



THE COMPLETED CIRCLE
OF TRUST



ANNUAL REPORT
FOR 2011




modra
zavarovalnica

MODRA ZAVAROVALNICA, d.d.
Dunajska cesta 119
1000 Ljubljana

www.modra-zavarovalnica.si

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ACRONYMS USED

AZN	Agency for Insurance Supervision
BDP	Gross Domestic Product
DAX	Main German Stocks Index (Deutscher Aktienindex)
Dow Jones	Main US Stocks Index (Dow Jones Industrial Average)
ECB	European Central Bank
EUR	Euro - Currency of the European Union
EURIBOR	The Euro Interbank Offered Rate
FTSE	Index of UK stocks
iBoxx	Reference Index of Liquid Investment Grade Bonds
ITIL	The Information Technology Infrastructure Library
KPNG	Collective Agreement for Non-Commercial Activities in the Republic of Slovenia
KPOPNU	Collective Agreement on the Formation of a Pension Plan for Public Servants
KS MR	Modra Renta Guarantee Fund
KS PPS	Guarantee Fund of the First Pension Fund of the Republic of Slovenia
KVPS	Capital Mutual Pension Fund
MSRP	International Financial Reporting Standards
Nikkei	Index of Japanese Stocks (Nikkei heikin kabuka)
PDPZ	Voluntary Supplementary Pension Insurance
PN1 K	Pension Plan for Collective Voluntary Supplementary Pension Insurance
PN1 P	Pension Plan for Individual Voluntary Supplementary Pension Insurance
PNJU K	Pension Plan for Collective Voluntary Supplementary Pension Insurance for Civil Servants
PPS	First Pension Fund of the Republic of Slovenia
RS	Republic of Slovenia
SBI TOP	Slovene Blue Chip Index
SMI	Index of Swiss Stocks
USD	US dollar
ZKDPZJU	Act on the Collective Voluntary Supplementary Pension Insurance for Civil Servants
ZPIZ	Pension and Disability Insurance Institute of the Republic of Slovenia
ZPIZ-1	Pension and Disability Insurance Act (official consolidated text, ZPIZ-1, UPB-4, Official Gazette of the RS, no. 109/2006, 27/2010 and 38/2010)
ZPKDPIZ	Act Governing Conversion of Pension Fund Management (KAD), Transfer Rights and Powers of D.S.U. to Slovenian Compensation Company (SOD), and Investment Policy of KAD and SOD (Official Gazette of the RS, no. 79/2010)
ZPKDPIZ-A	Act Amending the Act Governing Conversion of Pension Fund Management (KAD), Transfer Rights and Powers of D.S.U. to Slovenian Compensation Company (SOD), and Investment Policy of KAD and SOD (Official Gazette of the RS, no. 26/2011)
ZPPOGD	Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities
ZVPSJU	Closed Mutual Pension Fund for Civil Servants
ZZavar	Insurance Act (consolidated text, ZZavar, UPB7, Official Gazette of the RS, no. 99/2010)



EVERYTHING BEGINS WITH
THE FIRST SURE STEP.

ANNUAL REPORT



1.1 Address by the Management Board

On 3 October 2011, Modra zavarovalnica, d.d. (hereinafter: Modra zavarovalnica) was registered in the court register and, began independently conducting its activity pursuant to the approval of the Agency for Insurance Supervision to conduct insurance transactions relating to life and accident insurance. The company was formed on the basis of the Act on the Reorganisation of Kapitalska družba, d.d., through the Spin-out of Assets and the Activity of Managing Pension Funds. As its universal legal successor, Mora zavarovalnica assumed management of the Closed Mutual Pension Fund for Civil Servants, the Capital Mutual Pension Fund, the First Pension Fund of the RS and the Guarantee Fund of the PPS from Kapitalska družba d.d. After its formation, the insurance company added other activities to its business and in November 2011 began offering competitive additional monthly pension annuities to its policyholders and members included in additional pension insurance plans.

After its reorganisation, Modra zavarovalnica became the largest manager of mutual pension funds and the largest payer of additional pension annuities in Slovenia. It retained its 39% market share in terms of additional pension insurance funds collected and its 45% share of policyholders/members. It has the best equity position of all specialised providers of additional pension insurance plans in Slovenia, which guarantees the long-term sustainability and unhindered fulfilment of all its obligations stemming from transferred and newly concluded insurance contracts.

The establishment of the insurance company has resulted in several benefits to its key stakeholders, as it has mitigated business risks, opened up development possibilities, and offered additional insurance products with an aim of improving the social security of individuals and their families throughout their lives, and at the same time provided better quality services by ensuring policyholders are better informed. The influence of insured persons and their representatives on the insurance company's business policies has also been significantly strengthened. Half of the members of the insurance company's Supervisory Board represent policyholders, who are thus actively included in the company's corporate management.

The insurance company successfully concluded the business year, which lasted from 3 October to 31 December 2011, with a net profit of 443 thousand euros. The insurance company generated net insurance revenue

of 5 million euros, comprised mainly of net insurance premiums and fund management revenues. Insurance expenses and costs of doing business amounted 4.3 million euros. Investment expenses, mainly stemming from investment impairment, slightly surpassed investment revenues, and as a result the insurance company recorded an investment loss of 264 thousand euros.

At 2011 year end, Modra zavarovalnica managed over 781 million euros worth of assets in mutual pension funds, 89 million euros worth of assets of both guarantee funds and 155 million euros of its own assets. The business objectives of fund management were focused on achieving the highest possible return at an acceptable level of risk. The returns of pension funds managed by Modra zavarovalnica in 2011 are comparable to the returns of funds managed by both Slovenian and foreign competition. It was difficult to achieve the guaranteed return, surpass the average return of our competitors and ensure liquidity of funds, as in the third quarter of 2011, Slovenia recorded negative economic growth and saw unfavourable macroeconomic indicators. Likewise, the Eurozone was faced with the sovereign debt crises of certain countries, the falling euro compared to the US dollar and negative returns on stock markets.

In 2012, we expect the sovereign debt crisis in the Euro zone to worsen and the economy to cool down further. Such conditions will demand prudence both in investing the company's own assets as well as the assets of policyholders in pension funds. The demanding economic climate, the continuing trend of policyholders demanding payments from their savings after 10 years in accordance with law and the planned development and introduction of new insurance products represent challenges Modra zavarovalnica is well prepared for. Through successfully beginning its operations, Modra zavarovalnica has proven that it can keep in pace with the dynamic business environment and adjust to the more demanding conditions in the additional pension insurance market, which must be reformed as soon as possible.

Ljubljana, February 2012



Borut Jamnik

Chairman of the Management
Board



Matija Debelak

Member of the Management
Board

1.2 Overview of the Company

1.2.1 General Information

Name: Modra zavarovalnica, d. d.

Headquarters: Dunajska cesta 119, Ljubljana

Company registration number: 6031226

VAT ID number: SI21026912

1.2.2 Establishment of Modra zavarovalnica

Modra zavarovalnica was established through the spin-out of assets and activities from Kapitalska družba d. d. pursuant to the Act Governing Conversion of Pension Fund Management (KAD), Transfer of Rights and Powers of D.S.U. to Slovenian Compensation Company (SOD), and Investment Policy of KAD and SOD. On the day of its registration in the court register, Modra zavarovalnica became the universal legal successor of Kapitalska družba d. d., with regards to the rights and obligations transferred to Modra zavarovalnica in accordance with the Spin-Off Plan. The establishment of Modra zavarovalnica was recorded in the court register of the Ljubljana County Court on 3 October 2011. On 3 October 2011, in accordance with Article 14 of ZPKDPIZ, the following funds and activities were transferred to Modra zavarovalnica:

- Management of the Closed Mutual Pension Fund for Public Servants on the basis of the ZVPSJU management contract concluded between the Government of the Republic of Slovenia and Kapitalska družba d. d.
- The Capital Mutual Pension Fund and management of mutual pension funds for additional pension insurance pursuant to the Pension and Disability Insurance Act
- The First Pension Fund and the Guarantee Fund of the First Pension Fund, as well as the management of both funds according to the First Pension Fund of the Republic of Slovenia and Transformation of Authorized Investment Corporations Act.

For the 2011 business year, Modra zavarovalnica has prepared its annual report for the period beginning with its establishment to the end of the calendar year, i.e. from 3 October 2011 (inclusive) to 31 December 2011 (inclusive).

The Consolidated Annual Report of the Kapitalska družba Group can be obtained at the head office of Kapitalska družba d. d. at Dunajska cesta 119, Ljubljana

1.2.3 Shareholder Structure and Share Capital

As at 31 December 2011, Kapitalska družba, d.d. was the sole shareholder of Modra zavarovalnica.

The insurance company's share capital amounts to 152,200,000 euros. The company's share capital is divided into 152,200,000 ordinary no-par value shares. Each share has the same interest and attributed amount in the share capital. The interest of each individual no-par value share is determined with respect to the number of issued no-par value shares.

The share capital of the insurance company was provided in full by the transferring company, namely Kapitalska družba pokojninskega in invalidskega zavarovanja, d.d., Dunajska cesta 119, Ljubljana, by means of assets defined in the terms of division.

1.2.4 Company Activities

Modra zavarovalnica conducts life insurance operations in accordance with the Insurance Act.

The activities of Modra zavarovalnica are defined in its articles of association and in accordance with law. Under its articles of association, Modra zavarovalnica engages in the activities listed below in line with the purpose of its incorporation:

- 65.110 Life insurance
- 65.120 Non-life insurance (only operations relating to 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.

1.2.5 Bodies of the Company

1.2.5.1 The Management Board

In 2011, the Management Board of Modra zavarovalnica was comprised as follows:

- Borut Jamnik, Chairman, and
- Mag. Matija Debelak, Member.

In accordance with the articles of association applicable as of 31 March 2011, the Management Board of Modra zavarovalnica was appointed by the first Supervisory Board on 17 May 2011, with a suspense condition. The suspense condition was fulfilled when the company obtained approval to perform insurance transactions from the Agency for Insurance Supervision.

1.2.5.2 The Supervisory Board

According to the provisions of ZPKDPIZ and the articles of association, Modra zavarovalnica has a Supervisory Board, comprised of six members appointed by the insurance company's General Meeting. Half of the members of the Supervisory Board are proposed by policyholders: two members are proposed by the ZVPSJU committee in the name of ZVPSJU policyholders, while one member is jointly proposed by other policyholders (KVPS policyholders, PPS policyholders and others).

According to Article 32 of the articles of association of Modra zavarovalnica, the mandate of the members the first Supervisory Board ended on the date of the first General Meeting.

The candidate for Supervisory Board member, proposed by members of the KVPS committee, is determined on the basis of a public call to all non-ZVPSJU policyholders to propose candidates. The KVPS committee publishes the call referred to above in the Official Gazette of the Republic of Slovenia and on the website of Modra zavarovalnica. Candidates have 15 days to apply, beginning on the day after the public call is published, unless the committee provides otherwise.

The candidate for Supervisory Board member, proposed by members of the ZVPSJU committee, is determined on the basis of a public call to all policyholders to propose

candidates. The ZVPSJU committee publishes the call referred to above in the Official Gazette of the Republic of Slovenia and on the website of Modra zavarovalnica. Candidates have 14 days to apply, beginning on the day after the public call is published.

Only a person meeting the requirements stipulated by the act governing companies, the act governing insurance operations, and the articles of association, may be appointed member of the Supervisory Board.

On 31 March 2011, the following members of the first Supervisory Board of Modra zavarovalnica were appointed, with mandates until the first General Meeting of the Company, which took place on 9 December 2011:

- Bachtar Djalil, Chairman
- Ernest Ermenc, Deputy Chairman
- Tomaž Kuntarič, Member
- Andreja Štrukelj, Member
- Branimir Štrukelj, Member, and
- Bojan Zupančič.

At the first General Meeting of Modra zavarovalnica of 9 December 2011, the following persons were appointed for a 5-year mandate:

- Branimir Štrukelj, Chairman
- Aleš Groznik, Deputy Chairman
- Bojan Zupančič, Member
- Dario Radešič, Member
- Goran Bizjak, Member
- Marino Furlan, Member.

1.2.6 The General Meeting

In accordance with Article 2 of ZPKDPIZ-A, voting rights at General Meetings are exercised in the name and for the account of the sole shareholder of Modra zavarovalnica, namely Kapitalska družba, d.d., by the Capital Assets Management Agency of the Republic of Slovenia.

1.3

Report of the Supervisory Board

Pursuant to Article 282 of the Companies Act (hereinafter: ZGD-1), the Supervisory Board of Modra zavarovalnica, d. d., submits the following report to the General Meeting:

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

Modra zavarovalnica, d. d., (hereinafter: the Company) has, pursuant to the Act Governing Conversion of Pension Fund Management (KAD), Transfer of Rights and Powers of D.S.U. to Slovenian Compensation Company (SOD), and Investment Policy of KAD and SOD (hereinafter: ZPKDPIZ) and its articles of association, a Supervisory Board, comprised of six members appointed by the company's General Meeting. One half of the members (3 members) of the Supervisory Board are proposed by the policyholders of the Company; namely, two members are proposed on behalf of the insurance holders of the Closed Mutual Pension Fund for Civil Servants (ZVPSJU) by the Board of this Fund, while 1 member is proposed by all the remaining policyholders together (policyholders of the Capital Mutual Pension Fund (KVPS), policyholders of the First Pension Fund (PPS) and the remaining policyholders). Three members of the Supervisory Board represent the interests of the sole shareholder, Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

According to Article 32 of the articles of association of Modra zavarovalnica, the mandate of the members of the first Supervisory Board shall end on the day of the first General Meeting.

On 31 March 2011, the following members of the first Supervisory Board of Modra zavarovalnica were appointed, with a mandate expiring on 9 December 2011:

Bachtiar Djalil (Chairman), Ernest Ermenc (Deputy Chairman), mag. Tomaž Kuntarič (Member), Andreja Štrukelj (Member), Branimir Štrukelj (Member) and Bojan Zupančič (Member).

At the first General Meeting of Modra zavarovalnica of 9 December 2011, the following Supervisory Board members were appointed for a five-year mandate:

Branimir Štrukelj, dr. Aleš Groznik, Bojan Zupančič, Dario Radešič, Goran Bizjak and Marino Furlan.

At the constituent meeting of the Supervisory Board of Modra zavarovalnica of 23 December 2011, Branimir Štrukelj was appointed Chairman of the Supervisory Board and dr. Aleš Groznik was appointed Deputy Chairman.

In the 2011 business year, the Supervisory Board met 10 times, of which nine were regular meetings (one meeting was performed in the composition of members appointed on 9 December 2011) and one was a correspondence meeting.

Supervision of operations comprised both supervising the management of the fixed assets of Modra zavarovalnica, as well as supervising the management and implementation of the additional pension funds Modra zavarovalnica manages as of 3 October 2011 (on 3 October 2011, the day Modra zavarovalnica was registered in the court register, the First Pension Fund of the Republic of Slovenia – PPS, the Guarantee Fund of the First pension Fund – KS PPS, the Capital Mutual Pension Fund – KVPS and the Closed Mutual Pension Fund for Public Servants – ZVPSJU were transferred to Modra zavarovalnica as the new manager).

The activity of managing the mentioned pension funds and paying out pension annuities was also transferred to Modra zavarovalnica.

At its fifteenth meeting of 16 May 2012, the Supervisory Board approved the annual report of Modra zavarovalnica for 2011, including the audit report and report of the Supervisory Board on its approval of the annual report of Modra zavarovalnica d.d., and was informed of the report of the authorised actuary as well as the annual reports of the mutual pension funds managed by Modra zavarovalnica.

In 2011, members of the Supervisory Board appointed the Chairman and one Member of the Management Board of Modra zavarovalnica, adopted the Rules Governing the Employment Rights of Members of the Management Board of Modra zavarovalnica, were informed of the Report on the Implementation of the Project of Restructuring Kapitalska družba through the Spin-out of Modra zavarovalnica, gave their consent to the Charter of the Internal Audit Department, Regulation Governing the Operations of the Internal Audit Department and Programme of Work of the Internal Audit Department for the October - December 2011 period and the Programme of Work of the Internal Audit department for 2012. The Supervisory Board of Modra zavarovalnica was informed of the sales of shares in

Helios Domžale, d.d., and gave its consent to the anticipated transaction costs. The Audit Committee of the first Supervisory Board was appointed on 3 June 2011.

At its constitutive meeting of 23 December 2011, the Management Board of Modra zavarovalnica provided the Supervisory Board with the Business and Financial Plan of Modra zavarovalnica for the 2012 business year. At its eleventh meeting of 4 January 2012, the Supervisory Board gave its consent to the plan.

Receipts of members of the Supervisory Board are disclosed in detail in the annual report of Modra zavarovalnica in chapter 2.10.3.5., Other Disclosures.

Assessment of the work of the Management Board and the Supervisory Board

Based on the described regular monitoring and supervising of the operations and management of Modra zavarovalnica during the financial year, and based on a review of the Annual Report, compiled and submitted by the Management Board, the Supervisory Board estimates that the Annual Report and the disclosures contained therein give a true and fair view of the situation and position of Modra zavarovalnica. The Supervisory Board views that the Management Board of Modra zavarovalnica successfully managed the company's operations in the 2011 business year and that it effectively fulfilled the business goals in light of changed business conditions. The Management Board duly prepared the material providing quality information and thorough discussion of all the major business categories and answered any additional questions and initiatives of members of the Supervisory Board in detail. Reporting of the Management Board in 2011 enabled the Supervisory Board to adequately perform its supervisory role.

b) Position of the Supervisory Board on the Auditor's Report

In accordance with the second paragraph of Article 282 of the Companies Act, the Supervisory Board reviewed and discussed the auditor's report on the audit of the financial statements of Modra zavarovalnica for 2011 made by the audit company Ernst & Young of Ljubljana. The Supervisory Board has established that the auditor performed its tasks in line with law, auditing rules and the International Standards on Auditing. The Supervisory Board has no objections to the Auditor's Report.

c) Resolution on approval of the Annual Report for 2011

In accordance with Article 282 of the Companies Act, the Supervisory Board hereby approves the annual report of Modra zavarovalnica for 2011.

d) Proposal to the General Meeting of Shareholders to grant a discharge from liability to the Management Board and the Supervisory Board

Based on the findings in points a), b) and c) herein, the Supervisory Board of Modra zavarovalnica hereby proposes a decision according to Article 294 of the Companies Act whereby the Management Board and Supervisory Board of Modra zavarovalnica receive discharge for their work in 2011. This should be paid:

To the following members of the Management Board:

- Borut Jamnik for the period from 3 October to 31 December 2011, and
- Mag. Matija Debelak for the period from 3 October to 31 December 2011.

To the Supervisory Board in the following composition for the period from 31 March 2011 to 9 December 2011:

- Bachtiar Djalil (Chairman), Ernest Ermenc (Deputy Chairman), Tomaž Kuntarič (Member), Andreja Štrukelj (Member), Branimir Štrukelj (Member) and Bojan Zupančič (Member).

To the Supervisory Board in the following composition for the period from 9 December 2011 to 31 December 2011:

- Branimir Štrukelj (Chairman), dr. Aleš Groznik (Deputy Chairman), Bojan Zupančič (Member), Dario Radešič (Member), Goran Bizjak (Member) and Marino Furlan (Member).

Ljubljana, 16 May 2012

Branimir Štrukelj
Chairman of the Supervisory Board

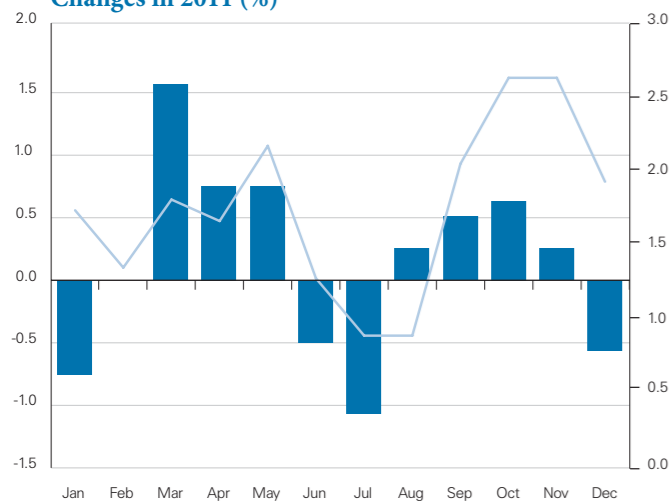
1.4 Macroeconomic Framework of Operations

1.4.1 Inflation

In 2011, the annual growth rate of consumer prices reached 2%, while the average rate amounted to 1.8%. In 2010, the annual inflation rate was lower (1.9%), while the average inflation rate amounted to 1.8%.

In 2011, the following groups of products recorded the greatest inflation rates: housing, food and non-alcoholic drinks, alcoholic drinks and tobacco. The prices of communication services, clothes and shoes, and recreation and culture services recorded the greatest falls.

Figure 1: Monthly and Annual Consumer Price Index Changes in 2011 (%)

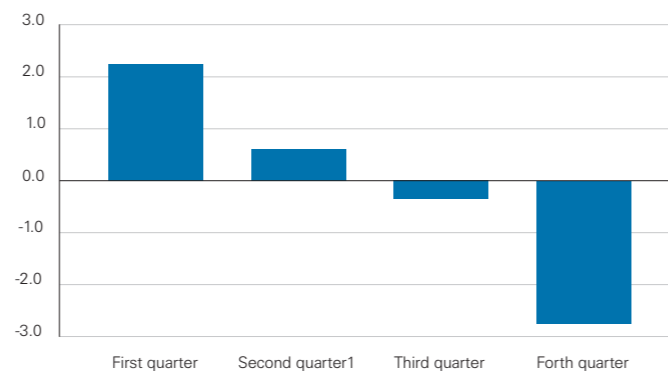


■ Monthly growth rate of consumer prices
— Annual growth rate of consumer prices
Source: Statistical Office of the Republic of Slovenia

1.4.2 Gross Domestic Product

In 2011, the Slovenian economy generated 0.2% less product than in 2010. On an annualised basis, in the final quarter of 2011, Slovenian GDP fell by 2.8%. Compared to the third quarter of 2011, economic activity, adjusted for seasonal effects and the number of working days, fell by 0.7%. The final quarter of 2011 was the second quarter in a row to record a drop in the economy, meaning that Slovenia is now facing a new recession.

Figure 2: Changes in GDP growth year-on-year in 2011 by quarter (%)



Source: Statistical Office of the Republic of Slovenia

1.4.3 Employment and Wages

According to the Statistical Office of the Republic of Slovenia, the number of active persons December 2011 amounted to 934,488. The number of persons in employment was 817,975, 0.2% less than at the end of December 2010. The number of registered unemployed persons at the end of December 2011 was 112,021 or 2.5% more than at the end of 2010. The level of registered unemployment was 12.1%, while at the end of 2010, the level of registered unemployment amounted to 11.8%.

The average monthly net salary for January-December 2011 was 987 euros. In comparison to the average salary in 2010, this represents a nominal growth of 2.1%, while no change was recorded in real terms. The average monthly gross salary for January-December 2011 amounted to 1,525 euros, which represents a nominal increase of 1.9% and a real decrease of 0.2% compared to 2010.

1.4.4 Money Market

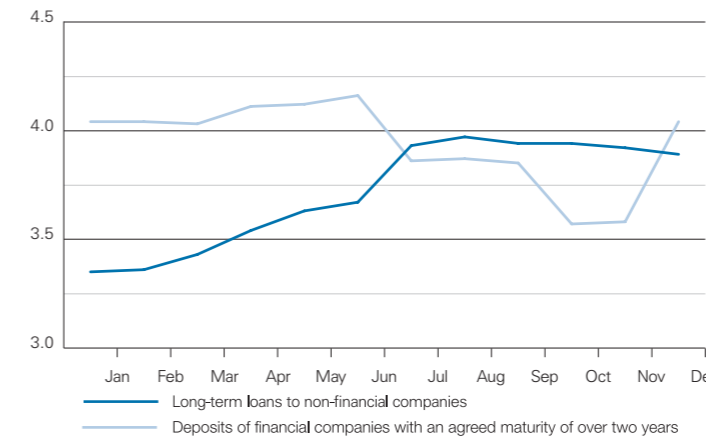
1.4.4.1 Interest Rates

Interest rates were mainly on the rise during 2011. The interest rates on existing household consumer loans with a maturity of over 5 years equalled 5.89% in December 2011 (5.55% in January 2011) and equalled 3.89% for corporate loans to non-financial companies (3.35% in January 2011).

Compared to January 2011, the cost of short-term loans to households and non-financial companies increased in December 2011. In December 2011, the interest rate on existing short-term household loans stood at 7.21% (January 2011: 7.11%), and for non-financial companies at 5.74% (January 2011: 5.55%).

In December 2011, as compared to January 2011, the interest rates on deposits from households with an agreed maturity of over two years grew from 3.98% in January to 4.05% in December, and for non-financial companies dropped from 4.04% in January to 3.52% in December 2011.

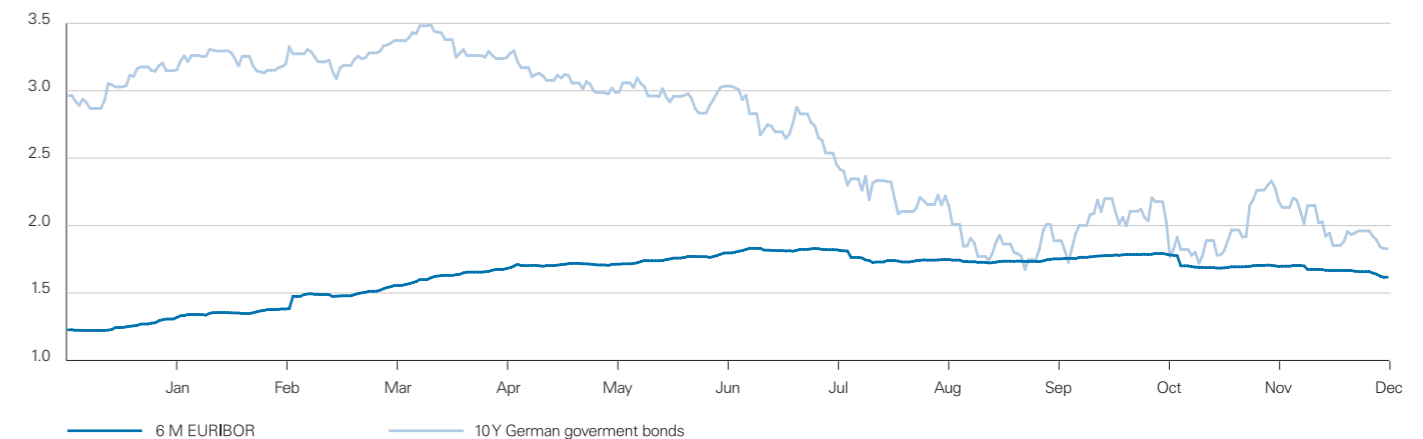
Figure 3: Changes in Interest Rates on Existing Deal in 2011 (%)



Source: Bulletin of the Bank of Slovenia

The reference interbank interest rate in the Euro zone, the six-month EURIBOR, stood at 1.227% in the beginning of 2011 and grew to 1.617% by the end of the year. The ECB had the greatest effect on interbank interest rate movements as it changes interest rates four times in 2011. The ECB raised interest rates in April and July, while after a leadership change, two drops followed in November and December. The ECB reference interest rate finished the year at 1%.

Figure 4: Changes in the Yield to Maturity of German Ten-Year Government Bonds and Six-Month EURIBOR in 2011 (%)



Source: Bloomberg

The yield to maturity of German ten-year government bonds fell in 2011. The drop in yield to maturity is mainly the result of escalation of the sovereign debt crisis in Europe, which has resulted in high prices of prime investment grade bonds, including those issued by Germany.

1.4.4.2 Exchange Rate

Between January and December 2011, the value of the US dollar compared to the euro rose by slightly more than 3%. At the end of the year, the exchange rate stood at 1.2961 US dollars to 1 euro. The average exchange rate in 2011 was 1.3962 US dollars to 1 euro. The sovereign debt crisis in Europe, as well as the relatively strong growth of the US economy compared to Europe, had greatest effect on the exchange rate.

Figure 5: Movements in the US dollar/Euro Exchange Rate in 2011 (\$/€)



Source: Bloomberg

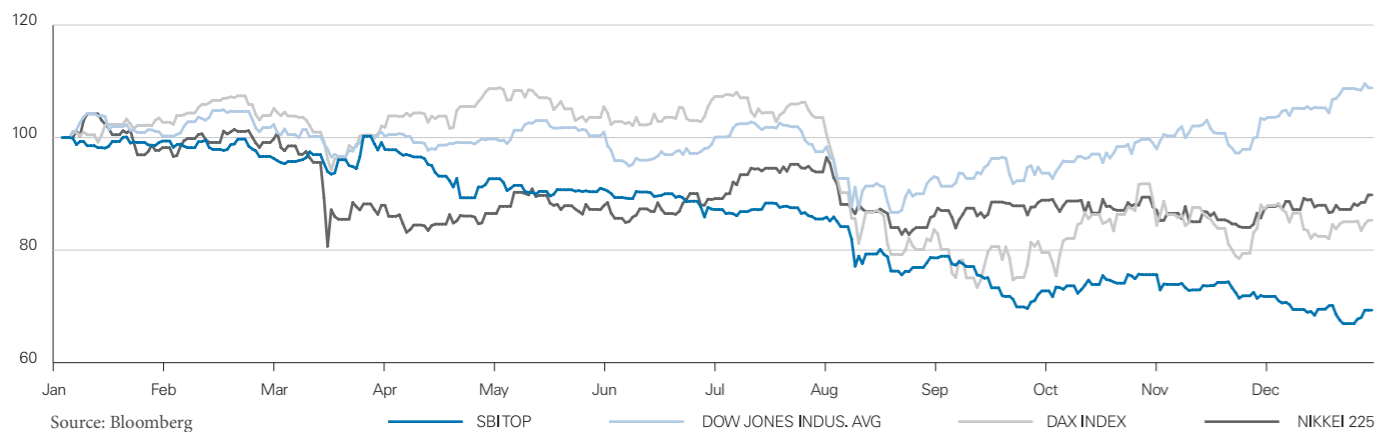
1.4.5 Capital Market

1.4.5.1 Equity Market

In 2011, average share indices fell. The US Dow Jones index was the exception, as it grew in 2011 by slightly less than 9% (measured in euros). The German DAX index lost around 15%, reflecting an average drop in value of European stock indices. The FTSE index of UK stocks and SMI index of Swiss stocks fared much better than other European indices. In euros, the Japanese Nikkei index fell by around 10%.

1.5 Operations in 2011

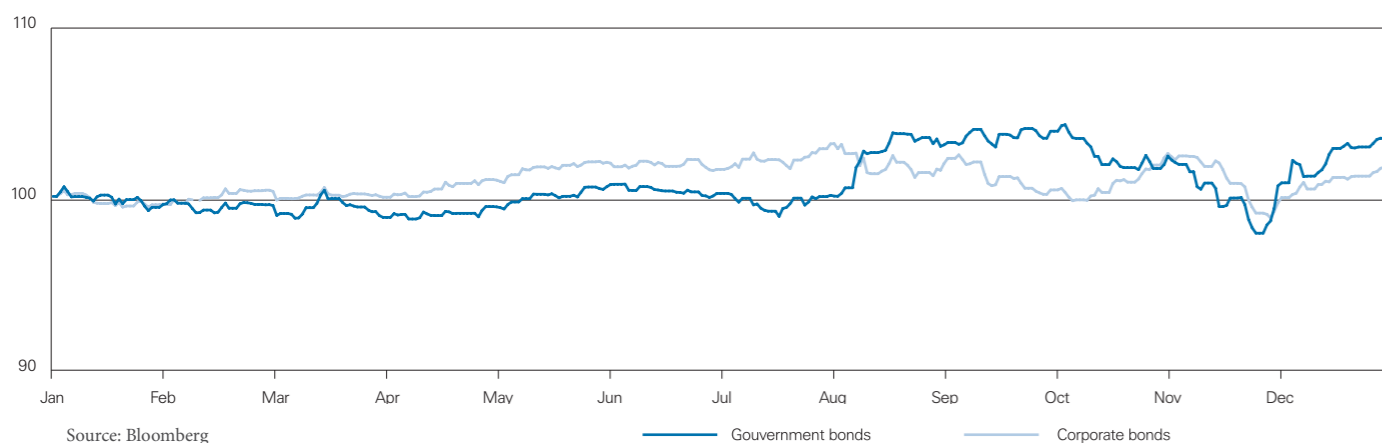
Figure 6: Movements in the Slovenian SBI TOP Stock Market Index and Selected Foreign Stock Market Indices in 2011 in euros (Index: 31 December 2010 = 100)



1.4.5.2 Debt Market

In 2011, the Index of European Government Bonds (IBOXX EUR Sovereigns TR index) gained 3.07%. This growth is mainly the result of a drop in the German yield curve and increased credit mark-ups of issuers that encountered financial difficulties in 2011. The Index of European Corporate Bonds (IBOXX EUR Corporates TR index) also grew by slightly less than 2%.

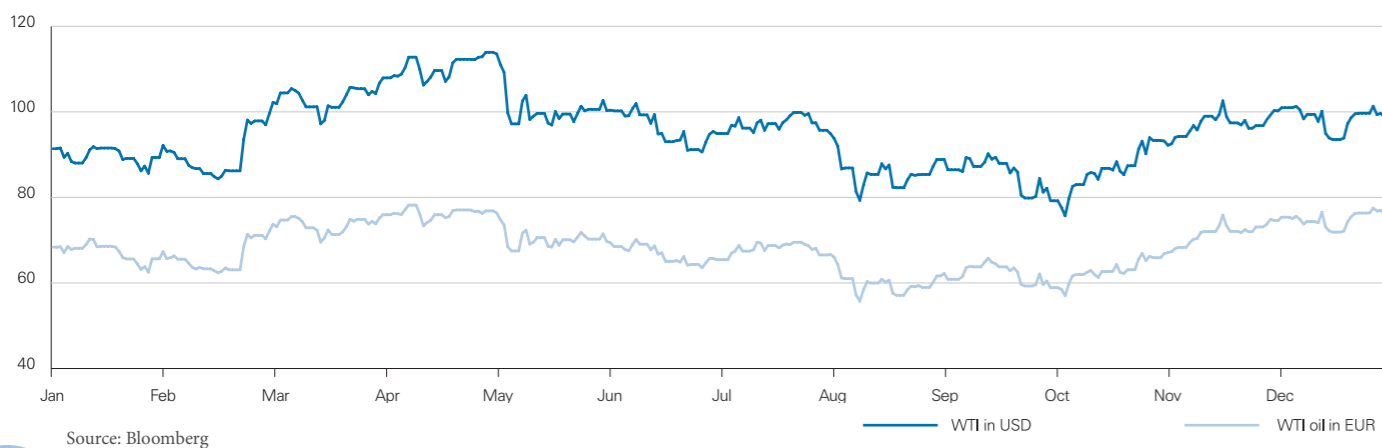
Figure 7: Changes in the Index of Government Bonds (IBOXX EUR Sovereigns TR index) and the Index of Corporate Bonds (IBOXX EUR Corporates TR Index) in 2011 (Index: 1 January 2011 = 100)



1.4.6 Oil Prices

The price of crude oil rose from 91.55 US dollars at the beginning of 2011 to 98.83 US dollars per barrel at the end of the year. In 2011, the average price was 95.07 US dollars, 25.7% more than in 2010.

Figure 8: Changes in the Prices of Non-Refined Oil (West Texas Intermediate) in 2011 (\$ and € Per Barrel)



1.5.1 Financial Result and Financial Position

In the 2011 business year, which lasted from the Company's establishment on 3 October 2011 to the end of the calendar year, Modra zavarovalnica recorded 4,948,732 euros of revenue from premiums and other insurance-related revenues. Around two thirds was generated by pension fund management, while the remainder represents annuity insurance premiums and revenue relating to the reversal of provisions formed in the past due to the company's failure to reach the guaranteed return.

Expenses for damages and other insurance-related expenses are comprised of expenses due to calculated and paid-out annuities and payments made into the mutual pension funds due to the company's failure to reach the guaranteed return. Changes to mathematical provisions represent an expense as mathematical provisions were increased due to pension annuities being sold. Costs of doing business comprise labour costs, costs of services, material, depreciation, etc.

In 2011, a loss from investments was recognised in the income statement, mainly on account of impairment of investments. On the other hand, investment profit or loss recognized directly in equity amounted to 4,415,386 euros.

Table 1: Profit or loss of Modra zavarovalnica in 2011
in EUR

Item	Amount
Insurance premium revenue and other insurance revenue	4,948,732
Expenses for damages and other insurance expenses	-2,104,429
Changes to mathematical provisions	-579,059
Costs of doing business	-1,569,816
Operating profit or loss	695,428
Profit or loss from investment activities recognised in the income statement	-264,500
Other net revenue	6,578
Profit before tax	437,506
Income tax	5,907
Net profit	443,413
Profit or loss from investment activities recognised in equity	4,415,386
Total comprehensive income	4,858,799

Financial investments represent the largest share of the assets of Modra zavarovalnica; at 2011 year end they amounted to 243,424,220 euros. The most significant liabilities in terms of their amount are mathematical provisions followed by provisions arising from the company's failure to ensure the guaranteed return and due to the shortfall of funds in the KS PPS.

Table 2: Profit or loss of Modra zavarovalnica at 31 December 2011
in EUR

Item	Amount
Financial investments	243,424,220
Other assets	19,834,112
Mathematical provisions	-95,559,334
Other provisions	-10,188,074
Other liabilities	-6,607,581
Equity	150,903,343
Minimum capital according to the Insurance Act	36,714,761
Available capital according to the Insurance Act	144,171,151

The financial result and position of Modra zavarovalnica in terms of both its insurance segments can be seen from the financial statements in the appendix.

1.5.2 Financial assets of Modra zavarovalnica

The financial assets of Modra zavarovalnica comprise the insurance company's own assets and the assets of both guarantee funds.

Table 3: Financial assets of Modra zavarovalnica

in EUR	
Financial assets	Amount
Own financial assets	155,095,329
KS PPS assets	89,084,998
KS MR assets	391,561
Total	244,571,888

1.5.3 Management of own Assets

At 31 December 2011, the own assets of Modra zavarovalnica amounted 155,095,329 euros. Modra zavarovalnica categorizes these funds into the items listed below. Portfolio debt instruments have the largest share, followed by portfolio equity investments and non-portfolio equity investments.

Table 4: Composition of own financial assets of Modra zavarovalnica

in EUR	
Financial asset	Amount
Portfolio Equity Investments	60,079,070
Non-portfolio Equity Investments	32,690,973
Portfolio Debt Investments	61,617,068
Cash and cash equivalents	708,218
Total	155,095,329

1.5.3.1 Portfolio Equity Investments

Portfolio equity investments consist of foreign shares and investment fund coupons of domestic and foreign issuers. During the period between October and December 2011, Modra zavarovalnica performed no transactions with its own portfolio equity investments. As at 31 December 2011, the value of such investments amounted to 60,079,070 euros. As at 31 December 2011, the following five investments were the largest in the portfolio of managed equity investments: an index fund representing the US S&P Consumer Staples Sector index (XLP US), an index fund representing the German index DAX (DAXEX GR), shares in Coca-Cola Company, an index fund investing in agriculture (MOO US) and an index fund representing the MSCI global index (XMWO GY).

Table 5: Composition of the Private Equity Investments Portfolio as at 31 December 2011

in EUR	
Investment	Amount
Shares	23,483,504
• Domestic shares	0
• Foreign shares	23,483,504
Investment funds	36,595,566
• Domestic investment funds	720,673
• Foreign investment funds	35,874,893
Total	60,079,070

Average stock indices fell in 2011. In terms of industry exposure on 31 December 2011, the portfolio was most exposed to the sector of non-cyclical consumables, flowed by the financial and IT sectors. In terms of currency exposure, at the end of 2011, the portfolio was most exposed to the US dollar and euro. About half of the portfolio was invested in equity investments of companies based in North America, while about a third of the portfolio comprised investments in European companies. The rest of the portfolio was invested in companies operating in developed Asian countries and developing economies.

1.5.3.2 Management of Non-Portfolio Financial Investments

At 2011 year end, Modra zavarovalnica held five equity financial assets of domestic issuers, requiring different management from its portfolio investments mainly on account of the size of the equity stakes involved. These comprise investments in the following companies: Cinkarna Celje, d.d., Helios, d.d., Žito, d.d., Iskra avtoelektrika, d.d., and Juteks, d.d. The total value of investments reached 32,690,973 euros as at the end of 2011.

1.5.3.3 Managing the Portfolio of Debt Investments

The balance of debt investments stood at 61,617,068 euros at the end of 2011. Corporate bonds amounted for the greatest share of debt investments, followed by government bonds and deposits.

Table 6: Composition of Debt Investments as at 31 December 2011

in EUR	
Investment	Amount
Bonds	44,110,591
• Government bonds	17,581,471
• Domestic government bonds	8,868,257
• Foreign government bonds	8,713,214
• Corporate bonds	26,529,120
• Domestic corporate bonds	7,007,536
• Foreign corporate bonds	19,521,584
Deposits	17,506,477
Total	61,617,068

In 2011, the market of European government bonds was extremely volatile. In the second half of the year, the sovereign debt crisis escalated. The benchmark index of government bonds iBoxx Sovereign TR, which includes most European government bonds, grew strongly over the summer, only to fall strongly in October and November, reaching levels equalling those of September in December.

Last year, the short-term part of the yield curve of German government bonds remained unchanged, while yields fell on all other segments of the curve. The middle part of the yield curve recorded the greatest drop, as yields fell by more than one percentage point compared to the beginning of the year.

Conversely, the yield of Slovenian government bonds on average fell by 1.5 to 2.0 percentage points on all segments of the yield curve, which can mainly be attributed to the lower credit rating of the Republic of Slovenia. Although the prices of Slovenian bonds grew slightly in December, the yield of ten-year bonds remained slightly under 7%.

Prices of corporate bonds were also fairly volatile in 2011. After growth in prices of corporate bonds mainly in the second quarter of 2011, the third quarter saw the prices of corporate bonds fall again as a result of uncertainty relating to the escalation of the sovereign debt crisis and worsened economic growth forecasts for Europe and the world.

In 2011, Slovenia witnessed relatively severe drops in prices of bank bonds, which is mainly the result of bad operational results of banks and reductions in their credit ratings.

1.5.3.4 Investments in Cash and Cash Equivalents

At 2011 year end, Modra zavarovalnica had 708,218 euros of own cash among its financial assets. Most of these assets are comprised of call-off deposits in euros.

Table 7: Composition of Cash and Cash Equivalents as at 31 December 2011

in EUR	
Investment	Amount in EUR
Cash on hand and at banks	26,218
Euro call deposits	682,000
Total	708,218

1.5.4 Guarantee Fund Management

Modra zavarovalnica also assumed management of the Guarantee Fund of the First Pension Fund of the Republic of Slovenia from Kapitalska družba d.d. In November 2011, Modra zavarovalnica offered policyholders/members of KVPS and ZVPSJU additional pension annuities from the Modra Renta Guarantee Fund.

During the period from the establishment of Modra zavarovalnica to the end of the calendar year, management revenues related to guarantee funds amounted a total 38,154 euros. Most revenues stemmed from costs charged on annuity payments.

1.5.4.1 Guarantee Fund of the First Pension Fund

The KS PPS fund is comprised of separate assets, formed on 13 July 2004 for all policyholders who, upon reaching 60 years of age, acquire the right to annuity payments. Upon acquiring the right to additional pension annuities, each policyholder chooses one of the payment plans and thus exercises his or her right and finally determines the manner this right shall be exercised. Any policyholder with more than 2,000 points on his or her insurance policy can opt for either a pension annuity for life or for a pension annuity with guaranteed payment period for life. The guaranteed payment period can be 5, 10 or 15 years. If the policyholder dies before the expiry of the guaranteed payment period, the pension annuities are paid to the person appointed by the insured person or his or her heirs. Policyholders with 2,000 points or less can opt for a one-off cash payment.

Table 8: Number of Policyholders/Members who Acquired the Right to Pension Annuity and Amount of Payments into the KS PPS

in EUR

Month	No. of policy holders	Amount
October 2011	107	461,542
November 2011	98	335,480
December 2011	102	375,714
Total	307	1,172,737

Fund assets as at 31 December 2011 amounted to 89,247,009 euros. Bonds represented the bulk of the assets (58.7% of the total assets), while deposits represented 25.4% of all assets of the fund.

Table 9: Composition of Investments of the KS PPS as at 31 December 2011

in EUR

Asset	Amount
Shares	9,124,329
Bonds	52,351,975
Short-term securities	378,084
Certificates of deposit	500,000
Loans and deposits	22,681,770
Investment coupons	3,626,502
Cash and cash equivalents	422,338
Other receivables	162,010
Total	89,247,008

As at 31 December 2011, the assets of the KS PPS invested in Slovenia and abroad equalled 80.2% and 19.8% of the total assets, respectively; foreign bonds represent the greatest share of foreign investments.

Table 10: Geographical diversifications of KS PPS investments as at 31 December 2011

in EUR

Area	Amount
Domestic investments	71,616,644
Foreign investments	17,630,364
Total	89,247,008

1.5.4.2 Morda Renta Guarantee Fund

The KS MR Guarantee Fund comprises separate funds earmarked for pension annuity payments from additional pension insurance. KS MR annuity insurance is financed through a one-time payment from funds collected from additional pension insurance plans. Upon concluding an annuity pension insurance plan, every policyholder may exercise the right to an additional old-age pension by

selecting the form of annuity payments for life.

Modra zavarovalnica offers the following annuity pension insurance plans:

- Pension annuity for life
- Pension annuity with a guaranteed payment period (5, 10, 15 or 20 years)
- Pension annuity with a guaranteed payment period and accelerated payments for life (from 1 to 10 years - during the guaranteed payment period, the monthly annuity is higher, while after expiry of this period, the individual receives annual payments equal to the last monthly amount; these annuities are guaranteed for the period of accelerated payments)
- Pension annuity with limited guarantee and accelerated payments for life (from 2 to 10 year - the annuity is higher when paid monthly; it is then paid annually in the amount of 12 euros; the guaranteed period is equal to the period of accelerated payment, less 12 months).

Only persons insured through one of the additional pension insurance plans that fulfil the conditions for regular termination and exercise their right to an additional old-age pension can conclude such insurance policies. By 31 December 2011, 129 policyholders/members of KVPS and ZVPSJU exercised the right to an additional old-age pension and opted to receive monthly pension annuities; in December 2011, 39 insured persons received their first annuity.

The amount of the annuity of each individual depends on the funds saved in the additional pension insurance plan, the technical interest rate, life expectancy tables depending on gender, the policyholder's date of birth, the policyholder's age at the beginning of annuity insurance and costs of paying the annuities.

Insurance payments cannot be suspended, meaning that annuities are paid out for life or until expiry of the guaranteed payment period. In the event of the death of the policyholder before expiry of the guaranteed payment period, any remaining annuities are paid to the person appointed by the policyholder or to his or her heirs.

As at 31 December 2011, the value of assets amounted to 1,321,391 euros. Most of these assets are comprised of receivables representing payments of one-off premiums on the basis of the transfer of funds from the savings component of ZVPSJU and KVPS earmarked for payments of additional pension annuities.

Table 11: Composition of Investments of the KS MR as at 31 December 2011

in EUR

Asset	Amount
Bonds	289,791
Loans and deposits	84,657
Cash and cash equivalents	17,112
Other receivables	929,830
Total	1,321,391

1.5.5 Management of Mutual Pension Funds

Modra zavarovalnica continues to responsibly and professionally manage the mutual pension funds, transferred from Kapitalska družba d.d. on 3 October 2011 pursuant to the ZPKDPIZ. On the basis of universal legal succession, all members / policyholders of mutual pension funds retained all rights and obligations pertaining to their old age pension savings according to the existing pension plans and/or the General Terms of additional pension insurance. At the same time, the insurance company expanded its activities and in November 2011 offered those policyholders/members included in additional pension insurance plans, who fulfil the conditions for regular termination of insurance, competitive additional pensions in the form of various monthly pension annuities.

Modra zavarovalnica manages the following three mutual pension funds:

- The Closed Mutual Pension Fund for Civil Servants (ZVPSJU)
- The Capital Mutual Pension Fund (KVPS) and
- The First Pension Fund of the Republic of Slovenia (PPS).

Modra zavarovalnica is the leading underwriter of supplementary voluntary pension insurance in Slovenia, and at the same time the key provider of second pillar pension schemes. In December 2011, the number of people saving in its three pension funds stood at over 268 thousand. Funds collected and managed on behalf of policyholders/members exceeded 781 million euros.

Table 12: Data on the mutual pension funds managed by Modra zavarovalnica as at 31 December 2011

Fund	Number of members/ policyholders (number of persons)	Number of employers / premium payers (number of companies / payers)	Assets managed (million euros)	Average premium (in euros)	Return in 2011	Average annual return 2009 - 2011
KVPS	34,811	303	208.8	97.28	-0.28 %	4.16 %
ZVPSJU	203,726	1,969	519.6	33.19	-0.15 %	3.87 %
PPS	29,769	-	53.2	-	-1.34 %	-1.37 %
Total	268,306	2,272	781.7			

During the period from the company's establishment to the end of 2011, the total pension fund management revenues of Modra zavarovalnica amounted to 1,961,086 euros, of which 1,491,354 euros represent management fees, 187,887 euros entry fees, and the remaining 281,845 euros exit fees.

In accordance with Article 322 of ZPIZ-1, Modra zavarovalnica must, in case the actual net value of assets of either the KVPS and ZVPSJU fund in the calculation period falls below the guaranteed value of either of the

funds, form provisions that are debited to equity due to it failing to achieve the guaranteed return; provisions are formed in the amount representing the difference between the guaranteed and actual net value of assets. The same applies to KS PPS. At 2011 year end, Modra zavarovalnica had formed 10,070,700 euros of such provisions.

1.5.5.1 Closed Mutual Pension Fund for Civil Servants

The ZVPSJU fund is a closed mutual pension fund created exclusively for civil servants. It was established with the purpose of collecting funds from the income of civil servants in their personal accounts; collected funds confer the right to a supplementary old-age pension or other rights under the pension plan. In addition to premiums paid into the fund by employers, premiums can also be paid by the civil servants themselves, thereby securing an even higher supplementary pension and taking advantage of tax relief. As the fund manager, Modra zavarovalnica ensures at least the guaranteed return on assets.

According to the ZKDPZJU and KPOPNU, all persons with the status of public servant or to whom the KPNG applied on 1 August 2003, were included in the PNJU K collective pension insurance plan. Individuals, who concluded an employment contract with the Republic of Slovenia, local government or a person of public law as the employer after 1 August 2003, are included in the PNJU K Pension Plan as of the date of their employment contract or on the date when they receive status of public servant.

Each individual PNJU K collective pension insurance plan shall be terminated when the respective ZVPSJU member

exercises his or her right to an additional old-age pension or the right to an early old-age pension. In accordance with Article 11 of the ZKDPZJU and Article 46 of the PNJU K Pension plan, special rules apply to payments of the residual value of the policy of ZVPSJU members who, at 1 August 2003, fulfilled the minimal conditions for acquiring the right to an old-age pension according to Articles 36 and 398 of ZPIZ-1 within less than ten years. In such a case, the respective ZVPSJU member acquires the right to an additional old-age pension or the right to receive the residual value upon retirement in the

mandatory insurance system before expiry of the ten-year period beginning upon conclusion of the PNJU K Pension plan. Such irregular termination of collective additional pension insurance shall occur according to the PNJU K Pension plan in the following cases:

- If the employment of a ZVPSJU member is terminated and at least 120 months have passed from the date the member was included in the insurance plan
- If the ZVPSJU member dies before acquiring the right to an additional old-age pension
- Upon termination of the ZVPSJU.

Modra zavarovalnica is entitled to entry fees and management fees as the manager of the ZVPSJU, in line with the PNJU K Pension plan and the Rules of the ZVPSJU. Entry fees and management fees are debited to the assets of the fund. Entry fees are charged as a percentage of the premium upon its payment and are remitted to the manager's account; in 2011, entry fees amounted to 0.55%. Every year until 2014, the entry fees shall fall by 0.025 percentage points a year. The annual management fee for managing the ZVPSJU amounts to 0.5% of the average annual net value of assets of the ZVPSJU fund.

In 2011, the investment policy of the ZVPSJU fund was geared towards safety, return, liquidity and the dispersion of investments and towards long-term growth in the value of the assets of the ZVPSJU.

1.5.5.2 Capital Mutual Pension Fund

The KVPS is an open pension fund used for implementing pension plans of additional voluntary pension insurance. All employed persons included in mandatory pension insurance can pay into this fund. Since 2002, the KVPS has had two separate pension plans for individual and collective voluntary supplementary pension insurance, namely PN1 P and PN1 K.

The additional voluntary pension insurance can be terminated either regularly or irregularly. The collective insurance is terminated regularly when the policyholder acquires the right to an additional old-age pension or the right to an early old-age pension. The transfer of funds represents an irregular manner of insurance termination. Irregular termination occurs when the policyholder terminates the insurance plan based on a written statement, or upon the policyholder's death. In 2011, we paid special attention to informing fund members who had acquired the right to early cash-in of the funds of additional collective pension insurance after 120 months of concluding the insurance policy. Together with employers, we organised many consultations for individual companies and informed members of the consequences of early termination, the tax consequences, and especially emphasized the purpose of additional voluntary pension insurance and employers' preparedness to take an interest in the financial security of their employees in their old age, after retirement.

In line with the PN1 P and PN1 K pension plans and

the Rules of the KVPS, the fund manager is entitled to entry fees, exit fees and management fees. In 2011, the management fee amounted to 1.3%. At the end of 2011, Modra zavarovalnica decided to reduce the management fee, namely to 1.1% in the first half of 2012, and to 1% of the average annual value of assets of the fund from 1 July 2012; through this, the insurance company aims to contribute to an increase in the savings of its members and to better yields.

In 2011, when managing assets of the KVPS fund, Modra zavarovalnica paid special attention to liquidity, as the insurance company faced requests of members wishing to cash-in their policies after 120 months of saving. With a view of ensuring liquidity and thanks to very competitive conditions, the share of deposits at domestic banks was very close to the maximum allowable threshold, while the share of equity investments fell.

1.5.5.3 First Pension Fund of the Republic of Slovenia

The PPS fund is a special form of pension fund managed by Modra zavarovalnica in its own name and for the account of its policyholders. It is used exclusively to pay pension annuities arising from additional pension insurance policies formed upon conversion of pension vouchers into policies. As of 1 January 2003, the PPS fund is a closed mutual pension fund, and therefore no further payments can be made and no new members admitted. As of August 2004, savings of members and policyholders that reach 60 years are transferred to the PPS Guarantee Fund that is used to cover liabilities relating to payments of additional pension annuities. If a PPS policyholder/member dies before he or she acquires the right to an old-age pension annuity, the person's heirs shall have the right to the policy's cash-in value.

As manager of the PPS fund, Modra zavarovalnica is entitled to an annual management fee of 1.5% of the average annual net value of assets, as well as to exit fees of 1%, which are charged upon payment of the redemption value of the policy to the heirs of policyholders/members deceased after 13 July 2004.

In 2011, one of the main management goals was to restructure the PPS portfolio, mainly by selling shares in limited liability companies and illiquid investments in public companies. In accordance with the Act Amending the First Pension Fund of the Republic of Slovenia and the Transformation of Authorized Investment Corporations Act, the deadline for the transformation of assets of the PPS fund is 13 July 2012. With the aim of managing risks relating to the expiry of the deadline for the transformation of assets, Modra zavarovalnica is currently preparing a proposal to extend the statutory deadline by a further three years.

With the aim of expediting sales activities and aligning the structure of the PPS, the Action plan to sell the equity investments of the PPS was adopted, which is implemented and amended in accordance with market conditions.

1.6 Risk Management

Rapid adaptation to market conditions gives rise to the need of eliminating and efficiently managing risks, which is prerequisite to sound performance. Therefore, risk management is crucial in performing activities to achieve the goals of Modra zavarovalnica. The use of standard risk management methodologies enables the quality assessment of all types of risk, timely response and hedging of risks. Above all, Modra zavarovalnica complies with all statutory provisions and regulates risk management with its internal acts.

The operations of Modra zavarovalnica ensure that:

- The Company always has at its disposal appropriate funds in light of the scope and type of insurance transactions it performs, as well as the risk it is exposed to when performing such transactions (capital adequacy).
- The risks the company is exposed to in respect of individual and all types of insurance transactions the company performs never exceed the restrictions imposed by the Insurance Act and regulations adopted on its basis.
- The company is at all times able to pay its liabilities upon maturity (liquidity) and is, in the long-term, able to pay all its liabilities (solvency).

The most important risks in the operations of Modra zavarovalnica include credit risks, market risks, liquidity risks and operational risks. In 2011, the company continued to use derivatives for hedging. The entire risk management system will continue to be developed and upgraded in 2012 with the aim of improving asset management in the long-term.

1.6.1 Credit Risk

Modra zavarovalnica ensures credit risk management by diversifying investments in terms of their issuers, sectors and geographical area.

Assets are invested in government instruments of the Republic of Slovenia and EU states, debt instruments of EU states and international financial institutions, equity and debt instruments of non-financial companies, Slovenian

equity and debt instruments and Slovenian banks.

Modra zavarovalnica employs detailed procedures for monitoring credit exposure to investments in the instruments of financial institutions. Within the scope of internal regulations, the ratings of business partners are determined by applying an internal model and by using the ratings of the Standard & Poor's, Fitch and Moody's credit agencies. The decision to approve a certain investment is taken by the Management Board at the proposal of internal committees. The total exposure to an individual issuer is continuously monitored to ensure it is compliant with the Insurance Act.

1.6.2 The Risk of Changes in the Prices of Securities

Allocating a portion of the investments of Modra zavarovalnica abroad has reduced the dependence of the portfolio of long-term investments on changes in prices on the Slovenian capital market. In line with its investment policy, Modra zavarovalnica will continue to allocate a portion of its investments abroad in 2012.

Risks are monitored and measured weekly by calculating the value at risk (V@R) by applying the Monte Carlo calculation method at the overall portfolio level as well as separately for equity and debt securities. The Beta indicator is calculated weekly for equity securities as a systemic risk measure.

1.6.3 Currency Risk

Modra zavarovalnica is exposed to currency risk in managing the portion of assets invested in foreign currency. Currency risk is monitored and managed on a daily basis. In 2011, Modra zavarovalnica managed currency risk by performing spot purchases and sales of foreign currencies, as well as by performing foreign currency swaps.

1.6.4 Interest Rate Risk

Modra zavarovalnica is exposed to interest rate risk from

1.7 Information Technology

investments in debt securities and deposits, associated with changes in the value of investments due to interest rates changes. Assets are invested in foreign debt securities based on the selected benchmark portfolio. Internal committees of the insurance company also follow the interest rates and the analyses and forecasts of market participants on a weekly basis, any prepare investment proposals appropriately.

Modra zavarovalnica aimed to minimise interest rate risk by restructuring the portfolio with regard to the market situation by reducing the average maturity of bond portfolios.

1.6.5 Liquidity Risk

Modra zavarovalnica manages resources and investments in a manner that ensures it is, at all times, able to fulfil all mature liabilities. The insurance company forms and implements continuous separate liquidity policies for Modra zavarovalnica and the guarantee funds in accordance with the Insurance Act and its regulations.

Due to the low liquidity of the Slovenian capital market, liquidity risk exists in the majority of investments of Modra zavarovalnica in domestic equity and debt securities and is greatest in case of non-market investments. Modra zavarovalnica reduces liquidity risk by only investing in liquid securities when allocating a portion of investments abroad. Moreover, liquidity risk is also limited by the planning and daily monitoring of portfolio cash flows and investing in highly liquid money market instruments.

1.6.6 Operational Risk

The key factors of operational risks of Modra zavarovalnica include human resources, business processes, information technology, corporate structure and external events. Operational risk is managed by a system of authorizations, specification of business processes and appropriate qualifications of employees. In order to additionally reduce operational risks, Modra zavarovalnica will introduce a system for recording loss events, which is expected to be finalized in the first half of 2012.

Modra zavarovalnica has established an internal audit department, which pays special attention to verifying the internal control system and making suggestions for its improvement.

The project of spinning-out Modra zavarovalnica also encompassed the spin-out of the business IT system. A separate business domain, separate administration of business software and separate computer user access rights were established. Importantly, the insurance company established a separate database for recording business transactions that fall into the scope of operations of the insurance company. Modra zavarovalnica established its own IT function and provides IT support to the following key operating functions: asset management, mutual pension and guarantee fund management, accounting, controlling.

The insurance company has a Department for IT and managing business processes which is charged with the effective management of the business IT function. Management of system infrastructure is separate and provided by Kapitalska družba d.d. External service providers from both Slovenia and abroad supply key business software and IT services. Contractual relationships have been concluded with external service providers that provide Modra zavarovalnica with the required level of availability, reliability, integrity and confidentiality of business information.

In November 2011, Modra zavarovalnica began offering annuity insurance in the form of an additional old-age pension. To this end, the computer software was upgraded to provide effective support to annuity insurance transactions. This upgrade represents the greatest functional change to the insurance company's IT system within the first three months of the company's operations.

The insurance company has organised a business IT function that participates in the fulfilment of business goals. Business goals are planned jointly and evaluated from both business and IT perspectives. Brining IT and operations closer is not only a professional challenge, but also requires changes in the way all employees think and demands special knowledge of IT and operational specialists. On the one hand, it requires business and IT strategists to work in harmony, while on the other hand, the business strategy must reflect the company's infrastructure (processes, IT architecture). A key tool that helps harmonise operations and the IT function is service management, performed in accordance with ITIL recommendations. The main function of business IT

is to ensure close links between operations and IT and to ensure constant improvements in the organisation, planning, monitoring, controlling and ensuring quality provision of IT services to business users.



EVERY TRUE RELATIONSHIP
IS BUILT ON SECURITY.

1.8 Organisation and Employees

The Company's internal organisation ensures efficient decision-making and the optimal implementation of key areas of work in three main organisational units:

- The Insurance Development, Marketing and Implementation Division
- The Asset Management Division
- The IT and Process Management Division.

Backoffice business processes are performed by the following departments reporting directly to the Management Board:

- The Internal Audit Department
- The Planning and Controlling Department
- The Legal Affairs & Human Resources Department
- The Risk Management and Operation Legality Department

- The Accounting and Backoffice Department
- The General Affairs Department.

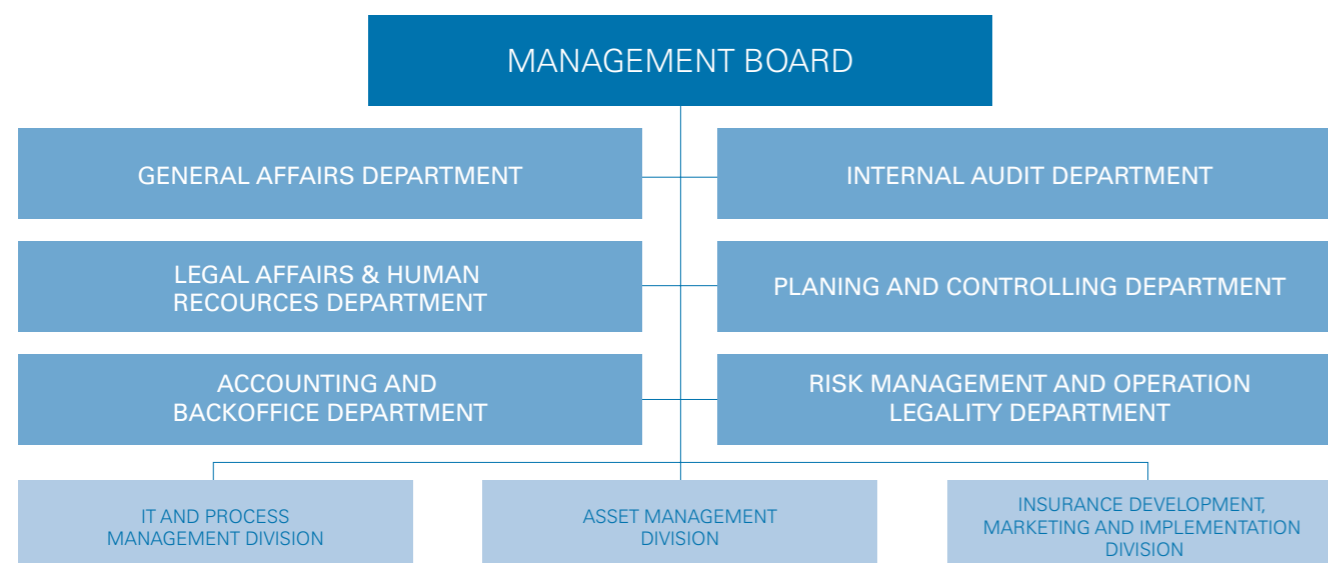
The Chairman of the Management Board is responsible for:

- The Insurance Development, Marketing and Implementation Division
- The Asset Management Division
- The Internal Audit Department
- The Planning and Controlling Department, and
- The Legal Affairs & Human Resources Department.

The Member of the Management Board is responsible for:

- The IT and Process Management Division
- The Risk Management and Operation Legality Department
- The Accounting and Backoffice Department, and
- The General Affairs Department.

Figure 9: Organisational Composition of Modra zavarovalnica



The aim of forming an internal organisational structure is to ensure successful and rational implementation of all company activities by efficiently using all available resources. In preparing the internal organisational structure we aimed to rationalise business process by

establishing an appropriate organisational structure ensuring efficient implementation of all business processes, allowing the company to retain its competitive advantages.

1.8.1 Reporting on Employees

Upon its establishment, in accordance with the Spin-Off Plan, Modra zavarovalnica had 53 employees. No new employees were taken on by 2011 year end. As at 31 December 2011, 3 of the 53 members of staff have contracts for a definite period of time.

Table 13: Number of Employees by Department as at 31 December 2011

Organisational unit	No. of employees
Management Board	2
Insurance Development, Marketing and Implementation Division	20
Asset Management Division	7
IT and Process Management Division	5
Accounting and Backoffice Department	8
Planning and Controlling Department	2
Risk Management and Operation Legality Department	1
General Affairs Department	3
Internal Auditing Department	1
Legal Affairs & Human Resources Department	4
Total	53

Most employees of Modra zavarovalnica are between 30 and 50 years of age. The staff consists of 75% women and 25% men. The average employee age is 39 years and the average total employment period is 15 years.

1.8.2 Educational Structure of Employees

Modra zavarovalnica employs 51% of staff with at least level VII education (university degree), of which 37% have level VIII education (master's or doctor's degree).

Data on the number of employees as at 31 December 2011 per education level can be found in the table below, where the data as at 31 December 2011 equals the average data for 2011.

Table 14: Number of Employees by Educational Level as at 31 December 2011

Level of Education	No. of employees
VIII.	10
VII.	17
VI.	9
V.	16
IV.	1
Total	53

1.9

Corporate Social Responsibility

Modra zavarovalnica is well aware of its responsibilities towards the society in different areas of its activities, both in relation to the environment and its employees as well as service development, and has included these aspects in its strategic management processes and business operations. Through their responsible behaviour, all employees are the Company's ambassadors and thereby contribute to good relationships with all stakeholders.

1.9.1 Responsibility to Society

It is the insurance company's mission to offer a full range of competitive and complimentary insurance products with the aim of improving the social security of individuals and their families throughout their lives, and at the same time to provide individuals long-term gradual savings aimed at securing each individual's standard of living after retirement.

Neither our savers nor the wider public are sufficiently aware of the importance of additional pension insurance or know very much about how pension funds and the pension system work. Because we believe that only well-informed and aware savers can be rational in their decisions, we began publishing expert articles and important items of news in our e-news bulletin sent to our subscribers. The informative online newsletter entitled *Modre novice* (Blue News) is more readily available and has resulted in a reduction of paper usage. The first issue was sent to slightly less than 9,000 email addresses. Informing and promoting awareness are key tools we use to build trust and recognition.

1.9.2 Responsibility to our Employees

Modra zavarovalnica is aware of the importance of finding a balance between each individual's professional and family lives and also aware of its social responsibility to its employees. Therefore, the Company continues implementing measures planned as part of its accreditation as a Family Friendly Company. The Company consists of a relatively young team of highly educated people, of which 75% are women, including many young mothers with small children.

We provide social security after retirement to all our employees under the same conditions by paying the maximum allowed tax deductible premiums for collective voluntary pension insurance in the KVPS pension fund managed by Modra zavarovalnica, thus increasing both membership and product awareness. The cost of premiums of voluntary supplementary pension insurance for employees stood at 23 thousand euros in 2011.

The existing business segments and the development of new business functions in the insurance company are upgraded by various forms of training adapted to the requirements of the work posts, the specific areas of knowledge needed by each employee and the development tasks of the company. Employees can undergo additional training at home and abroad by attending seminars, workshops and planned internal training sessions. We also promote continued studies and obtaining various licences, which improves the quality of the work process and enhances the qualifications for each individual work posts.

Modra zavarovalnica provides a safe and pleasant working environment and working conditions that comply with all workplace safety regulations. We regularly train and educate our employees in issues such as workplace health and safety, fire safety and occupational healthcare; at the same time we also provide employees regular health check-ups.

1.9.3 Environmental Awareness

As a socially responsible company we support environmental activities. We separate our waste, use less paper, recycle waste printer cartridges and participate in collections of bottle tops for the various disabled persons in need of help.

1.10

Significant Business Events after the end of 2011

No significant business events occurred after the end of 2011.

1.11

The Planned Development of Modra zavarovalnica in 2012

In 2012, Modra zavarovalnica will continue with all responsibility and professionalism to provide additional pension insurance plans that were transferred to its management from *Kapitalska družba* in October 2011 pursuant to the ZPKDPIZ, while at the same time, the company will expand its operations and develop additional personal insurance plans. The 2012 business goals of Modra zavarovalnica will focus on maintaining its market share in the field of voluntary additional pension insurance and broadening the range of services offered, where additional pension annuity plans currently prevail. Broadening the range of our services will require us to optimize sales and marketing processes and to develop IT support contributing to improved operational results and the fulfilment of marketing goals.

Activities will also focus on improving the quality of services and thus the satisfaction of policyholders and employers, as well as on improving trust in the additional pension insurance system and enhancing the reputation of Modra zavarovalnica as the most suitable partner in the field of additional social and old-age security of individuals.

The anticipated deterioration of the sovereign debt crisis in marginal European states and the highly likely continued economic cooling in 2012 will demand prudence in investing both our own assets as well as assets of insured persons in pension funds. In 2012, Modra

zavarovalnica will, when managing its own funds, aim to gain a return at least equalling the return of a select number of benchmark indexes in individual investment classes, taking into consideration the risk and return ratio in accordance with the conditions on global capital markets. In the field of pension fund management, much attention will be paid to challenges relating to ensuring the guaranteed return that is linked to the return of Slovenian government bonds.

The most important business IT projects that Modra zavarovalnica has planned for 2012 include the introduction of a customer relationship management system (CRM), aimed at providing support to sales by collecting, managing and analysing data on clients, providing support to operational control through business informing, aimed at fulfilling internal and external reporting requirements, implementing the Solvency II directive and designing an Internet portal for members/policyholders. This portal will allow members/policyholders to monitor their personal capital accounts and savings. At the same time, the portal will provide training and informing and will encourage saving for one's old-age.

With careful planning of its business, its financial implications and professionally competent employees, the insurance company shall follow developments in the dynamic business environment and face key challenges.

1.12

Report on Relationships with the Controlling Entity

Kapitalska družba d.d. is the controlling entity of Modra zavarovalnica as its sole shareholder. In 2011, no transactions between Modra zavarovalnica and the controlling entity, Kapitalska družba d.d., were conducted at non-market conditions. In doing business with its controlling entity, Modra zavarovalnica was not adversely affected.

1.12.1 Lease of Offices

From the day of its establishment, Modra zavarovalnica has operated in leased offices in the "Stekleni dvor" building at Dunajska cesta 119, Ljubljana. The insurance company has concluded a lease agreement with Kapitalska družba d.d. governing the lease of the furnished offices and; the contract also defines the rights and obligations of both the lessor and lessee. The monthly lease paid for the furnished offices and other facilities amounts to 27,736 euros. This lease payment includes part of the operational costs that the owner of the offices has to pay (investment maintenance, insurance, costs of electricity).

1.12.2 Use of Computer Software

In its business, Modra zavarovalnica uses computer software exclusively licensed to Kapitalska družba d.d. or software where Kapitalska družba d.d. is the copyright holder. A contract on the use of computer software has been concluded for this purpose. The monthly compensation paid for the use of computer software amounts to 15,240 euros.

1.12.3 Performing IT services

Modra zavarovalnica uses system infrastructure (servers, communication equipment, multifunctional devices, system software) owned by Kapitalska družba d.d. The lease of this infrastructure and services relating to IT management is defined in an IT services contract. The monthly compensation paid for services performed amounts to 12,295 euros.

1.12.4 Performing administrative management services for the Fund of Mandatory Additional Pension Insurance

From the day of its establishment, Modra zavarovalnica has performed individual management services for the Fund of Mandatory Additional Pension Insurance for Kapitalska družba d.d. With a view of transparently regulating the relationship and considering transfer pricing regulations, these services are governed by a contract. The monthly compensation paid for services performed amounts to 2,000 euros excluding value added tax.



TRUST LEADS TO NEW POTENTIAL RELATIONSHIPS.

FINANCIAL STATEMENTS

2.1

Statement of Management's Responsibilities

The Board of Directors of Modra zavarovalnica hereby approves the financial statements compiled for the period from 3 October to 31 December 2011 and the accompanying notes and disclosures thereto.

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 financial statements give true and fair view of Modra zavarovalnica's financial position and the results of its operation for the year ended 31 December 2011.

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

The 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 company'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 may result in a significant tax liability.

Ljubljana, February 2012


Matija Debelak
Member of the
Management Board


Borut Jamnik
President of the
Management Board

2.2

Independent Auditor's Report



ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Modra Zavarovalnica d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Modra Zavarovalnica d.d., which comprise the statement of financial position as at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Modra Zavarovalnica d.d., as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements


Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, April 22, 2012


Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revidirna poslovna
svetovanje d.o.o., Ljubljana 1


Primož Kovačič
Certified Auditor

2.3

Statement of Actuarial Opinion

I have examined insurance technical provisions of Modra zavarovalnica as at 31 December 2011. The examination was performed in compliance with the provisions of the Insurance Act, the relevant implementing regulations, International Accounting Standards and the Basic Actuarial Principles.

These insurance technical provisions are the responsibility of the Board of Directors of Modra zavarovalnica, whereas tasks of the certified actuary are to:

- Examine adequacy of records for the purpose of liabilities assessment;
- Express opinion on adequacy and sufficiency of insurance technical provisions;
- Examine whether insurance premiums and other financial resources of the insurance undertaking are sufficient, in terms of reasonable actuarial expectations, for the fulfilment of obligations arising from insurance contracts;
- Confirm the amount of the minimum capital and examine capital adequacy of the insurance undertaking.

I believe that the examination performed provides reasonable basis for opinion of the certified actuary.

In my opinion, the total written premiums in the financial year 2011 and the amount of insurance technical provisions set aside as at 31 December 2011 are adequate to ensure permanent fulfilment of all liabilities of the insurance undertaking arising from the insurance contracts.

Ljubljana, 10. April 2012



Matjaž Musil

Certified actuary of Modra zavarovalnica, d.d

2.4

Income statement¹

in EUR

Item	Notes	3. 10. – 31. 12. 2011
I. Net premium income	1.	1,517,397
• Gross written premium		1,517,97
• Ceded written premiums		0
• Change in unearned premiums		0
II. Income from financial assets in related companies, of that		0
• Profit on equity investments of associated and jointly controlled entities accounted for using the equity method		0
III. Income from financial assets	2.	1,826,618
IV. Other income from insurance operations, of that	3.	3,431,335
• Fees and commission income		1,961,086
V. Other income	4.	7,806
VI. Net claims incurred	5.	-1,405,316
• Gross claims settled		-1,405,316
• Reinsurers' and co-insurers' share		0
• Changes in claims provision		0
VII. Change in other insurance technical provisions		-579,059
VIII. Change in insurance technical provisions for unit-linked insurance contracts	6.	0
IX. Change in liabilities from financial contracts		0
X. Expenses for bonuses and discounts		0
XI. Operating costs of that	7.	-1,569,816
• Acquisition costs		0
XII. Expenses from financial assets in related companies, of that		0
• Loss on investments in associated and jointly controlled entities accounted for using the equity method		0
XIII. Expenses from financial assets, of that	8.	-2,091,118
• Impairment loss on financial assets not measured at fair value through profit or loss		-1,034,836
XIV. Other insurance expenses	9.	-699,113
XV. Other expenses	10.	-1,228
XVI. Profit or loss before tax	11.	437,506
XVII. Income tax expense		5,907
XVIII. Net profit or loss for the accounting period		443,413
Net earnings per share		0.003
Diluted earnings per share		0.003

¹ Notes and disclosures are an integral part of the financial statements.

2.5

Statement of comprehensive income²

in EUR

Item		3. 10. – 31. 12. 2011
I.	Net profit or loss for the period after tax	443,413
II.	Other comprehensive income after tax	4,415,386
1.	Net gains/losses on revaluation of property, plant and equipment	0
2.	Net gains/losses on revaluation of intangible assets	0
3.	• Net actuarial gains/losses for pension plans	0
4.	• Net gains/losses on the re-measurement of available-for-sale financial assets	4,415,386
4.1	• Gains/losses recognised in revaluation reserve	4,415,386
4.2	• Transfer from revaluation reserve to profit or loss	0
5.	• Net gains/losses from non-current assets held for sale	0
5.1	• Gains/losses recognised in the revaluation reserve	0
5.2	• Transfer of gains/losses from the revaluation reserve to profit or loss	0
6.	• Net gains/losses on cash flow hedges	0
6.1	• Gains/losses recognised in the revaluation reserve	0
6.2	• Transfer of gains/losses from revaluation reserve to profit or loss	0
6.3	• Transfer of gains/losses from revaluation reserve to the carrying amount of hedged item	0
7.	• Gains/losses recognised in the revaluation reserves and retained earnings/loss brought forward arising from equity investments in associated and jointly controlled entities recognised using the equity method	0
8.	• Other net gains/losses of other comprehensive income	0
9.	• Tax on other comprehensive income	0
III.	Total comprehensive income for the period after tax	4,858,799
	Comprehensive income per share	0.032
	Diluted comprehensive income per share	0.032

² Notes and disclosures are an integral part of the financial statements.

2.6

Balance sheet³

in EUR

Item		Notes	2011
Assets			263,258,332
A.	Intangible assets	13.	25,024
B.	Property, plant and equipment	14.	35,463
C.	Non-current assets held for sale		0
D.	Deferred tax assets	12.	10,064,673
E.	Investment property		0
F.	Investments in group companies and associates	15.	13,770,374
G.	Financial assets	16.	229,653,846
	• loans and deposits		40,272,904
	• held to maturity		41,448,002
	• available for sale		123,110,260
	• at fair value through profit or loss		24,822,680
H.	Unit-linked insurance assets		0
I.	Reinsurers' share of technical provisions		0
J.	Assets from financial contracts		0
K.	Receivables	17.	8,376,205
	1. Receivables from direct insurance operations		985,094
	2. Receivables from reinsurance and coinsurance operations		0
	3. Current tax receivables		0
	4. Other receivables		7,391,111
L.	Other assets	19.	185,079
M.	Cash and cash equivalents	18.	1,147,668
Equity and liabilities			263,258,332
A.	Equity	20.	150,903,343
	1. Share capital		152,200,000
	2. Share premium		0
	3. Reserves from profit		46,785
	4. Revaluation reserve		1,300,018
	5. Retained earnings		-2,643,460
	6. Net profit for the year		0
B.	Subordinated liabilities		0
C.	Insurance technical provisions	21.	95,559,334
	1. Unearned premiums		0
	2. Mathematical provisions		95,559,334
	3. Claims provisions		0
	4. Other insurance technical provisions		0

³ Notes and disclosures are an integral part of the financial statements.

D.	Insurance technical provisions for unit – linked insurance contracts		0
E.	Other provisions	22.	10,188,074
F.	Liabilities linked to non-current assets held for sale		0
G.	Deferred tax liabilities	12.	4,018,783
H.	Liabilities from financial contracts		0
I.	Other financial liabilities		0
J.	Operating liabilities	23.	534,598
	1. Liabilities from direct insurance operations		534,598
	2. Liabilities from reinsurance and coinsurance operations		0
	3. Current tax liabilities		0
K.	Other liabilities	24.	2,054,200

2.7

Cash flow statement⁴

in EUR

Item	3. 10. - 31. 12. 2011
A.	Cash flows from operating activities
a)	Income statement items
1.	Net written premiums for the period
2.	Investment income (excluding financial income) arising from:
	• Insurance technical provisions
	• Other sources
3.	Other operating income (excluding revaluation and provisions reduction) and financial income from operating receivables
4.	Net claims paid in the period
5.	Bonuses and rebates paid
6.	Net operating costs (excluding depreciation charges and changes in the accrued acquisition expenses)
7.	Investment expenses (excluding depreciation and financial expenses), arising from:
	• Technical sources
	• Other sources
8.	Other operating expenses excluding depreciation charge (except for revaluation and without the increase in provisions)
9.	Income tax and other taxes not included in operating expenses
b)	Changes in net current assets (insurance claims, other receivables, other assets and deferred tax receivables and liabilities) in operating balance sheet items
1.	Opening less closing receivables from direct insurance operations
2.	Opening less closing receivables from reinsurance operations
3.	Opening less closing other receivables from (re)insurance operations
4.	Opening less closing other receivables and assets
5.	Opening less closing deferred tax assets
6.	Opening less closing inventories
7.	Closing less opening debts from direct insurance operations
8.	Closing less opening debts from reinsurance operations
9.	Closing less opening other operating debts
10.	Closing less opening other liabilities (excluding unearned premiums)
11.	Closing less opening deferred tax liabilities
c)	Net cash from operating activities (a+b)

⁴ Notes and disclosures are an integral part of the financial statements

B.	Cash flows from investing activities		
	a)	Cash inflows from investing activities	8,719,027
		Cash inflows from interest earned from investing activities and from:	1,771,581
	1.	• Investments financed by insurance technical provisions	1,237,547
		• Other investments	534,034
		Cash inflows from dividends received and profit sharing, arising from:	569,979
	2.	• Investments financed by insurance technical provisions	57,463
		• Other investments	512,516
		Cash inflows from the disposal of intangible assets financed by:	0
	3.	• Insurance technical provisions	0
		• Other sources	0
		Cash inflows from the disposal of property, plant and equipment, financed by:	0
	4.	• Insurance technical provisions	0
		• Other sources	0
		Cash inflows from the disposal of non-current investments, financed by:	2,542,681
	5.	• Insurance technical provisions	1,034,528
		• Other sources	1,508,153
		Cash inflows from the disposal of current investments, financed by:	3,834,786
	6.	• Insurance technical provisions	3,234,786
		• Other sources	600,000
B.	b)	Cash outflows from investing activities	-7,375,446
	1.	Cash outflows to acquire intangible assets	-25,739
		Cash outflows to acquire property, plant and equipment, financed by:	-36,606
	2.	• Insurance technical provisions	0
		• Other sources	-36,606
		Cash outflows to acquire non-current investments, financed by:	-6,828,501
	3.	• Insurance technical provisions	-5,673,904
		• Other sources	-1,154,597
		Cash outflows to acquire current investments, financed by:	-484,600
	4.	• Insurance technical provisions	-84,600
		• Other sources	-400,000
	c)	Net cash from investing activities (a+b)	1,343,581
C.	Cash flows from financing activities		
	a)	Cash inflows from financing activities	0
	1.	Cash inflows from paid-in capital	0
	2.	Cash inflows from long-term borrowings	0
	3.	Cash inflows from short-term borrowings	0
	b)	Cash outflows from financing activities	0
	1.	Cash outflows for interest paid	0
	2.	Cash outflows for repayments of capital	0
	3.	Cash outflows for repayments of non-current financial liabilities	0
	4.	Cash outflows for repayments of current financial liabilities	0
	5.	Cash outflows from dividends paid and other profit sharing	0
	c)	Net cash from financing activities (a+b)	0
Č.	Closing balance of cash and cash equivalents		1,147,668
	x)	Cash flows for the period (sum total of Ac, Bc and Cc)	-67,989
	+		
	y)	Opening balance of cash and cash equivalents	1,215,657

2.8

Statement of changes in equity⁵

in EUR

Item	I. Share capital	II. Share premium	III. Reserves from profits	IV. Revaluation surplus	V. Retained earnings	VI. Net profit or loss	VII. Treasury share reserves	Total Equity
			Legal and statutory reserves			Net profit/loss for the year	Deductible item	
1. Opening balance for the period	152,200,000	0	0	-3,115,368	-3,040,088	0	0	146,044,544
2. Comprehensive income for the period after tax	0	0	0	4,415,386	0	443,413	0	4,858,799
2.a Net profit for the period	0	0	0	0	0	443,413	0	443,413
2.b Other comprehensive income	0	0	0	4,415,386	0	0	0	4,415,386
3. Issue of share capital	0	0	0	0	0	0	0	0
4. Redemption of capital	0	0	0	0	0	0	0	0
5. Net acquisition/disposal of treasury shares	0	0	0	0	0	0	0	0
6. Repayment of dividends/bonuses as shares	0	0	0	0	0	0	0	0
7. Dividends paid	0	0	0	0	0	0	0	0
8. Allocation of net profit to reserves from profit	0	0	46,785	0	-13,747	-33,038	0	0
9. Settlement of losses from previous years	0	0	0	0	0	0	0	0
10. Allocation and use of contingency and catastrophe reserves	0	0	0	0	0	0	0	0
11. Other	0	0	0	0	410,375	-410,375	0	0
12. Closing balance for the period	152,200,000	0	46,785	1,300,018	-2,643,460	0	0	150,903,343

⁵ Notes and disclosures are an integral part of the financial statements

Modra zavarovalnica was established following a spin-off of the mutual pension funds management activity from Kapitalska družba in accordance with the provisions of ZPKDPIZ. The cut-off date for the spin-off was 1 January 2011, whereas Modra zavarovalnica was established and its registration in the court register was final on 3 October 2011. Retained earnings in the amount of -3,040,088

euros represent the operating result of the activity subject to the spin-off in the period from the cut-off date to the establishment of the insurance undertaking. The financial statements have been compiled for the period from the registration and granting of the operating licence from the Insurance Supervision Agency in accordance with the requirements of IFRS and the Insurance Act.

2.9

Accumulated loss carried forward⁶

in EUR

Item	31. 12. 2011
A. Net profit or loss for the period	443,413
B. Retained earnings	-3,040,088
• Current profit or loss under the applicable standards	-3,040,088
• Adjustment to the new accounting standards	0
C. Decrease in reserves from profit	0
D. Increase of reserves from profit pursuant to a decision of the Board of Directors	46,785
• Increase of contingency reserve	0
• Increase of legal reserves	46,785
• Increase of reserves for treasury shares and interests	0
• Increase of statutory reserves	0
E. Increase of other reserves pursuant to a decision of the Board of Directors and the Supervisory Board	0
F. Accumulated loss carried forward (a+b+c+d+e)	-2,643,460



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NOTES AND DISCLOSURES

2.10

Notes and disclosures

2.10.1 General information

2.10.1.1 Company profile

Modra zavarovalnica d.d. (hereinafter "Modra zavarovalnica") is organised as a public limited company with its registered office at Dunajska cesta 119, Ljubljana. Modra zavarovalnica was established following a spin-off of activity from Kapitalska družba in accordance with ZPKDPIZ. On the day of its registration in the court register, Modra zavarovalnica became the universal legal successor of Kapitalska družba, with regards to the rights and obligations transferred to Modra zavarovalnica, in accordance with the Spin-Off Plan. The establishment of Modra zavarovalnica was recorded in the court register of the County Court of Ljubljana on 3 October 2011.

Modra zavarovalnica conducts life insurance operations in accordance with the Insurance Act (Official Gazette RS No. 109/2006 – official consolidated text, 9/07, 102/07, 69/08, 19/09, hereinafter: ZZavar). The activities of Modra zavarovalnica are defined in its Articles of Association and in the law. Modra zavarovalnica offers insurance products such as life insurance, accident and health insurance, provides activities of pension funds, assessment of risks and damages, activities of insurance brokers, other auxiliary activities for insurance operations and pension funds, and financial funds management.

2.10.1.2 Information about the controlling entity

Modra zavarovalnica is a fully owned subsidiary of Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Dunajska cesta 119, 1000 Ljubljana.

2.10.1.3 Information about subsidiaries

As at 31 December 2011, Modra zavarovalnica had no subsidiaries.

2.10.1.4 Information about employees

At the end of 2011, Modra zavarovalnica employed a

total of 53 staff inclusive of two members of the Board of Directors. In the period from October to December 2011, Modra zavarovalnica employed on average 53 staff. The number of employees at 31 December 2011 which is also the average number of staff in 2011 according to the level of education is presented in the table below.

Table 15: Number of employees and average number of employees by educational level in 2011

Level of Education	Balance at 31. 12. 2011
8 (Master degree and Doctorate)	10
7 (Higher education and university)	17
6 (Post-secondary education)	9
5 (Secondary school)	16
4 (Vocational)	1
Total	53

2.10.2 Accounting policies

Bases of preparation

The financial statements of Modra zavarovalnica have been compiled on the basis of accounting principles described below. The financial statements for the year ended 31 December 2011 have been compiled under the International Financial Reporting standards (IFRS), the Companies Act, the Insurance Act, Decision on the Detailed Method of Valuing Accounting Items and the Drawing up of Financial Statements, and Decision on annual report and quarterly financial statements of insurance undertakings, issued by the Insurance Supervision Agency. Data in the financial statements are based on vouchers and books of account kept in accordance with the provision of International Financial Reporting Standards. The following accounting assumptions were considered in the financial statements preparation: going concern, consistency and accrual basis of accounting. Qualitative characteristics of the financial statements include understand ability, reliability and comparability.

Statement of compliance

The separate financial statements of Modra zavarovalnica have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as adopted by the European Union.

In the financial statements, Modra zavarovalnica has applied all IFRS standards and IFRIC interpretations effective for the 2011 financial year, and has not early adopted any standards or interpretations that are not effective for the financial year under review.

Basic policies

The financial statements have been compiled on historical cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, measured at fair value. The financial statements of Modra zavarovalnica are presented in the euro (EUR), which is the functional currency of the insurance undertaking. All values are rounded to one euro, except when specifically indicated otherwise.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of estimates and assumptions made by the management that impact the amount of assets and liabilities as well as the revenues and expenses.

The most significant assumptions relate to the classification of financial instruments, namely the division between financial instruments the company intends to hold to maturity and those available for trading or sale.

The significant estimates relate to the impairment of non-trading investments and provisions set aside on account of non-achievement of guaranteed return.

Conversion of foreign currency

The financial statements of Modra zavarovalnica are presented in the euro (EUR), which is the functional and reporting currency of the company. Initially, foreign currency transactions are recognised in the functional currency converted at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency prevailing on the balance sheet date. Any differences arising on the translation of foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated using the functional currency's exchange rate prevailing on the transaction date. Non-monetary assets and liabilities measured at fair value in foreign currency are translated using the exchange rate effective on the day when fair value was determined.

Equipment

Equipment is recognised at cost less accumulated depreciation and impairment losses. Amortisation and depreciation are accounted for under the straight-line depreciation based on assessed useful lives of the assets; annual depreciation rates applied to equipment range from 16.67 to 33.33 per cent.

Equipment is derecognised when the relevant asset is disposed of or when the company no longer expects economic benefits from the asset's continuing use. Gains and losses arising from 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, adjusted upon the compilation of the financial statements.

An item of property, plant and equipment whose individual cost invoiced by the supplier does not exceed 500 euros may be recognised as a group of low value assets. Items of low value assets whose individual cost invoiced by the supplier does not exceed 500 euros may be classified as materials.

Intangible assets

Intangible assets acquired individually are recognised at cost. After initial recognition the historical cost method is used. The value in use of an individual intangible asset is finite. Amortisation of an item of intangible assets is recognised through profit or loss. Intangible assets developed internally, other than costs of development, are not capitalised. Costs are recognised in the period in which they were incurred.

Carrying amounts of intangible assets are revised annually to check for impairment. The useful life of an individual intangible asset is assessed once a year and adjusted as required.

Intangible assets are amortised using the straight-line depreciation method over their estimated useful lives using annual amortisation rates ranging from 20.00% to 33.33%.

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

Financial assets

Modra zavarovalnica classified its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity financial assets

- Loans,
- Available-for-sale financial assets

The classifications are dependent on the purpose of acquisition.

Recognition of financial assets

Modra zavarovalnica initially recognises all financial assets at fair value which includes the purchase costs that are directly attributable to the acquisition, except for investments classified at fair value through profit or loss. The latter are recognised at fair value (direct costs of acquisition are not included in the cost).

1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value. Realised gains and losses on investments classified at fair value through profit or loss are recognised directly in the income statement.

The fair value of investments which are actively traded on organised markets is their quoted price on the trading day or the balance sheet day. If the financial instruments are not listed on the stock exchange, the fair value is determined on the basis of a similar instrument or defined as the net present value of future cash flows which the company expects from the financial asset.

The acquisition and sale of individual financial assets classified at fair value through profit or loss are recognised on the trading day; which is the day the company commits to purchase or sell an individual asset.

2. Held-to-maturity financial assets

Modra zavarovalnica recognises financial assets with fixed or determinable payments and fixed maturities which are not derivative instruments, as financial assets held to maturity, if the company has a positive intention and ability to hold the investment until maturity. Investments which the company maintains for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is computed through the allocation of the premium or discount upon acquisition over the holding period until maturity. Realised gains and losses on investments designated at amortised cost are recognised in the profit or loss (disposal, impairment or effects of amortised discounts/premiums).

Investments classified as held-to-maturity financial assets are recognised on the transaction date.

Impairment and reversal of impairment of financial assets carried at amortised cost.

If there is objective evidence that impairment loss has

been incurred on held-to-maturity financial assets carried at amortised costs, the loss is measured as the difference between the carrying amount of the impaired financial asset and the present value of future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of an asset should be reduced through the allowance account. Impairment loss is recognised in the profit or loss as a revaluation financial expense.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through an allowance account. The carrying amount of a financial asset reduced due to impairment loss is not higher than its amortised cost if the impairment loss was not recognised on the day of the impairment loss' reversal. Reversal of impairment loss is recognised in the profit or loss as revaluation financial revenue.

3. Loans

Loans are financial assets with fixed and determinable payments which are not traded on the organised market. Loans and receivables are measured at amortised cost using the effective interest rate and recognised on the trading date.

4. Available-for-sale financial assets

After initial recognition, all financial assets designated as available-for-sale are measured at fair value or cost if the fair value cannot be reliably determined. Gains or losses from available-for-sale financial assets are recognised in equity as net unrealised gains or losses on available-for-sale financial assets until the investment is sold or otherwise disposed off. When a financial asset is impaired, the impairment loss is recognised in the profit or loss.

The acquisition and sale of individual financial assets classified as available-for-sale are recognised on the trading day, the day the company commits to purchase or sell an individual asset.

Impairment of financial assets classified as available for sale

Modra zavarovalnica regularly checks the requirement for impairment of financial assets classified as available for sale. Financial assets whose value has declined significantly during the reporting period, or the decline is of a long-term nature, are impaired. Modra zavarovalnica has assessed that the criterion of significant reduction in the value of equity investments is met when the negative revaluation in equity inclusive of exchange rate differences equals 40% of the investment's cost. When this criterion is met, the equity investments are impaired to the total amount of accumulated negative revaluation and exchange rate differences recognised in equity. The company has assessed that the criterion of significant reduction in the value of equity investments is met when the negative revaluation in equity inclusive of exchange rate differences exceeds 40% of the investment's cost. When this criterion is met, the equity investments are impaired to the total amount of accumulated negative revaluation and exchange rate differences recognised in equity. The company assesses the reduction in value to be of a long-term nature when the investment's value is continuously declining over a period of nine to twelve months. The company checks investments for signs of impairment whenever necessary and on the balance sheet date.

Only equity investments designated as available-for-sale financial assets whose principal amount will probably not be repaid on maturity or will not be repaid at all, are impaired. In the former case such debt securities are fully impaired, whereas when the latter is true, debt investments are impaired by the percentage of the principal amount which the company assesses will be repaid on maturity. In the latter case debt investments with no material effect on the financial statements are not carried at amortised costs but rather at estimated realisable value. Modra zavarovalnica regularly checks investments for signs of impairment and on the balance sheet date.

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.

Receivables

Operating receivables

Operating receivables are recognised in the amounts arising from invoices issued less any bad debt allowances. The assessed bad debt allowances are based on the reasonable expectation of the company that payment is no longer probable either in full or in a certain amount.

Current receivables from direct insurance operations

Current receivables from direct insurance operations are receivables relating to premiums paid to the First Pension Fund, Capital Mutual Pension Fund, or Closed Mutual Pension Fund for Civil Servants. These receivables were recognised on transfer of the policy holders from PPS to KS PPS or from KVPS or ZVPSJU to KS MR.

They are recognised on the day the policy holder acquires the right to the annuity. It is then that the mutual pension fund determines the amount of liabilities on account of the transfer of assets of the policy holders (single premiums) to the guarantee funds.

The amount of liabilities owed by PPS and KVPS and ZVPSJU on account of premiums transfer to KS PPS and KS MR equals the sum of surrender value of the units from insurance policies of the policy holders. The amount of liability is determined daily.

Surrender value of the units is the multiple of the number of the units held by the policy holder who has the right to annuity and the unit value on the day of the entitlement to the annuity (the last published unit value). When a guaranteed unit value exceeds the actual unit value, the guaranteed unit value is applied.

Current receivables for the shares in claims incurred

Current receivables for the shares in claims incurred are receivables for annuities paid to deceased policy holders.

Current financial receivables

Current financial receivables include current interest receivables, dividend receivables, and other current financial receivables.

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

Current dividend receivables are recognised on the cut-off date determined by the issuer.

Receivable allowances are made in accordance with individual assessment of the financial position and liquidity of the debtor the outstanding receivable is due from.

Other current receivables

Other current receivables are receivables due from the purchasers of securities (receivables on account of trading with securities) and other current receivables inclusive of receivables due for principal amounts that are due and outstanding, receivables for securities to be issued, receivables from advances, and receivables for the costs of annuities paid.

Receivables for deficit of assets on KS PPS

If, on the reporting day, KS PPS reports a deficit of assets compared to liabilities, the difference is accounted for as a receivable for deficit of assets on KS PPS due from the manager Modra zavarovalnica. At the same time, Modra zavarovalnica creates provisions recognised in capital for the deficit of assets on KS PPS. The recognition of deficit of assets is consistent with the Rules establishing mathematical provisions, issued in accordance with Article 22 of the First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act, and memo of the Insurance Supervision Agency of 20 December 2010.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank as well as short-term deposits with maturity of up to three months.

Equity

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

Insurance contracts – guarantee funds

In accordance with International Financial Reporting Standard 4 (IFRS 4) and International Standard on Actuarial Practice 3 (IASP 3) guarantee funds of PPS and guarantee fund of MR 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 when at the time of agreeing the contract it is not clear:

- whether the insured event will happen,
- when will it happen and
- what the compensation might be.

Insurance contracts that carry a significant insurance risk are accounted for in accordance with IFRS 4. When an insurance contract does not carry a significant insurance risk, it is accounted for as a financial contract in accordance with IAS 39.

Liabilities for insurance contracts – insurance technical provisions

Non-current insurance technical provisions for insurance contracts are set aside in accordance with the Insurance Act and its implementing regulations, as well as in compliance with IFRS 4.

Modra zavarovalnica is required to make adequate amount of insurance technical provisions which are designed to cover future liabilities from insurance contracts and risk losses arising from insurance operations.

Net technical provisions of the guarantee fund of MR

Net insurance technical provisions of the KS MR are mathematical provisions of insurance policies of KVPS and ZVPSJU. On establishing mathematical provisions from KVPS and ZVPSJU insurance policies, provisions of Article 117 of the Insurance Act, Decision on detailed rules and minimum standards to be applied in the calculation of technical provisions, and Technical basis for annuities offered by Modra zavarovalnica are considered.

The calculation is based on the most recent annuity mortality table approved by the Insurance Supervision Agency.

Net technical provisions of the guarantee fund of PPS

Net insurance technical provisions of the guarantee fund of PPS represent mathematical provisions composed of:

- Mathematical provisions for PPS policies,
- Provisions for equalisation of mortality experience of PPS, and
- Provisions for equalisation of yield experience of PPS.

Mathematical provisions are calculated by a certified actuary of Modra zavarovalnica based on the Act on technical basis for annuity insurance of PPS.

Mathematical provisions from PPS policies

Mathematical provisions from PPS policies are calculated in accordance with the provisions of Article 117 of the Insurance Act and the Rules for the calculation of mathematical provisions.

The calculation is based on the most recent annuity mortality table approved by the Insurance Supervision Agency.

Provisions for equalisation of mortality experience of PPS

Provisions for equalisation of mortality experience are established at initial calculation of mathematical provisions as the difference between the value of transferred assets and mathematical provisions set aside for PPS.

Provisions for equalisation of mortality experience, calculated per individual policies on transfer, increase the provisions set aside for equalisation of mortality experience of PPS and are created for all insured persons.

They are set aside and recognised on a monthly basis upon the calculation of mathematical provisions of KS PPS for the current month, and recorded on the mathematical provisions account under subgroup “provisions for equalisation of mortality experience“.

In addition, provisions for equalisation of mortality experience are set aside at the year-end from the surplus of assets of KS PPS, namely:

- If mathematical provisions are not created in accordance with the most recent annuity tables, the following is classified into provisions:
 - Surplus of assets resulting from the excess return of the guarantee fund over the guaranteed return,
 - Surplus of assets resulting from mortality of population with annuity insurance policies;
- However, if mathematical provisions comply with the most recent annuity tables, surplus of assets resulting from over-mortality of the population with annuity insurance is allocated to provisions.

Provisions for equalisation of yield experience of PPS

Provisions for equalisation of yield experience are created at the year-end, if mathematical provisions from PPS policies are set aside in accordance with the most recent annuity tables. If so, the surplus of assets resulting from the surplus return of the guarantee fund of PPS over the guaranteed return, is allocated for permanent increases of annuities or, the whole or part of it is used for creating provisions for equalisation of yield experience. The share of surplus earmarked for annuities is set by the management of the administrator.

Operating liabilities

The operating liabilities comprise liabilities of guarantee funds to the policy holders for annuity payments and tax liabilities. Liabilities relating to the cost of annuity payments are established on the day when current amount of liabilities to the annuity recipients are determined.

Other liabilities

The other liabilities are classified into payables to employees, amounts payable to suppliers (in particular liabilities on account of securities trading) and other liabilities.

Income

Income is recognised when increases in economic benefits in the accounting period are associated with increases of assets or decreases of liabilities, and these increases and decreases can be reliably measured. Income and increases of assets or decreases of liabilities are recognised simultaneously. Income is classified into:

1. Premium income

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

2. Fee and commission income

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

a. Entry fees

For the performance of its activity in accordance with the pension scheme, the insurance company charges an entry fee, meaning that the collected assets transferred into an individual pension fund are decreased by the amount of the entry fees and the fund is managed with assets which represent net premiums. Entry fees are calculated as a percentage of a premium on the day of payment.

b. Management fees

Modra zavarovalnica charges management fees to mutual pension funds, meaning that the monthly value of the fund's assets is reduced by the amount of the management fees. The management fee is calculated as a percentage of average net annual value of the fund's assets, calculated as an arithmetic medium of the net value of the fund's assets on the cut-off date in the current year.

c. Exit fees

The Company is entitled to an exit fee in accordance with the pension scheme, meaning that the redemption value is decreased by the exit fee and this net value is then paid to the individual terminating the insurance. Exit fees are

calculated as a percentage of the redemption value on the day of redemption or payment.

3. Interest

Interest income is calculated and recognised at the effective interest rate.

4. Dividends

Dividends are recognised when they are declared.

Costs and expenses

Modra zavarovalnica's costs comprise of net claims incurred, costs of the increase of mathematical provisions, net operating costs, other insurance costs, and financial expenses.

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

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

Financial expenses are classified as investment expenses.

Other insurance costs include costs of provisions set aside for non-achievement of guaranteed return of mutual pension funds, and provisions to cover deficit of assets on the guarantee fund.

Employee benefits

Employee benefits include salaries and other allowances in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the company as expenses of the period. Modra zavarovalnica recognises also potential future costs of employee benefits arising from the collective employment agreement in accordance with IAS19. These costs are restated using the actuarial method and are recognised over the entire period of employment of the individual to whom the collective employment agreement relates.

Taxes

1. Current tax

Current tax assets and liabilities in respect of present and past periods are recognised at amounts which the insurance company expects to pay to the tax authorities or at amounts of income tax credits available in future periods. Current tax assets or liabilities are the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

2. Deferred tax

Deferred tax assets and liabilities are provided using the balance sheet liability method. 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 balance sheet date, 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 and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. Tax rates (and tax legislation) enacted or substantially enacted at the balance sheet date should be used.

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

Deferred tax assets and liabilities arising from transactions recognised directly in equity should be recognised in equity.

Derivative financial instruments

Financial instruments such as futures and interest-rate swaps are used by the insurance company to hedge against risks associated with interest rates and foreign currency fluctuations. Derivative financial instruments are recognised at fair value.

Fair value of a future is determined on the basis of a current price of futures with similar maturity. Fair value of interest-rate swaps is determined as the market value of similar instruments.

Hedge accounting is allocated to fair value hedges where exposure to fair value changes of recognised assets and liabilities is hedged, and cash flow hedges where fluctuations of cash-flows arising from individual risks associated with a recognised asset or a liability or an expected transaction is hedged.

Gains and losses associated with re-measurement of hedging instruments used as fair value hedge are immediately recognised in the profit or loss. Gains and losses from the revaluation of the hedged item attributable to the hedged risk modify the carrying amount of the hedged item and are recognised in the income statement. If the hedged item is an interest bearing asset or liability, the cumulative gain or loss is amortised over the duration of the period to maturity.

In cash-flow hedges, gains and losses from the hedging instrument that is determined to be an effective hedge are recognised in equity. The ineffective portion is

recognised in the profit or loss. When a hedged firm commitment subsequently results in recognition of a non-financial asset, then the associated gains or losses that were accounted for in equity are included in the asset. In all other circumstances, gains or losses on hedging instruments are in the next years transferred to the income statement and the effect of changes in the value of the hedged item is offset in the profit or loss.

The effects of re-measurement of derivative financial instruments that no longer meet the requirements for hedge accounting are recognised directly in the income statement.

Hedge accounting is discontinued when the hedging instrument expires, is sold or no longer meets the requirements for hedge accounting. The cumulative gain or loss on the derivative financial instrument, which is recognised remains in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that remains in equity is recognised in the income statement of the current period.

Cash flow statement using the indirect method

Cash flow statement compiled using the indirect method is an accounting statement showing changes in cash flows during the financial year. The cash flow statement is compiled under the indirect method from the balance sheet data at 31 December 2011 and 31 October 2011, income statement data for the year ended 31 December 2011, and additional data necessary for the adjustment of revenue and expenditure and for the appropriate breakdown of significant items.

Changes in standards and interpretations

Modra zavarovalnica was established in 2011 and compiles its financial statements under the International Financial Reporting Standards. Therefore, newly adopted and amended standards have no impact on the financial statements of Modra zavarovalnica.

The following amended and revised standards and interpretations will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

IFRS 9 – Financial Instruments

This standard replaces IAS 39 and is applicable for periods beginning on 1 January 2013. Phase 1 of IFRS 9 sets new requirements for the classification and measurement of financial assets. This standard has not yet been endorsed by the EU.

IFRS 10 – Consolidated Financial Statements

The new standard replaces a part of IAS 27 Consolidated

and Separate Financial Statements that relates to consolidated financial statements and is effective for annual periods beginning on or after 1 January 2013. IFRS 10 establishes a single control model that applies to all entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. Furthermore, the new standard changes definition of a controlling entity. This standard has not yet been endorsed by the EU.

IFRS 11 – Joint Arrangements

The new standard replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 identifies only two types of joint investments that can be jointly controlled: joint operations and joint ventures. The standard uses definition of control in accordance with IFRS 10. Furthermore, IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, joint ventures must be accounted for using the equity method. The new standard is effective for annual periods beginning on or after 1 January 2013. The standard has not yet been endorsed by the EU.

IFRS 12 – Disclosure of Involvement in Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the other disclosures that were previously included in IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. A number of new disclosures are also required in particular those related to assumptions used in determination of whether an entity controls another entity. This standard has not yet been endorsed by the EU.

IFRS 13 – Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard has not yet been endorsed by the EU.

IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendment of IAS 1 changes the grouping of items presented in the Other Comprehensive Income. Items that could be reclassified or "recycled" to profit or loss at a future point in time would be presented separately from items that will never be recognised in the profit or loss. The new standard is effective for annual periods beginning on or after 1 July 2012. However, this standard has not yet been endorsed by the EU.

IAS 12 – Deferred tax (Amended)

The amendment is effective for annual period beginning on or after 1 January 2012. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces: a) rebuttable presumption that deferred tax on investment property measured at fair value in accordance with IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and b) the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis of the asset. This standard has not yet been endorsed by the EU.

IAS 19 – Employee benefits (Amended)

In June 2011 the IASB issued numerous amendments to IAS 19. The fundamental change relates to removal of the corridor mechanism for the recognition of changes made to defined benefits plan. Now, all changes are recognised when they are made either in the profit or loss or the statement of comprehensive income, depending on the type of changes. The amendment is effective for annual periods beginning on or after 1 January 2013. This standard has not yet been endorsed by the EU.

IAS 27 – Separate Financial Statements

The standard was issued in May 2011 as a consequence of the new IFRS 10, IFRS 11 and IFRS 12. IAS 27 Separate Financial Statements is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The new standard is effective for annual periods beginning on or after 1 January 2013. The standard has not yet been endorsed by the EU. effective for annual periods beginning on or after 1 January 2013. The standard has not yet been endorsed by the EU.

IAS 28 – Investments in Associates and Joint ventures

The standard was issued in May 2011 as a consequence of the new IFRS 10, IFRS 11 and IFRS 12. IAS 28 describes the application of the equity method to investments in joint ventures in addition to associates. The new standard is requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis of the asset. This standard has not yet been endorsed by the EU.

Modra zavarovalnica is reviewing the not yet effective standards and interpretations and at this stage cannot reasonable assess the impact of the new requirements. The Company will comply with the new standards and interpretations as and when effective and endorsed by the EU.

2.10.3 Disclosures to the financial statements**2.10.3.1 Notes to the income statement****Note no. 1 – Net premium income**

in EUR	
Item	2011
Gross life insurance written premium	1,517,397
Gross non-life insurance written premium	0
Total	1,517,397

Total amount of gross written premium relates to the segment of life insurance and represents payments made into the guarantee funds of annuity insurance.

Note no. 2 – Income from financial assets

in EUR	
Item	2011
Interest income from financial assets	
At fair value through profit or loss	136,633
Held to maturity	425,550
Available for sale	388,038
Loans and deposits	417,943
Cash and cash equivalents	18
Derivative financial instruments	0
Dividend income from financial assets	
At fair value through profit or loss	7,107
Available for sale	322,811
Revaluation income	
Financial assets at fair value through profit or loss	0
Futures and currency swaps	0
Deposits and loans in foreign currency	0
Other revaluation income	0
Exchange rate gains	
69,493	
Gains on disposal of financial assets	
Available for sale	0
At fair value through profit or loss	59,026
Other financial income	
0	
Total	1,826,618

Financial income totalled 1,826,618 euros in 2011. The major share of financial income represents interest income.

Note no. 3 – Expenses from financial assets

in EUR	
Item	2011
Interest expense from financial assets	
Bank borrowings	0
Other borrowings	0
Bonds issued	0
Derivative financial instruments	0
Other interest expense	-1,473
Revaluation expense	
Financial assets at fair value through profit or loss	-443,017
Held to maturity	-1,034,836
Financial assets at fair value through equity	0
Futures and currency swaps	-581,320
Deposits and loans in foreign currency	0
Other revaluation expense	0
Exchange rate losses	
-3,731	
Loss on disposal of financial assets	
At fair value through profit or loss	-3,866
Available for sale	-22,647
Loss on impairment of financial assets	
0	
Other financial costs	
-229	
Total	-2,091,118

Financial expenses amounted to 2,091,118 euros in 2011. The major share of financial expenses represents impairment loss on debt investments issued by the Hellenic Republic (1,034,836), which accounts for 50% of the amortised amount of the principal of these bonds. These bonds are part of the portfolio of the guarantee fund of PPS. At 31 December 2011, their value was 1,078,973 euros.

Realised gains and losses

in EUR	
Item	2011
Income from financial assets	1,826,618
Expenses from financial assets	-2,091,118
Net gains or losses from financial assets	-264,500

Note no. 4 – Other insurance income

in EUR	
Item	2011
Entry fees	187,887
Management fees	1,491,354
Exit fees	281,845
Other	1,470,249
Total	3,431,335

The major amount of other income represents 1,432,838 euros of income from the reversal of provisions for non-achievement of guaranteed return.

Note no. 5 – Other income

7,806 euros of other income was earned from services rendered by Modra zavarovalnica to Kapitalska družba in relation to the operation of the SODPZ fund, as well as rental income, indemnity and similar income.

Note no. 6 – Net claims incurred

in EUR	
Item	2011
Gross claims incurred on life insurance	- 1,405,316
Gross claims incurred on non-life insurance	0
Total	- 1,405,316

Gross claims incurred represent annuities.

Note no. 7 – Change in other insurance technical provisions

579,059 euros of change in other insurance technical provisions in 2011 represents the increase of gross mathematical provisions of guarantee funds' annuities; -197,707 euros of mathematical provisions relates to KS PPS, whereas - 381,352 euros relates to KS MR.

Note no. 8 – Operating costs

in EUR	
Item	2011
Acquisition costs	0
Costs of materials	-82,949
Costs of services	-774,532
Amortisation, depreciation and write-downs	-1,858
Costs of provisions	-117,374
Labour costs	-591,532
Other operating costs	-1,571
Total	-1,569,816

Acquisition costs include the cost of insurance brokers and costs directly attributable to the acquisition. In 2011, the insurance company incurred no such costs.

Costs of materials amounted to 82,949 euros in 2011. Major amount of these costs are costs of low value assets (33,355) euros, and costs of office stationery, literature and printing in the amount of 30,654 euros.

Costs of services amounted to 774,532 euros in 2011. Of that, 160,060 euros represents lease of IT assets and their maintenance, 143,375 euros are the costs of the custodian bank, whereas offices rent amounted to 83,208 euros.

Amortisation and depreciation expense relates to amortisation and depreciation of fixed assets.

117,374 euros of costs of provisions represents provisions set aside for jubilee awards and termination benefits on retirement. Any potential expenses for provisions set aside for non-achievement of guaranteed return or deficit of assets of KS PPS, are included in other insurance expenses.

Labour costs reached 591,532 euros in 2011. Of that, 457,505 euros represents costs of gross salaries and salary substitutes, with the remaining amount relating to the cost of contributions on salaries paid, meal allowance and travel allowance, costs of voluntary pension insurance and similar costs.

Other operating costs are costs of contributions for promotion of employment of disabled persons.

Audit fees amounted to 15,000 euros in 2011.

Note no. 9 – Other insurance expenses

Other insurance expenses of 699,113 euros comprise payments made by the asset manager to make up the difference to the guaranteed return of mutual pension funds, and provisions sets aside for non-achievement of guaranteed return.

Note no. 10 – Other expenses

Other expenses in the amount of 1,228 euros represent payments of tax on dividends from abroad, rounding up of amounts and similar expenses.

Note no. 11 – Income tax expense

in EUR	
Item	2011
Profit or loss before tax	437,506
Non-deductible expenses	143,504
Allowances for bad debt and inventories	0
Provisions formation	0
Non-taxable income	532,998
Tax allowance	0
Tax loss	0
Total	48,012
Income tax	0
Tax on dividends from abroad	0

Modra zavarovalnica has no income tax liability due to the settlement of tax losses; accordingly, the effective tax rate calculation is not possible.

Note no. 12 – Deferred tax

in EUR		
Item	Balance sheet 31. 12. 2011	Income statement 3. 10. – 31. 12. 2011
Deferred tax liabilities, of that:	4,018,783	3,772
• Revaluation of available-for-sale financial assets to fair value	257,986	0
Total deferred tax liabilities	4,018,783	3,772
Deferred tax receivables, of that	10,064,673	2,135
• Loss brought forward to be used as tax allowance	6,707,168	-9,602
• Impairment of fixed assets	0	0
• Bad-debt allowances	0	0
• Dividend adjustment	0	0
• Impairment of investments	3,345,768	0
• Provisions	11,737	11,737
Total deferred tax assets	10,064,673	2,135
Netting of deferred tax assets and liabilities	6,045,890	5,907

12.1 Disclosure of changes in deferred tax recognised directly in equity

in EUR	
Item	Year
Balance at 3 Oct 2011	2,947,210
Changes during the year	1,071,573
Balance at 31 Dec 2011	4,018,783

2.10.3.2 Notes to the balance sheet

Note no. 13 – Changes in intangible assets and long-term deferred costs

in EUR

2011	Software applications	Total
Cost at 3 Oct 2011	0	0
Additions	25,739	25,739
Disposals	0	0
Cost at 31 Dec 2011	25,739	25,739
Accumulated amortisation at 3 Oct 2011	0	0
Additions	0	0
Transfers	0	0
Disposals	0	0
Write-downs	0	0
Amortisation	-715	-715
Accumulated amortisation at 31 Dec 2011	-715	-715
Carrying amount at 3 Oct 2011	0	0
Carrying amount at 31 Dec 2011	25,024	25,024

Note no. 14 – Changes in property, plant and equipment

in EUR

2011	Equipment	Company cars	Total
Cost at 3 Oct 2011	0	0	0
Additions	11,326	25,280	36,606
Disposals	0	0	0
Cost at 31 Dec 2011	11,326	25,280	36,606
Accumulated depreciation at 3 Oct 2011	0	0	0
Additions	0	0	0
Transfers	0	0	0
Disposals	0	0	0
Write-downs	0	0	0
Depreciation	-300	-843	-1,143
Accumulated depreciation at 31 Dec 2011	-300	-843	-1,143
Carrying amount at 3 Oct 2011	0	0	0
Carrying amount at 31 Dec 2011	11,026	24,437	35,463

Note no. 15 – Investments in group companies and associates

15.1 Investments in associates

At 31 December 2011, Modra zavarovalnica has an investment of 13,770,374 euros in its associated entity Cinkarna Celje. Investment in the associated entity is designated as available-for-sale financial asset.

in EUR

Associate	Head office	Share in capital	Equity at 31 Dec 2011	Net profit in 2011
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20,00 %	126,583,746	24,569,727

15.2 Changes in investments in associates

in EUR

Item	Investments in associates
Balance at 3 Oct 2011	14,177,781
Revaluation effect	- 407,407
Balance at 31 Dec 2011	13,770,374

As a result of reduction in the share price of the investment, investments in associates were decreased in 2011 by 407,407 euros.

Note no. 16 – Financial assets

in EUR

Item	Financial assets of the insurance company	Financial assets of guarantee funds	Total 31. 12. 2011
Loans and deposits	17,506,477	22,766,427	40,272,904
Held-to-maturity financial assets	0	41,448,002	41,448,002
Available-for-sale financial assets	123,110,260	0	123,110,260
Financial assets at fair value through profit or loss	0	24,822,680	24,822,680
Total	140,616,737	89,037,109	229,653,846

16.1 Loans and deposits

in EUR

Item	31. 12. 2011
Non-current loans and deposits	14,500,000
Current loans and deposits	25,772,904
Total	40,272,904

Investments in loans and deposits comprise deposits with local banks.

16.2 Investments in securities

in EUR

Item	31. 12. 2011
Financial assets at fair value through profit or loss	24,822,680
• Equity securities	12,750,831
• Debt securities	12,071,849
Available-for-sale financial assets	123,110,260
• Equity securities	78,999,670
• Debt securities	44,110,590
Held-to-maturity financial assets	41,448,002
Total	189,380,942

16.3 Changes in investments in securities

in EUR

Modra zavarovalnica, d. d.	Held to maturity	Available for sale	At fair value	Total
Balance at 3 Oct 2011	39,665,342	117,212,612	26,037,069	182,915,024
Purchases	3,369,380	504,597	1,489,871	5,363,848
Revaluation/ impairment	-1,583,117	5,901,203	-408,732	3,909,354
Sales	0	-508,152	-760,742	-1,268,895
Maturity	-273,603	0	-1,534,786	-1,808,389
Balance at 31 Dec 2011	41,448,002	123,110,260	24,822,681	189,380,942

in EUR

Guarantee funds	Held to maturity	Available for sale	At fair value	Total
Balance at 3 Oct 2011	39,665,342	0	26,037,069	65,702,412
Purchases	3,369,380	0	1,489,871	4,859,251
Revaluation/ impairment	-1,583,117	0	-408,732	-1,991,849
Sales	0	0	-760,742	-760,742
Maturity	-273,603	0	-1,534,786	-1,808,389
Balance at 31 Dec 2011	41,448,002	0	24,822,681	66,270,682

in EUR

Own assets	Held to maturity	Available for sale	At fair value	Total
Balance at 3 Oct 2011	0	117,212,612	0	117,212,612
Purchases	0	504,597	0	504,597
Revaluation/ impairment	0	5,901,203	0	5,901,203
Sales	0	-508,152	0	-508,152
Maturity	0	0	0	0
Balance at 31 Dec 2011	0	123,110,260	0	123,110,260

16.4 Financial assets structure in terms of interest rates

in EUR

Financial asset	31. 12. 2011
Debt instruments	97,630,441
• Fixed interest rate	89,019,645
• Variable interest rate	8,610,796
Loans and deposits	40,272,904
• Fixed interest rate	40,272,904
• Variable interest rate	0
Total	137,903,345

16.5 Risk of interest rate fluctuation

in EUR

Financial asset	Maturity up to 1 year	From 1 to 5 years	More than 5 years	Total
Financial assets at fair value through profit or loss	1,420,907	9,270,127	1,380,815	12,071,849
Held-to-maturity financial assets	1,681,269	19,980,817	19,785,916	41,448,002
Available-for-sale financial assets	9,097,437	21,115,527	13,897,626	44,110,590
Issued loans and deposits	25,766,393	14,506,511	0	40,272,904
Cash and cash equivalents	1,147,668	0	0	1,147,668
Total	39,113,675	64,872,982	35,064,356	139,051,013

Financial assets disclosed in the table above comprise all debt financial instruments at effective interest rate, increased for cash and cash equivalents.

Note no. 17 – Receivables

in EUR

Item	31. 12. 2011
Receivables from direct insurance	985,094
Receivables from reinsurance and coinsurance operations	0
Tax receivables	0
Other receivables	7,391,111
Total	8,376,205

6,491,382 of other receivables represents retained deficit of assts used to cover liabilities to the policy holders of KS PPS.

Note no. 18 – Cash and cash equivalents

in EUR

Item	31. 12. 2011
Cash on transaction accounts at banks and cash on hand	465,668
Redeemable deposits	682,000
Deposits with maturity of up to 3 months	0
Total	1,147,668

Note no. 19 – Other assets

185,079 euros of other assets represents short-term accrued costs and deferred revenue.

Note no. 20 – Equity**20.1 Share Capital**

Item	31. 12. 2011
Share capital (EUR)	152,200,000
Ordinary shares (number)	152,200,000
Uncalled capital (EUR)	0

Share capital of the insurance company amounts to 152,200,000 euros. The share capital is divided into 152,200,000 ordinary no-par value shares. Each share has the same interest and attributed amount in the share capital. The interest of each individual no-par value share is determined with respect to the number of issued no-par value shares.

At 31 December 2011, the carrying amount of one share is 0.99 euros.

Modra zavarovalnica is a wholly owned subsidiary of Kapitalska družba.

20.2 Changes in individual capital elements

Item	Share capital	Share premium	Reserves from profit	Revaluation reserve	Retained earnings	Net profit or loss for the year	Total
At 3 Oct 2011	152,200,000	0	0	-3,115,368	-3,040,088	0	146,044,544
Changes	-	0	46,785	4,415,386	396,628	0	4,858,799
At 31 Dec 2011	152,200,000	0	46,785	1,300,018	-2,643,460	0	150,903,343

Modra zavarovalnica was established following a spin-off of the pension funds management activity from Kapitalska družba in accordance with the provisions of ZPKDPIZ. The cut-off date for the spin-off was 1 January 2011, whereas Modra zavarovalnica was established and its registration in the court register was finalised on 3 October 2011. Accumulated loss brought forward in the amount of 3,040,088 euros represents the operating result of the activity in the period from the cut-off date of the spin-off to the establishment of the insurance company.

Reserves from profit represent legal reserves, made by net gains from non-life insurance (33,038 euros of the 2011 profit and 13,747 euros of retained earnings), whereas total amount of gains from life insurance of 410,375 euros was used to settle losses brought forward from previous periods.

Note no. 21 – Insurance technical provisions

Item	31. 12. 2011
Insurance technical provisions of KS PPS	95,177,977
Insurance technical provisions of KS MR	381,357
Total	95,559,334

Insurance technical provisions are mathematical provisions of the guarantee fund life insurance.

Note no. 22 – Other provisions**22.1 Other provisions**

Other provisions	31. 12. 2011
Provisions for non-achievement of guaranteed return	3,579,318
Provisions for deficit of assets of KS PPS	6,491,382
Provisions for pensions, jubilee awards and termination benefits on retirement	117,374
Total	10,188,074

22.2 Changes in other provisions

Item	Provisions for non-achievement of guaranteed return	Provisions for deficit of assets of KS PPS	Other provisions	Total
At 3 Oct 2011	4,932,491	5,475,001	0	10,407,492
Provisions created during the year	2,783,606	1,391,361	117,374	4,292,341
Provisions utilisation	-	-	-	-
Provisions reversal	-4,136,779	-374,980	-	-4,511,759
At 31 Dec 2011	3,579,318	6,491,382	117,374	10,188,074

At 31 December 2011, provisions for termination benefits and jubilee awards amounted to 117,374 euros.

Provisions for termination benefits and jubilee awards are calculated on the basis of assumption of expected employee turnover, their years of service and expected years to retirement, taking into account provisions of individual and collective employment agreements as well as the insurance company's internal acts. Expected employee turnover assumptions attribute the highest probability (60%) of leaving the insurance company to employees with more than 20 years of service before retirement, whereas probability of 0% is attributed to employees with less than 5 years to their retirement.

Note no. 23 – Operating liabilities

Item	31. 12. 2011
Liabilities from direct insurance operations	534,598
Liabilities from reinsurance and coinsurance operations	0
Tax liabilities	0
Total	534,598

Liabilities from direct insurance operations represent liabilities of the guarantee funds for annuities payable.

Note no. 24 – Other liabilities

Item	31. 12. 2011
Payables to employees	163,436
Short-term receivables for shares in claims incurred	0
Other short-term operating liabilities from insurance	51,739
Short-term liabilities from financing	266,627
Other short-term liabilities	486,469
Accrued costs	146,487
Short-term deferred income	939,442
Total	2,054,200

Total amount of short-term financial liabilities from financing relates to liabilities arising from currency hedging payable to Kapitalska družba.

Payables to employees represent liabilities for December 2011 salaries.

Other short-term liabilities from insurance operations represent tax payable on insurance operations.

The major item of other liabilities represents 267,313 of liabilities of the manager - insurance company for the payment of the difference up to the guaranteed return of mutual funds.

Short-term deferred income was recognised on account of annuity premiums received from the policy holders who withdrew from KVPS and ZVPSJU funds, and who have, based on informative calculation, expressed intention to take out insurance as from 1 January 2012.

2.10.3.3 Disclosure of insurance contracts**Composition of insurance contracts****Table 16: Present gross value of future payments by KS PPS and KS MR**

Type of payments	Value
KS PPS	95,177,977
KS MR	381,357

Total present gross value of future payments of all types of annuities of KS PPS is 95,177,977 euros. Annuity tables DAV2004R and legally prescribed technical interest rate of 1% were applied in the calculation of the value of future payments. Any policyholder who acquires the right to annuity can select one of available annuity products, thus exercising his/her right and finalise the method of enjoyment of the right. Any policyholder with more than 2,000 points on their insurance policy can choose between pension annuity for life and pension annuity with guaranteed payment period of 5, 10 or 15 years.. If the policyholder dies before the expiry of the guaranteed payment period, the annuities are paid to the person appointed by the policyholder or his or her heirs. An insured person with less than 2,000 points on their insurance policy can, in addition to monthly annuity, opt for a one-of payment of annuity, whereas an insured person with between 2,001 and 5,000 points, can opt for annuity paid annually.

Mathematical provisions of the guarantee fund “Modra renta” are calculated in accordance with the Insurance Act, insurance-technical standards and insurance-technical basis. For annuity insurance product, mathematical provisions are calculated prospectively, separately for each insurance policy. German annuity tables DAV1994R were used in the calculation.

Annuity may be agreed in a number of formats. Classical “Modra renta” is paid out monthly from the beginning of the annuity validity until the end of life and is not inherited. In the event of the death of the insured person before expiry of the guaranteed payment period (5, 10, 15 or 20 years), any remaining annuities are paid to the person appointed by the insured person or to his or her heirs.

Accelerated “Modra renta” with full guarantee is paid out from the beginning of the validity of annuity to the end of life. During the guaranteed period (24, 48, 72, 96, or 120 months) annuity is higher and paid out monthly, whereas after the end of the period, it is paid out in equal annual amounts. In the event of the death of the insured person before expiry of the guaranteed payment period, any remaining annuities are paid to the person appointed by the policy holder or to his or her heirs.

Accelerated “Modra renta” with limited guarantee is paid

out from the beginning of the validity of annuity to the end of life. During the period of monthly payments (24, 48, 72, 96 or 120 months) annuity is higher, after that it is paid annually in the amount of 12 euros. In the event of the death of the insured person before expiry of the guaranteed payment period, any remaining annuities are paid to the person appointed by the insured person or to his or her heirs. The guaranteed period is shorter than the period of monthly payments.

Adequacy of liabilities

Modra zavarovalnica made the liabilities adequacy test (LAT) arising from life insurance policies at 31 December 2011, by comparing expected present value of future cash flows (income from premiums, claims incurred, income from financial assets) with existing mathematical provisions set aside. The test confirmed adequacy of liabilities from life insurance policies.

Changes in interest rates/ return

With regards to KS PPS, technical interest rate and guaranteed return are legally prescribed, therefore sensitivity analysis of provisions to those parameters changes is not shown.

Table 17: Changes in interest rates/ return for KS MR at 31 December 2011

in EUR		
Change in return	Increase of return by 0.25 percentage point	Decrease of return by 0.25 percentage point
Change in liabilities (provisions)	-306	318

Change in mortality

Table 18: Changes in mortality at 31 December 2011 for KS PPS

in EUR		
Change in mortality	Increase in mortality variable by 10%	Decrease in mortality variable by 10%
Change in liabilities (provisions)	-2,937,274	3,245,425

Increase of mortality variable by 10% would result in decrease of liabilities by 2,937, 274 euros. Annuity tables DAV2004R were used in the calculation of movements in liabilities due to changes in mortality variable.

Table 19: Changes in mortality at 31 December 2011 for KS MR

in EUR		
Change in mortality	Increase in mortality variable by 10%	Decrease in mortality variable by 10%
Change in liabilities (provisions)	-194	215

Increase of mortality variable by 10% would result in a decrease of liabilities by 194 euros. Annuity tables DAV1994R were used in the calculation of movements in liabilities due to changes in mortality variable.

2.10.3.4 Underwriting risk management

In daily operations, Modra zavarovalnica's own assets as well as those of KS PPS and KS MR are exposed to the credit, market, interest and liquidity risk. The assets owned by the insurance company as well as those of the two guarantee funds are included in the tables presented.

Capital management

Pursuant to the Insurance Act, an insurance company is required to comply with minimum capital requirements of the law. Since the insurance undertaking is licensed for life and non-life insurance operations, it must comply with the capital requirements for both types of insurance products.

Table 20: Capital adequacy at 31 December 2011

in EUR	
Item	31. 12. 2011
Minimum capital requirement	36,714,761
Minimum capital requirement for life insurance	34,414,761
Minimum capital requirement for non-life insurance	2,300,000
Surplus of available capital	107,456,390
Surplus of available capital of life insurance	104,697,735
Surplus of available capital of non-life insurance	2,758,655

Credit risk

Credit risk relates to debt securities (investments in bonds, commercial and treasury bills, certificates of deposits, deposits, issued loans, cash and cash equivalents), presenting the risk that investments in debt instruments will be repaid only in part or not at all; the highest exposure is equal to the carrying amount of these financial instruments. Equity securities have been excluded from the analysis as they do not carry a direct credit risk.

Modra zavarovalnica has detailed procedures for monitoring credit exposure to investments in the instruments of financial institutions. Within the scope of internal regulations, the ratings of business partners are determined by applying an internal model and by using the ratings of the Standard & Poor's, Fitch and Moody's credit agencies. The decision to approve a certain investment is taken by the Management Board at the proposal of internal committees.

Table 21: Exposure of financial assets to credit risk without considering collateral at 31 December 2011

in EUR						
Group of financial assets	Low risk - high credit rating of debtor	Moderate risk - medium credit rating of debtors	Moderate risk investment	High risk investments	Impaired investments - lower credit rating of debtors	Total
Financial assets at fair value through profit or loss	3,842,855	3,285,409	421,222	4,439,041	83,323	12,071,849
Held-to-maturity financial assets	34,375,486	4,379,221	0	1,614,322	1,078,973	41,448,002
Available-for-sale financial assets	27,391,309	10,871,573	1,552,400	4,295,308	0	44,110,590
Issued loans and deposits	3,900	1,253,900	0	39,015,104	0	40,272,904
Cash and cash equivalents	1,116,531	0	0	31,137	0	1,147,668
Total	66,730,081	19,790,103	1,973,621	49,394,913	1,162,295	139,051,013

Table 22: Exposure of financial assets of guarantee funds to credit risk without considering collateral at 31 December 2011

in EUR

Group of financial assets	Low risk - high credit rating of debtor	Moderate risk - medium credit rating of debtors	Moderate risk investment	High risk investments	Impaired investments - lower credit rating of debtors	Total
Financial assets at fair value through profit or loss	3,842,855	3,285,409	421,222	4,439,041	83,323	12,071,849
Held-to-maturity financial assets	34,375,486	4,379,221	0	1,614,322	1,078,973	41,448,002
Available-for-sale financial assets	0	0	0	0	0	0
Issued loans and deposits	3,900	803,900	0	21,958,627	0	22,766,427
Cash and cash equivalents	425,364	0	0	14,086	0	439,450
Total	38,647,605	8,468,530	421,222	28,026,077	1,162,295	76,725,728

Table 23: Exposure of financial assets owned by the insurance company to credit risk without considering collateral at 31 December 2011

in EUR

Group of financial assets	Low risk - high credit rating of debtor	Moderate risk - medium credit rating of debtors	Moderate risk investment	High risk investments	Impaired investments lower credit rating of debtors	Total
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Held-to-maturity financial assets	0	0	0	0	0	0
Available-for-sale financial assets	27,391,309	10,871,573	1,552,400	4,295,308	0	44,110,590
Issued loans and deposits	0	450,000	0	17,056,477	0	17,506,477
Cash and cash equivalents	691,167	0	0	17,051	0	708,218
Total	28,082,476	11,321,573	1,552,400	21,368,836	0	62,325,284

Securities are categorised in identified groups according to their credit rating. Low risk investments are all investments with credit rating from AAA to A+; moderate risk investments are those with credit rating from BBB+ to BBB-; whereas high risk investments are those with credit ratings below BBB-. High risk investments include mainly investments of Slovenian banks whose credit rating has been reduced. Moderate risk investments are those with credit rating of a recognised credit agency however, according to the internal methodology of the manager, they meet criteria for classification into the investment category. This category comprises primarily certain local corporate bonds. Greek bonds were classified into the group of impaired investments.

Issued loans and deposits are deposits with local banks. Deposits at banks are classified into the same credit grade as the banks.

Table 24: Geographical concentration of credit risk exposure of financial assets at 31 December 2011

in EUR

Region	Amount
Slovenia	97,190,690
Other countries	41,860,323
Total	139,051,013

Currency risk

Table 25: Financial assets by currency at 31 December 2011

in EUR

Currency	Amount
Assets denominated in euro	204,859,653
Assets denominated in US dollars	36,774,218
Assets denominated in other currencies	2,938,017
Total	244,571,888

At 31 December 2011, 84% of financial assets were denominated in euro, 15 in US dollars and the remaining 1% in other currencies.

Table 26: Currency risk of financial assets at 31 December 2011

in EUR

Changes of the US dollar exchange rate	Impact on the Income Statement	Impact on Equity
+/- 10%	+/- 130,154	+/- 3,547,268

Interest rate risk

Interest rate risk stems from investments in securities that react to changes in the levels of market interest rates. These include financial assets, income from which is linked to variable interest rates, and debt instruments where interest income is linked to a fixed interest rate, despite the fact their market value changes upon any fluctuation of the level of market interest rates.

Table 27: Analysis of investment sensitivity to movements to market interest rates at 31 December 2011 – where the interest rates changes by 50 base points

in EUR

	Changes in interest rates	Sensitivity of interest income	Effect on the fair value	Total
Financial assets at fair value through profit or loss	+/- 0.5%	+/- 6,495	-/+ 49,474	+/- 42,978
Held-to-maturity financial assets	+/- 0.5%	+/- 0	-/+ 0	+/- 0
Available-for-sale financial assets		+/- 35,041	-/+ 185,512	+/- 150,471
Loans and deposits	+/- 0.5%	+/- 0	-/+ 0	+/- 0
Total		+/- 41,536	-/+ 234,986	+/- 193,449

In calculating the sensitivity of interest income, financial assets at variable interest rate have been considered, while financial assets at fixed interest rate have been considered in calculating the impact on fair value. The calculation for cash and cash equivalents encompasses variable interest rate deposits.

Market risk

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

Table 28: Market risk of the equity securities portfolio at 31 December 2011

in EUR		
Changes of the index in %	Impact on the profit or loss	Impact on equity
+/-10%	+/- 1,275,083	+/- 9,277,004

The table shows the equity instruments of the insurance company and both guarantee funds. The equity instruments measured at fair value through the profit or loss influence the profit or loss, while available-for-sale equity instruments influence the equity.

Table 29: Overview of financial instruments by liquidity

in EUR	
Financial instrument	31. 12. 2011
Securities traded on an organised market	198,787,206
Financial assets at fair value through profit or loss	21,179,243
Held-to-maturity financial assets	41,448,002
Available-for-sale financial assets	136,159,961
Securities not traded on an organised market	4,364,111
Financial assets at fair value through profit or loss	3,643,438
Held-to-maturity financial assets	0
Available-for-sale financial assets	720,673
Total	203,151,317

At 2011 year end, investments traded on an organised market accounted for 97.70% of the insurance company's own funds and assets of the guarantee funds.

Financial assets measured at fair value through profit or loss, which are not traded on an organised market, comprise shares valued at 2,577,799 euros; the remaining value represents certificates of deposits, treasury bills and investment coupons. The fair value of these shares has been determined by applying the valuation method based on market data.

Table 30: Overview of financial assets according to their book and fair value at 31 December 2011

in EUR		
Financial asset	Book value	Fair value
Financial assets at fair value through profit or loss	24,822,680	24,822,680
Held-to-maturity financial assets	41,448,002	39,360,288
Available-for-sale financial assets	136,880,634	136,880,634
Loans and deposits	40,272,904	40,272,904
Cash and cash equivalents	1,147,668	1,147,668
Total	244,571,888	242,484,174

According to its accounting policies, Modra zavarovalnica measures its financial assets at fair value, which equals the market value of the relevant financial asset. Differences may arise in case of non-marketable securities, available-for-sales financial assets, where the assessed value is taken as their fair value; in case of loans and deposits, the fair value equals their amortised cost.

Table 31: Fair value hierarchy of assets at 31 December 2011

in EUR				
Item	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	18,500,803	3,744,079	156,541	22,401,423
Equity securities	10,173,032	0	156,541	10,329,573
Debt securities	8,327,770	3,744,079	0	12,071,849
Available-for-sale financial assets	136,880,634	0	0	136,880,634
Equity securities	92,770,044	0	0	92,770,044
Debt securities	44,110,590	0	0	44,110,590
Total	155,381,437	3,744,079	156,541	159,282,057

The group of assets measured at fair value comprises financial assets that are valued at fair value, namely:

- Level 1 comprises financial assets whose fair value is fully determined on the bases of prices quoted on an active market
- Level 2 includes financial assets whose fair value is determined using valuation technique models, taking into account variables, obtained on the basis of available published market data
- Level 3 includes financial assets whose fair value is determined using valuation technique models, taking into account subjective variables not publicly available on the market.

No reclassifications occurred in the fair value hierarchy in 2011.

At 31 December 2011, Modra zavarovalnica also recorded financial assets measured at cost in the amount of 2,421,258 euros.

Changes of the price source

On 31 December 2011, in accordance with the provisions of the accounting standards, the price source for the measurement of RS33 and RS50 bonds was changed due to the insufficient liquidity of both shares on the Ljubljana stock exchange. The RS33 bond is valued according to the yield of comparable bond RS66, while Bloomberg BVAL is considered the price source in place of the Ljubljana stock exchange for the RS50 bond.

Liquidity risk

Liquidity risk represents the risk that the insurance company's liabilities will not be settled by their due date. At 31 December 2011, Modra zavarovalnica recorded a total 140,028,150 euros of surplus of expected non-discounted cash inflows over outflows.

Table 32: Expected actual non-discounted cash flow

in EUR					
Liabilities	Maturity up to 1 year	From 1 to 5 years	More than 5 years	With no maturity	Total
Operating liabilities at 31 December 2011	534,598	0	0	0	534,598
Other liabilities at 31 December 2011	2,054,200	0	0	0	2,054,200
Liabilities of the guarantee fund of PPS and MR at 31 December 2011	4,274,658	16,010,352	84,618,802		104,903,812
Total liabilities	6,863,456	16,010,352	84,618,802	0	107,492,610
Investments in securities	7,607,149	57,314,578	32,241,979	105,520,875	202,684,582
• at fair value through profit or loss	2,062,423	17,819,469	5,280,168	12,750,831	37,912,891
• held to maturity	3,073,504	20,838,880	19,077,916	0	42,990,301
• available for sale	2,471,222	18,656,229	7,883,895	92,770,044	121,781,390
Issued loans and deposits	26,998,548	14,805,140	0	0	41,803,687
Cash and cash equivalents	1,147,668	0	0	0	1,147,668
Receivables	1,884,823	0	0	0	1,884,823
Total assets	37,638,188	72,119,718	32,241,979	105,520,875	247,520,760
The difference	30,774,732	56,109,366	-52,376,823	105,520,875	140,028,150

Shares and other equity financial instruments are recorded under the "With no maturity" item.

Overview of effective interest rates and yields by groups of financial assets

Table 33: Effective interest rates by groups of financial assets at 31 December 2011

in %	
Item	Effective interest rates in 2011
Financial assets at fair value through profit or loss	4.82%
Held-to-maturity financial assets	4.36%
Available-for-sale financial assets	4.83%
Issued loans and deposits	4.13%

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

Table 34: Yields by groups of financial assets

in %	
Item	Return on investment in 2011
Financial assets at fair value through profit or loss	-4.22%
Held-to-maturity financial assets	4.17%
Available-for-sale financial assets	2.21%
Issued loans and deposits	3.40%

2.10.3.5 Other disclosures

Receipts of the Management Board, Supervisory Board and employees with individual contract of employment

In 2011, total remuneration of members of the Management Board, Supervisory Board and employees with individual contract of employment for performing their function and to which the tariff of the collective agreement does not apply, amounted to 131,785 euros.

In 2011, Modra zavarovalnica granted no prepayments or loans to members of its management or supervisory boards, neither did it assume any liabilities in their name.

Table 35: Gross remuneration in 2011 by category of beneficiaries

in EUR	
Category of beneficiaries	Amount
Members of the Management Board	76,443
Members of the Supervisory Board	16,165
Staff with individual contracts of employment	39,177
Total	131,785

Receipts of members of the Management and the Supervisory Board

Table 36: Receipts of members of the Management Board in 2011

in EUR					
Name and surname	Fixed remuneration	Bonuses	Refund of expenses	Insurance premiums (PDPZ)	Total
Borut Jamnik	38,234	857	392	677	40,160
Matija Debelak	35,417	14	448	404	36,283

Fixed income includes gross salary. Cost reimbursements include reimbursement of meal and travel expense, as well as/ or daily allowances. Bonuses include benefits for the use of company car and collective accident insurance. Insurance premiums (PDPZ) represent payments for voluntary supplementary pension insurance.

Table 37: Remuneration of members of the Supervisory Board in 2011

in EUR

Name and surname	Fixed remuneration	Reimbursement of costs	Total
Bachtiar Djalil	2,420	0	2,420
Ernest Ermenc	2,420	0	2,420
Tomaž Kuntarič	2,420	59	2,479
Andreja Štrukelj	2,145	0	2,145
Branimir Štrukelj	2,695	0	2,695
Bojan Zupančič	2,695	0	2,695
Aleš Groznik	275	22	297
Dario Radešič	275	89	364
Goran Bizjak	275	25	300
Marino Furlan	275	75	350

Fixed income includes meeting fees of the Supervisory Board members. Cost reimbursements include reimbursement of travel expenses.

Transactions with related parties

In 2011, no transactions between Modra zavarovalnica and its controlling entity Kapitalska družba were conducted at non-market conditions. In transactions with its controlling entity, Modra zavarovalnica realised a total of 7,200 euros of income and incurred 169,931 euros of costs.

Significant events after the balance sheet date

No significant events were recorded by Modra zavarovalnica after the balance sheet date.

2.11

Selected performance ratios

Ratio		2011	
1.	Total	Increase in gross written premium (index)	-
	Life insurance	Increase in gross written premium	-
	Non-life insurance	Increase in gross written premium	-
2.	Total	Net written premium as a % of gross written premium	100.00%
	Life insurance	Net written premium as a % of gross written premium	100.00%
	Non-life insurance	Net written premium as a % of gross written premium	-
3.	Total	Changes in gross claims incurred (index)	-
	Life insurance	Changes in gross claims incurred	-
	Non-life insurance	Changes in gross claims incurred	-
4.	Total	Average claim	EUR 58.78
	Life insurance	Average claim	EUR 58.78
	Non-life insurance	Average claim	-
5.	Total	Claims result	0.93
	Life insurance	Claims result	0.93
	Non-life insurance	Claims result	-
6.	Total	Operating costs as a % of gross written premium	103.45%
	Life insurance	Operating costs as a % of gross written premium	102.79%
	Non-life insurance	Operating costs as a % of gross written premium	-
7.	Total	Acquisition costs as a % of gross written premium	0
	Life insurance	Acquisition costs as a % of gross written premium	0
	Non-life insurance	Acquisition costs as a % of gross written premium	0
8.	Total	Investment impact as a % of average investment balance	0.76%
	Life insurance	Investment impact as a % of average investment balance	0.75%
	Guarantee funds	Investment impact as a % of average investment balance	0.52%
	Non-life insurance	Investment impact as a % of average investment balance	1.02%
9.	Total	Net provisions for claims as a % of net premium income	0
	Life insurance	Net provisions for claims as a % of net premium income	0
	Non-life insurance	Net provisions for claims as a % of net premium income	0
10.	Total	Gross profit or loss for the year as a % of net written premium	28.83%
	Life insurance	Gross profit or loss for the year as a % of net written premium	26.11%
	Non-life insurance	Gross profit or loss for the year as a % of net written premium	-
11.	Total	Gross profit or loss for the year as a % of average capital	0.29%
	Life insurance	Gross profit or loss for the year as a % of average capital	0.28%
	Non-life insurance	Gross profit or loss for the year as a % of average capital	0.66%
12.	Total	Gross profit or loss for the year as a % of average assets	0.16%
	Life insurance	Gross profit or loss for the year as a % of average assets	0.15%
	Non-life insurance	Gross profit or loss for the year as a % of average assets	0.66%
13.	Total	Gross profit or loss for the year per share	EUR 0.0029

Ratio		2011	
	Life insurance	Gross profit or loss for the year per share	-
	Non-life insurance	Gross profit or loss for the year per share	-
14.	Total	Net profit or loss as a % of average capital	0.30%
	Life insurance	Net profit or loss as a % of average capital	0.29%
	Non-life insurance	Net profit or loss as a % of average capital	0.66%
15.	Total	Available capital of the insurance company as a % of net premium	9.501%
	Life insurance	Available capital of the insurance company as a % of net premium	9.168%
	Non-life insurance	Available capital of the insurance company as a % of net premium	-
16.	Total	Available capital of the insurance company as a % of minimum capital	393%
	Life insurance	Available capital of the insurance company as a % of minimum capital	404%
	Non-life insurance	Available capital of the insurance company as a % of minimum capital	219%
17.	Total	Available capital as a % of insurance technical provisions	151%
	Life insurance	Available capital as a % of insurance technical provisions	146%
	Non-life insurance	Available capital as a % of insurance technical provisions	-
18.	Total	Available capital as a % of receivables for reinsurance and insurance technical provisions that cede to reinsurers	-
19.	Total	Net written premium to average capital and insurance technical provisions	0.62%
	Life insurance	Net written premium to average capital and insurance technical provisions	0.64%
	Non-life insurance	Net written premium to average capital and insurance technical provisions	0.00%
20.	Total	Net written premium to average capital	1.02%
	Life insurance	Net written premium to average capital	1.06%
	Non-life insurance	Net written premium to average capital	0.00%
21.	Total	Average net insurance technical provisions to net premium income	6.279%
	Life insurance	Average net insurance technical provisions to net premium income	6.279%
	Non-life insurance	Average net insurance technical provisions to net premium income	-
22.	Total	Capital to net unearned premium	-
	Life insurance	Capital to net unearned premium	-
	Non-life insurance	Capital to net unearned premium	-
23.	Total	Capital to liabilities	57.32%
	Life insurance	Capital to liabilities	50.92%
	Non-life insurance	Capital to liabilities	99.80%
24.	Total	Net insurance technical provisions to liabilities	36.30%
	Life insurance	Net insurance technical provisions to liabilities	37.01%
	Non-life insurance	Net insurance technical provisions to liabilities	0.00%
25.	Total	Net mathematical provisions to net insurance technical provisions	100.00%
26.	Total	Gross written premium to the number of staff in regular employment	EUR 28.630

2.12

Financial statements pursuant to resolution of the Insurance Supervision Agency

2.12.1 Segment reporting pursuant to the provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL – 2009) – Appendix 1

2.12.1.1 Balance sheet at 31 December 2011 by segment

in EUR

Item	LIFE	NON-LIFE	TOTAL
ASSETS	258,201,446	5,056,886	263,258,332
A. Intangible assets	25,024	0	25,024
B. Property, plant and equipment	35,463	0	35,463
C. Non-current assets held for sale	0	0	0
D. Deferred tax assets	10,076,443	-11,770	10,064,673
E. Investment property	0	0	0
F. Investments in group companies and associates	13,770,374	0	13,770,374
G. Financial assets:	224,603,694	5,050,152	229,653,846
• loans and deposits	35,222,752	5,050,152	40,272,904
• held to maturity	41,448,002	0	41,448,002
• available-for-sale	123,110,260	0	123,110,260
• measured at fair value	24,822,680	0	24,822,680
H. Unit-linked insurance assets	0	0	0
I. Reinsurers' share of technical provisions	0	0	0
J. Assets from financial contracts	0	0	0
K. Receivables	8,359,643	16,562	8,376,205
1. Receivables from direct insurance operations	985,094	0	985,094
2. Receivables from reinsurance and coinsurance operations	0	0	0
3. Tax credits	0	0	0
4. Other receivables	7,374,549	16,562	7,391,111
L. Other assets	185,079	0	185,079
M. Cash and cash equivalents	1,145,726	1,942	1,147,668
EQUITY AND LIABILITIES	258,201,446	5,056,886	263,258,332
A. Equity	145,856,558	5,046,785	150,903,343
1. Share capital	147,200,000	5,000,000	152,200,000
2. Share premium	0	0	0
3. Reserves from profit	0	46,785	46,785
4. Revaluation reserve	1,300,018	0	1,300,018
5. Retained earnings	-2,643,460	0	-2,643,460
6. Net profit or loss for the year	0	0	0

Item	LIFE	NON-LIFE	TOTAL
B. Subordinated liabilities	0	0	0
C. Insurance technical provisions	95,559,334	0	95,559,334
1. Unearned premiums	0	0	0
2. Mathematical provisions	95,559,334	0	95,559,334
3. Claims provisions	0	0	0
4. Other insurance technical provisions	0	0	0
D. Insurance technical provisions for unit-linked insurance contracts	0	0	0
E. Other provisions	10,187,070	1,004	10,188,074
F. Liabilities linked to non-current assets held for sale	0	0	0
G. Deferred tax liabilities	4,018,783	0	4,018,783
H. Liabilities from financial contracts	0	0	0
I. Other financial liabilities	0	0	0
J. Operating liabilities	534,598	0	534,598
1. Liabilities from direct insurance operations	534,598	0	534,598
2. Liabilities from reinsurance and coinsurance operations	0	0	0
3. Tax payable	0	0	0
K. Other liabilities	2,045,103	9,097	2,054,200

2.12.1.2 Income statement for the period from 3 October to 31 December 2011 by segment

in EUR

Item	LIFE	NON-LIFE	TOTAL
I. NET PREMIUM INCOME	1,517,397	0	1,517,397
• Gross written premium	1,517,397	0	1,517,397
• Ceded written premiums	0	0	0
• Changes in unearned premiums	0	0	0
II. INCOME FROM FINANCIAL ASSETS IN RELATED COMPANIES, of that	0	0	0
• Profit on equity investments of associated and jointly controlled entities accounted for using the equity method	0	0	0
III. INCOME FROM FINANCIAL ASSETS	1,775,136	51,482	1,826,618
IV. OTHER INSURANCE INCOME, of that	3,431,335	0	3,431,335
• Fee and commission income	1,961,086	0	1,961,086
V. OTHER INCOME	7,806	0	7,806
VI. NET CLAIMS INCURRED	1,405,316	0	1,405,316
• Gross claims incurred	1,405,316	0	1,405,316
• Reinsurers and co-insurers' share	0	0	0
• Change in claims provisions	0	0	0
VII. CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-579,059	0	-579,059
VIII. CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0	0	0
IX. CHANGE IN LIABILITIES FROM FINANCIAL CONTRACTS	0	0	0
X. EXPENSES FOR BONUSES AND REBATES	0	0	0
XI. OPERATING EXPENSES, of that	1,559,705	10,111	1,569,816
• Acquisition costs	0	0	0
XII. EXPENSES FROM FINANCIAL ASSETS IN RELATED COMPANIES, of that	0	0	0
• Loss on investments in equity of associated and jointly controlled entities accounted for using the equity method	0	0	0
XIII. EXPENSES FROM FINANCIAL ASSETS, of that	2,091,118	0	2,091,118
• Impairment of financial assets not measured at fair value through profit or loss	1,034,836	0	1,034,836
XIV. OTHER INSURANCE EXPENSES	699,113	0	699,113
XV. OTHER EXPENSES	1,228	0	1,228

Item		LIFE	NON-LIFE	TOTAL
XVI.	PROFIT OR LOSS BEFORE TAX	396,135	41,371	437,506
XVII.	INCOME TAX EXPENSE	14,240	-8,333	5,907
XVIII.	NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD	410,375	33,038	443,413

2.12.1.3 Statement of comprehensive income by segment

in EUR

Item		LIFE	NON-LIFE	TOTAL
I.	NET PROFIT OR LOSS FOR THE PERIOD AFTER TAX	410,375	33,038	443,413
II.	OTHER COMPREHENSIVE INCOME AFTER TAX (1+2+3+4+5+6+7+8+9)	4,415,386	0	4,415,386
	1. Net gains/losses on revaluation of property, plant and equipment	0	0	0
	2. Net gains/losses on revaluation of intangible assets	0	0	0
	3. Net actuarial gains/losses for pension schemes	0	0	0
	4. Net gains/losses on re-measurement of available-for-sale financial assets	4,415,386	0	4,415,386
	4.1. Gains/losses recognised in the revaluation reserve	4,415,386	0	4,415,386
	4.2. Transfer of gains/losses from revaluation reserve to profit or loss	0	0	0
	5. Net gains/losses from non-current assets held for sale	0	0	0
	5.1. Gains/losses recognised in the revaluation reserve	0	0	0
	5.2. Transfer of gains/losses from revaluation reserve to profit or loss	0	0	0
	6. Net gains/losses on cash flow hedges	0	0	0
	6.1. Gains/losses recognised in the revaluation reserve	0	0	0
	6.2. Transfer of gains/losses from revaluation reserve to profit or loss	0	0	0
	6.3. Transfer of gains/losses from revaluation surplus to the carrying amount of hedged item	0	0	0
	7. Attributable net gains/losses recognised in the revaluation reserve and retained earnings/loss brought forward from investments in equity of associated and jointly controlled entities, accounted for using the equity method	0	0	0
	8. Other net gains/losses of other comprehensive income	0	0	0
	9. Tax on other comprehensive income	0	0	0
III.	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX (I+II)	4,825,761	33,038	4,858,799

2.12.2 Financial statements pursuant to the provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL – 2009) – Appendix 2

2.12.2.1 Balance sheet

in EUR

Item		LIFE	NON-LIFE	TOTAL
A.	ASSETS	258,201,446	5,056,886	263,258,332
A.	INTANGIBLE ASSETS	25,024	0	25,024
	1. Intangible assets	25,024	0	25,024
	2. Goodwill	0	0	0
	3. Long-term deferred acquisition costs	0	0	0
	4. Other long-term deferred costs	0	0	0
B.	INVESTMENTS IN LAND, BUILDINGS, AND FINANCIAL ASSETS	238,374,068	5,050,152	243,424,220
I.	LAND AND BUILDINGS	0	0	0
a)	Used in direct performance of insurance operations	0	0	0
1.	Land used in direct performance of insurance operations	0	0	0
2.	Buildings used in direct performance of insurance operations	0	0	0
3.	Other land and buildings used in direct performance of insurance operations	0	0	0
b)	Investment in real estate not used in direct performance of insurance operations	0	0	0
1.	Land	0	0	0
2.	Buildings	0	0	0
II.	INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	13,770,374	0	13,770,374
1.	Shares and interests in group companies	0	0	0
2.	Debt securities and issued loans to other companies in the group	0	0	0
3.	Shares and interests in associates	13,770,374	0	13,770,374
4.	Debt securities and loans granted to associates	0	0	0
5.	Other investments in group companies and associates	0	0	0
III.	OTHER FINANCIAL ASSETS	224,603,694	5,050,152	229,653,846
	Long-term investments	177,951,831	300,000	178,251,831
	1.1. Shares and securities with variable return and mutual funds' coupons	83,820,674	0	83,820,674
	1.2. Debt securities and other securities with fixed return	79,931,157	0	79,931,157
	1.3. Shares in investment funds	0	0	0
	1.4. Mortgage loans	0	0	0
	1.5. Other issued loans	0	0	0
	1.6. Bank deposits	14,200,000	300,000	14,500,000
	1.7. Other financial assets	0	0	0
	Short-term financial assets	46,651,863	4,750,152	51,402,015
	2.1. Shares and interests acquired for sale	7,742,272	0	7,742,272
	2.2. Securities acquired for sale or securities with residual value of up to one year	17,699,284	0	17,699,284
	2.3. Short-term issued loans	0	0	0
	2.4. Current deposits with banks	21,022,752	4,750,152	25,772,904
	2.5. Other short-term investments	187,555	0	187,555
IV.	REINSURERS' INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKING	0	0	0
V.	ASSETS FROM FINANCIAL CONTRACTS	0	0	0
VI.	INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURANCE AND COINSURANCE UNDERTAKINGS	0	0	0

Item		LIFE	NON-LIFE	TOTAL
	a) from unearned premiums	0	0	0
	b) from mathematical provisions	0	0	0
	c) from claims provisions	0	0	0
	d) from provisions for bonuses and rebates	0	0	0
	e) from other insurance technical provisions	0	0	0
	f) from insurance technical provisions for unit-linked life insurance contracts	0	0	0
C.	INVESTMENTS FOR THE BENEFIT OF UNIT-LINKED LIFE INSURANCE CONTRACTS	0	0	0
D.	RECEIVABLES	18,436,086	4,792	18,440,878
I.	RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	985,094	0	985,094
	1. Receivables from policy holders	985,094	0	985,094
	2. Receivables from insurance brokers	0	0	0
	3. Other receivables from direct insurance operations	0	0	0
II.	RECEIVABLES FROM REINSURANCE AND COINSURANCE	0	0	0
	1. Assumed co-insurance written premiums	0	0	0
	2. Assumed reinsurance written premium	0	0	0
	3. Receivables for shares of co-insurers in claims	0	0	0
	4. Receivables for shares of reinsurers in claims	0	0	0
	5. Other receivables from coinsurance and reinsurance	0	0	0
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS	17,450,992	4,792	17,455,784
	1. Receivables for advances for intangible assets	0	0	0
	2. Other short-term receivables from insurance operations	114,220	0	114,220
	3. Current financial receivables	198,153	16,562	214,715
	4. Other short-term receivables	7,059,776	0	7,059,776
	5. Other short-term receivables – group companies	2,400	0	2,400
	6. Long-term receivables	0	0	0
	7. Income tax credits	0	0	0
	8. Deferred tax assets	10,076,443	-11,770	10,064,673
IV.	CALLED-UP CAPITAL UNPAID	0	0	0
E.	VARIOUS ASSETS	1,181,189	1,942	1,183,131
I.	PROPERTY, PLANT AND EQUIPMENT EXCEPT LAND AND BUILDINGS	35,463	0	35,463
	1. Equipment	35,463	0	35,463
	2. Other property, plant and equipment	0	0	0
II.	CASH AND CASH EQUIVALENTS	1,145,726	1,942	1,147,668
III.	INVENTORIES AND OTHER ASSETS	0	0	0
	1. Inventories	0	0	0
	2. Other assets	0	0	0
F.	SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	185,079	0	185,079
	1. Accrued interest and rental income	0	0	0
	2. Short-term deferred acquisition costs	0	0	0
	3. Other short-term deferred costs and accrued income	185,079	0	185,079
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0
H.	OFF BALANCE SHEET RECORDS	0	0	0

Item		LIFE	NON-LIFE	TOTAL
B.	LIABILITIES	258,201,446	5,056,886	263,258,332
A.	EQUITY	145,856,558	5,046,785	150,903,343
I.	CALLED-UP CAPITAL	147,200,000	5,000,000	152,200,000
	1. Share capital	147,200,000	5,000,000	152,200,000
	2. Uncalled capital (deductible item)	0	0	0
II.	SHARE PREMIUM	0	0	0
III.	RESERVES FROM PROFIT	0	46,785	46,785
	1. Safety reserve	0	0	0
	2. Legal and statutory reserves	0	46,785	46,785
	3. Reserves for treasury shares and interests	0	0	0
	4. Treasury shares and interests (deductible item)	0	0	0
	5. Reserves for equalisation of credit risk	0	0	0
	6. Reserves for equalisation of catastrophe claims	0	0	0
	7. Other reserves from profit	0	0	0
IV.	REVALUATION RESERVE	1,300,018	0	1,300,018
	1. Fixed assets revaluation reserve	0	0	0
	2. Non-current financial assets revaluation reserve	1,300,018	0	1,300,018
	3. Other current financial assets revaluation reserve	0	0	0
	4. Other revaluation reserve	0	0	0
V.	RETAINED EARNINGS	-2,643,460	0	-2,643,460
VI.	NET PROFIT OR LOSS FOR THE YEAR	0	0	0
B.	SUBORDINATED LIABILITIES	0	0	0
C.	GROSS INSURANCE TECHNICAL PROVISIONS AND DEFERRED PREMIUM INCOME	95,559,334	0	95,559,334
I.	Gross unearned premium	0	0	0
II.	Gross mathematical provisions	95,559,334	0	95,559,334
III.	Gross claim reserves	0	0	0
IV.	Gross provisions for bonuses and rebates	0	0	0
V.	Other gross insurance technical provisions	0	0	0
D.	GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE	0	0	0
E.	PROVISIONS FOR OTHER RISK AND COSTS	10,187,070	1,004	10,188,074
	1. Provisions for pensions	116,370	1,004	117,374
	2. Other provisions	10,070,700	0	10,070,700

Item		LIFE	NON-LIFE	TOTAL
F.	LIABILITIES FOR FINANCIAL ASSETS OF REINSURANCE AND COINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	0
G.	OTHER LIABILITIES	5,512,566	9,086	5,521,652
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	534,598	0	534,598
	1. Liabilities to policy holders	534,598	0	534,598
	2. Liabilities to insurance brokers	0	0	0
	3. Other liabilities from direct insurance operations	0	0	0
II.	LIABILITIES FROM REINSURANCE AND COINSURANCE OPERATIONS	0	0	0
	1. Liabilities for coinsurance premiums	0	0	0
	2. Liabilities for reinsurance premiums	0	0	0
	3. Liabilities for shares in claims incurred from coinsurance	0	0	0
	4. Liabilities for shares in claims incurred from reinsurance	0	0	0
	5. Other liabilities from coinsurance and reinsurance	0	0	0
III.	LOANS COLLATERALISED BY SECURITIES WITH FIXED RETURN	0	0	0
IV.	LIABILITIES TO BANKS	0	0	0
V.	LIABILITIES FROM FINANCIAL CONTRACTS	0	0	0
VI.	OTHER LIABILITIES	4,977,968	9,086	4,987,054
a)	Other non-current liabilities	4,018,783	0	4,018,783
	1. Non-current finance lease liabilities	0	0	0
	2. Other non-current financial liabilities	0	0	0
	3. Deferred tax liabilities	4,018,783	0	4,018,783
b)	Other short-term liabilities	959,185	9,086	968,271
	1. Payables to employees	161,870	1,566	163,436
	2. Other short-term operating liabilities from insurance operations	52,336	0	52,336
	3. Current liabilities from financing	266,627	0	266,627
	4. Income tax payable	0	0	0
	5. Other short-term liabilities	478,352	7,520	485,872
	6. Other short-term liabilities – group companies	0	0	0
H.	ACCRUED COSTS AND DEFERRED INCOME	1,085,918	11	1,085,929
	1. Accrued costs and expenses	146,476	11	146,487
	2. Other accrued costs and deferred income	939,442	0	939,442
I.	NON-CURRENT LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0
J.	OFF BALANCE SHEET RECORDS	0	0	0

2.12.2.2 Statement of total comprehensive income

in EUR

Item		1. 10. – 31. 12. 2011
A.	Technical account for non-life insurance, except health insurance	
I.	Net premium income	0
	1. Gross written premium	0
	2. Assumed coinsurance written premium (+)	0
	3. Ceded coinsurance written premium (-)	0
	4. Written coinsurance premiums (-)	0
	5. Changes in gross unearned premiums (+/-)	0
	6. Changes in unearned premiums, reinsurers' and co-insurers' share (+/-)	0
II.	Allocated investment return transferred from net profit or loss of the insurance company (item D.VIII)	0
III.	Other net income from insurance operations	0
IV.	Net claims incurred	0
	1. Gross claims settled	0
	2. Income from gross subrogated receivables (-)	0
	3. Co-insurers' share (+/-)	0
	4. Reinsurers' share (-)	0
	5. Changes in gross claims provisions (+/-)	0
	6. Changes in claims provisions, reinsurers' and co-insurers' share (+/-)	0
V.	Changes in other net technical provisions (+/-)	0
VI.	Net expenses for bonuses and rebates	0
VII.	Net operating costs	10,111
	1. Acquisition costs	0
	2. Changes in deferred acquisition costs (+/-)	0
	3. Other operating costs	10,111
	3.1. Depreciation of assets used in insurance business	15
	3.2. Labour costs	5,689
	3.2.1. Payroll costs	4,531
	3.2.2. Social security and pension insurance costs	917
	3.2.3. Other costs of labour	241
	3.3. Costs of services provided by natural entities other than sole traders (costs of work contracts, copyright contracts and stemming from other legal relations)	0
	3.4. Other operating costs	4,407
	4. Income from reinsurance commission, and shares in technical profit from reinsurance contracts (-)	0
VIII.	Other net insurance expenses	0
	1. Expenses of preventive activity	0
	2. Contributions to cover losses on uninsured and unknown vehicles	0
	3. Other net insurance expenses	
IX.	Result of the technical account for non-life insurance, except health insurance (I+II+III-IV+V-VI-VII-VIII)	-10,111
B.	Technical account for life insurance	
I.	Net premium income	1,517,397
	1. Gross written premium	1,517,397
	2. Assumed coinsurance written premium (+)	0
	3. Ceded coinsurance written premium (-)	0
	4. Written coinsurance premiums	0
	5. Changes in gross unearned premiums (+/-)	0
	6. Changes in unearned premiums, reinsurers' share (+/-)	0
II.	Income from investments	1,775,136
	1. Dividend income and profit sharing	329,918

Item			1. 10. – 31. 12. 2011
	1.1.	Dividend income and profit sharing – group companies	0
	1.2.	Dividend income and profit sharing associates	0
	1.3.	Dividend income and profit sharing - other companies	329,918
	2.	Income from other investments (in items 2.1., 2.2. and 2.3. income from investments in associates and group companies is disclosed separately)	1,444,849
	2.1.	Income from land and buildings	0
	2.2.	Interest income	1,316,699
	2.3.	Other investment income	128,150
	2.3.1.	Revaluation financial income	0
	2.3.2.	Other financial income	128,150
	3.	Income from investment adjustment	369
	4.	Gains on disposal of investments	0
III.	Net unrealised gains on unit-linked life insurance assets		0
IV.	Other net insurance income		3,439,141
V.	Net claims incurred		1,405,316
	1.	Gross claims settled	1,405,316
	2.	Income from gross subrogated receivables (-)	0
	3.	Reinsurers' share (-)	0
	4.	Changes in gross provisions for claims (+/-)	0
	5.	Changes in provisions for claims, reinsurers' share (+/-)	0
VI.	Changes in other net technical provisions (+/-)		-579,059
	1.	Changes in mathematical provisions	-579,059
	1.1.	Changes in gross mathematical provisions	-579,059
	1.2.	Change of reinsurers' share (+/-)	0
	2.	Changes of other net technical provisions (+/-)	0
	2.1.	Changes in other gross technical provisions (+/-)	0
	2.2.	Change of reinsurers' share (+/-)	0
VII.	Net expenses for bonuses and rebates		0
VIII.	Net operating costs		1,559,705
	1.	Acquisition costs	0
	2.	Changes in deferred acquisition costs (+/-)	0
	3.	Other operating costs	1,559,705
	3.1.	Depreciation of assets used in insurance business	1,843
	3.2.	Labour costs	585,841
	3.2.1.	Payroll costs	452,971
	3.2.2.	Social security and pension insurance costs	96,024
	3.2.3.	Other costs of labour	36,846
	3.3.	Cost of services provided by natural entities other than sole traders (costs of work contracts, copyright contacts and those stemming from other legal relations) inclusive of duties paid by the insurance company	37,691
	3.4.	Other operating costs	934,330
	4.	Income from reinsurance commission, and from participation in the positive technical result from reinsurance contracts (-)	0
IX.	Investment expenses		2,092,346
	1.	Depreciation of assets not used in business operations	0
	2.	Expenses arising from asset management, interest expense and other financial expenses	587,980
	3.	Revaluation financial expense	1,504,366
	4.	Loss on disposal of investments	0
X.	Net unrealised losses on investments in unit-linked insurance contracts		0
XI.	Other net insurance expenses		699,113
	1.	Expenses of preventive activity	0
	2.	Other net insurance expenses	699,113
XII.	Allocated investment return transferred to the non-technical account (-)		231,588
XIII.	Result of the technical account for life insurance (I+II+III+IV-V +/- VI-VII-VIII-IX-X-XI-XII)		164,547

Item			1. 10. – 31. 12. 2011
D.	Result of the technical account for life insurance		
I.	Profit or loss from non-life insurance, except health insurance (A.IX)		-10,111
II.	Profit or loss from life insurance (B:XIII)		164,547
III.	Profit or loss from health insurance (C:XIII)		0
IV.	Income from investments		51,482
	1.	Dividend income and profit sharing in companies	0
	1.1.	Dividend income and profit sharing in group companies	0
	1.2.	Dividend income and profit sharing in associates	0
	1.3.	Dividend income and profit sharing in other companies	0
	2.	Income from other investments (in items 2.1., 2.2. and 2.3. income from investments in associates and group companies is disclosed separately)	51,482
	2.1.	Income from land and buildings	0
	2.2.	Interest income	51,482
	2.3.	Other income from investments	0
	2.3.1.	Revaluation financial income	0
	2.3.2.	Other financial income	0
	3.	Income from investment adjustment	0
	4.	Gains on disposal of investments	0
V.	Allocated investment return transferred from the technical account for life insurance (B:XII)		231,588
VI.	Allocated investment return transferred from the technical account for health insurance (C:X)		0
VII.	Investment expenses		0
	1.	Depreciation of assets not used in business activities	0
	2.	Expenses for asset management, interest expense and other financial expenses	0
	3.	Revaluation financial expense	0
	4.	Loss on disposal of investments	0
VIII.	Allocated investment return transferred to the technical account for non-life insurance, except health insurance (A.II)		0
IX.	Other insurance income		0
	1.	Other income from non-life insurance, except health insurance	0
	2.	Other income from life insurance	0
	3.	Other income from health insurance	0
X.	Other insurance expenses		0
	1.	Other expenses from non-life insurance, except health insurance	0
	2.	Other expenses from life insurance	0
	3.	Other expenses from health insurance	0
XI.	Other income		0
	1.	Other expenses from non-life insurance, except health insurance	0
	2.	Other expenses from life insurance	0
	3.	Other expenses from health insurance	0
XII.	Other expenses		0
	1.	Other expenses from non-life insurance, except health insurance	0
	2.	Other expenses from life insurance	0
	3.	Other expenses from health insurance	0
XIII.	Profit or loss for the period before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)		437,506
	1.	Profit or loss for the period from non-life insurance, except health insurance	41,371
	2.	Profit or loss for the period from life insurance	396,135
	3.	Profit or loss for the period from health insurance	0
XIV.	Income tax		0
XV.	Deferred tax		5,907
XVI.	Net profit or loss for the accounting period (XIII-XIV+XV)		443,413
E.	Comprehensive income		

Item		1. 10. – 31. 12. 2011
I.	Net profit/loss for the period after tax	443,413
II.	Other comprehensive income after tax (1+2+3+4+5+6+7+8+9)	4,415,386
	1. Net gains/losses on revaluation of property, plant and equipment	0
	2. Net gains/losses on revaluation of intangible assets	0
	3. Net actuarial gains/losses for pension schemes	0
	4. Net gains/losses on re-measurement of available-for-sale financial assets	4,415,386
	5. Net gains/losses from non-current assets held for sale	0
	6. Net gains/losses on cash flow hedges	0
	7. Attributable net gains/losses recognised in the revaluation reserve and retained earnings from investments in equity of associated and jointly controlled entities, accounted for using the equity method	0
	8. Other net gains/losses of other comprehensive income	0
	9. Tax on other comprehensive income	0
III.	Total comprehensive income (I+II)	4,858,799

2.12.2.3 Assets and liabilities of the guarantee fund

2.12.2.3.1 Assets and liabilities of guarantee fund KS PPS

in EUR

Item		31. 12. 2011
ASSETS		95,738,391
A.	INVESTMENTS IN REAL ESTATE AND FINANCIAL ASSETS	88,662,661
	I. INVESTMENTS IN REAL ESTATE	0
	II. FINANCIAL ASSETS IN GROUP COMPANIES AND ASSOCIATES	0
	1. Investments in group companies	0
	2. Investments in associates	0
	III. OTHER FINANCIAL ASSETS	88,662,661
	1. Shares and securities with variable return and mutual funds' coupons	12,563,276
	2. Debt securities with fixed return	53,230,060
	3. Shares in investment funds	0
	4. Issued collateralised loans	0
	5. Other issued loans	0
	6. Bank deposits	22,681,770
	7. Other financial assets	187,555
	IV. TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS	0
	• from unearned premiums	0
	• from mathematical provisions	0
	• from provisions for claims	0
	• from provisions for bonuses and rebates	0
	• from insurance technical provisions for unit-linked life insurance contracts	0
B.	RECEIVABLES	6,653,392
	I. RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	55,412
	1. Receivables from policy holders	55,412
	2. Receivables from insurance brokers	0
	3. Other receivables from direct insurance operations	0
	II. RECEIVABLES FROM REINSURANCE	0
	III. OTHER RECEIVABLES ***	6,597,980
C.	VARIOUS ASSETS	422,338
	I. CASH AND CASH EQUIVALENTS	422,338
	II. OTHER ASSETS	0

Item		31. 12. 2011
D.	SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	0
	1. Accrued interest and rental income	0
	2. Short-term deferred acquisition costs	0
	3. Other short-term deferred costs and accrued income	0
LIABILITIES		95,738,391
A.	REVALUATION RESERVE	0
B.	GROSS INSURANCE TECHNICAL PROVISIONS	95,177,977
	I. GROSS UNEARNED PREMIUMS	0
	II. GROSS MATHEMATICAL PROVISIONS	95,177,977
	III. GROSS CLAIM RESERVES	0
	IV. GROSS PROVISIONS FOR BONUSES AND REBATES	0
C.	GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0
D.	LIABILITIES FOR FINANCIAL ASSETS OF REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0
E.	OTHER LIABILITIES	560,414
	I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	534,597
	1. Liabilities to policy holders	534,597
	2. Liabilities to insurance brokers	0
	3. Other liabilities from direct insurance operations	0
	II. LIABILITIES FROM REINSURANCE AND COINSURANCE OPERATIONS	0
	III. OTHER LIABILITIES	25,817
F.	ACCRUED COSTS AND DEFERRED INCOME	0

*** The item "Other receivables" includes retained deficit of assets to cover liabilities to policy holders, inclusive of the result of the financial year of total 6,491,382 euros. Modra zavarovalnica, as the manager of KS PPS, has recognised provisions of that same amount.

2.12.2.3.2 Assets and liabilities of guarantee fund KS MR

in EUR

Item		31. 12. 2011
ASSETS		1,321,396
A.	INVESTMENTS IN REAL ESTATE AND FINANCIAL ASSETS	374,448
	I. INVESTMENTS IN REAL ESTATE	0
	II. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	0
	1. Investments in group companies	0
	2. Investments in associates	0
	III. OTHER FINANCIAL ASSETS	374,448
	1. Shares and securities with variable return and mutual funds' coupons	0
	2. Debt securities with fixed return	289,791
	3. Shares in investment funds	0
	4. Issued collateralised loans	0
	5. Other issued loans	0
	6. Bank deposits	84,657
	7. Other financial assets	0
	IV. TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS	0
	• from unearned premiums	0
	• from mathematical provisions	0
	• from provisions for claims	0
	• from provisions for bonuses and rebates	0
	• from insurance technical provisions for unit-linked life insurance contracts	0

Item		31. 12. 2011
B.	RECEIVABLES	929,831
	I.	RECEIVABLES FROM DIRECT INSURANCE OPERATIONS
		929,682
	1.	Receivables from policy holders
		929,682
	2.	Receivables from insurance brokers
		0
	3.	Other receivables from direct insurance operations
		0
	II.	RECEIVABLES FROM REINSURANCE
		0
	III.	OTHER RECEIVABLES
		149
C.	VARIOUS ASSETS	17,112
	I.	CASH AND CASH EQUIVALENTS
		17,112
	II.	OTHER ASSETS
		0
D.	SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	5
	1.	Accrued interest and rental income
		0
	2.	Short-term deferred acquisition costs
		0
	3.	Other short-term deferred costs and accrued income
		5
	LIABILITIES	1,321,396
A.	REVALUATION RESERVE	0
B.	GROSS INSURANCE TECHNICAL PROVISIONS	381,357
	I.	GROSS UNEARNED PREMIUMS
		0
	II.	GROSS MATHEMATICAL PROVISIONS
		381,357
	III.	GROSS PROVISIONS FOR CLAIMS
		0
	IV.	GROSS PROVISIONS FOR BONUSES AND REBATES
		0
C.	GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	0
D.	LIABILITIES FOR FINANCIAL ASSETS OF REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0
E.	OTHER LIABILITIES	597
	I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS
		597
	1.	Liabilities to policy holders
		0
	2.	Liabilities to insurance brokers
		0
	3.	Other liabilities from direct insurance operations
		597
	II.	LIABILITIES FROM REINSURANCE AND COINSURANCE OPERATIONS
		0
	III.	OTHER LIABILITIES
		0
F.	ACCRUED COSTS AND DEFERRED INCOME	939,442

2.12.2.4 Result of guarantee funds for supplementary pension insurance during annuity payment

2.12.2.4.1 Result of guarantee fund KS PPS

in EUR

Item		1. 10. - 31. 12. 2011
I.	TRANSFER OF CASH FROM SUPPLEMENTARY PENSION INSURANCE SCHEME	1,129,840
	1.	Legal entities
		0
	2.	Other insurance companies
		0
	3.	Other pension companies
		0
	4.	Mutual pension fund
		1,129,840
II.	INCOME FROM FINANCIAL ASSETS	1,950,137
	1.	Dividend income and profit sharing in companies
		7,107
	1.1.	Dividend income and profit sharing in group companies
		0
	1.2.	Dividend income and profit sharing in associates
		0
	1.3.	Dividend income and profit sharing in other companies
		7,107
	2.	Income from other investments
		1,943,030
	2.1.	Income from land and buildings
		0
	2.2.	Interest income
		802,795
	2.3.	Other income from financial assets
		1,140,235
	2.3.1.	Revaluation financial income
		58,910
	2.3.2.	Other financial income
		1,081,325
	3.	Income from investment adjustment
		0
	4.	Gains on disposal of financial assets
		0
III.	CLAIMS SETTLED	1,398,804
	1.	Gross claims settled
		1,398,804
	2.	Change in provisions for claims
		0
IV.	CHANGES IN OTHER NET INSURANCE TECHNICAL PROVISIONS (+/-)	-197,707
	1.	Changes in mathematical provisions (+/-)
		-197,707
	2.	Changes in other net insurance technical provisions (+/-)
		0
V.	ACCRUED COSTS BY POLICIES	0
	1.	Initial costs
		0
	2.	Recovery of a claim payable, administrative costs and overhead costs
		0
	3.	Closing costs / costs of payments
		0
V.a.	Net operating costs	0
	1.	Acquisition costs
		0
	2.	Changes in deferred acquisition costs (+/-)
		0
	3.	Other operating costs
		0
	3.1.	Depreciation of assets used for business activities
		0
	3.2.	Labour costs
		0
	3.2.1.	Payroll costs
		0
	3.2.2.	Social security and pension insurance costs
		0
	3.2.3.	Other costs of labour
		0
	3.3.	Cost of services provided by natural entities other than sole traders (costs of work contracts, copyright contacts and costs stemming from other legal relations) inclusive of duties paid by the company
		0
	3.4.	Other operating costs
		0
	4.	Income from reinsurance commission, and from shares in positive technical result from reinsurance contracts (-)
		0

Item		1. 10. – 31. 12. 2011	
VI.	INVESTMENT EXPENSES	1.483.466	
	1.	Depreciation of assets not used in operating activities	0
	2.	Expenses for asset management, interest expense and other financial expenses	1.747
	3.	Revaluation financial expense	1.481.719
	4.	Loss on disposal of financial assets	0
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	0	
VII.a.	Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	

2.12.2.4.2 Result of guarantee fund KS MR

in EUR

Item		3. 10. 2011 - 31. 12. 2011	
I.	TRANSFER OF CASH FROM SUPPLEMENTARY PENSION INSURANCE SCHEME	387,557	
	1.	Legal entities	0
	2.	Other insurance companies	0
	3.	Other pension companies	0
	4.	Mutual pension fund	387,557
II.	INCOME FROM FINANCIAL ASSETS	904	
	1.	Dividend income and profit sharing in companies	0
	1.1.	Dividend income and profit sharing in group companies	0
	1.2.	Dividend income and profit sharing in associates	0
	1.3.	Dividend income and profit sharing in other companies	0
	2.	Income from other investments	904
	2.1.	Income from land and buildings	0
	2.2.	Interest income	788
	2.3.	Other income from financial assets	116
	2.3.1.	Revaluation financial income	116
	2.3.2.	Other financial income	0
	3.	Income from investment adjustment	0
	4.	Gains on disposal of financial assets	0
III.	CLAIMS SETTLED	6,512	
	1.	Gross claims settled	6,512
	2.	Change in provisions for claims	0
IV.	CHANGES IN OTHER NET INSURANCE TECHNICAL PROVISIONS (+/-)	-381,352	
	1.	Changes in mathematical provisions (+/-)	-381,352
	2.	Changes in other net insurance technical provisions (+/-)	0
V.	ACCRUED COSTS BY POLICIES	0	
	1.	Initial costs	0
	2.	Recovery of a claim payable, administrative costs and overhead costs	0
	3.	Closing costs / costs of payments	0
V.a.	Net operating costs	0	
	1.	Acquisition costs	0
	2.	Changes in deferred acquisition costs (+/-)	0
	3.	Other operating costs	0
	3.1.	Depreciation of assets used in operating activities	0
	3.2.	Labour costs	0
	3.2.1.	Payroll costs	0
	3.2.2.	Social security and pension insurance costs	0
	3.2.3.	Other costs of labour	0
	3.3.	Cost of services provided by natural entities other than sole traders (costs of work contracts, copyright contacts and costs stemming from other legal relations) inclusive of duties paid by the company	0
	3.4.	Other operating costs	0

Item		3. 10. 2011 - 31. 12. 2011	
	4.	Income from reinsurance commission, and from shares in the positive technical result from reinsurance contracts (-)	0
VI.	INVESTMENT EXPENSES	597	
	1.	Depreciation of assets not used in operating activities	0
	2.	Expenses for asset management, interest expense and other financial expenses	597
	3.	Revaluation financial expense	0
	4.	Loss on disposal of financial assets	0
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	0	
VII.a.	Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	

In the period from 3 October to 31 December 2011, the guarantee fund KS MR realised 597 euros of profits. According to insurance technical basis for annuities, management fee depends on the successful management of the guarantee fund and is equal to the difference between the value of the guarantee fund's annuity assets and the balance of technical provisions at the balance sheet date. Accordingly, in 2011 Modra zavarovalnica recognised 597 euros of management fee for the management of the guarantee fund "Modra renta".




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