EUR					
	Long-term		Short-term		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Trade receivables	0	0	3,606	3,034	3,606	3,034
Operating receivables due from others	168	167	3,995	1,060	4,163	1,227
Other operating receivables	0	0	52,554	3,071	52,554	3,071
Total	168	167	60,155	7,165	60,323	7,332

EUR 168 thousand of long-term operating receivables due from others represented payments into the reserve fund for the maintenance of property (in 2019, EUR 133 thousand were paid into the reserve fund for the maintenance of property, while receivables from a company in compulsory settlement equalled EUR 34 thousand).

Short-term operating receivables equalled EUR 60,155 thousand (31 December 2019: EUR 7,165 thousand), most of which refer to short-term deferred expenses arising from the payment to the Pension and Disability Insurance Institute for 2021 in the amount of EUR 50,000 thousand.

The Group has no value adjustments of receivables. The Group has no secured operating receivables. maturity The Group's operating receivables are not subject to material risk.

Breakdown of trade receivables by maturity

31 Dec. 2020	in 000 EUR					
	Not due	Up to 30 days overdue	31 days to 60 days overdue	61 days to 90 days overdue	91 days to 180 days overdue	181 days to 365 days overdue
3,606	3,099	2	2	477	0	26

Note no. 20

Cash and cash equivalents

		in 000 EUR
	31 Dec. 2020	31 Dec. 2019
Bank balances	3,663	7,710
Deposits redeemable at notice	11,060	15,560
Total	14,723	23,270

Note no. 21

Equity

	31 Dec. 2020	31 Dec. 2019
Share capital (000 EUR)	364,810	364,810
Ordinary shares (number)	874,235	874,235

The Group has no own shares. The share capital of EUR 364,810 thousand is represented by 874,235 ordinary, registered, non-par value shares. Each share has the same interest and the attributed amount in the share capital.

Note no. 22

Capital surplus

	in 000 EUR
Capital surplus	
1 January 2020	217,494
Increase in capital surplus	131
31 December 2020	217,625

In 2020, the capital surplus increased by EUR 131 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2020, capital surplus totalled EUR 217,625 thousand.

	in 000 EUR
Capital surplus	
1 January 2019	217,331
Increase in capital surplus	163
31 December 2019	217,494

In 2019, the capital surplus increased by EUR 163 thousand on account of additional assets received in accordance with the Ownership Transformation of Companies Act. As at 31 December 2019, capital surplus totalled EUR 217,494 thousand.

Note no. 23

Changes in reserves arising from valuation at fair value

	in 000 EUR	
Changes in reserves arising from valuation at fair value and deferred taxes in equity	2020	2019
Balance of gross reserves from valuation at fair value as at 1 January	395,458	299,526
Deferred tax as at 1 January	53,253	39,717
Net reserves arising from valuation at fair value as at 1 January	342,205	259,809
Changes during the year – gross increase in reserves	59,146	477,468
Changes during the year – gross decrease in reserves	-13,775	-381,536
Gross reserves arising from valuation at fair value as at 31 December	440,829	395,458
Adjustments (criteria: 8%, 6 months)	-157,172	-135,089
Gross balance after adjustment as at 31 December	283,657	260,369
Deferred tax as at 31 December	56,493	53,253
Net reserves arising from valuation at fair value as at 31 December	384,336	342,205

Note no. 24

Financial liabilities

	in 000 EUR					
	Non-current		Current		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Other non-current financial liabilities	50,000	0	1	1	50,001	1
Total	50,000	0	1	1	50,001	1

As at 31 December 2020, Kapitalska družba reported EUR 50,000 thousand of non-current financial liabilities, which related to the settlement of the Group's liabilities to the Pension and Disability Insurance Institute for 2022 (31 December 2019: EUR 0).

As at 31 December 2020, Modra zavarovalnica, d. d. disclosed EUR 1 thousand of financial liabilities from interest on deposits (31 December 2019: EUR 1 thousand).

Financial liabilities maturity

	in 000 EUR
	31 Dec. 2020
Up to 1 year overdue	1
1 to 2 years	50,000
2 to 5 years	0
Over 5 years	0
Total	50,001

Note no. 25

Operating liabilities

	in 000 EUR					
	Non-current		Current		Total	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Trade payables	0	0	2,975	3,032	2,975	3,032
Operating liabilities from advances	10	15	0	0	10	15
Liabilities to the state	0	0	50,439	33	50,439	33
Corporate income tax liabilities	0	0	109	1,871	109	1,871
Other operating liabilities	123	69	6,804	10,024	6,927	10,093
Total	133	84	60,327	14,960	60,460	15,044

Non-current operating liabilities from advances relate to security deposits received from lessees of business premises in the amount of EUR 10 thousand (31 December 2019: EUR 12 thousand from security deposits received from the lessees of business premises and EUR 3 thousand arising from work in progress on the Stekleni dvor office building). Other non-current operating liabilities comprise mainly liabilities for the payment of variable remuneration of the Management Board in the amount of EUR 96 thousand (31 December 2019: EUR 69 thousand).

Current operating liabilities comprise trade payables in the amount of EUR 2,975 thousand (31 December 2019: EUR 3,032 thousand), the bulk of which, EUR 2,240 thousand (31 December 2019: EUR 2,240 thousand), refers to the liability for the payment of investment property, liabilities to the state of EUR 50,439 thousand, of which the largest part, EUR 50,000 thousand, refers to the payment obligation to the Pension and Disability Insurance Institute in 2021, corporate income tax liabilities equalling EUR 109 thousand (31 December 2019: 1,871) and other operating liabilities of EUR 6,804 thousand (31 December 2019: EUR 10,024 thousand). The bulk of other current operating liabilities totalling EUR 5,909 thousand (2019: EUR 8,658 thousand) is represented by short-term deferred revenue relating to deferred KS MR II revenue from received premiums of policyholders who, based on provisional calculations, expressed their intention to conclude insurance policies as of 1 January 2020.

Operating liabilities maturity

in 000 EUR

31 December 2020	Maturity of up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Trade payables	2,975	0	0	0	2,975
Operating liabilities from advances	0	0	8	2	10
Liabilities to the state	50,439	0	0	0	50,439
Corporate income tax liabilities	109	0	0	0	109
Other operating liabilities	6,804	123	0	0	6,927
Total	60,327	123	8	2	60,460

Note no. 26

Provisions and long-term accrued costs and deferred revenue

in 000 EUR

	Provisions for pensions and similar liabilities	Other provisions	Technical provisions	Total
1 January 2020	497	12,322	223,389	236,208
Newly created during the period	19	5,358	66,909	72,286
Utilisation	-6	0	-30,072	-30,078
Reversal	0	-1,376	0	-1,376
31 December 2020	510	16,304	260,226	277,040

At the end of 2020, the Kapitalska družba Group created provisions for termination benefits and jubilee benefits amounting to EUR 19 thousand (2019: EUR 33 thousand). EUR 6 thousand of provisions were utilised or reversed (2019: EUR 80 thousand). At the end of 2020, provisions for termination benefits and jubilee benefits amounted to EUR 510 thousand (2019: EUR 497 thousand).

In 2020, the Group created other provisions in the amount of EUR 5,358 thousand arising from the liability adequacy test and for the deficit of guarantee fund assets (2019: EUR 52 thousand for onerous contracts). In 2020, the Group reversed other provisions in the amount of EUR 1,007 thousand for non-achievement of guaranteed return and EUR 369 thousand for onerous contracts (2019: EUR 2,035 thousand for non-achievement of guaranteed return, EUR 1,435 thousand arising from the liability adequacy test and EUR 800 thousand for the deficit of guarantee fund assets).

In 2020, technical provisions in the Group increased by EUR 66,909 thousand (2019: EUR 33,361 thousand) due to the inflow of funds, while EUR 30,072 thousand of those provisions were utilised.

	in 000 EUR			
	Provisions for pensions and similar liabilities	Other provisions	Technical provisions	Total
1 January 2019	544	16,540	190,028	207,112
Newly created during the period	33	52	33,361	33,446
Utilisation	-11	0	0	-11
Reversal	-69	-4,270	0	-4,339
31 December 2019	497	12,322	223,389	236,208

Technical provisions

	in 000 EUR	
Item	31 Dec. 2020	31 Dec. 2019
KS PPS Technical Provisions	97,997	99,331
KS MR Technical Provisions	14,245	16,803
KS MR II Technical Provisions	147,978	107,229
Technical provisions of the accident segment	6	26
Total	260,226	223,389

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

Changes in technical provisions

	in 000 EUR	
Technical provisions	2020	2019
Opening balance	223,389	190,028
Change through profit or loss	36,787	33,316
Changes in claims provisions and adjustments	50	46
Closing balance	260,226	223,390

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

in 000 EUR					
Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2020	99,331	16,803	107,230	26	223,390
Increase	5,179	311	61,369	0	66,859
Decrease	-6,580	-2,869	-20,624	0	-30,073
Change in claims provisions	67	0	3	-20	50
Balance as at 31 December 2020	97,997	14,245	147,978	6	260,226

in 000 EUR					
Changes in technical provisions	KS PPS	KS MR	KS MR II	Accident insurance	Total
Balance as at 1 January 2019	101,315	20,522	68,191	0	190,028
Increase	4,711	362	53,039	0	58,112
Decrease	-6,715	-4,081	-14,000	0	-24,796
Change in claims provisions	20	0	0	26	46
Balance as at 31 December 2019	99,331	16,803	107,230	26	223,390

Disclosures of insurance contracts

Composition of long-term insurance contracts

Table 35: Present gross value of future payments

Fund	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
KS PPS	94,255	95,755
KS MR	14,241	16,799
KS MR II	147,336	106,251
Total	255,832	218,805

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

Table 36: Composition of technical provisions as at 31 December 2020

in 000 EUR				
Fund	TP for life insurance based on policies	TP for life insurance – surplus	Claims provisions	Total
KS PPS	94,255	2,675	1,067	97,997
KS MR	14,241	0	4	14,245
KS MR II	147,336	638	4	147,978
Total	255,832	3,313	1,075	260,220

Table 37: Composition of technical provisions as at 31 December 2019

in 000 EUR				
Fund	TP for life insurance based on policies	TP for life insurance – surplus	Claims provisions	Total
KS PPS	95,755	2,575	1,001	99,331
KS MR	16,799	0	4	16,803
KS MR II	106,251	977	1	107,229
Total	218,805	3,552	1,006	223,363

Technical provisions based on individual KS PPS policies as at 31 December 2020 deviate from total technical provisions by the amount of provisions for the equalisation of yield experience amounting to EUR 2,675 thousand (2019: EUR 2,575 thousand) and claims provisions totalling EUR 1,067 thousand (2019: EUR 1,001). The calculation of the value of future payments uses the DAV2004R annuity tables and the statutory technical interest rate of 1%.

Technical provisions based on individual KS MR policies as at 31 December 2020 deviated from total technical provisions by the amount of claims provisions totalling EUR 4 thousand (2019: EUR 4 thousand). The German DAV1994R annuity tables were used in the calculation of future payments.

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

Adequacy of liabilities

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

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

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

The Liability Adequacy Test as at 31 December 2020 showed that mathematical provisions for KS PPS were adequate, whereas a deficit of EUR 386 and EUR 8,131 was determined for KS MR and KS MR II.

Changes in interest rates/return

Table 38: Changes in interest rates / returns for KS PPS

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in return by 0.25 percentage points	-2,670	-2,749
Decrease in return by 0.25 percentage points	2,804	2,889

Table 39: Changes in interest rates/returns for KS MR

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in return by 0.25 percentage points	-266	-297
Decrease in return by 0.25 percentage points	278	311

Table 40: Changes in interest rates/returns for KS MR III

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in return by 0.25 percentage points	-2,732	-1,938
Decrease in return by 0.25 percentage points	2,851	2,022

Change in mortality

Table 41: Changes in mortality for KS PPS

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in mortality probability by 10%	-3,530	-3,516
Decrease in mortality probability by 10%	4,037	4,019

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 3,530 thousand (2019: EUR 3,516 thousand). Annuity tables DAV2004R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 42: Changes in mortality for KS MR

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in mortality probability by 10%	-250	-250
Decrease in mortality probability by 10%	282	282

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 250 thousand (2019: EUR 250 thousand). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

Table 43: Changes in mortality for KS MR II

Change in liabilities/provisions	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Increase in mortality probability by 10%	-1,194	-806
Decrease in mortality probability by 10%	1,340	904

Increase of mortality probability by 10% would result in a decrease of liabilities by EUR 1,194 thousand (2019: EUR 806 thousand). Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

17.3.3 Managing risks arising from financial assets

All risks to which the Group is exposed, and the risk management measures and criteria, are described in Chapter 17.2 "Accounting policies". We estimate that the Group's financial assets give rise to exposure to credit, market (interest, currency, price) and liquidity risk. The Group's own assets as well as guarantee fund assets (KS PPS, KS MR and KS MR II) are included in the tables presented.

Credit risk

Credit risk is related to investments in debt instruments (investments in bonds, treasury bills, commercial papers, certificates of deposits, deposits, cash assets) and entails the possibility of investments being only partly repaid or not at all. Assets' and business partners' credit rating is determined by ratings assigned by Standard & Poor's, Fitch and Moody's, and in-house analyses. The highest exposure equals the book value of financial instruments. Equities are excluded from the analysis because they do not carry any direct credit risk.

Table 44: Exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2020

		Financial assets at amortised cost			Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Internal rating	Rating	Method of measuring expected losses	Gross exposure	Net exposure (decreased by expected losses)	Net exposure	Net exposure	Total net exposure
	AAA	0	3,521	3,521	3,018	9,310	15,849
Low-risk investments	AA	-2	15,902	15,900	3,947	8,341	28,188
	A	-15	88,376	88,361	43,043	11,207	142,611
	BBB	-60	67,494	67,434	25,965	28,440	121,839
Total secure investments		-77	175,293	175,216	75,973	57,298	308,487
	BB	-257	39,859	39,602	2,820	0	42,422
	B	-79	3,100	3,021	0	1,865	4,886
Less secure investments	CCC	0	0	0	0	0	0
	CC	0	0	0	0	0	0
	C	0	0	0	0	0	0
	without credit rating	0	10,400	10,400	0	2	10,402
Total less secure investments		-336	53,359	53,023	2,820	1,867	57,710
Impaired investments	D	0	0	0	0	22,427	22,427
Total impaired		0	0	0	0	22,427	22,427
Total		-413	228,652	228,239	78,793	81,592	388,624

Financial assets were classified into the stated groups based on credit ratings. Secure investments include all AAA to BBB rated investments, less secure investments comprise investments with a credit rating below BB to C and investments that do not have a rating assigned to them by a recognised credit rating agency, while impaired investments are given a D credit rating. Less secure investments mainly comprise investments of Slovenian issuers and a deposit redeemable at notice, while impaired investments refer to an investment in financial receivable.

Table 45: Exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2019

in 000 EUR

		Financial assets at amortised cost			Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Internal rating	Rating	Method of measuring expected losses	Gross exposure	Net exposure (decreased by expected losses)	Net exposure	Net exposure	Total net exposure
Low-risk investments	AAA	0	3,556	3,556	4,787	8,094	16,437
	AA	-1	15,975	15,974	3,972	5,005	24,950
	A	-13	84,466	84,453	59,365	6,289	150,107
	BBB	-42	60,098	60,055	36,427	22,533	119,015
Total secure investments		-56	164,095	164,039	104,550	41,920	310,509
Less secure investments	BB	-208	56,037	55,829	2,493	1,256	59,578
	B	-13	1195	1182	3,270	1,290	5,742
	CCC	0	0	0	0	0	0
	CC	0	0	0	0	0	0
	C	0	0	0	0	0	0
	without credit rating	0	11,660	11,660	0	2	11,662
Total less secure investments		-221	68,892	68,671	5,763	2,548	76,982
Impaired investments	D	0	0	0	0	22,427	22,427
		Impairment through profit or loss in the amount of expected loss					
Total impaired		0	0	0	0	22,427	22,427
Total		-277	232,987	232,710	110,313	66,896	409,918

Table 46: Changes in value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2020

Category	in 000 EUR		
	Stage 1	Stage 2	Stage 3
Allowances for losses as at 31 December 2019	243	133	0
Transfer to stage 1	0	0	0
Transfer to stage 2	-1	134	0
Transfer to stage 3	0	0	0
Financial assets derecognised in the period	-84	-73	0
Financial assets acquired in the period	117	0	0
Other changes	31	-15	0
Allowances for losses as at 31 December 2020	306	179	0

Table 47: Changes in value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2019

Category	in 000 EUR		
	Stage 1	Stage 2	Stage 3
Allowances for losses as at 31 December 2018	206	118	0
Transfer to stage 1	0	0	0
Transfer to stage 2	-10	37	0
Transfer to stage 3	0	0	0
Financial assets derecognised in the period	-107	-38	0
Financial assets acquired in the period	133	0	0
Other changes	20	15	0
Allowances for losses as at 31 December 2019	243	133	0

Table 48: Changes in gross carrying amount and value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2020

Category	Gross carrying amount	Allowances for losses
As at 31 December 2019	382,796	375
Transfer to stage 1	0	0
Transfer to stage 2	2,383	134
Transfer to stage 3	0	0
Financial assets derecognised in the period	-74,130	-157
Financial assets acquired in the period	37,498	117
Other changes	-4,908	16
As at 31 December 2020	343,639	485

Table 49: Changes in gross carrying amount and value adjustments for loss of investments valued at amortized cost and investments valued through other comprehensive income in 2019

Category	in 000 EUR	
	Gross carrying amount	Allowances for losses
As at 31 December 2018	347,368	324
Transfer to stage 1	0	0
Transfer to stage 2	348	27
Transfer to stage 3	0	0
Financial assets derecognised in the period	-70,327	-144
Financial assets acquired in the period	102,989	133
Other changes	2,416	35
As at 31 December 2019	382,796	375

Table 50: Geographical concentration of credit exposure of financial assets

Region	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Slovenia	180,289	221,514
Other countries	208,335	188,404
Total	388,624	409,918

The table only shows investments with credit risk. The share of financial assets exposed to credit risk in Slovenia decreased from 54 % to 46 % in 2020.

Currency risk

Table 51: Currency structure of financial assets

Currency	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Assets denominated in EUR	1,294,362	1,221,209
Assets denominated in USD	202,896	193,371
Assets denominated in other currencies	3,013	3,133
Total	1,500,271	1,417,714

As at 31 December 2020, 86.4% of financial assets were denominated in euro, 13.4% in US dollar and 0.2% in other currencies. The currency structure of financial assets is monitored considering the currency in which the underlying instrument is denominated. Currency risk increased due to lower exposure of investments in USD. As regards investments in investment fund units, the effect of currency fluctuation in securities representing investments of investment funds was not taken into account.

Table 52: Currency risk of financial assets

	in 000 EUR	
USD exchange rate fluctuation by +/- 10%	31 Dec. 2020	31 Dec. 2019
Impact on the income statement	+/-8,393	+/-7,552
Impact on own funds	+/-11,897	+/-11,786
Total	+/- 20,290	+/- 19,338

Interest rate risk

Interest rate risk is related to investments that respond to changes in market interest rates. These include investments whose income is linked to variable interest rates and investments whose interest income is linked to a fixed interest rate despite the fact their market value changes upon any fluctuation of the level of market interest rates. Due to decreasing interest rates, the assets were mostly exposed to the risk of reinvestment. Exposure to interest rate risk is regularly measured by the modified duration indicator.

Table 53: Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2020 – change in interest rates by 100 basis points

	in 000 EUR			
Financial asset group	Change in interest rate	Sensitivity of interest income	Impact on fair value	Total
Investments at fair value through profit or loss	+/- 1%	+/- 789	-/+10,925	-/+10,136
Investments at amortised cost	+/-1%	+/- 0	-/+0	-/+0
Investments at fair value through other comprehensive income	+/-1%	+/- 655	-/+5,634	-/+4,979
Total		+/- 1,444	-/+16,559	-/+15,115

Table 54: Sensitivity analysis of investments according to changes in market interest rates as at 31 December 2019 – change in interest rates by 100 basis points

	in 000 EUR			
Financial asset group	Change in interest rate	Sensitivity of interest income	Impact on fair value	Total
Investments at fair value through profit or loss	+/-1%	+/-5	-/+7,256	-/+7,251
Investments at amortised cost	+/-1%	+/- 0	+/- 0	+/- 0
Investments at fair value through other comprehensive income	+/-1%	+/- 2	-/+7,687	-/+7,685
Total		+/- 7	-/+14,943	-/+14,936

The calculation of the sensitivity of interest income was made by taking into account the investments subject to variable interest rate, whereas the impact on fair value was calculated by taking into account the investments subject to fixed interest rate, including investments in bond investment funds. If market interest rates changed by 100 basis points, the value of the investments as at 31 December 2020 would have changed by EUR 15,115 thousand. Interest rate risk increased in 2020 thanks to increased exposure

arising from the investments sensitive to changes in market interest rates and due to an increase in the average duration of the debt investment portfolio. Liabilities arising from created provisions for non-achievement of guaranteed return of SODPZ in the manager's statements are non-interest-bearing or are insignificant.

Market risk

Market risk represents the possibility of the value of equity securities to change due to the changes in market indexes and market prices of specific equity instruments. The beta indicator is calculated for equity securities, as a measure of systematic risk. The value at risk indicator (VaR) is also monitored.

Table 55: Market risk of the equity securities portfolio

Change in index by +/- 10%	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Impact on the income statement	+/-13,787	+/-8,813
Impact on own funds	+/- 59,016	+/-25,908
Total	+/-72,803	+/-34,721

The table takes into account investments in equity instruments excluding investment coupons of bond investment funds. The impact on profit or loss arises from equity investments measured at fair value through profit or loss, whilst the impact on equity arises from equity investments measured at fair value through other comprehensive income. The risk was calculated using the beta indicator of the world stock index. The market risk of equity investments reduced in 2020 due to higher value of equity investments and higher beta compared to 2019.

Table 56: Financial instruments in terms of marketability

Financial instrument	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Investments traded on a regulated market	1,318,780	1,203,600
Investments at fair value through profit or loss	318,543	232,348
Investments at amortised cost	165,546	149,101
Investments at fair value through other comprehensive income	834,691	822,151
Investments not traded on a regulated market	142,947	148,719
Investments at fair value through profit or loss	53,554	54,120
Investments at amortised cost	28,473	29,824
Investments at fair value through other comprehensive income	60,920	64,775
Total	1,461,727	1,352,319

At the end of 2020, assets traded on regulated stock markets accounted for 92% of financial instruments (investments in securities and an investment in financial receivable are taken into account) or 81% of total assets of the Group (this group includes OTC investments and investments on the interbank market).

Liquidity risk

Liquidity risk represents the possibility of liabilities not being settled upon maturity. Risk is managed by daily monitoring of the inflows and outflows, and precise matching of maturity of assets and liabilities. As at 31 December 2020, the Group recorded a total of EUR 1,232,795 thousand of surplus of expected non-discounted cash inflows over outflows.

Table 57: Expected actual non-discounted cash flows as at 31 December 2020

Item	in 000 EUR				
	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments	62,080	148,107	176,080	1,112,320	1,498,587
• at fair value through profit or loss	8,585	14,558	42,033	296,468	361,643
• at amortised cost	40,099	97,497	104,964	1,442	244,002
• at fair value through other comprehensive income	13,396	36,052	29,084	814,409	892,942
Investment in financial receivable	22,427	0	0	0	22,427
Loans and deposits given	14,023	9,810	0	0	23,833
Cash and cash equivalents	14,723	0	0	0	14,723
Operating receivables	60,155	168	0	0	60,323
Total assets	173,408	158,085	176,080	1,112,320	1,619,893
Operating liabilities	60,327	133	0	0	60,460
Financial liabilities	1	50,000	0	0	50,001
Guarantee fund liabilities	30,401	81,610	164,626	0	276,637
Total liabilities	90,729	131,743	164,626	0	387,098
Difference (assets – liabilities)	82,680	26,342	11,454	1,112,320	1,232,795

Table 58: Expected actual non-discounted cash flows as at 31 December 2019

Item	in 000 EUR				
	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Investments	50,755	176,859	149,223	955,011	1,331,848
• at fair value through profit or loss	5,832	13,078	26,973	213,609	259,492
• at amortised cost	16,334	115,188	89,804	0	221,327
• at fair value through other comprehensive income	28,589	48,593	32,446	741,401	851,029
Investment in financial receivable	22,427	0	0	0	22,427
Loans and deposits given	27,187	14,955	0	0	42,142
Cash and cash equivalents	23,270	0	0	0	23,270
Operating receivables	7,165	167	0	0	7,332
Total assets	130,804	191,981	149,223	955,011	1,427,019

Item	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total
Operating liabilities	14,960	84	0	0	15,044
Financial liabilities	1	0	0	0	1
Annuity fund liabilities	23,743	68,903	138,827	0	231,473
Total liabilities	38,704	68,987	138,827	0	246,518
Difference (assets – liabilities)	92,100	122,994	10,396	955,011	1,180,501

Shares, stakes and investment coupons are disclosed under item without maturity.

Contingent assets and liabilities

Table 59: Contingent assets and liabilities

	in 000 EUR	
	31 Dec. 2020	31 Dec. 2019
Contingent liabilities	5,371	5,783
Contingent assets	50	50

Contingent liabilities relate to the commitments of Kapitalska družba, d. d. and Modra zavarovalnica, d. d. to purchase investment fund units. Contingent assets refer to a performance guarantee received by Modra zavarovalnica, d. d.

17.4 OTHER DISCLOSURES

Information on employee groups

The names of members of the Management Board and other bodies are stated in the introductory part of the Group Annual Report, under chapter Predstavitev Skupine Kapitalska družba, covering general information about the Kapitalska družba Group. In 2020, the Kapitalska družba Group approved no advance payments or loans to the members of the management and supervisory bodies nor assumed any liabilities on their behalf.

Receipts of the members of the Management Board, Supervisory Board and staff with executive employment contracts of Kapitalska družba, d. d.

In 2020, remunerations paid for carrying out of responsibilities and duties of members of the Management Board, Supervisory Board and employees with management contracts for which the tariff section of the collective agreement does not apply, amounted to EUR 959 thousand.

Receipts by category of beneficiaries are presented in the table below.

Table 60: Receipts by category of beneficiaries in 2020

Categories of beneficiaries	in 000 EUR
	Amount
Members of the Management Board	413
Members of the Supervisory Board	112
Employees with individual contracts	434
Total	959

No advances, loans or collateral were approved to members of the Management Board, the Supervisory Board and employees under individual contracts by Kapitalska družba, d. d. in 2020.

Receipts of the members of management and supervisory bodies of Kapitalska družba, d. d.

Receipts of the members of the Management Board are regulated by ZSDH-1. Pursuant to Article 51(5) of ZSDH-1, the same conditions and criteria as apply to the members of the Management Board of SDH, d. d., apply to the members of the Management Board of Kapitalska družba. By mutatis mutandis application of Article 46(7) of ZSDH-1, the receipts of the Management Board members are set by the Supervisory Board, without considering the provisions of the act governing the remuneration of supervisory body members of companies with majority ownership held by the Republic of Slovenia or self-governing local communities. The employment contracts made with the Management Board members are consistent with the said legal basis. The basic pay of the Management Board members is set as a multiple of 5 of the average gross salary paid in the Kapitalska družba Group in the previous business year, however, the basic pay of the President of the Management Board calculated that way may not exceed 95% of the basic pay of the President of the Management Board of SDH, d. d., as published, while the basic pay of members of the Management Board amounts to 95% of individual basic pay of the President of the Mana-

gement Board of Kapitalska družba. All bonuses are included in the basic pay. The basic pay is revised annually when data on the average salary in the Kapitalska družba Group in the previous financial year are published. The revised basic salary is applicable from 1 July of the current year. The basic pay of the members of the Management Board of Kapitalska družba was calculated and paid in 2020 in line with the aforementioned criteria. Pursuant to the contract, each member of the Management Board is entitled to attend training at home and abroad of up to 15 days per year paid by Kapitalska družba, as specified in the adopted Business and Financial Plan of Kapitalska družba.

Table 61: Receipts of Management Board members in 2020

Name and surname	Fixed remuneration	Variable income	Benefits	Cost reimbursement	Insurance (PDPZ)	Participation in profit	Fees	Options	Other bonuses	Other payments	Total gross	EUR	
												Total net	Deferred remuneration
Bachtiar Djalil (President of the Management Board)	121,611	9,368	298	1,686	2,819	-	-	-	689	1,200	137,671	73,551	19,288
Goranka Volf (Member of the Management Board)	114,572	16,496	314	1,983	2,819	-	-	-	-	1,200	137,384	71,621	25,892
Gregor Bajraktarević (Member of the Management Board)	115,616	16,472	298	2,033	2,819	-	-	-	-	1,200	138,438	74,715	25,913
Total	351,799	42,336	910	5,702	8,457	-	-	-	689	3,600	413,493	219,887	71,093

The fixed income of the Members of the Management Board includes gross salary receipts. The variable income includes performance bonus, which equals up to 30% of the annual basic gross salary for the business year, taking into account the performance criteria. The variable income received by the Management Board refers to the bonus for company business performance for 2019 on the basis of a combination of quantitative and qualitative criteria. Fringe benefits include benefits from the collective casualty insurance as well as liability insurance of the Members of the Management Board. Cost reimbursements include reimbursement of meal and travel and/or accommodation expense and/or per diems. Insurance premiums (PDPZ) represent payments for voluntary supplementary pension insurance. Other bonuses include jubilee benefits. Other payments include pay for annual leave. Deferred remuneration comprises a part of the payment of variable remuneration for 2018, which will be paid in 2021, and a part of the payment of variable remuneration for 2019, which will be paid in 2022.

Table 62: Receipts of Members of the Supervisory Board in 2020

Name and surname												EUR	
	Fixed income – payment for the performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other bonuses	Other payments	Total gross	Total net
Stanislav Seničar (Chairman of the Supervisory Board)	15,114	4,021	243	-	278	-	-	-	-	-	-	19,655	14,052
Boris Žnidarič, PhD (Deputy Chairman of the Supervisory Board, President of the Accreditation Committee)	14,859	4,769	243	-	41	-	-	-	-	-	-	19,911	14,239
Aleksander Mervar, MSc (Member of the Supervisory Board, Member of the Audit Committee, President of the HR Committee)	16,434	5,132	243	-	70	-	-	-	-	-	-	21,878	15,670
Ladislav Rožič, MSc (Member of the Supervisory Board, President of the Audit Committee since 14 April 2020 and Member of the Audit Committee)	15,928	5,649	243	-	9	-	-	-	-	-	-	21,829	15,633
Natalija Stošički (Member of the Supervisory Board until 8 April 2020, President of the Audit Committee and Member of the HR Committee)	5,642	935	243	-	96	-	-	-	-	-	-	6,916	4,787
Mirko Miklavčič (Member of the Supervisory Board, Member of the Audit Committee and Member of the HR Committee)	15,114	5,649	243	-	651	-	-	-	-	-	-	21,656	15,508
Total	83,091	26,153	1,456	-	1,146	-	-	-	-	-	-	111,845	79,889

Fixed receipts of the Supervisory Board members include payment for the performance of duties of the Supervisory Board (basic and extra pay for participation in the Supervisory Board committees) and session fees for attending the meetings of the Supervisory Board and its committees. Fringe benefits include the benefit arising from the liability insurance of the Members of the Supervisory Board. Cost reimbursements include reimbursement of travel expenses.

Table 63: Receipts of external members of the Supervisory Board's committees in 2020

Name and surname												EUR	
	Fixed income – payment for the performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other bonuses	Other payments	Total gross	Total net
Mojca Verbič (External Member of the Audit Committee)	3,330	1,430	-	-	144	-	-	-	-	-	-	4,904	3,567
Natalija Stošički (External Member of the Audit Committee since 14 April 2020)	2,129	1,430	-	-	192	-	-	-	-	-	-	3,751	2,728
Irena Prijović, MSc (Member of the Accreditation Committee)	3,420	748	-	-	0	-	-	-	-	-	-	4,168	3,031
Alenka Stanič, PhD (External Member of the Accreditation Committee)	3,600	880	-	-	0	-	-	-	-	-	-	4,480	3,258
Gorazd Žmavc (External Member of the Accreditation Committee)	3,330	748	-	-	289	-	-	-	-	-	-	4,367	3,176
Total	15,809	5,236	-	-	625	-	-	-	-	-	-	21,670	15,760

Fixed income of the external members of the Supervisory Board committees consists of the remuneration for the work performed in the relevant committee of the Supervisory Board and attendance fees for attendance at the Supervisory Board committees' meetings. Cost reimbursements include reimbursement of travel expenses.

Table 64: Receipts of members of management and supervisory bodies arising from the performance of functions in the subsidiary Modra zavarovalnica, d. d. in 2020

Name and surname												EUR	
	Fixed income – payment for the performance of duties	Fixed income – attendance fees	Fringe benefits	Variable income	Cost reimbursement	Insurance premiums	Fees	Participation in profit	Options	Other bonuses	Other payments	Total gross	Total net
Bachtiar Djalil (Member of the Supervisory Board since 14 Jan. 2019, President or the Supervisory Board from 11 Apr. 2019 to 22 Dec. 2019, Deputy President of the Supervisory Board since 23 Dec. 2019)	Gross	Total net	-	-	-	-	-	-	-	-	-	12,369	8,996
Total	9,675	2,694	-	-	-	-	-	-	-	-	-	12,369	8,996

Fixed income consists of the remuneration for the work performed in the Supervisory Board and its Committees and attendance fees for attendance at the meetings. Cost reimbursements include reimbursement of travel expenses.

Activities of the Supervisory Board and committees of Kapitalska družba

The Supervisory Board held 18 meetings in 2020. The Members attended the Supervisory Board meetings regularly, Aleksander Mervar, MSc, was not able to attend three meetings for justifiable reasons.

The Audit Committee of the Supervisory Board held eight meetings. The Members attended the meetings regularly. For justifiable reasons, Mirko Miklavčič and Mojca Verbič were absent one time, and Aleksander Mervar, Msc, was not able to attend three of the meetings for justifiable reasons.

The Accreditation Committee held four meetings. Its Members attended the meetings regularly; Aleksander Mervar, Msc, was not able to attend one meeting for justifiable reasons.

The HR Committee had two meetings, which were attended by both members.

Receipts of members of Management Board, supervisory bodies and employees with management contracts of Modra zavarovalnica, d. d.

In 2020, total remuneration of the members of the Management Board, Supervisory Board and employees with individual employment contracts for performing their function and to whom the tariff section of the collective agreement does not apply amounted to EUR 1,045 thousand.

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

Table 65: Gross receipts in 2020 by category of beneficiaries of Modra zavarovalnica, d. d.

	in 000 EUR
Category of beneficiaries	Amount
Members of Management Board	469
Members of supervisory bodies	79
Employees with individual contracts	497
Total	1,045

Receipts of members of management and supervisory bodies of Modra zavarovalnica, d. d.

Table 66: Receipts of Management Board members in 2020

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

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

Table 67: Remuneration of Supervisory Board members and external members of Supervisory Board committees of Modra zavarovalnica, d. d. in 2020

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

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

Remuneration of management bodies of Hotelske nepremičnine, d. o. o.

The company Hotelske nepremičnine, d. o. o. has no employees, both directors run the company on the basis of a management contract.

Table 68: Remuneration of management bodies of Hotelske nepremičnine, d. o. o. in 2020

Name and surname	Fixed remuneration	Variable income	Fringe benefits	Cost reimbursement	Insurance premiums (PDFZ)	Fees	Participation in profit	Options	Other bonuses	Other payments	EUR
											Total
Zoran Perše	7,875	0	0	85	0	0	0	0	0	0	7,960
Roman Jerman	7,875	0	0	184	0	0	0	0	0	0	8,059

Fixed remuneration refers to payment under a management contract. Cost reimbursement accounts for cost of using own vehicles for business trips.

Related-party transactions

In 2020, the Kapitalska družba Group made no significant transactions with its related parties that were concluded under other than normal market conditions.

Disclosure regarding the pension scheme

In 2020, the Occupational Retirement Pension Scheme was amended twice. On 1 July 2020, pursuant to the decision on approving the amendments and supplements to the Occupational Health Insurance Plan No. 1032-9/2019 5 of 20 May 2020, issued by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, the amended Occupational Retirement Pension Scheme entered into force, which was adopted due to the extended transitional period of applying a differentiated contribution rate and which takes into account the share of the net asset value of the SODPZ fund up to which unallocated solidarity provisions are created. However, pursuant to the decision on approving the amendments and supplements to the Occupational Health Insurance Plan No. 1032-16/2020-2 of 27 July 2020, issued by the Ministry of Labour, Family, Social Affairs and Equal Opportunities, a new Occupational Retirement Pension Scheme entered into force on 1 October 2020 in order to comply with the Act Amending the Pension and Disability Insurance Act (ZPIZ-2G). On 1 October 2020, the amended Rules on the Management of the SODPZ also entered into force, to which the Securities Market Agency issued a consent on 27 August 2020.

Significant events after the balance sheet date

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

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KAPITALSKA DRUŽBA

Consolidated Annual Report
of the Kapitalska družba Group

2020