



THE COMPLETED CIRCLE  
OF TRUST

ANNUAL  
REPORT  
FOR 2012

  
modra  
zavarovalnica

**MODRA ZAVAROVALNICA, d. d.**  
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**LIST OF ABBREVIATIONS USED**

GDP	Gross domestic product
CRM	Customer Relationship Management
DAX	Central German stock index (Deutscher Aktienindex)
ECB	European Central Bank
EMU	European Monetary Union
EU	European Union
EUR	The euro – the currency of the European Union
EURIBOR	Interbank offered rate within the Eurozone
FED	American central bank (Federal Reserve)
iBoxx	Benchmark index of liquid bonds with an investment rating
ITIL	The Information Technology Infrastructure Library
KPNG	Collective Agreement for Non-Commercial Activities in the Republic of Slovenia
KPOPNU	Collective Agreement on the Design of the Pension scheme for Civil servants
KS MR	Modra renta Guarantee Fund (Kritni sklad modra renta)
KS PPS	Guarantee Fund of the First Pension Fund of the Republic of Slovenia (Kritni sklad Prvega pokojninskega sklada Republike Slovenije)
KVPS	Capital Mutual Pension Fund (Kapitalski vzajemni pokojninski sklad)
IFRS	International Financial Reporting Standards (IFRS)
OPIFRS	Board for the Interpretation of International Financial Reporting Standards
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 supplementary pension insurance for civil servants
PPS	First Pension Fund of the Republic of Slovenia (Prvi pokojninski sklad Republike Slovenije)
RS	Republic of Slovenia
SBI TOP	Slovenian blue chip index
USD	United States dollar
ZKDPZJU	Collective Supplementary Pension Insurance for Public Servants Act
ZPIZ	Pension and Disability Insurance Institute of the Republic of Slovenia
ZPIZ-1	Pension and Disability Insurance Act (official consolidated text, ZPIZ-1, UPB4, Official Gazette of the Republic of Slovenia, Nos. 109/2006, 27/2010 and 38/2010)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012)
ZPKDPIZ	Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (Official Gazette of the Republic of Slovenia, No. 79/2010)
ZPKDPIZ-A	Act Amending the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (Official Gazette of the Republic of Slovenia, 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 (Zaprta vzajemni pokojninski sklad za javne uslužbenke)
ZZavar	Insurance Act (official consolidated text, ZZavar, UPB7, Official Gazette of the Republic of Slovenia, No. 99/2010)









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THE FIRST SURE STEP

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REPORT





# 1.1

## Address by the Management Board

Modra zavarovalnica, d. d. is a reputable, reliable and trustworthy personal life insurance company, which employs responsible, motivated employees possessing extensive expertise in the field. It is recognised for the high level of safety and quality of its products as well as its satisfied insured persons. Of all of the specialised providers of supplementary pension insurance, it is the strongest in terms of capital and manages 42 per cent of all supplementary pension insurance funds collected. It is also the biggest payer of supplementary pensions in Slovenia with over 10,000 recipients. In somewhat over a year, it has concluded more than 2,000 policies for the payout of supplementary pension annuities under the second pillar. At the end of 2012, Modra zavarovalnica, d. d. managed EUR 1.09 billion worth of funds, EUR 804 million of which were collected in mutual pension funds, EUR 106 million represent the financial assets of both guarantee funds and EUR 179 million represent the company's own financial assets.

In 2012, the insurance company generated net operating profit of EUR 12.3 million and thus exceeded the planned operating result. It generated net technical income worth EUR 28.4 million that comprises mostly net insurance premiums and income from fund management. Expenses or costs from insurance operations including operating costs came in at EUR 17.8 million, while mathematical provisions increased by EUR 11.7 million. Investment income exceeded the investment expenses significantly, which meant that the insurance company disclosed a positive result from investment activities in the amount of EUR 15.9 million.

2012 was marked by a favourable macroeconomic environment as both stock and bond indices rose over the said period. The European bond market was affected primarily by the extraordinary measures on the part of central banks that injected practically unlimited liquidity into the market, driving bond indices higher. Yields of Slovenian government bonds fell significantly last year, while the Slovenian stock market recorded growth after an extend period of falling stock indices. The Slovenian economy recorded negative economic growth and a rise in unemployment. The yields of pension funds managed by Modra zavarovalnica, d. d. were among the best when compared to domestic and foreign competitors in 2012. The Closed Mutual Pension Fund for Public Servants recorded an annual yield of 9.03%, while the Capital Mutual Pension Fund had a yield of 6.91%.

In 2012, Modra zavarovalnica, d. d. paid special attention to awareness-building and the provision of information to the members of mutual pension funds on the consequences of eventual early withdrawals of saved funds after the expiry of the ten-year saving period and the associated unfavourable tax treatment of the said withdrawals. In its communication with members, the insurance company highlighted the long-term importance of pension savings, the basic purpose of which is the assurance of additional social security upon retirement. Modra zavarovalnica, d. d. estimates that the extraordinary withdrawals from the KVPS fund were the result of difficult economic conditions. The number of such withdrawals at the end of the year dropped significantly and the majority of employers re-enrolled their employees in the KVPS fund, which means they are continuing to pay the premiums.

The beginning of 2013 was marked by the entry into force of the new pension legislation that substantively complements the established foundations for long-term savings for the purpose of the supplementary pension that an individual saver acquires upon retirement. The business goals of Modra zavarovalnica, d. d. in 2013 will, therefore, be geared towards the development of new supplementary pension insurance products with an additional offer of saving for old age in funds that pursue the life-cycle investment policy. The second pillar is becoming an increasingly important element in securing additional income upon retirement and simultaneously an economically important factor for bolstering the capital market in Slovenia. This is why the further development of supplementary pension insurance will in addition to systemic changes have to proceed in the direction of efforts to increase the premiums so that individuals are able to save enough funds to maintain the living standard even after retirement.

Ljubljana, February 2013



**Borut Jamnik**  
*President of the  
Management Board*



**Matija Debelak**  
*Member of the Management  
Board*

# 1.2 Company Profile

## 1.2.1 General Information

**Company name:** Modra zavarovalnica, d. d.

**Registered office:** Dunajska cesta 119, Ljubljana; Slovenia

**Reg. ID No.:** 6031226

**VAT ID No.:** SI21026912

**Number of employees:** 56 people

**Share capital:** EUR 152.2 million

**Funds under management:** EUR 1.092 million

**Number of persons insured in the mutual pension fund (VPS):** 261,999

**Number of retirement annuity recipients:** 10,165

## 1.2.2 Establishment of Modra zavarovalnica, d. d.

Modra zavarovalnica, d. d. was created through the spin-off of funds and activity of the Kapitalska družba, d. d. company pursuant to the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD). As of the day of registration in the Register of Companies, Modra zavarovalnica, d. d. became the universal legal successor of Kapitalska družba, d. d., namely in terms of the rights and obligations that were transferred to it by way of the draft terms of division. The establishment of Modra zavarovalnica, d. d. was registered in the Register of Companies at the District Court in Ljubljana on 3 October 2011. Pursuant to Article 14 of the ZPKDPIZ, the following funds and activities were transferred to Modra zavarovalnica, d. d. on 3 October 2011:

- management of the Closed Mutual Pension Fund for Public Servants pursuant to the Agreement on the Management of ZVPSJU concluded between the Government of the Republic of Slovenia and Kapitalska družba, d. d.;
- the Capital Mutual Pension Fund and the management of mutual pension funds for voluntary supplementary pension insurance pursuant to the Pension and Disability Insurance Act;

- First Pension Fund and the Guarantee Fund of the First Pension Fund as well as the management of both funds pursuant to the First Pension Fund of the Republic of Slovenia and Transformation of Authorized Investment Corporations Act.

## 1.2.3 Ownership Structure and Data On Capital

As at 31 December 2012, Kapitalska družba, d. d. was the sole shareholder of Modra zavarovalnica, d. d.

The insurance company's share capital is EUR 152,200,000. It is divided into 152,200,000 ordinary registered no-par value shares. Each share represents an equal stake and associated amount in the share capital. The share of an individual no-par value share in the share capital is determined according to the number of issued no-par value shares.

The insurance company's share capital was provided entirely by the company Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Dunajska cesta 119, Ljubljana, Slovenia from the funds defined in the draft terms of division.

## 1.2.4 The Company's Activity

Modra zavarovalnica, d. d. pursues the business in the group of life insurance operations pursuant to the Insurance Act and the decision issued by Insurance Supervision Agency (AZN), pursuant to which it is permitted to perform insurance operations for the following insurance types:

- accident insurance – point 1 of the second paragraph of Article 2 of the ZZavar,
- life insurance – point 19 of the second paragraph of Article 2 of the ZZavar,
- unit-linked life insurance (unit of investment funds or guarantee funds) – point 21 of the second paragraph of Article 2 of the ZZavar,

Activities of Modra zavarovalnica, d. d. are laid down

by the law and the Company's Articles of Association. Pursuant to the Articles of Association of Modra zavarovalnica, d. d. and in accordance with its purpose, the Company pursues the following activities:

- 65.110 Life insurance;
- 65.120 Non-life insurance (only transaction within insurance types of accident and health insurance);
- 65.300 Pension funding;
- 66.210 Risk and damage evaluation;
- 66.220 Activities of insurance agents and brokers;
- 66.290 Other activities auxiliary to insurance and pension funding;
- 66.300 Fund management activities.

## 1.2.5 The Company's Bodies

### 1.2.5.1 Management Board

In 2012, Modra zavarovalnica, d. d. was managed by the Management Board composed of:

- Borut Jamnik, President of the Management Board and
- Matija Debelak, MSc, member of the Management Board.

### 1.2.5.2 Supervisory Board

Pursuant to the provisions of the ZPKDPIZ and the Company's Articles of Association, Modra zavarovalnica, d. d. has a Supervisory Board composed of six members who are appointed by the Company's General Meeting. Half of the Supervisory Board members are proposed by the persons insured; two members are proposed by the ZVPSJU Board on behalf of ZVPSJU insured persons, and one member is proposed jointly by other insured persons (insured persons of the KVPS, insured persons of the PPS and other insured persons). Proposals for the Supervisory Board member candidates who are proposed by the members of the KVPS Board and the members of the ZVPSJU Board are drafted pursuant to a public call to all insured persons of the insurance company to submit candidate proposals.

At the First General Meeting of Modra zavarovalnica, d. d. held on 9 December 2011, the following Supervisory Board members were appointed for the period of 5 years:

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

From the constitutive session of the Supervisory Board of Modra zavarovalnica, d. d. held on 23 December 2011 to 22 June 2012, the Supervisory Board operated in the following composition:

- Branimir Štrukelj, President;

- Aleš Groznik, PhD, Deputy President;
- Bojan Zupančič, member;
- Dario Radešič, member;
- Goran Bizjak, member;
- Marino Furlan, member.

Pursuant to the decision adopted at the 10th constitutive session of the Supervisory Board of Modra zavarovalnica, d. d., the Supervisory Board operated in the following composition from 23 June 2012 to 22 December 2012:

- Aleš Groznik, PhD, President;
- Branimir Štrukelj, Deputy President;
- Bojan Zupančič, member;
- Dario Radešič, member;
- Goran Bizjak, member;
- Marino Furlan, member.

Pursuant to the decision adopted at the 29th regular session of the Supervisory Board of Modra zavarovalnica, d. d. held on 23 December 2012, the Supervisory Board will operate in the following composition until 22 December 2013:

- Bojan Zupančič, President;
- Aleš Groznik, PhD, Deputy President;
- Branimir Štrukelj, member;
- Dario Radešič, member;
- Goran Bizjak, member;
- Marino Furlan, member.

## 1.2.6 The General Meeting of Shareholders

Pursuant to Article 2 of the ZPKDPIZ, voting rights at General Meetings were exercised in 2012 by the Capital Assets Management Agency of the Republic of Slovenia on behalf and for the account of the company Kapitalaska družba, d. d., which is the sole shareholder of Modra zavarovalnica, d. d.



# 1.3

## Report of the Supervisory Board

Pursuant to the provisions of Article 282 of the Companies Act (hereinafter referred to as: ZGD-1), the Supervisory Board of Modra zavarovalnica, d. d. is hereby submitting the following Report to the Company's General Meeting:

### **a) Supervisory Board's Report On the Method and Scope of Review of the Company's Management during the Financial Year**

Modra zavarovalnica, d. d. (hereinafter: the "Company"), has a Supervisory Board composed of six members appointed by the Company's General Meeting pursuant to the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) (hereinafter referred to as: the "ZPKDPIZ") and the Company's Articles of Association. Half of the Supervisory Board members (3) are proposed by the Company's persons insured; whereby two members are proposed by the ZVPSJU Board on behalf of the persons insured under the ZVPSJU, and one member is proposed jointly by other insured persons (insured persons of the KVPS, insured persons of the PPS and other insured persons. Three Supervisory Board members represent the interests of the sole shareholder, Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d.

At the First General Meeting of Modra zavarovalnica, d. d. held on 9 December 2011, the following Supervisory Board members were appointed for the period of 5 years:

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

At the constitutive session of the Supervisory Board of Modra zavarovalnica, d. d. held on 23 December 2011, Branimir Štrukelj was appointed President of the Supervisory Board and Aleš Groznik, PhD, was appointed Deputy President. Pursuant to the decision adopted at the 10th constitutive session of the Supervisory Board of Modra zavarovalnica, d. d., the Supervisory Board was presided over from 23 June 2012 to 22 December 2012 by Aleš Groznik, PhD, while his Deputy was Branimir Štrukelj. From 23 December 2012, Bojan Zupančič discharged the function of Supervisory Board President, and his Deputy was Aleš Groznik, PhD.

Over the course of the 2012 financial year, the Supervisory Board met at 19 sessions, 14 of which were regular and 5 were correspondence sessions.

Monitoring of the operations comprised both the monitoring

of the management of the underlying assets of Modra zavarovalnica, d. d. and the monitoring of the management and provision of supplementary pension insurance by pension funds that were managed from 3 October 2011 onwards by Modra zavarovalnica, d. d. (First Pension Fund of the Republic of Slovenia – PPS, Guarantee Fund of the First Pension Fund – KS PPS, Capital Mutual Pension Fund – KVPS and the Closed Mutual Pension Fund for Public Servants – ZVPSJU) and the management of which was transferred as of the date of registration of Modra zavarovalnica, d. d. in the Register of Companies (3 October 2011) to Modra zavarovalnica, d. d. and the Modra renta Guarantee Fund.

The activity of management of the above pension funds and the payout of pension annuities was transferred to Modra zavarovalnica, d. d.

At its 11th session held on 4 January 2012, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica, d. d. for 2012.

At its 15th session held on 16 May 2012, the Supervisory Board confirmed the Annual Report of Modra zavarovalnica, d. d. for the 2011 Financial Year with the Auditor's Report and the Supervisory Board's Report On the Review of the Annual Report of Modra zavarovalnica, d. d.; the Board further familiarised themselves with the Annual Report On Internal Auditing of Modra zavarovalnica for 2011 and the Report to the Authorised Actuary as well as the annual reports of mutual pension funds managed by Modra zavarovalnica, d. d.

In 2012, members of the Supervisory Board of Modra zavarovalnica, d. d. appointed the Supervisory Board's Audit Committee, familiarised themselves with the decision-making process relating to the investments of Modra zavarovalnica, d. d., the risk management process, liability insurance for management and supervision, adopted the Rules of Procedure for the Work of the Audit Committee, the Framework Programme of the Work of Audit Committee of the Supervisory Board of Modra zavarovalnica, d. d., and gave their consent to the Strategic Business Plan of Modra zavarovalnica for the 2013–2015 Period.

In 2012, the Supervisory Board decided pursuant to the Company's Articles of Association as to the granting of consent to the Management Board for taking part in the

capital increase in the Cimos, d. d. company and the sale of shares of the Juteks, proizvodnja talnih oblog d. d. company.

The Supervisory Board performed ongoing monitoring and familiarised itself with the course of the sale process of the companies Helios, d. d., Iskra Avtoelektrika, d.d. or Letrika, d.d. and Cinkarna, d.d. and also familiarised itself with the contractual relationship with the company Sava-Re.

Pursuant to Article 39 of the Rules of the Capital Mutual Pension Fund, they appointed the members of the Capital Mutual Pension Fund Board.

At its 29 session held on 20 December 2012, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica, d. d. for 2013.

The remuneration of Supervisory Board members complies with the General Meeting decision and is disclosed in detail in the Annual Report of Modra zavarovalnica, d. d. among other disclosures in chapter 2.11.3.5. Other Disclosures

### Work of the Supervisory Board's Audit Committee

The three-member Audit Committee comprising Goran Bizjak (President), Dario Radešič (member) and Marjeta Končar, MSc (independent external member) was a permanent operative body of the Supervisory Board in 2012 and monitored in detail the Management Board's work over the course of the financial year for the purposes of Supervisory Board's decision-making. In 2012, the Audit Committee met at 7 sessions. In its work, the Audit Committee used the Recommendations of the Slovenian Directors' Association for Audit Committees and the Recommendations of the Slovenian Institute of Auditors as well as the Rules of Procedure for the Work of the Audit Committee adopted by the Supervisory Board.

The Audit Committee verified the Annual Report of the Company and the mutual pension funds managed by the former as well as the External Auditor's Report, the Annual Work Programme of the Internal Auditing Service and the Business and Financial Plan of Modra zavarovalnica, d. d. for 2013, to which the Supervisory Board gave their consent.

In addition to the task laid down in the ZGD-1, the Audit Committee familiarised themselves with the Rules on Risk Management at Modra zavarovalnica, d. d., Rules On the Safeguarding of Business Secrets at Modra zavarovalnica d. d., Rules On the Prevention of Money Laundering and Terrorism Financing, Rules On Authorisations and Signing, the investment policy of Modra zavarovalnica, d. d., the methods of assurance and calculation of the Company's capital adequacy and the formation of insurance technical provisions. They participated in the procedure for the selection of the Company's external auditor.

The Committee regularly informed the Supervisory Board of its work, namely at Supervisory Board sessions.

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

Based on the mentioned ongoing monitoring and supervision of the operations and management of Modra zavarovalnica, d. d. over the course of the financial year and based on the verification of the Annual Report compiled and submitted by the Management Board, the Supervisory Board is of the opinion that the Annual Report and the disclosures

therein show the actual state-of-affairs at and position of Modra zavarovalnica, d. d. The Supervisory Board estimates that the Management Board of Modra zavarovalnica, d. d., managed the Company's operations in the 2012 financial year successfully and correctly and that, given the circumstances of changed operating conditions, they successfully realised the set business objectives. They prepared materials in a timely fashion that provided quality information and enabled an exhaustive debate on all material operating categories; and further provided detailed answers to additional questions and incentives of Supervisory Board members. The reporting of the Management Board in the 2012 financial year allowed the Supervisory Board to adequately discharge their supervisory function.

### b) Supervisory Board's Position On the Auditor's Report

Pursuant to the second paragraph of Article 282 of the ZGD-1, the Supervisory Board reviewed and considered the Auditor's Report on the auditing of the Financial Statement of Modra zavarovalnica, d. d. for 2012, which was performed by the Deloitte revizija d. o. o., auditing company from Ljubljana. The Supervisory Board finds that the auditor has performed its assignment in accordance with the law, the rules on auditing and the International Standards On Auditing. The Supervisory Board has no objections to the Auditor's Report.

### c) Decision On the Confirmation of the Annual Report for 2012

Pursuant to the provisions of Article 282 of the ZGD-1, the Supervisory Board of Modra zavarovalnica, d. d. is hereby confirming the Annual Report of Modra zavarovalnica, d. d. for 2012.

### d) Proposal to the General Meeting On the Granting of a Discharge to the Management and Supervisory Boards

Based on points a), b) and c) above, the Supervisory Board proposes to the General Meeting of Modra zavarovalnica, d. d. and is hereby adopting the decision pursuant to the provisions of Article 294 of the ZGD-1 that the Management and Supervisory Boards of Modra zavarovalnica, d. d. be granted their respective discharges for the work performed in the 2012 financial year, namely:

Members of the Management Board:

- Borut Jamnik for the period from 1 January to 31 December 2012,
- Matija Debelak, MSc, for the period from 1 January to 31 December 2012;

The Supervisory Board for the period from 1 January to 31 December 2012, whereby the Board was composed of:

- Branimir Štrukelj; Aleš Groznik, PhD; Bojan Zupančič; Dario Radešič; Goran Bizjak and Marino Furlan.

Ljubljana, May 22 2013



Bojan Zupančič

President of the Supervisory Board

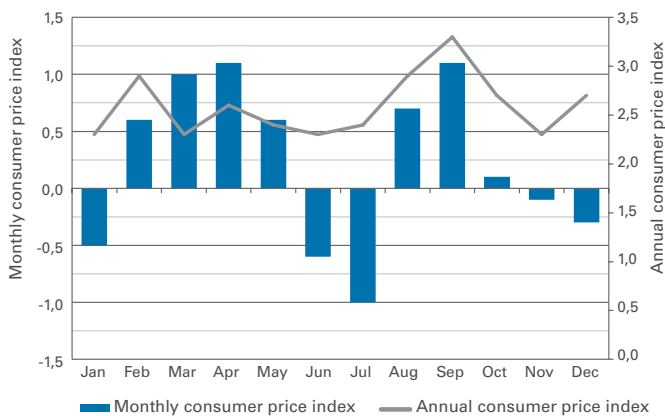
# 1.4 Macroeconomic Operating Environment

## 1.4.1 Inflation

The annual rise in consumer prices in 2012 was 2.7 per cent, while the average rise came in at 2.6 per cent. In 2011, the annual inflation was lower and came in at 2%, while the average rate of inflation was 1.8%.

In 2012, the biggest price increases were recorded in the following groups: alcoholic beverages and tobacco, catering and accommodation services, food, non-alcoholic beverages and education. The biggest price decreases were recorded in the products and services from the communications and home furnishings groups.

**Figure 1: Changes in the monthly and annual consumer price indices in 2012 (in %)**

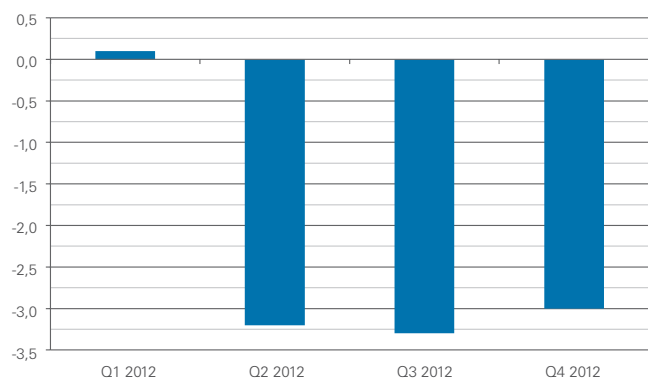


Source: Statistical Office of the Republic of Slovenia

## 1.4.2 Gross Domestic Product

In 2012, the GDP of Slovenia dropped by 2.3% in real terms. In Q4 of 2012, it dropped by 3% YOY, and by 1% in comparison with Q3 2012. The GDP growth rate was negative in all quarters of 2012. The main reason for the drop in economic activity is weak domestic consumption, primarily the final consumption as well as government spending. Investments are still contracting severely and were 22.4% lower in Q4 of 2012 as compared to the same period in 2011.

**Figure 2: The changes in YOY GDP real growth rates by quarter in 2012 (in %)**



Source: Statistical Office of the Republic of Slovenia.

## 1.4.3 Employment and Salaries and Wages

The number of active citizens was 911,009 in December of 2012 according to the data of the Statistical Office of the Republic of Slovenia. There were 792,948 persons in employment, which is 3% less than at the end of 2011. The number of registered unemployed people at the end of December 2012 was 118,061, which was 4.7% more than the number of registered unemployed people at the end of 2011. The registered unemployment rate in December 2012 was 12.4%, while it was 12% at the end of 2011.

The average monthly net wage in December of 2012 was EUR 1,000. The average monthly net wage in 2012 was by 0.4% higher in nominal terms than in 2011, while it was 2.1% lower in real terms. The average monthly gross wage in December of 2012 was EUR 1,544. The average monthly gross wage in 2012 was by 0.1% higher in nominal terms than in 2011, while it was 2.4% lower in real terms.

## 1.4.4 Money Market

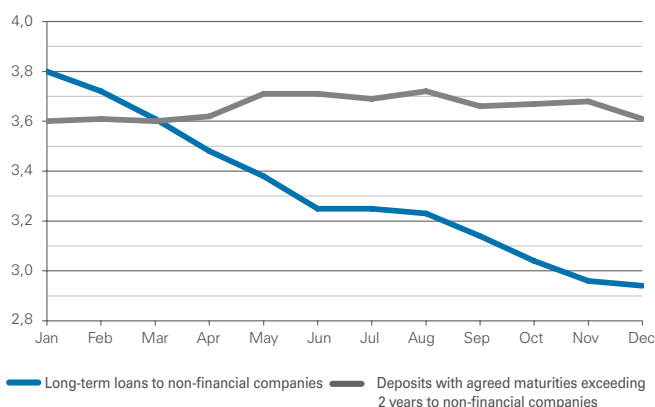
### 1.4.4.1 Interest Rates

Interest rates were mostly decreasing in 2012. The interest rates on existing consumer loans to households with

maturity longer than 5 years came in at 4.86% in December of 2012 (January 2012: 5.76%), while they were 2.94% for non-financial companies (January 2012: 3.8%). The price of short-term loans in December of 2012 did not change for households in comparison to January of 2012, while loans became slightly less expensive for non-financial companies. The interest rate on short-term loans for non-financial companies decreased on average from 5.61% to 5.56% in 2012.

The interest rates on existing deposits with agreed maturities longer than 2 years came down from 4.05% to 3.77% in December of 2012 as compared with January of 2012, while they remained at 3.6% for non-financial companies.

**Figure 3: Changes in interest rates on existing transactions in 2012 (in %)**



Source: Bulletin of the Bank of Slovenia

The interbank reference rate in the Eurozone, the 6-month EURIBOR, started 2012 at 1.639% and ended it at 0.324%. The ECB had the biggest effect on the trend in interbank reference rates as it implemented extraordinary monetary policy measures in 2012 and lowered the reference rate in July. The ECB lowered the rate from 1 to 0.75%.

**Figure 4: Changes in YTM of the ten-year German Bunds and the 6-m EURIBOR in 2012 (in %)**



Source: Bloomberg.

The yield of the German 10-year Bund decreased in 2012. The decrease in the expected yield is primarily the result of the extraordinary measures in the part of the ECB that flooded the market with liquidity. The high prices of German bonds reflect the great uncertainty among investors who expect very high yields if they are to purchase the mentioned bonds.

### 1.4.4.2 Foreign Exchange Rate

The value of the US dollar decreased by 1.8% as compared to the euro in the period from January to December of 2012. At the end of the year, the exchange rate was 1.3193 USD to the EUR. The average annual exchange rate in 2012 was 1.2862 USD to the EUR. The trend in the EUR/USD exchange rate in 2012 was affected by the monetary policies of the ECB and the FED, the European debt crisis and the search for solutions to the American fiscal situation.

**Figure 5: Changes in the EUR/USD exchange rate in 2012 (in USD for 1 EUR)**



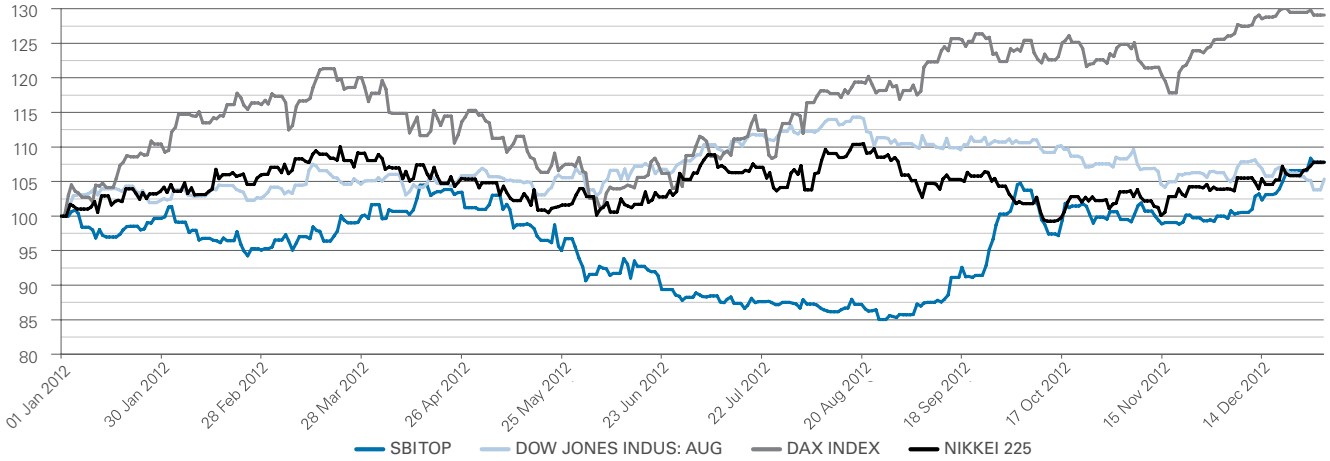
Source: Bloomberg.

## 1.4.5 Capital Market

### 1.4.5.1 Equity Market

In 2012, stock indices increased on average by 14.4% as measured in euros. European stocks gained the most on average, while American stocks grew by only somewhat more than 5%. Japanese stocks rose by approximately 10%. Slovenian stocks ended the year in positive territory after an extended period of decline and their rise was powered by the expectations of the imminent sale of government holdings in companies. The SBITOP index gained 7.8% in 2012.

**Figure 6: Changes in the SBI TOP Slovenian stock index and in some other stock indices in 2012 as measured in euros (Index: 31 December 2011 = 100)**

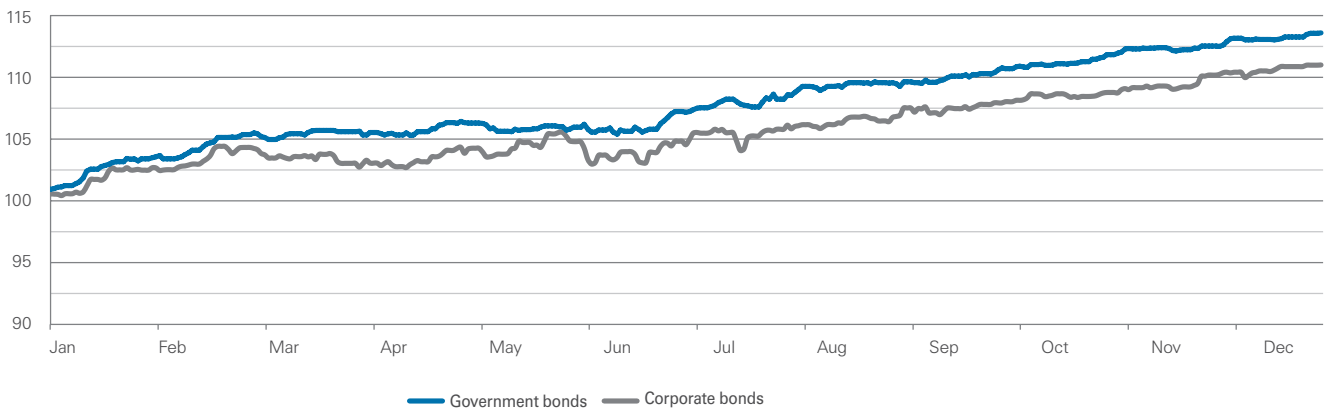


Source: Bloomberg

### 1.4.5.2 Debt Securities Market

The European government bond index (IBOXX EUR Sovereigns TR index) gained 10.9% in 2012. The changes in the index were primarily the result of the extraordinary measures on the part of central banks (primarily the ECB) that injected practically unlimited liquidity into the market, driving bond indices higher. The European corporate bond index (IBOXX EUR Corporates TR index) also gained value, namely somewhat less than 13.6%.

**Figure 7: Changes in the IBOXX EUR Sovereigns TR index and the IBOXX EUR Corporates TR index in 2012 (Index: 1 January 2012 = 100)**

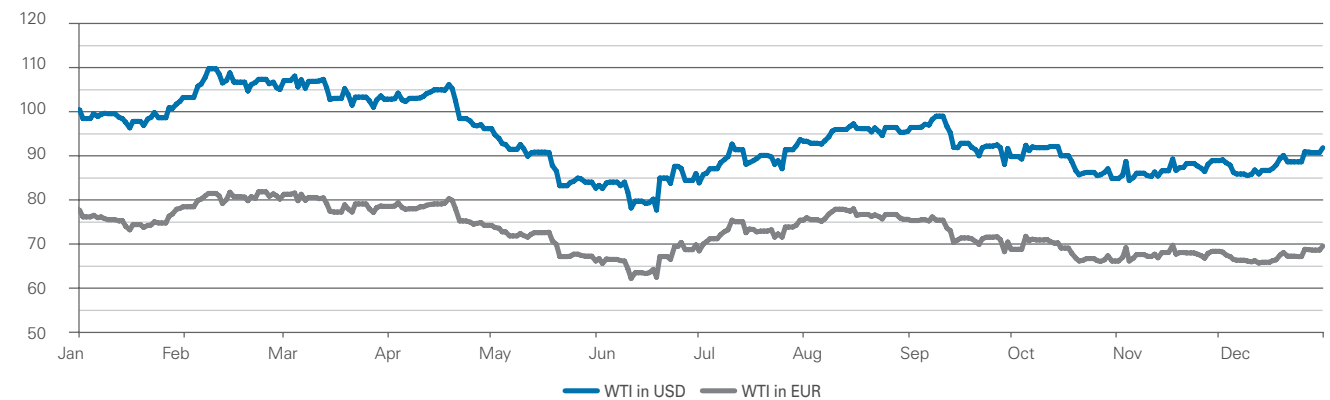


Source: Bloomberg

### 1.4.6 Oil Price

The price of crude in 2012 fell from the initial USD 98.83 to USD 91.82 per barrel at the end of the year. The average price in 2012 was USD 94.2, which is approximately 1 per cent lower than it was in 2011.

**Figure 8: Changes in the price of crude oil (West Texas Intermediate) in 2012 (in USD and EUR per barrel)**



Source: Bloomberg



# 1.5

## Operations in 2012

### 1.5.1 Financial Result and Financial Position

In the 2012 financial year, Modra zavarovalnica, d. d. generated EUR 28,414,938 of income from premiums and other technical income. Approximately two thirds of this income is income from annuity insurance premiums, while the rest is income from the management of mutual pension and guarantee funds and income from the reversal of provisions that were formed in the past because of the failure to achieve guaranteed yields. Expenses from claims and other expenses from insurance

operations are expenses arising from paid annuities and the payments into mutual pension funds because of the failure to achieve guaranteed yields. The change in mathematical provisions represents an expense from the increase in mathematical provisions arising from pension annuities sold. Operating costs comprise labour costs, costs of services, materials, amortisation and depreciation and the like.

Profit from investing activities recognised in the income statement came in at EUR 15,936,262 in 2012.

Data for 2011 are not comparable to the data from 2012 because the insurance company only operated for 3 months in 2011.

**Table 1: Financial result of Modra zavarovalnica, d. d.**

in EUR

Item	2012	2011
Income from premiums and other technical income	4,948,732	28,414,938
Expenses from claims and other expenses from insurance operations	-2,104,429	-12,432,960
Change in mathematical provisions	-579,059	-11,724,596
Operating costs	-1,569,816	-5,296,382
Operating profit or loss	695,428	-1,038,999
Profit or loss from investing activities recognised in the income statement	-264,500	15,936,262
Other net income	6,578	25,176
Profit before tax	437,506	14,922,439
Income tax	5,907	-2,599,345
Net profit or loss	443,413	12,323,094
Profit from investing activities recognised in equity	4,415,386	9,942,348
Total comprehensive income	4,858,799	22,265,442

The biggest share of assets of Modra zavarovalnica, d. d. is represented by financial assets that came in at EUR 284,939,586 at the end of 2012. The most important liabilities in terms of size are mathematical provisions that are followed by deferred tax liabilities, liabilities of the manager for the difference up to the guaranteed return of the PPS and the provisions for the shortage of funds in the KS PPS.

**Table 2: Financial position of Modra zavarovalnica, d. d.**  
in EUR

Item	31 December 2012	31 December 2011
Financial assets	284,939,586	243,424,220
Other assets	11,566,784	19,834,112
Mathematical provisions	-107,283,925	-95,559,334
Other provisions	-3,275,042	-10,188,074
Other liabilities	-12,778,619	-6,607,581
Equity	173,168,784	150,903,343
Required minimum capital pursuant to the ZZavar	38,625,821	36,714,761
Available capital pursuant to the ZZavar	169,062,699	144,171,151

## 1.5.2 Financial Assets of Modra zavarovalnica, d. d.

Financial assets of Modra zavarovalnica, d. d. comprise the insurance company's own assets and the assets of both guarantee funds. At the end of 2012, the financial assets of Modra zavarovalnica, d. d. came in at EUR 284,939,586 and rose by 17% as compared to the end of 2011.

**Table 3: Financial assets of the insurance company**

Financial asset	31 December 2012
Own financial assets	178,892,860
Funds of the KS PPS	93,415,601
Funds of the KS MR	12,631,125
Total	284,939,586

## 1.5.3 Management of Own Financial Assets

At the end of 2012, own financial assets of Modra zavarovalnica, d. d. came in at EUR 178,892,860 and rose by 15% as compared to the end of 2011. Modra zavarovalnica, d. d. breaks them down in line with the items in the table below. The biggest share is taken up by the portfolio of equity investments and the portfolio of investments into debt securities, which are followed by the portfolio of non-portfolio equity investments.

**Table 4: Composition of own financial assets of Modra zavarovalnica, d. d.**

Financial asset	31 December 2012
Portfolio financial investments in equity	72,804,777
Non-portfolio financial investments in equity	31,639,417
Financial investments into debt securities	70,636,491
Cash and cash equivalents	3,812,175
Total	178,892,860

### 1.5.3.1 Portfolio Equity Investments

Portfolio equity investments comprise foreign shares and investment fund coupons of both domestic and foreign issuers. The value of the mentioned investments as at 31 December 2012 was EUR 72,804,777, which was an increase of 21% when compared to the end of 2011. The biggest five investments in the portfolio of portfolio equity investments as at 31 December 2012 are: index fund representing the German DAX index (DAXEX GR), shares of Coca – Cola Company, index fund that invests in agriculture (MOO US), index fund representing the US index S&P Consumer Staples Sector (XLP US) and the index fund representing the MSCI global index (XMWO GY).

**Table 5: Composition of the portfolio equity investments**

Investment	31 December 2012
Shares	26,893,463
• Domestic shares	0
• Foreign shares	26,893,463
Investment funds	45,911,314
• Domestic investment funds	742,185
• Foreign investment funds	45,169,129
Total	72,804,777

In 2012, stock indices increased on average by 14.4% as measured in euros. As at 31 December 2012, the portfolio's greatest exposure in terms of industry was to non-cyclical consumer goods, which was followed by the finance and IT sectors. At the end of 2012, the portfolio's greatest exposure was to the USD and the EUR. Approximately one half of the mentioned portfolio was invested into equities of issuers from North America and approximately one third into those of European issuers. The remainder was accounted for by the equities of issuers from developed Asian countries and issuers from emerging economies.

### 1.5.3.2 Non-Portfolio Equity Investments

At the end of 2012, Modra zavarovalnica, d. d. owned material stakes in the following companies: Cinkarna Celje, d. d., Helios, d. d., Žito, d. d. and Iskra Avtoelektrika, d. d.; while the stake in Juteks, d. d. was sold by Modra zavarovalnica, d. d. in 2012.

The value of the said investments at the end of 2012 was EUR 31,639,417.

### 1.5.3.3 Financial Investments Into Debt Securities

The value of financial investments into debt securities at the end of 2012 increased in comparison to the end of 2011 by 15% and came in at EUR 70,636,492. The biggest share within financial investments into debt securities was taken up by corporate bonds, which were followed by government bonds and deposits.

**Table 6: Composition of financial investments into debt securities**

in EUR

Investment	31 December 2012
Bonds	47,768,727
Government bonds	19,743,726
• Domestic government bonds	11,553,403
• Foreign government bonds	8,190,323
Corporate bonds	28,025,001
• Domestic corporate bonds	3,799,860
• Foreign corporate bonds	24,225,141
Deposits	22,076,773
Treasury bills	790,992
<b>Total</b>	<b>70,636,492</b>

2012 was a very successful year for the European government bond market. The iBoxx Sovereign TR index that comprises the majority of European government bonds grew by more than 11%. Most of this growth can be attributed to the European Central Bank that took decisive measures at the beginning of the year and managed to halt the growth of government bond yields of periphery countries, while it announced unlimited purchases of bonds in the second half of the year and caused a drop in yields.

The prices of corporate bonds in the EU grew significantly in 2012. The corporate bond index with an investment rating, the iBoxx Corporate TR, grew by 13.6%. The sloshing liquidity in the market, which resulted from stimulus measures of global central banks, agreements by European leaders on assistance to troubled banks and the ECB's commitment to purchase short-term government bonds of countries of the European monetary union that request financial assistance, contributed to the rise in corporate bond prices.

### 1.5.3.4 Investments Into Cash and Cash Equivalents

At the end of 2012, Modra zavarovalnica, d. d. disclosed EUR 3,812,175 worth of own cash and cash equivalents. The major part of these was euro call deposits.

**Table 7: Composition of cash and cash equivalents**

in EUR

Investment	31 December 2012
Bank balances and cash in hand	75,175
Euro call deposits	3,737,000
<b>Total</b>	<b>3,812,175</b>

## 1.5.4 Guarantee Fund Management

Modra zavarovalnica, d. d. manages two guarantee funds:

- Guarantee Fund of the First Pension Fund that has been disbursing supplementary pension annuities arising from exchanged pension vouchers since August 2004;
- Modra renta Guarantee Fund that has been offering a comprehensive range of competitive pension annuities from supplementary pension insurance since December of 2011.

Modra zavarovalnica, d. d. is the largest payer of supplementary pensions in Slovenia, paying out supplementary pensions to more than 10,000 insured persons in 2012.

The income of Modra zavarovalnica, d. d. from the management of guarantee funds in 2012 came in at EUR 598,419.

**Table 8: Operations of the guarantee funds of Modra zavarovalnica, d. d. (December 2012)**

Data for December 2012	No. of annuity recipients	Amount of assets under management (in millions of EUR)
KS PPS	8,227	96,6
KS MR	1,938	12,9
<b>Total</b>	<b>10,165</b>	<b>109,5</b>

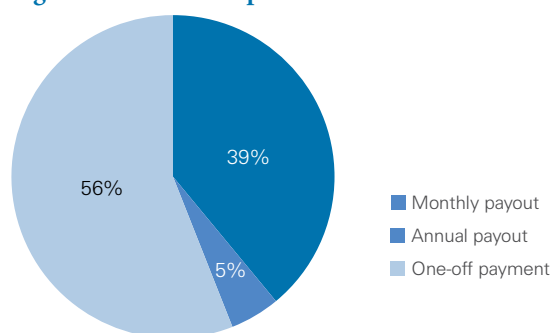
### 1.5.4.1 Guarantee Fund of the First Pension Fund

KS PPS represents segregated assets formed on 13 July 2004 for all insured persons who are 60 years of age or who turn 60 years of age and thus acquire the right to an annuity. Upon acquiring the right to an annuity, each insured person selects one of the annuity products and thus exercises the right and finally determines the method

of enjoyment of the said right. An insured person with more than 2,000 points on the insurance policy may choose between a lifetime pension annuity and a lifetime pension annuity with a guaranteed payout period. The guaranteed payout period is set at 5, 10 or 15 years. If an insured person dies during the guaranteed payout period, the pension annuity is paid out to their beneficiaries or heirs until the expiry of the guaranteed payout period. Insured persons with 2,000 points or less can have their pension annuity paid out in a one-off amount (lump-sum).

Until 31 December 2012, the right to the pension annuity was exercised by 21,789 insured persons, 12,202 of whom exercised their right to a one-off payment, 1,089 exercised their right to an annual pension annuity and 8,498 claimed the monthly annuity.

**Figure 9: Structure of pension annuities under the KS PPS**



In 2012, 1,431 insured persons who turned 60 years of age acquired the right to an annuity.

**Table 9: Number of insured persons/members who acquired the right to a pension annuity and the value of contributions into the KS PPS arising from the regular termination of insurance for 2012**

Number of insured persons	Value of contributions (in thousands of EUR)
1,431	4,944

The fund's assets as at 31 December 2012 came in at EUR 93,514,487. The biggest share of the assets is taken up by bonds representing 59% of total assets and deposits representing 16% of the fund's total assets.

**Table 10: Composition of the assets of the KS PPS as at 31 December 2012**

Asset	Amount
Shares	11,777,538
Bonds	55,104,588
Treasury bills	4,550,884
Loans and deposits	15,104,961
Investment coupons	6,657,540
Cash and cash equivalents	220,090
Receivables	3,217,445
Total	96,633,046

The KS PPS receivables also include the receivables due from the fund manager arising from the deficit of KS PPS assets in the amount of EUR 3,118,559. Modra zavarovalnica, d. d. has formed provisions in the above amount.

As at 31 December 2012, 74% of the assets of the KS PPS were invested in the Republic of Slovenia and 26% of all assets were held in investments of foreign issuers. The largest share of investments of foreign issuers is accounted for by foreign bonds.

**Table 11: Geographic diversification KS PPS investments as at 31 December 2012**

Area	Amount
Domestic investments	72,038,041
Foreign investments	24,595,005
Total	96,633,046

#### 1.5.4.2 Modra renta Guarantee Fund

Annuity pension insurance is intended for the payout of pension annuities from voluntary supplementary pension insurance. Upon concluding annuity pension insurance, every insured person may choose one of the forms of lifetime annuities and thus exercise the right to a supplementary old age pension.

Modra zavarovalnica, d. d. offers a wide variety of as many as 24 different forms of supplementary pension. Savers can choose from different annuity products.

**The Classic Modra renta** is a lifetime, monthly pension annuity without a guaranteed payout period.

The Modra renta with a guaranteed payout period is a lifetime, monthly pension annuity with a guaranteed payout period (5, 10, 15 or 20 years).

**The Accelerated Modra renta with a full guarantee** is a lifetime pension annuity with a guaranteed monthly payout period of 1 to 10 years (accelerated monthly payout and guarantee in the event of death), which is followed by annual annuity payout in the amount equal to the previous monthly amount.

**The Accelerated Modra renta with a limited guarantee** is a lifetime pension annuity with a guaranteed monthly payout period of 2 to 10 years (accelerated monthly payout and guarantee in the event of death for 1 to 9 years), which is followed by annual annuity payout in the amount of EUR 12.

Only persons insured through one of the supplementary pension insurance plans who fulfil the conditions for regular termination and exercise the right to a supplementary old-age pension can conclude such insurance policies. By 31 December 2012, 2151 insured persons/members of the KVPS and ZVPSJU exercised the right to a supplementary old-age pension and opted to receive the selected monthly pension annuities; 2064 of them exercised this right in 2012.

**Table 12: Overview of the exercise of rights to the supplementary old-age pension in 2012**

Type of contingency	Number of members/policies	Surrender value of the assets (in EUR)
Modra renta – transfer to KS MR from KVPS	634	5,349
Modra renta – transfer to KS MR from ZVPSJU	1,430	7,614
Total regular termination	2,064	12,963

The amount of the annuity of each individual depends on the funds saved in the supplementary pension insurance plan, the technical interest rate, life expectancy tables depending on gender, the insured person's date of birth, the insured person's age at the beginning of annuity insurance and the costs incurred through the payout of annuities.

**Table 13: Structure of supplementary pension annuities under the KS MR as at 31 December 2012**

Annuity type	Share of insured persons (%)	Average annuity amount (in EUR)
Classic Modra renta	2%	35
Guaranteed Modra renta with a guarantee	2%	58
Accelerated Modra renta with a full guarantee	18%	97
Accelerated Modra renta with a limited guarantee	78%	172
Total	100%	154

Insurance payments cannot be suspended, meaning that annuities are paid out for life or until the expiry of the guaranteed payout period. In the event of an insured person's death before the expiry of the guaranteed payout period, annuities are paid to the beneficiary designated by the insured person or to his or her heirs until the expiry of the guaranteed payout period.

The assets of the KS MR as at 31 December 2012 came in at EUR 12,923,685. Most of these assets are comprised of bonds and the loans and deposits class of investments.

**Table 14: Composition of the assets of the KS MR as at 31 December 2012**

Asset	Amount
Bonds	8,188,882
Loans and deposits	2,495,837
Treasury bills	327,534

Investment coupons	1,474,752
Cash and cash equivalents	144,121
Receivables	292,559
Total	12,923,685

**Table 15: Geographic diversification KS MR investments as at 31 December 2012**

Area	Amount
Domestic investments	7,081,782
Foreign investments	5,841,903
Total	12,923,685

As at 31 December 2012, 55% of the assets of the KS MR were invested in the Republic of Slovenia and 45% of all assets were held in investments of foreign issuers.

## 1.5.5 Mutual Pension Fund Management

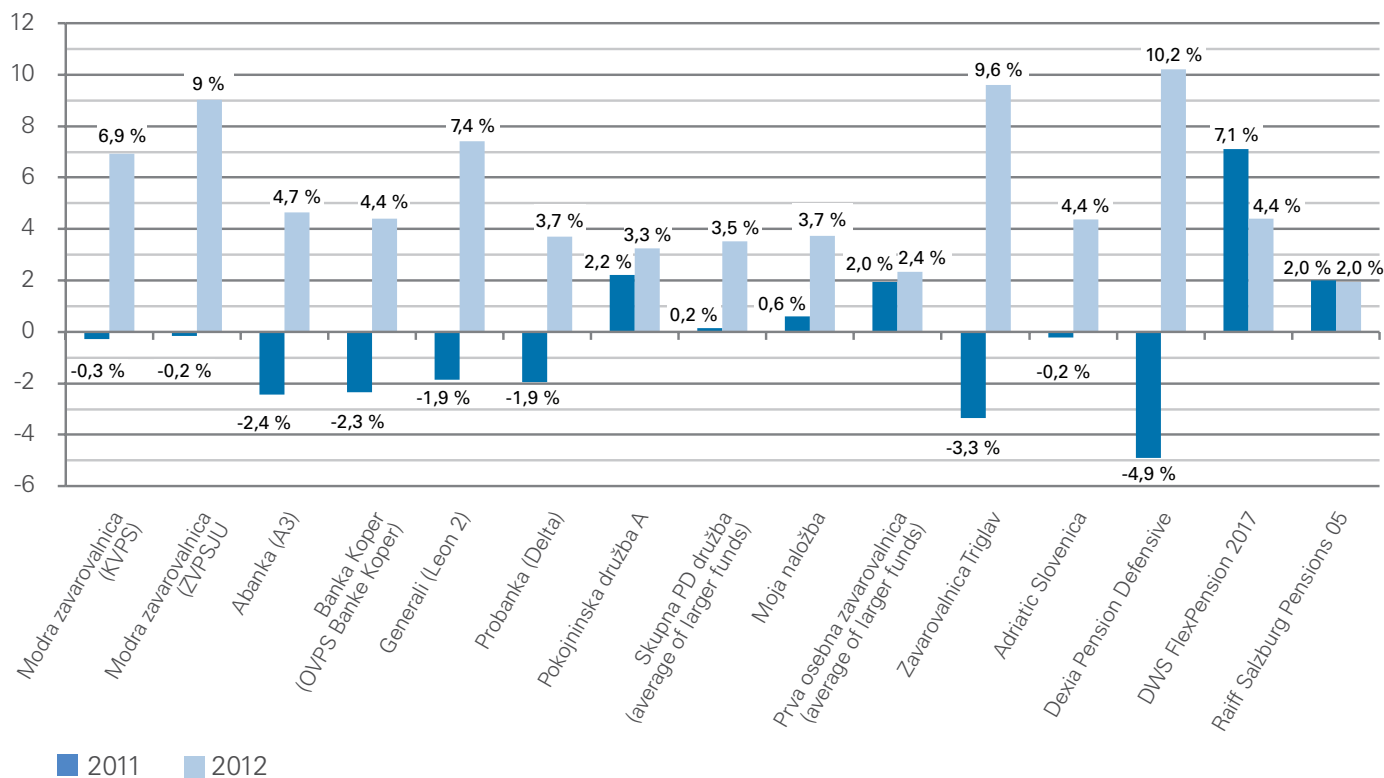
### 1.5.5.1 Market and Competition

At the end of 2012, supplementary pension insurance was offered by 11 providers on the Slovenian market. 5 providers (Abanka, Banka Koper, Probanka, Zavarovalnica Generali and Modra zavarovalnica) managed six mutual pension funds, three pension companies (Pokojninska družba A, Skupna pokojninska družba and Moja naložba) and three insurance companies (Prva osebna zavarovalnica, Zavarovalnica Triglav and Adriatic Slovenia) offered pension insurance through guarantee funds. All providers together managed a total of EUR 1.785 billion of the assets of members/persons insured under voluntary supplementary pension insurance.

Modra zavarovalnica, d. d. grew its market share in 2012 as compared to 2011 both in terms of the funds collected and in terms of the number of insured persons/members. The market share in terms of the collected supplementary pension insurance funds at the end of 2012 was 42%, while it was 46% in terms of the number of insured persons/members included.



Figure 10: Comparison of annual yields of domestic and selected foreign pension funds



Source: Dnevnik and Bloomberg

The annual yields of pension funds in 2012 were much higher than those achieved in 2011. The yields of market funds managed by Modra zavarovalnica, d. d. were among the highest.

### 1.5.5.2 Mutual Pension Funds Under Management

Modra zavarovalnica, d. d. manages three mutual pension funds:

- Closed Mutual Pension Fund for Civil Servants; javne uslužbenice;
- Capital Mutual Pension Fund; and
- First Pension Fund of the Republic of Slovenia.

Modra zavarovalnica, d. d. is the largest provider of supplementary pensions in Slovenia and the key provider of old-age savings plans within the scope of the second pension pillar. More than 262,000 individuals were saving money within the scope of its three mutual pension funds as at December 2012. The collected funds that it manages for the account of insured persons/members exceeded EUR 804 million.

The income of Modra zavarovalnica, d. d. from pension fund management in 2012 came in at EUR 6,658,372, whereby EUR 5,207,305 represents income from management fees. EUR 657,680 came from entry fees and EUR 793,387 from exit fees.

In accordance with Article 322 of the ZPIZ-1, Modra zavarovalnica must – in the event that the actual net value of assets of either the KVPS or the ZVPSJU funds in the accounting period falls below the guaranteed asset value of either of the funds – form provisions that are debited to equity due to the failure to achieve the guaranteed return; provisions are formed in the amount of the difference between the guaranteed and actual net asset value. At the end of 2012, Modra zavarovalnica, d. d. disclosed EUR 30,715 worth of provisions as a result of the failure to achieve the guaranteed return on the KVPS fund.

**Table 16: Data on mutual pension funds managed by Modra zavarovalnica, d. d. as at 31 December 2012**

Fund	Number of members/insured persons (number of persons)	Number of employers/premium payers (number of companies or payers)	Gross premium paid (in millions of EUR)	Assets under management (in millions of EUR)	Return in 2012
KVPS	28,303	296	23.0	143.4	6.91%
ZVPSJU	205,699	1,932	71.8	612.1	9.03%
PPS	27,997	Intended only for natural persons	Additional contributions (payments) are not possible	48.8	0.91%
Total	261,999	2,228	94.8	804.3	

### 1.5.5.3 Closed Mutual Pension Fund for Civil Servants

The ZVPSJU 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 scheme. In addition to the 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 income tax relief. As the fund manager, Modra zavarovalnica, d. d. ensures at least the guaranteed return on the assets saved.

Pursuant to the ZKDPZJU and KPOP NJU, all persons with the status of public servant or to whom the KPNG applied as at 1 August 2003, were included in the PNJU K Pension Scheme. Individuals, who concluded an employment contract with the Republic of Slovenia, a local government or a body governed by public law as the employer after 1 August 2003, are included in the PNJU K Pension Scheme as of the date of their employment contract or on the date when they receive the status of public servant.

Each individual collective insurance under the PNJU K Pension scheme is terminated when the respective ZVPSJU member exercises his or her right to a supplementary 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 Scheme, special rules apply to the payouts of the surrender value of the policy of ZVPSJU members who – as at 1 August 2003 – were missing less than ten years to fulfil the minimum conditions for acquiring the right to an old-age pension pursuant to Article 36 in conjunction with Article 398 of the ZPIZ-1. In such a case, the respective ZVPSJU member acquires the right to a supplementary old-age pension or the right to receive the surrender value upon retirement under the compulsory insurance system before expiry of the ten-year period beginning upon the start of insurance under the PNJU K Pension Scheme. Such extraordinary termination of collective supplementary pension insurance occurs in accordance with the PNJU K Pension Scheme in the following cases:

- if the employment contract 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 a ZVPSJU member dies before exercising the right to a supplementary old-age pension;
- dissolution of the ZVPSJU.

As the manager of the ZVPSJU, Modra zavarovalnica, d. d. is entitled – pursuant to the PNJU K Pension Scheme and the ZVPSJU Rules – to entry fees and the management fee for the ZVPSJU that is paid from the fund's assets. Entry fees are charged as a percentage of the paid in premium upon its payment and are remitted to the manager's account; in 2012, entry fees amounted to 0.55%. Up until 2014, entry fees will decrease by 0.025 percentage points each year. The annual management fee for managing the ZVPSJU is 0.5% of the average annual net value of the ZVPSJU fund assets.

In 2012, the management of the ZVPSJU fund was geared towards safety, profitability, liquidity and the diversification of investments as well as long-term growth in the value of the ZVPSJU assets.

2012 was marked by excellent operating results. The ZVPSJU achieved the return of 9.03% which makes it best in class among Slovenian mutual pension funds. The high return is the result of the rise in bond and stock investments as well as sound management of said investments. The biggest change in the management of the ZVPSJU was the decrease in the share of loans and bank deposits held with Slovenian banks which was prompted by their credit ratings being lowered. The share of fund investment coupons increased, namely of the funds investing in diversified debt securities, as did the share of treasury bills.

#### 1.5.5.4 Capital Mutual Pension Fund

The KVPS is an open mutual pension fund used for implementing pension schemes of supplementary voluntary pension insurance. All persons in employment included in compulsory pension insurance can pay into this fund. Since 2002, two separate pension schemes for individual and collective voluntary supplementary pension insurance were established, namely PN1 P and PN1 K.

Supplementary voluntary pension insurance termination can be regularly or extraordinary. Insurance is terminated regularly when the insured person acquires the right to a supplementary old-age pension or the right to an early old-age pension. The transfer of funds represents an extraordinary method of insurance termination. Extraordinary termination occurs when an insured person terminates the insurance plan based on a written statement, or upon the insured person's death. In 2012, we paid special attention to building the awareness of fund members who had acquired the right to early cash-in of the funds of supplementary collective pension insurance after the lapse of 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 withdrawal, the tax treatment of such withdrawal, and especially emphasized the purpose of supplementary 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 schemes 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 lower the management fee in 2012, namely to 1.1% in Q1 of 2012, and to 1% of the average annual value of the fund's assets from 1 July 2012. In this way, the insurance company contributed to an increase in the savings of its members and to higher yields of the fund.

2012 was marked by very good operating results. The KVPS achieved the return of 6.91% which ranks it among the most profitable Slovenian mutual pension funds. The high return is the result of the rise in bond and stock investments as well as sound management of said investments.

In 2012, special attention in the management of KVPS assets was paid to liquidity, as the insurance company faced requests of members wishing to withdraw their funds after 120 months of saving. With a view to ensuring the liquidity required for the payouts after 120 months of saving, the share of deposits at domestic banks decreased by 15.5 percentage points as compared to 2011.

#### 1.5.5.5 First Pension Fund of the Republic of Slovenia

The PPS fund is a special form of pension fund managed by Modra zavarovalnica, d. d. on its behalf and for the account of its insured persons. It is used exclusively to cover pension annuities arising from supplementary pension insurance policies formed upon the 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 all insured persons/members who are no less than 60 years old are transferred to the PPS Guarantee Fund that is used to cover liabilities relating to the payouts of supplementary pension annuities. If a PPS insured person/member dies before he or she acquires the right to a pension annuity, the person's heirs have the right to the policy's surrender value.

As manager of the PPS fund, Modra zavarovalnica, d. d. is entitled to an annual management fee that was 1.5% of the average annual net asset value in 2012, as well as to exit fees of 1%, which are charged upon the payouts of the policy redemption value to the heirs of insured persons/members deceased after 13 July 2004.

In 2012, the principal goal of the fund manager was to restructure the PPS portfolio, mainly by selling shares in limited liability companies and non-marketable securities of public limited companies. In accordance with the decision of the Insurance Supervision Agency of 24 September 2012, the deadline for the transformation of the investments of the PPS fund was extended by 31 October 2013, with the exception of the investment into the Cimos company, d. d. for which the deadline was extended to 13 July 2015. With the aim of realising this objective, the Action Plan for the Sale of Equity Investments of the PPS Fund was updated.

Owing to the failure to achieve the guaranteed asset value, the fund manager was obliged to pay EUR 4,163,697 into the fund in 2012. The main reason for the failure to achieve the guaranteed return is the revaluation of two larger investments of the fund as at 31 December 2012. The book value of the two investments in the PPS portfolio as at 31 December 2012 was EUR 17,848,439. If the funds fail to achieve the expected business results in the future, additional revaluation will be necessary which could result in the failure to achieve the guaranteed return of the PPS fund. In that case, Modra zavarovalnica will have to form provisions in the corresponding amount pursuant to the provisions of the ZPIZ-2.

# 1.6

# Risk Management

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

The operations of Modra zavarovalnica, d. d. ensure that:

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

The most important risk types in the operations of Modra zavarovalnica, d. d. include credit risk, market risk, liquidity risk and operational risk. In 2012, the insurance company continued to use derivatives for hedging purposes. The entire risk management system will continue to be developed and upgraded in 2013 with the aim of improving asset management in the long-term.

## 1.6.1 Credit Risk

Credit risk exposure was highly pronounced in 2012 because of the debt crisis that resulted in the lowering of credit ratings of both countries, banks and individual securities. Credit risk relates to debt securities (financial assets held as bonds, commercial and treasury bills, deposits, extended loans) and represents the risk for the investments into debt securities to be repaid only in part or not to be repaid at all.

Assets of Modra zavarovalnica, d. d. are invested in government instruments of the Republic of Slovenia and EU countries, debt instruments of EU countries

and international financial institutions, equity and debt instruments of international non-financial companies, Slovenian equity and debt instruments and Slovenian banks.

Modra zavarovalnica, d. d. employs detailed procedures for the monitoring of the credit exposure of its investments in the instruments of financial institutions. Within the scope of the insurance company's internal regulations, the credit 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.

Modra zavarovalnica, d. d. manages credit risk through the diversification of investments in terms of their issuers, sectors and geographical areas. It manages credit risk associated with debt securities by investing into foreign debt securities, the credit rating of which is higher than BBB- as awarded by recognised rating agencies, as well as through the adjustment of the credit rating of the portfolio to the adopted internal limitations. The Company's debt securities portfolio also comprises bonds with ratings lower than BBB-, which is the result of changed conditions on financial markets.

Credit risk arising from exposure to an individual bank (deposits) is managed by internal regulations, i.e. monthly determination of investment limits that represent the permitted exposure to an individual bank in a given period.

The total exposure to an individual issuer is ascertained concurrently and is harmonised with the statutory provisions.

## 1.6.2 The Risk of Changes In the Prices of Securities

Allocating a portion of the investments of Modra zavarovalnica, d. d. abroad has reduced the dependence of the long-term investments portfolio on changes in the prices on the Slovenian capital market. In line with the adopted investment policy, the investments of Modra zavarovalnica, d. d. will continue to be geographically diversified in 2013 as well.

Risks are monitored and measured weekly by calculating the value at risk (V@R) that applies 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 equities as a systemic risk measure.

## 1.6.3 Currency Risk

Modra zavarovalnica, d. d. is exposed to currency risk in managing the portion of assets invested in foreign currency.

Modra zavarovalnica, d. d. manages currency risk through balancing the financial investments with liabilities in accordance with the Insurance Act. The amount of receivables exposed to currency risk is low. Modra zavarovalnica, d. d. did not use derivatives to hedge against currency risk in 2012.

## 1.6.4 Interest Rate Risk

Modra zavarovalnica, d. d. is exposed to interest rate risk from investments in debt securities and deposits, whereby the risk is 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, and prepare investment proposals appropriately.

Modra zavarovalnica, d. d. manages interest rate risk by balancing the maturity structure of investments into debt securities and restructuring the investments in debt securities with a fixed coupon (interest) rate into debt securities with a variable interest rate or vice versa, depending on the expected intensity of market interest rate changes, or through the restructuring of investments in debt securities with lower yields to maturity into investments with higher yields to maturity. Modra zavarovalnica, d. d. did not use derivatives to hedge against interest rate risk in 2012.

## 1.6.5 Liquidity Risk

Modra zavarovalnica, d. d. manages resources and investments in a manner that ensures it is able to meet all mature liabilities at any time. The insurance company forms and implements regular liquidity management policies separately for Modra zavarovalnica, d. d. and the guarantee funds, namely in accordance with the Insurance Act and statutory provisions.

Due to the low liquidity of the Slovenian capital market, liquidity risk is present in the majority of investments of Modra zavarovalnica, d. d. in domestic equity and debt securities and is greatest in case of non-marketable investments. Modra zavarovalnica, d. d. reduces liquidity risk by only investing in high-liquidity 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 the mentioned portion of assets in highly liquid money market instruments.

## 1.6.6 Operational Risk

The key factors of operational risks at Modra zavarovalnica, d. d. include human resources, business processes, information technology, corporate structure and external events. Operational risk is managed by Modra zavarovalnica, d. d. via a system of authorisations, specification of business processes and appropriate qualifications of employees. In order to additionally reduce operational risks, Modra zavarovalnica, d. d. has introduced a system for recording loss events (claims) aiming to minimise the Company's operational risk.

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



# 1.7

## Information Technology

Modra zavarovalnica, d. d. is increasingly becoming customer-oriented, which is aided to a great extent by IT.

In the first half of the year, we developed and introduced the Modri e-račun online service. Modri e-račun is an IT service, available 24 hours a day that allows our customers to monitor the balance of assets on their personal capital accounts as well as the premiums recently paid-in by employers or the individuals themselves. At the end of the year, there were more than 10.000 users of the Modri e-račun service registered. In December, we upgraded the service with the publication of the certificate of the number of asset units that replaces notification by regular mail. In the future, the service will also serve for the education and awareness-building relating to the saving for old age and subsequently to the encouragement of people to save. Modri e-račun will also be an important tool for familiarising our insured person with other insurance types. Special emphasis is placed on the security or the assurance of confidentiality and integrity of data.

Another important milestone was the introduction of the CRM IT system that also supports the development of the “customer-orientedness” culture. Modra zavarovalnica, d. d. has overhauled the existing and established new sales/marketing processes. A centralised view of the customer enables a standardised method of storage and uniform display of important data in the communication with the customer as well as the data on insurance products held by our customers. The selected supplier of the CRM system is the leading company in the field of business IT services (SaaS) and was selected in 2011 as the most innovative company in the world. The chosen CRM system is also the leading solution for the support of CRM. Owing to its price and functional adaptability, the system is used by over 110,000 SMEs and large enterprises around the world.

Compliance with the requirements of the Solvency II Directive has required us to identify data sources from an IT standpoint, namely those that will be used in the business data storage system, the purpose of which is to establish the Solvency II regime and to analyse the risks associated with the assurance of quality data sources. A QIS5 (Quantitative Impact Study 5) study was carried out for all pension funds managed by Modra zavarovalnica, d. d.

The IT function at the Company is organised within the scope of the IT and CRM Division that ensures the efficient management of IT services. The management of the systems infrastructure was spun out and is performed by an external provider. IT specialists at the insurance company are thus able to devote more attention to contents that generate added value in operations. The complexity of systems infrastructure management is left to the experts of an external provider. Suppliers of key business software and IT services are external providers from Slovenia and abroad. The Company has entered into contracts with external providers that bind the latter to the achievement of the required level of availability, integrity and confidentiality of business information.

The key orientation is the gradual transformation of the IT function from playing a support role to playing a strategic one. We are aware of the importance of collaboration of business and IT strategists and the harmonisation of the business strategy with the company's infrastructure (organisation, processes, IT architecture). Business and IT experts are engaged in the joint planning of business objectives. The central role of business IT is the achievement of close ties between operations and IT as well as the provision of continuous improvements in organisation, planning, supervision and quality assurance in rendering IT services for business users. Introduction and management of IT services is performed in accordance with the ITIL methodology that is based on best practices in the field of services.

Within the scope of its operations, Modra zavarovalnica, d. d. provides quality, reliable and secure services and thus meets the expectations and requirements of our customers and owners, thus proving to the latter that their confidence was not misplaced. We are aware of the importance of IT security management because information and IT are an integral component of our operations. The information protection system complies with the international standards for information security management, namely ISO/IEC 27001 and ISO/IEC 27002.

# 1.8

# Organisation and Human Resources

## 1.8.1 Internal Organisation

Already upon its establishment, Modra zavarovalnica, d. d. adopted the basic internal acts that govern the internal organisation of the insurance company. In 2012, we adopted several additional internal acts or their amendments relating to authorisations and signing, documentation archiving and the performance of the regular annual stocktaking.

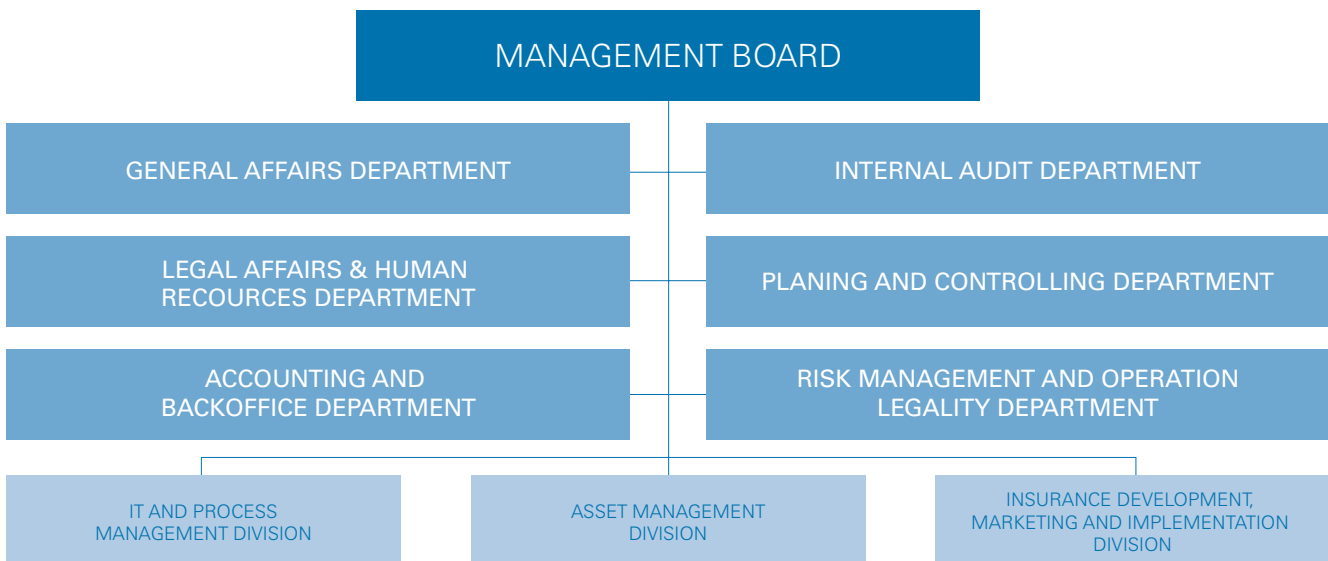
The basic internal organisational units at Modra zavarovalnica, d. d. are divisions and departments enabling efficient decision-making processes and ensuring optimised implementation of the key areas of work within three umbrella organisational units:

- Development, Marketing and Insurance Operations Division;
- Asset Management Division;
- IT and Process Management Division.

Backoffice processes are performed within departments that are under the direct supervision of the insurance company's Management Board:

- Internal Audit Department;
- Planning and Controlling Department;
- Legal and Human Resources Department;
- Risk Management and Operational Legality Department;
- Accounting and Backoffice Department;
- General Affairs Department.

Figure 11: Organisational chart of Modra zavarovalnica, d. d.



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. When designing 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.

### 1.8.2 Employees

At the beginning of 2012, Modra zavarovalnica, d. d. had a total of 53 employees including the Management Board, while this number increased to 56 by the end of 2012. Two of the aforementioned persons were employed for an indefinite period, whereby one worked in the area of insurance product marketing and the other performed general administrative work. One person was employed under a fixed-term contract because of an increase in the scope of work at the contact centre of Modra zavarovalnica, d. d. Three people were thus employed anew in 2012, two of whom had college education and one had a university-level education. Employment took place gradually according to the requirements of the work process and in line with the insurance company’s financial plan.

The largest organisational unit at the Company is the Development, Marketing and Insurance Operations Division with 23 employees, which is followed by the Asset Management Division and the Accounting and Backoffice Department with 7 employees each.

**Table 17: No. of employees by organisational unit**

Organisational unit:	State-of-affairs as at 31 December 2012
Management Board	2
Development, Marketing and Insurance Operations Division	23
Asset Management Division	7
IT and Process Management Division	5
Accounting and Backoffice Department	7
Planning and Controlling Department	2
Risk Management and Operational Legality Department	1
General Affairs Department	4
Internal Audit Department	1
Legal and Human Resources Department	4
<b>Total</b>	<b>56</b>

Of the people working at Modra zavarovalnica, d. d., 77% are women and 23% are men. The average age of the employees is 39, while the average length of service is 16 years.

### 1.8.3 Educational Structure of Employees

As at 31 December 2012, 18% of the employees had postgraduate education, 32% had university-level education and 50% had college or secondary school education.

**Table 18: No. of employees by educational structure**

Education	State-of-affairs 31 December 2012	State-of-affairs 31 December 2011
Level VIII	10	10
Level VII	18	17
Level VI	11	9
Level V	16	16
Level IV	1	1
<b>Total</b>	<b>56</b>	<b>53</b>

Existing areas of work were upgraded with various forms of education and training in 2012 as well. The training was adapted to the individual positions of employment and the special areas of knowledge required for each employee and harmonised with the development-oriented tasks of Modra zavarovalnica, d. d. The use of funds for education and training was within the planned scope.

Seminars and courses organised by external organisations were mostly linked to IT, accounting, financial operations, foreign languages, asset management, marketing and sales skills, financial analyses, commercial and insurance law, organisation of operations, project and team leadership.

In addition to the education and training organised by external providers, we also prepare internal training for employees that is provided by the experts of Modra zavarovalnica, d. d. independently, whereby they mostly present new developments in legislation.

# 1.9

# Corporate Social Responsibility

As a socially responsible company, Modra zavarovalnica, d. d. operates responsibly in terms of the environment, its employees and the broader community. Its mission is to offer a comprehensive set of complementary insurance products that raise an individual's and their family's social security over the entire course of their life as well as to enable individuals to maintain their standard of living after retirement through long-term, gradual saving schemes.

## 1.9.1 Responsibility to Society

Results of the survey carried out in cooperation with the GFK company from Ljubljana in December 2012 show that the majority of Slovenians are aware that they will need additional savings because of the lower income after retirement. They are also aware that their current saving plans will not be sufficient for a decent additional pension. When deciding on pension insurance, the most important two factors cited are security and trust in the provider. In addition to the above factors, other decisive elements in concluding pension insurance are the guaranteed return and the option of inheritance in the event of death. One of the key findings of the mentioned survey is that individuals lack information on the forms of saving for a supplementary pension. Only a third of the respondents are already saving for the time after their retirement, and almost a third is not yet thinking about saving for retirement.

This is why a part of the activities at Modra zavarovalnica, d. d. are geared towards raising the savers' awareness of the importance of supplementary pension insurance by encouraging saving for old age and providing information on the distinguishing advantages of saving for old age within the scope of supplementary pension insurance. Insured persons/members and employers who finance pension schemes as well as others have at their disposal our website where they can find all important information on the pension system, supplementary pension insurance, operations of the pension funds managed by Modra zavarovalnica, d. d. They can also use preliminary calculations to calculate the amount of the pension annuity or find how much they should save for old age, what tax relief is available to them as well

as read the answers to frequently asked questions. By publishing expert articles, news, the newsletter and by using the electronic notification system, we disseminate information and broaden the awareness of individuals on the importance and need to save for old age. We strive to make saving for old age more tangible and to enable savers to understand what kind of pension they can expect from their savings in supplementary pension insurance funds. With this objective in mind, we develop new accompanying services aiming to better familiarise the savers with this product. As of 15 June 2012, we made it possible for all savers of Modra zavarovalnica, d. d. to have personal access to their savings accounts whereby they can view the amount of the paid-in premium in the current year as well as the amount of savings towards their supplementary pension. This is where we will also publish all important information enabling enhanced transparency and improved awareness.

An effective information provision and notification tool is also the contact centre that is available to insured persons/members via a toll-free telephone number. They can also contact the centre in person at the insurance company's headquarters or via e-mail. These services are used by increasing numbers of insured persons/members interested in acquiring additional information on the payout options and concrete calculations of the lump-sum payout of the surrender value and supplementary pension, the difference between them, the tax aspects and optimisation, information on account balances as well as other information on pension insurance. The same is true of the info inbox that is increasingly becoming an important channel for information provision, resolution of numerous issues and wishes of insured persons.

We also work with trade unions and employers to boost the visibility of supplementary pension insurance and the level of information. We have organised consultations for individual groups of employers and have visited companies to present the advantages of saving for old age, prepared information on their websites and in corporate magazines as well as provided expert assistance in formulating answers posed by employees to employers and trade unions in relation to supplementary pension insurance.

In October 2012, when the first draft of the ZPIZ-2 was

published, all supplementary pension insurance providers communicated our joint comments to the minister responsible for labour. We agreed that the second pillar is urgent for the long-term sustainability of the pension system and the assurance of the basic social security to individuals after retirement and that it simultaneously represents an important economic factor for strengthening the capital market in Slovenia. It is becoming an increasingly important element in the provision of supplementary income after retirement, which is why efforts will be required in the future that are aimed at increasing the paid-in premiums of both collective and individual insurance plans so that supplementary pensions become a suitable substitute for the lowered pensions arising from compulsory pension insurance. Taking into account the tax benefits, voluntary pension insurance is a more appropriate form of saving/insurance for old age.

The adopted amendments to the Pension and Disability Insurance Act that have been in force since 1 January 2013 have done away with certain deficiencies, and they also regulate certain substantive areas of supplementary pension insurance thus enabling safe asset management and the assurance of additional social security after retirement.

## 1.9.2 Responsibility to Employees

Modra zavarovalnica, d. d. is aware of the importance of finding a balance between each individual's professional and family lives and also of its social responsibility to its employees. Therefore, the Company continues implementing measures it has set for itself as part of the accreditation as a Family Friendly Company. The Company consists of a relatively young team of highly educated people, 77% of whom are women, including many 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, d. d., thus enhancing both loyalty of our employees and the recognition of the product. The cost of premiums of voluntary supplementary pension insurance for employees stood at 99,000 euros in 2012.

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

Modra zavarovalnica, d. d. provides a safe and pleasant working environment and suitable working conditions. We regularly perform tasks in the field of occupational health and safety, fire safety and occupational healthcare, we train employees, provide employees with regular preventative health check-ups, ensure the auditing of safety at work declarations, perform the required work environment measurements and work equipment inspections.

Modra zavarovalnica, d. d. is also a family-friendly company with a Family-Friendly Company Certificate. In order to acquire the full certificate, we strive to implement all set measures in the area of flexible working hours, carry out opinion surveys among employees, train leaders in efficient work and family life coordination and the inclusion of employees into the work process after prolonged absences. By introducing new measures, we provide employees with even friendlier and more efficient coordination of their family and professional obligations.

## 1.9.3 Responsibility to the Environment

As a socially responsible company we support environmentally-oriented activities. We separate our waste, use less paper, recycle waste printer cartridges and participate in charity campaigns.

We provided assistance to the people stricken by floods in 2012. In order to help with remedying flood damage, Modra zavarovalnica, d. d. allocated the funds, which are otherwise earmarked for New Year's presents, to the flooded Karel Destovnik Kajuh Primary School in Šoštanj. The donated funds will be used by the school to renovate the flooded school playground and thus enable its 760 pupils to perform the planned outdoor sporting activities. Our employees also responded to the campaign and took part in the collection of clothes, toys, towels, blankets and food with extended shelf life, all of which was then taken to the disaster-stricken citizens in the Štajerska region.

At the end of 2012, we supported the Botrstvo (Godparent) project in Slovenia which aims to improve the quality of life of children and teenagers by helping them raise funds through the purchase of a charity calendar.

In 2012, we also managed to collect 50 kilograms of waste water bottle caps, the proceeds from which were used for the financing of bionic above-elbow prostheses for a boy who lost both of his arms in a work-related accident.



# 1.10

## Significant Business Events After the End of 2012

### 1.10.1 Entry Into Force of the Pension and Disability Insurance Act (ZPIZ-2)

ZPIZ-2 that entered into force on 1 January 2013 substantively complements the established foundations for long-term savings for the purpose of the supplementary pension which an individual saver acquires upon retirement. The legal deadline for the harmonisation of pension schemes is two years after the entry into force of the act, while the deadline for the harmonisation of pension scheme financing contracts is six months after the harmonisation of the pension scheme.

Important innovations introduced by the ZPIZ-2 in the area of supplementary pension insurance provision are:

- option of saving in life-cycle funds that differ from one another in terms of the investment policy and the appropriately adapted target age group of members, for whom the individual sub-fund (guarantee fund) is intended, whereby one of the sub-funds or guarantee funds must provide the minimum guaranteed return laid down by the ZPIZ-2;
- prevention of non-eligible use of collected funds. All premiums paid-in and funds collected by 31 December 2012 may be paid out after the lapse of 120 months in a lump sum, while all funds paid in after 31 December 2012 are allocated for the supplementary pension annuity, except in the case that the collected funds are lower than EUR 5,000 upon retirement, in which case the payout of a lump sum is still possible;
- a more lenient condition for the acquisition of the right to a supplementary pension – only the exercise of the right to an old-age, widow/widower's or disability pension with the ZPIZ;
- elimination of the condition for the inclusion of 51% of employees for the employer to be able to claim tax relief;
- option of including sole traders and owners of companies (whose holdings in the company exceed 25%) in collective insurance;
- electronic notification system in the form of an electronic inbox or access to a personal portal.

### 1.10.2 Entry Into Force of the Rules on the Calculation of Average Yield

On 25 January 2013, the Ministry of Finance of the Republic of Slovenia published the new Rules On the Calculation of Average Yield in the Official Gazette of the Republic of Slovenia. The above Rules lay down – as the basis for the determination of the guaranteed return – the average yield to maturity of securities issued by the Republic of Slovenia, with maturity longer than one year, and which are traded on the organised market or multilateral trading systems. The most important innovation introduced by the Rules in question is the limitation of the mentioned average yield to maturity to a maximum of 3.75%. If the amount of the guaranteed return on the paid-in net premium achieved is 50%, the annual guaranteed return rate is limited to a maximum of 1.88% (50% of 3.75%).

### 1.10.3 Lowering of the Management Fee and Change of the General Conditions of the PPS Fund

As of January 2013 and in accordance with the ZPIZ-2, Modra zavarovalnica, d. d. lowered the fee for the management of the First Pension Fund from 1.5% to 1%. By lowering the said fee, Modra zavarovalnica contributes to the growth of funds going towards supplementary pensions. On 18 January 2013, the changes and amendments of the General Conditions for Supplementary Pension Insurance of the First Pension Fund of the Republic of Slovenia entered into force – exchange for pension vouchers (PPS-SP01).

In addition to editorial changes, the changes and amendments of the above General Conditions relate to the harmonisation with the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) – ZPKDPIZ, and with the new Pension and Disability Insurance Act – ZPIZ-2. The management of PPS was assumed by Modra zavarovalnica, d. d. in October of 2011. In addition to this, the ZPIZ-2 also lays down the method of the calculation of the guaranteed value of a member's funds for the PPS fund as well as the fund's obligation to form provisions when the actual value of funds is lower than the guaranteed one.

# 1.11

## Expected Development of Modra zavarovalnica, d. d. in 2013

In 2013, we expect to continue to face a demanding business environment with low economic growth in the developed world and the further resolution of the European debt crisis. In terms of own asset management in 2013, Modra zavarovalnica, d. d. will again pursue the objectives of achieving yields at least in the amounts of the benchmark indices selected for individual investment classes and the objectives relating to the harmonisation of the risk/return ratio in line with the conditions on global capital markets.

In the area of pension fund management, a lot of attention will be devoted to the challenges brought about by the new legislation. ZPIZ-2 that entered into force on 1 January 2013 substantively complements the established foundations for long-term savings for the purpose of the supplementary pension that an individual saver acquires upon retirement. The business goals of Modra zavarovalnica, d. d. in 2013 will, therefore, be geared towards the development of a new supplementary pension insurance product with an additional offer of saving for old age in funds that pursue the life-cycle investment policy. The expansion of the offer will dictate adjustments to the organisation of operations in the areas of asset management, pension insurance operations and marketing, as well as the establishment of IT support for processes involving the management of the umbrella pension fund.

In order to introduce the Solvency II regime, we will draft a plan for the target IT infrastructure intended for the storage of data and reporting. We will define integration procedures and data quality assurance procedures. We will have to efficiently adapt to the new accounting and financial reporting standards.

We will continue the upgrading of the introduced support tool for customer relationship management (CRM), where the key concern will be the development of support for marketing processes of sub-funds pursuing the life-cycle investment policy. We will upgrade the Modri e-račun online service that is intended for our members and thus provide them with all the required information relating to their respective products, educate them and enhance their awareness. Other marketing and communication activities will also be geared towards building trust and promoting supplementary pension insurance as the most appropriate forms of saving for old age and well as increasing the recognition of Modra zavarovalnica, d. d. as the most suitable partner in the field of supplementary social security and provision of income to individuals in their old age. Supplementary pension insurance is becoming

an increasingly important element in the provision of supplementary income after retirement, which is why efforts will be required in the future that are aimed at increasing the paid-in premiums of both collective and individual insurance schemes so that supplementary pensions become a suitable substitute for the lowered pensions arising from compulsory pension insurance.

Careful planning of business processes, management of their effects, required resources and operational risks will be the key guidelines of Modra zavarovalnica, d. d. when creating a flexible organisation that is highly adaptable with respect to the changes in a dynamic business environment.

# 1.12

## Report On Relationships with the Controlling Company

Kapitalska družba, d. d. is the controlling company of Modra zavarovalnica, d. d. and is its sole shareholder (100% owner). In 2012, no transactions between Modra zavarovalnica, d. d. and the controlling entity, Kapitalska družba, d. d. were conducted at non-market conditions. In doing business with its controlling entity, Modra zavarovalnica, d. d. did not incur damage or loss.

### 1.12.1 Lease of Business Premises

As of the date of its establishment, Modra zavarovalnica, d. d. has operated in leased offices in the “Stekleni dvor” building at Dunajska cesta 119, Ljubljana, Slovenia. The insurance company has a lease agreement concluded with Kapitalska družba, d. d. governing the lease of the furnished business premises as well as the rights and obligations of both the lessor and lessee. The monthly lease paid for the furnished business premises and associated facilities is EUR 27,714. The lease payment includes part of the operational costs that the owner of the business premises has to pay (investment maintenance, insurance, costs of electricity).

### 1.12.2 Use of Software

Within the scope of its operations, Modra zavarovalnica, d. d. uses software, for which Kapitalska družba, d. d. owns exclusive copyrights, or software that is licensed to Kapitalska družba, d. d. A contract on the use of four computer programs has been concluded for this purpose. The monthly compensation paid for the use of computer software amounts to EUR 15,240 (inclusive of VAT).

### 1.12.3 Provision of IT Services

Within the scope of its operations, Modra zavarovalnica, d. d. uses software, for which Kapitalska družba, d. d. owns exclusive copyrights, or software that is licensed to Kapitalska družba, d. d. A contract on the use of four computer programs has been concluded for this purpose. The monthly compensation paid for the use of computer software amounts to EUR 15,240 (inclusive of VAT).

### 1.12.4 Provision of Administrative Management Services for the Compulsory Supplementary Pension Insurance Fund

As of the date of its establishment, Modra zavarovalnica, d. d. has performed individual management services for the Compulsory Supplementary Pension Insurance Fund on behalf of Kapitalska družba, d. d.. With a view to transparently regulating mutual relationships and taking into account the transfer pricing regulations, these services are governed by a contract. The monthly compensation paid for the services rendered amounts to EUR 2,000 exclusive of the value added tax.









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FINANCIAL  
REPORT

# 2.1

## Statement on Management's Responsibility

The Management Board of Modra zavarovalnica, d. d. hereby confirms the financial statements of Modra zavarovalnica, d. d. for the period from 1 January 2012 to 31 December 2012 and the associated notes and disclosures to the financial statements.

The Management Board hereby confirms that relevant accounting policies have been used consistently in the preparation of the financial statements and that the accounting estimates were produced according to the due care and diligence principle, as well as that the financial statements present a true and fair view of the position of the Company's assets and liabilities and its income and expenditures for 2012.

The Management Board is also responsible for the appropriacy of accounting, for the adoption of suitable measures for the protection of property and other assets. It further confirms that the financial statements including all of the notes have been compiled on the going concern basis as well as in accordance with the legislation in force and the International Financial Reporting Standards.

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

Ljubljana, 14 March 2013



Borut Jamnik  
*President of the  
Management Board*



Matija Debelak  
*Member of the  
Management Board*


# 2.2

## Auditor's Report

**Deloitte.**

Deloitte Revidira d.o.o.  
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Slovenija

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**INDEPENDENT AUDITOR'S REPORT**  
to the owners of the company Modra zavarovalnica, d.d.

**Report on the Financial Statements**

We have audited the accompanying financial statements of the company Modra zavarovalnica, d.d., which comprise the balance sheet as at 31 December 2012, and the income statement, statement of other 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 notes.

**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 EU and for such internal control the 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 company'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 company's internal controls. 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.

Deloitte Revidira d.o.o. je članica mreže Deloitte Touche Tohmatsu, ameriške pravne osebe, ustanovljene v skladu z zakonodajo Zbuhovce, ki deluje na vseh šestih kontinentih. Deloitte Revidira d.o.o. ni članica mreže, ampak samostojna pravna oseba. Podrobne informacije o organizaciji mreže Deloitte Revidira d.o.o. najdete na spletni strani www.deloitte.si. Deloitte Revidira d.o.o. je članica mreže Deloitte Touche Tohmatsu Limited.

### Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of the company Modra zavarovalnica, d.d. as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Other Matter

The company's financial statements for the year ended 31 December 2011 were audited by another auditor, who on 20 April 2012 issued an unqualified opinion, in which the discussed financial statements were determined as being prepared in accordance with an adequate financial reporting framework, in all material respects.

### Report on Other Legal and Regulatory Requirements:

The management is also responsible for the preparation of the business report in accordance with the requirements of the Companies Act (ZGD-1). Our responsibility is to provide an assessment of whether the business report is consistent with the audited financial statements. Our procedures have been conducted in accordance with the International Standard on Auditing 720 and are limited solely to assessing of whether the business report is consistent with the audited financial statements. In our opinion, the business report is consistent with the audited financial statements.

The Company prepared the required financial statements, as disclosed in Appendix 1 to the annual report of Modra zavarovalnica, d.d., on the basis of the Decision on Annual Report and Quarterly Financial Statements of Insurance companies (SKL 2009). The management of the Company is responsible for preparation of these financial statements which are not included in the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial information included in the preparation of financial statements in accordance with SKL 2009 is based on the financial information in the financial statements of Modra zavarovalnica, d.d.

DELOITTE REVIDIJA d.o.o.

Barbara Žibret Kralj  
Certified Auditor

Yuri Sidorovich  
President of the Board

For signature please refer to the original Slovenian version.

**Deloitte.**  
DELOITTE REVIDIJA D.O.O.  
Ljubljana, Slovenija

Ljubljana, 3 April 2013

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS



# 2.3

## Statement of Actuarial Opinion

I have examined the balance of insurance technical provisions of Modra zavarovalnica, d. d. as at 31 December 2012. I performed the examination in compliance with the provisions of the Insurance Act, the relevant implementing regulations, International Accounting Standards and the Basic Actuarial Principles.

The balance of insurance technical provisions is the responsibility of the Management Board of Modra zavarovalnica, d. d. whereas the tasks of the certified actuary are to:

- examine the adequacy of records for the purpose of valuation of liabilities;
- express an opinion on the adequacy and sufficiency of insurance technical provisions;
- examine whether the 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 minimum capital and examine capital adequacy of the insurance undertaking.

I believe that the examination performed provides a reasonable basis for the issue of the opinion of the certified actuary. Modra zavarovalnica, d. d. keeps suitable records for the purpose of valuation of liabilities.

In my opinion, the total written premiums in the 2012 financial year and the amount of insurance technical provisions set aside as at 31 December 2012 are adequate to ensure permanent fulfilment of all liabilities of the insurance undertaking arising from the insurance contracts concluded.

Minimum capital has been correctly determined and the insurance undertaking possesses adequate capital as at 31 December 2012.

Ljubljana, 5 April 2013



Matjaž Musil  
*Certified actuary of Modra zavarovalnica, d. d.*

# 2.4

## Income Statement

Disclosures and notes to the financial statements form an integral part of the financial statements.

in EUR

Item	Note	31 December 2012	3 October– 31 December 2011
I. Net premium income	1.	17,609,546	1,517,397
- Gross written premiums		17,609,546	1,517,397
- Ceded reinsurance and coinsurance written premium		0	0
- Change in unearned premiums		0	0
II. Income from financial assets in associates, of which		0	0
- profit on equity investments in associates and jointly controlled companies accounted using the equity method		0	0
III. Income from financial assets	2.	17,439,306	1,826,618
IV. Other income from insurance operations, of which	4.	10,805,392	3,431,335
- Fee and commission income		7,060,053	1,961,086
V. Other income	5.	32,102	7,806
VI. Net claims incurred	6.	-7,677,470	-1,405,316
- Gross claims paid		-7,677,470	-1,405,316
- Reinsurers' and co-insurers' shares paid		0	0
- Changes in claims provisions		0	0
VII. Change in other insurance technical provisions	7.	-11,724,596	-579,059
VIII. Change in insurance technical provision for unit-linked insurance contracts		0	0
IX. Change in liabilities from financial contracts		0	0
X. Expenses for bonuses and discounts		0	0
XI. Operating costs, of which	8.	-5,296,381	-1,569,816
- acquisition cost		0	0
XII. Expenses from financial assets in associates, of which		0	0
- loss on equity investments in associates and jointly controlled companies accounted using the equity method		0	0
XIII. Expenses from financial assets, of which	3.	-1,503,045	-2,091,118
- impairment loss of financial assets not measured at fair value through profit or loss		0	-1,034,836
XIV. Other insurance expenses	9.	-4,755,489	-699,113
XV. Other expenses	10.	-6,926	-1,228
XVI. Profit or loss before tax		14,922,439	437,506
XVII. Income tax expense	11.	-2,599,345	5,907
XVIII. Net profit of loss for the period		12,323,094	443,413
Net earnings per share		0.08	0.003
Diluted earnings per share		0.08	0.003

# 2.5

## Statement of Comprehensive Income

Disclosures and notes are an integral part of the financial statements.

in EUR

Item		31 December 2012	3 October– 31 December 2011
I.	Net profit for the financial year after tax	12,323,094	443,413
II.	Other comprehensive income after tax (1+2+3+4+5+6+7+8+9)	9,942,348	4,415,386
1.	Net gains/losses recognised in the surplus from revaluation of property, plant and equipment	0	0
2.	Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0
3.	Net actuarial gains/losses for pension schemes	0	0
4.	Net gains/losses on the re-measurement of available-for-sale financial assets	11,827,438	5,490,732
4.1.	Gains/losses recognised in revaluation reserve	15,548,416	5,790,896
4.2.	Transfer of gains/losses from revaluation reserve to profit or loss	-3,720,978	-300,164
5.	Net gains/losses relating to non-current assets held for sale	0	0
5.1.	Gains/losses recognised in revaluation reserve	0	0
5.2.	Transfer of gains/losses from revaluation reserve to profit or loss	0	0
6.	Net gains/losses from the hedging of cash flows	0	0
6.1.	Gains/losses recognised in revaluation reserve	0	0
6.2.	Transfer of gains/losses from revaluation reserve to profit or loss	0	0
6.3.	Transfer of gains/losses from revaluation reserve to the carrying amount of a hedged item	0	0
7.	Gains/losses recognised in revaluation reserves and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies accounted using the equity method	0	0
8.	Other net gains/losses of other comprehensive income	0	0
9.	Tax on other comprehensive income	-1,885,090	-1,075,346
III.	Comprehensive income for the financial year after tax (I+II)	22,265,442	4,858,799
	Comprehensive income per share	0.146	0.032
	Diluted comprehensive income per share	0.146	0.032

# 2.6

## Balance Sheet

Disclosures and notes are an integral part of the financial statements.

in EUR

Item	Note	2012	2011	
<b>Assets</b>		<b>296,506,370</b>	<b>263,258,332</b>	
A.	Intangible assets	13.	125,686	25,024
B.	Property, plant and equipment	14.	39,533	35,463
C.	Non-current assets held for sale		0	0
D.	Deferred tax assets	12.	6,397,807	10,064,673
E.	Investment property		0	0
F.	Investments in Group companies and associates	15.	12,874,077	13,770,374
G.	Financial assets:	16.	267,889,122	229,653,846
	• loans and deposits		39,677,570	40,272,904
	• held to maturity		45,413,242	41,448,002
	• available for sale		140,129,835	123,110,260
	• at fair value through profit or loss		42,668,475	24,822,680
H.	Unit-linked insurance assets		0	0
I.	Reinsurers' share in insurance technical provisions		0	0
J.	Assets from financial contracts		0	0
K.	Receivables	17.	4,741,741	8,376,205
	1. Receivables from direct insurance operations		295,876	985,094
	2. Receivables from reinsurance and co-insurance operations		0	0
	3. Current tax receivables		0	0
	4. Other receivables		4,445,865	7,391,111
L.	Other assets	19.	262,017	185,079
M.	Cash and cash equivalents	18.	4,176,387	1,147,668
<b>Capital and liabilities</b>		<b>296,506,370</b>	<b>263,258,332</b>	
A.	Equity	20.	173,168,784	150,903,343
	1. Share capital		152,200,000	152,200,000
	2. Share premium		0	0
	3. Profit reserves		5,345,385	46,785
	4. Revaluation reserve		11,242,365	1,300,018
	5. Retained earnings		4,381,034	-2,643,460
	6. Net profit or loss for the financial year		0	0
B.	Subordinated liabilities		0	0
C.	Insurance technical provisions	21.	107,283,925	95,559,334
	1. Unearned premiums		0	0
	2. Mathematical provisions		107,283,925	95,559,334
	3. Claims provisions		0	0
	4. Other insurance technical provisions		0	0



in EUR

D.	Insurance technical provisions for unit-linked insurance contracts		0	0
E.	Other provisions	22.	3,275,042	10,188,074
F.	Liabilities associated with non-current assets held for sale		0	0
G.	Deferred tax liabilities	12.	4,836,353	4,018,783
H.	Liabilities from financial contracts		0	0
I.	Other financial liabilities		0	0
J.	Operating liabilities	23.	654,636	534,598
	1. Liabilities from direct insurance operations		654,636	534,598
	2. Liabilities from reinsurance and co-insurance operations		0	0
	3. Current tax liabilities		0	0
K.	Other liabilities	24.	7,287,630	2,054,200

# 2.7

## Cash Flow Statement

Disclosures and notes are an integral part of the financial statements.

in EUR

Item	2012	3 October–31 December 2011
<b>A. Cash flows from operating activities</b>		
a) Postavke izkaza poslovnega izida	7,205,916	47,123
1. Net written insurance premiums for the period	17,609,546	1,517,397
Investment income (excluding financial income) arising from:	0	0
2. • insurance technical provisions	0	0
• other sources	0	0
3. Other operating income (excluding revaluation and reduction of provisions) and financial income from operating receivables	7,288,905	2,006,304
4. Net claims paid in the period	-7,677,470	-1,405,316
5. Bonuses and discounts paid	0	0
6. Net operating costs excluding depreciation charges and changes in accrued acquisition expenses	-5,651,395	-1,450,586
Investment expenses (excluding depreciation and financial expenses) arising from:	0	0
7. • technical sources	0	0
• other sources	0	0
8. Other operating expenses excluding amortisation and depreciation charges (except revaluation and increase in provisions)	-4,363,670	-620,676
9. Income taxes and other taxes not included in operating expenses	0	0
b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items	5,111,419	-1,458,693
1. Opening less closing receivables from direct insurance operations	689,218	-926,120
2. Opening less closing receivables from reinsurance operations	0	0
3. Opening less closing receivables from (re)insurance operations	0	0
4. Opening less closing other receivables and assets	-415,649	-691,613
5. Opening less closing deferred tax assets	0	0
6. Opening less closing inventories	0	0
7. Closing less opening debts from direct insurance operations	120,038	28,466
8. Closing less opening debts from reinsurance operations	0	0
9. Closing less opening other operating debts	4,717,812	130,574
10. Closing less opening other liabilities (excluding unearned premiums)	0	0
11. Closing less opening deferred tax liabilities	0	0
c) Net cash from (used in) operating activities (a+b)	12,317,335	-1,411,570

<b>B. Cash flows from investing activities</b>			
a)	Receipts from investing activities	68,252,740	8,719,027
	Receipts from interest earned from investing activities	6,629,774	1,771,581
1.	• investments financed by insurance technical provisions	3,604,654	1,237,547
	• other investments	3,025,120	534,034
	Receipts from dividends received and profit participations pertaining to	4,788,548	569,979
2.	• investments financed by insurance technical provisions	602,756	57,463
	• other investments	4,185,792	512,516
	Proceeds from disposal of intangible assets financed by	0	0
3.	• insurance technical provisions	0	0
	• other sources	0	0
	Proceeds from disposal of property, plant and equipment financed by	0	0
4.	insurance technical provisions:	0	0
	• other sources	0	0
	Proceeds from disposal of long-term financial assets financed by	27,402,438	2,542,681
5.	• insurance technical provisions	4,835,365	1,034,528
	• other sources	22,567,073	1,508,153
	Proceeds from disposal of short-term financial assets financed by	29,431,980	3,834,786
6.	• insurance technical provisions	17,781,980	3,234,786
	• other sources	11,650,000	600,000
b)	Payments for investing activities	-77,541,356	-7,375,446
1.	Payments for the acquisition of intangible assets	-124,630	-25,739
	Payments for the acquisition of property, plant and equipment financed from	-14,320	-36,606
2.	• insurance technical provisions	0	0
	• other sources	-14,320	-36,606
	Payments for the acquisition of long-term financial assets financed from	-66,944,405	-6,828,501
3.	• other sources	-37,995,276	-1,154,597
	Payments for the acquisition of short-term financial assets financed from	-10,458,001	-484,600
4.	• insurance technical provisions	-8,942,142	-84,600
	• other sources	-1,515,859	-400,000
c)	Net cash used in/generated by investing activities (a+b)	-9,288,616	1,343,581
<b>C. Cash flows from financing activities</b>			
a)	Proceeds from financing activities	0	0
1.	Proceeds from paid up capital	0	0
2.	Proceeds from long-term loans	0	0
3.	Proceeds from short-term loans	0	0
b)	Payments for financing activities	0	0
1.	Payments for interest paid	0	0
2.	Payments for repayment of equity capital	0	0
3.	Payments for repayment of long-term financial liabilities	0	0
4.	Payments for repayment of short-term financial liabilities	0	0
5.	Payments for dividends and other profit distributions	0	0
c)	Net cash used in/generated by financing activities (a+b)	0	0
<b>D. Closing balance of cash and cash equivalents</b>		4,176,387	1,147,668
x)	Net cash flow for the period (sum of items Ac, Bc and Cc)	3,028,719	-67,989
+			
y)	Opening balance of cash and cash equivalents	1,147,668	1,215,657





## 2.8 Statement of Changes in Equity 2012

Disclosures and notes to the financial statements form an integral part of the financial statements.

	Item	1. Share capital	II. Share premium
1.	Opening balance for the period	152,200,000	0
2.	Comprehensive income for the financial year after tax	0	0
2.a	Net profit or loss for the financial year	0	0
2.b	Other comprehensive income	0	0
3.	Subscription (or pay-up) of new capital	0	0
4.	Repayment of capital	0	0
5.	Net acquisition/disposal of treasury shares	0	0
6.	Payout (account) of dividends/rewards in the form of shares	0	0
7.	Dividend distribution (account)	0	0
8.	Allocation of net profit to profit reserves	0	0
9.	Set-off of losses from previous periods	0	0
10.	Formation and use of provisions for credit risk and catastrophe claims	0	0
11.	Other	0	0
12.	Closing balance for the period	152,200,000	0

## 2.9 Statement of Changes in Equity 2011

Disclosures and notes to the financial statements form an integral part of the financial statements.

	Item	1. Share capital	II. Share premium
1.	Opening balance for the period	152,200,000	0
2.	Comprehensive income for the financial year after tax	0	0
2.a	Net profit or loss for the financial year	0	0
2.b	Other comprehensive income	0	0
3.	Subscription (or pay-up) of new capital	0	0
4.	Repayment of capital	0	0
5.	Net acquisition/disposal of treasury shares	0	0
6.	Payout (account) of dividends/rewards in the form of shares	0	0
7.	Dividend distribution (account)	0	0
8.	Allocation of net profit to profit reserves	0	0
9.	Set-off of losses from previous periods	0	0
10.	Formation and use of provisions for credit risk and catastrophe claims	0	0
11.	Other	0	0
12.	Closing balance for the period	152,200,000	0

Modra zavarovalnica, d. d. was created through the spin-off of and the mutual pension fund management activity of the Kapitalska družba, d. d. company pursuant to the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD). The cut-off date for the spin-off was 1 January 2011, whereas Modra zavarovalnica was established and its registration in the Register of Companies became final on 3 October 2011. The net profit or loss brought forward as at 3 October 2011 in the

in EUR

III. Profit reserves		IV. Revaluation reserve	V. Net profit or loss brought forward	VI. Net profit or loss	VII. Treasury share reserves	Total equity
Legal and statutory reserves	Other profit reserves			Net profit/loss for the financial year	Deductible item	
46,785	0	1,300,018	-2,643,460	0	0	150,903,343
0	0	9,942,347	0	12,323,094	0	22,265,441
0	0	0	0	12,323,094	0	12,323,094
0	0	9,942,347	0	0	0	9,942,347
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
946,595	4,381,034	0	0	-5,327,629	0	0
0	0	0	2,643,460	-2,643,460	0	0
0	0	0	0	0	0	0
-29,029	0	0	4,381,034	-4,352,005	0	0
964,351	4,381,034	11,242,365	4,381,034	0	0	173,168,784

in EUR

III. Profit reserves	IV. Revaluation reserve	V. Net profit or loss brought forward	VI. Net profit or loss	VII. Treasury share reserves	Total equity
Legal and statutory reserves			Net profit/loss for the financial year	Deductible item	
0	-3,115,368	-3,040,088	0	0	146,044,544
0	4,415,386	0	443,413	0	4,858,799
0	0	0	443,413	0	443,413
0	4,415,386	0	0	0	4,415,386
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
46,785	0	-13,747	-33,038	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	410,375	-410,375	0	0
46,785	1,300,018	-2,643,460	0	0	150,903,343

amount of EUR – 3,040,088 represents the operating result of the activity that was the subject of 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 in the Register of Companies and the acquisition of the operating licence from the Insurance Supervision Agency in accordance with the requirements of IFRSs and the Insurance Act.

# 2.10

## Profit and Loss Appropriation Account

Disclosures and notes to the financial statements form an integral part of the financial statements.

in EUR

Item	31 December 2012	31 December 2011
a) Net profit or loss for the financial year	12,323,094	443,413
b) Retained earnings	-2,643,460	-3,040,088
<ul style="list-style-type: none"> <li>profit or loss for the year under the applicable standards</li> <li>adjustment to the new accounting standards</li> </ul>	-2,643,460	-3,040,088
c) Decrease in profit reserves	29,029	0
d) Increase in profit reserves pursuant to the decision of the Management Board	946,595	46,785
<ul style="list-style-type: none"> <li>increase in contingency reserves</li> <li>increase in legal reserves</li> <li>increase in reserves for treasury shares and interests</li> <li>increase in statutory reserves</li> </ul>	485,433	46,785
d) Increase of other reserves pursuant to the decision of the Management Board and the Supervisory Board	4,381,034	0
e) Profit/loss for appropriation (a+b+c-d-e)	4,381,034	-2,643,460











TRUST THAT GETS PASSED ON

DISCLOSURES  
AND NOTES

# 2.11

## Disclosures and Notes

### 2.11.1 General Disclosures

#### 2.11.1.1 Company Profile

Modra zavarovalnica, d. d. is organised as a public limited company. Its registered office is located at Dunajska cesta 119 in Ljubljana, Slovenia. The establishment of Modra zavarovalnica, d. d. was registered in the Register of Companies with the District Court in Ljubljana on 3 October 2011.

Modra zavarovalnica, d. d. pursues the business in the group of life insurance operations pursuant to the Insurance Act (Official Gazette of the Republic of Slovenia, Nos. 109/06 – official consolidated text, 9/07, 102/07, 69/08, and 19/09, hereinafter referred to as: ZZavar). Activities of Modra zavarovalnica, d. d. are laid down by the law or the Company's Articles of Association. Modra zavarovalnica, d. d. offers insurance products such as life insurance, accident and health insurance, pursues the activities of pension funds, assessment of risks and loss adjustment, activities of insurance brokers, other auxiliary activities for insurance operations and pension funds, and financial funds management.

#### 2.11.1.2 Data on the Controlling Company

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

#### 2.11.1.3 Data on Subsidiaries

Modra zavarovalnica, d. d. had no subsidiaries as at 31 December 2012.

#### 2.11.1.4 Data on Employees

Table 19: No. of employees by level of education

Level of education	State-of-affairs as at 31 Dec 2012	State-of-affairs as at 31 Dec 2011
VIII.	10	10
VII.	18	17
VI.	11	9
V.	16	16
IV.	1	1
Total	56	53

### 2.11.2 Accounting Policies

#### Bases for Preparation

The financial statements of Modra zavarovalnica, d. d. have been prepared on the basis of accounting policies presented below. The financial statements for 2012 have been compiled in accordance with 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 financial statements are based on bookkeeping documents and books of account kept in line with the International Financial Reporting Standards. The following general accounting assumptions have been observed in the preparation: going concern, systematic consistency and accrual basis. The following quality characteristics have been observed in the formulation of accounting policies: comprehensibility, suitability, reliability, and comparability.



## Statement of Compliance

Financial statements of Modra zavarovalnica, d. d. are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as well as the Interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) and the European Union.

In its financial statements, Modra zavarovalnica, d. d. has applied all IFRS standards and IFRIC interpretations applying for the 2012 financial year, and has not adopted early any of standards or interpretations where the use of amended standards and interpretations was not applicable in 2012.

## Basic Policies

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

## Significant Accounting Judgments and Estimates

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

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

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

Significant estimates on the part of the management relate to the impairment of non-marketable investments and provisions set aside because of the failure to achieve the guaranteed return and the formation of mathematical and other provisions.

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

Calculations take into account actuarial assumptions, the provisions of the legislation in force as well as all contractual obligations vis-à-vis the insured persons in line with the contents of insurance contracts. The calculation of mathematical provisions is computer-aided. The amount of the formed mathematical provisions is verified independently each month.

## Translation of Foreign Currencies

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

## Procedure for the Adoption of the Annual Report

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

## Summary of Significant Accounting Policies

### Property, Plant and Equipment

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

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

Derecognition of equipment is performed when the relevant asset is disposed of or when the company no longer expects economic benefits from the asset's continuing use. Gains and losses arising from 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 depreciation method are revised and, if



necessary, adjusted upon the compilation of the annual financial statements.

An item of property, plant and equipment whose individual acquisition price as per

supplier's invoice does not exceed EUR 500 may be carried and recognised as a group of small tools. Items of small tools whose individual acquisition price as per supplier's invoice does not exceed EUR 500 may be classified as materials.

## Intangible assets

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

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

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

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

## Financial Assets

Financial assets of Modra zavarovalnica, d. d. are classified into the following groups:

1. financial assets at fair value through profit or loss;
2. held-to-maturity investments;
3. investments in loans; or
4. available-for-sale financial assets.

The classification depends on the purpose for which an investment was acquired.

### Recognition of Financial Assets

Modra zavarovalnica, d. d. initially recognises all financial assets at fair value which includes the purchase costs

that are directly attributable to the acquisition, except for investments classified into the group of investments at fair value through profit or loss. The latter are recognised at fair value (direct costs of acquisition are not included in the cost, but are debited directly in the profit or loss among investment expenses).

### Fair Value Estimate

The assessment of fair value of financial assets depends on the available market data, based on which the Company can estimate the fair value. Depending on the fair value assessment method, financial assets are classified into three levels:

- the first level includes investments where the fair value is determined entirely based on published prices achieved on the active market;
- the second level includes investments where the fair value is determined based on valuation models that observe variables obtained based on publicly available market data;
- the third level includes investments where the fair value is determined based on valuation models that observe subjective variables that are not publicly available on markets.

#### 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.

Fair value of investments actively traded on organised markets is specified in the amount of the quoted stock bid price at the close of trading as at the balance sheet date. The fair value of investments whose market price is not quoted on financial markets is determined on the basis of 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 undertook to purchase or sell an individual asset.

#### 2. Held-to-Maturity Financial Assets

Modra zavarovalnica, d. d. 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 held for an indefinite period of time are not classified in this group.

Investments that 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 an impairment loss on loans or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as: the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset must be reduced through the allowance account. The amount of the impairment loss shall be recognised in 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 was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed through the allowance account. The reversal of impairment losses shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised as at the date on which the impairment loss is reversed. The amount of the reversal of an impairment loss shall be recognised in profit or loss as revaluation financial revenue.

### 3. Investments in Loans

Loans are financial assets with fixed or determinable payments that are not traded on an organised market. Loans are measured at amortised cost using the effective interest rate method and are recognised on the settlement date.

### 4. Available-for-Sale Financial Assets

After initial recognition, all financial assets designated as available-for-sale are measured at fair value or at 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 capital 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 profit or loss.

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

### Impairment of Financial Assets Classified as Available for Sale

Modra zavarovalnica regularly checks whether there is a need to impair 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 estimates that the assumption 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 of the equity investment in question. When this criterion is met, equity investments are impaired to the total amount of accumulated negative revaluation and eventual exchange rate differences recognised in equity. The company assesses that the reduction in the value to be of a long-term nature when the investment's value is in continuous decline over a period of nine to twelve months. The company additionally checks investment impairments as appropriate; but no less than once a year, namely on the balance sheet date.

Only debt security investments designated as available-for-sale financial assets, for which the company assesses with the due skill, care and diligence that their 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 to the value of zero, whereas when the latter is true, debt security investments are impaired to the percentage of the principal amount which the company assesses will be repaid on maturity. In the latter case, debt security investments with no material effect on the financial statements are not carried at amortised costs but rather at estimated realisable value. The company additionally checks these investments for potential impairments as appropriate; but no less than once a year, namely on the balance sheet date.

### Derecognition of Financial Instruments

A financial asset is written off the books when the risks and benefits, and control over contractual rights related to it have been transferred. A financial liability is written off the books when settled, cancelled or expired.

### Investments in Associates

The Company records and presents investments into associates in books of account based on the above accounting policies applying to investments classified into the group of available-for-sale assets.

An associated company is consolidated in the consolidated annual report of the insurance company's parent undertaking.

### Receivables

#### Operating Receivables

Operating receivables are recognised in the amounts

arising from issued invoices less any value adjustments. The estimate of value adjustments is based on the company's reasonable expectations that the payment is no longer probable in full or up to a certain amount.

### Short-Term Receivables from Direct Insurance Operations

Short-term receivables from direct insurance operations are receivables relating to premiums paid to the First Pension Fund (PPS), the Capital Mutual Pension Fund (KVPS), or the Closed Mutual Pension Fund for Civil Servants (ZVPSJU). These receivables were recognised upon the transfer of insured persons from the PPS to the KS PPS or the KVPS or from the ZVPSJU to the KS MR.

They are recognised on the day an insured person acquires the right to the pension annuity. It is then that the mutual pension fund determines the amount of liabilities for the transfer of assets of the insured person (single premiums) to the guarantee funds.

The amount of liabilities owed by the PPS and KVPS or ZVPSJU for the transfer of premiums to the KS PPS and KS MR equals the sum of the surrender value of the units of funds from insurance policies of insured persons. The amount of the liability is determined daily.

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

### Short-Term Receivables for the Shares in Claims Incurred

Short-term receivables for the shares in claims incurred are receivables for annuities paid to deceased insured persons.

### Short-Term Receivables from Financing Activities

Short-term receivables from financing activities comprise short-term receivables from interest, short-term receivables from dividends and other short-term receivables from financing activities.

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

Short-term receivables from dividends are recognised as at the cut-off date determined by the issuer.

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

### Other Short-Term Receivables

Other short-term receivables are receivables due from the

purchasers of securities (receivables arising from securities trading) and other short-term receivables inclusive of receivables from matured principal amounts, receivables for securities to be issued, receivables from advances, and receivables for the costs of annuities paid.

### Receivables for the Deficit of Assets of the KS PPS

If, as at the reporting day, the KS PPS reports a deficit of assets compared to liabilities, the difference is accounted for as a receivable for the deficit of assets on the KS PPS due from the manager Modra zavarovalnica, d. d. At the same time, Modra zavarovalnica, d. d. creates provisions debiting its capital for the deficit of assets in the KS PPS. The recognition of deficit of assets is consistent with the Rules on the formation of 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 the memo of the Insurance Supervision Agency of 20 December 2010.

### Cash and Cash Equivalents

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

### Equity

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

The share capital is divided into 152,200,000 ordinary registered no-par value shares. Each share represents an equal stake and associated amount in the share capital. The share of an individual no-par value share in the share capital is determined according to the number of issued no-par value shares.

Profit reserves are recognised based on:

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

Revaluation reserve arises only from the effects of the valuation of available-for-sale financial asset at fair value. The amounts of the said revaluation reserve disclosed in the balance sheet are adjusted by the amounts of deferred tax.

When calculating net profit/loss per share in both reported periods, the Company takes into account all of the shares issued. The number of shares in the calculation equals the weighted average number of ordinary shares outstanding in the reporting period.

## Insurance Contracts – Guarantee Funds

In accordance with International Financial Reporting Standard 4 (IFRS 4) and International Standard on Actuarial Practice 3 (IASP 3), the guarantee fund 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 it will happen, or
- what the compensation amount 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 from Insurance Contracts – Insurance Technical Provisions

Long-term 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, d. d. is required to set aside an adequate amount of insurance technical provisions which are designed to cover future liabilities from insurance contracts and eventual risk losses arising from insurance operations it performs.

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

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

The calculation of insurance technical provisions arising from insurance contracts and their adequacy at the annual level are verified by the certified actuary appointed by the Company’s Management Board who also expresses an opinion as to provisions.

## Net Insurance Technical Provisions of the MR Guarantee Fund

The net insurance technical provisions of the KS MR are mathematical provisions for the policies of the KVPS and the ZVPSJU. When calculating mathematical provisions from the KVPS and the ZVPSJU insurance policies, provisions of Article 117 of the Insurance Act, the Decision on detailed rules and minimum standards to be

applied in the calculation of technical provisions, and the Technical basis for pension insurance annuities offered by Modra zavarovalnica, d. d. are considered.

The basis for the calculation are the most recent mortality tables for annuities that are confirmed by the Insurance Supervision Agency.

The imputed interest rate, mortality tables and expenses are the same as those used in the calculation of the premium.

## Net Insurance Technical Provisions of the PPS Guarantee Fund

The net insurance technical provisions of the KS PPS are mathematical provisions comprising:

- mathematical provisions from PPS policies,
- provisions for equalisation of mortality experience of PPS, and
- provisions for equalisation of yield experience 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 basis for the calculation are the most recent mortality tables for annuities that are confirmed by the Insurance Supervision Agency.

The imputed interest rate and expenses are the same as those used in the calculation of annuities, while the mortality tables used in the calculation of mathematical provisions are more conservative than in the assessment of annuities.

## Provisions for equalisation of mortality experience of PPS

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

Provisions for equalisation of mortality experience, calculated per individual policies on transfer, increase the balance of provisions set aside for equalisation of mortality experience of the 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 the KS PPS for the current month. They are 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 the KS PPS, namely:



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

### Provisions for the Equalisation of Yield Experience of the PPS

Provisions for the 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 the equalisation of yield experience. The share of surplus earmarked for annuity increase is set by the management of the fund manager.

### Provisions for Non-Achievement of the Guaranteed Return

In accordance with Article 322 of the ZPIZ-1, Modra zavarovalnica, d. d. must – in the event that the actual net value of assets of the KVPS and ZVPSJU funds in the accounting period falls below the guaranteed asset value of either of the funds – form provisions that are debited to equity due to the failure to achieve the guaranteed return; provisions are formed in the amount of the difference between the guaranteed and actual net asset value. The actual net or guaranteed values of the funds are calculated monthly.

### Provisions for Pensions, Jubilee Awards and Severance Pay Upon Retirement

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

### Accruals

Prepayments and accrued income comprise short-term deferred costs or expenses and short-term accrued income. They are disclosed in actual amounts and do not differ from actual income or expenses. Eventual differences between the actual and accrued/deferred data are included in the profit or loss of the current year.

Accruals and income collected in advance includes

accrued costs and other accrued costs and deferred income. Accrued costs are disclosed accrued costs from regular operations of the Company and costs for the unused annual leave of employees.

Other accrued costs and deferred income comprise short-term deferred income for the premium paid into the Modra renta guarantee fund and the accident insurance premium.

### Operating Liabilities

Operating liabilities comprise liabilities of guarantee funds to the insured persons for annuity payments and tax liabilities. Liabilities relating to the cost of annuity payments are established on the day when short-term liabilities to the annuity recipients are determined.

### Other Liabilities

Operating liabilities comprise liabilities of guarantee funds to the insured persons for annuity payments and tax liabilities. Liabilities relating to the cost of annuity payments are established on the day when short-term liabilities to the annuity recipients are determined.

### Income

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

#### 1. Premium Income

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

#### 2. Fee and Commission Income

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

##### a. Entry Fee

For the performance of its activity in accordance with the pension scheme, the 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 manages the assets that comprise net premiums. The entry fee is calculated as a percentage of the paid premium as at the date of payment.

#### b. Management Fee

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

#### c. Exit Fee

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

### 3. Interest

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

### 4. Dividends

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

## Expenses and Costs

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

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

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

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

Financial expenses are classified by the insurance company as investment expenses.

Other insurance expenses include expenses arising from provisions set aside because of the failure to achieve

the guaranteed return of mutual pension funds, and provisions to cover deficit of assets on the guarantee fund.

## Employee Benefits

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

## Taxes

### 1. Current Taxes

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 receive from them. Current tax assets or liabilities are measured using tax rates applying at the balance sheet date.

### 2. Deferred Taxes

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

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

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

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

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

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

## Cash Flow Statement Using the Indirect Method

A cash flow statement compiled using the indirect method is a financial accounting record showing the changes in cash flows during the financial year. The cash flow statement is compiled according to the indirect method using the balance sheet data as at 31 December 2011 and 31 October 2011, income statement data for 2012, as well as additional data necessary for the adjustment of cash flows and for the appropriate breakdown of significant items.

## Amendments of Standards and Interpretations

### Initial Application of New Regulations

Amendments of IFRS 7 - Financial Instruments: Disclosures (Financial asset transfers) adopted by the EU on 22 November 2011 and applying for the annual periods from 1 July 2011 onwards have resulted in changes to the Company's accounting policies.

Published standards that will enter into force at a later date and the Company does not apply in its financial statements.

### IFRS 1 - First-time Adoption of International Financial Reporting Standards (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)

The first amendment replaces the reference to the agreed date of "1 January 2004" with the "date of transition to the IFRSs" and thus does away with the need for the first-time adopters to change the derecognition transactions that arose prior to the date of transition to the IFRSs. The second amendment provides instructions of how a company should compile the existing financial statements in line with the IFRSs after the period, in which the company did not comply with the IFRSs because its functional currency was subject to severe hyperinflation. The standard applies for the annual periods starting on or after 1 January 2013.

### IFRS 7 - Financial Instruments: Disclosures – (Offsetting financial assets and financial liabilities)

The amendments require information on all recognised financial instruments offset in accordance with paragraph 42 of IAS 32. The amendments further require the disclosure of information on recognised financial instruments subject to enforceable master offset agreements or similar agreements even if they are not offset pursuant to IAS 32. The standard applies for the annual periods starting on or after 1 January 2013.

### IFRS 10 - Consolidated Financial Statements

This standard replaces the part of IAS 27 – Consolidated and Separate Financial Statements relating to consolidated financial statements, whereby its

application shall be mandatory for annual periods starting on or after 1 January 2014. IFRS 10 establishes a model of uniform control for all enterprises. This will require a company's management to carefully weigh which companies are controlled and consequently consolidated. The standard also changes the definition of company control.

### 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. The new standard identifies only two types of joint ventures that can be jointly controlled: joint operations and joint ventures. The standard uses the definition of control in accordance with IFRS 10. Furthermore, IFRS 11 eliminates the option of accounting for jointly controlled entities using proportionate consolidation. Instead, joint ventures must be accounted for using the equity method. The start of mandatory application of the standard is for the annual periods starting on or after 1 January 2014.

### IFRS 12 - Disclosures of Interests In other Entities

The new standard that must be applied for annual periods beginning on or after 1 January 2014 includes all of the disclosures relating to consolidated financial statements that were previously included in IAS 27 – Consolidated and Separate Financial Statements, as well as the disclosures 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 the determination of whether an entity controls another entity.

### IFRS 13 - Fair Value Measurement

The new standard applies for the annual periods starting on or after 1 January 2013. IFRS 13 does not change the guidelines for when an entity is required to use fair value, but rather provides guidance on how to measure fair value of financial and other assets and liabilities under IFRS when fair value is required or permitted.

### IAS 1 - Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)

AS 1 – Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income) Items presented in other comprehensive income that could or will be reclassified or "recycled" to profit or loss at a future point in time will be presented separately from items that will never be recognised in the profit or loss. The amendment applies for the annual periods starting on or after 1 July 2012.

### IAS 12 - Deferred Taxes (amendment)

The amendment applies for annual periods beginning on or after 1 January 2013. 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.

#### IAS 19 - Deferred Taxes (amendment)

The fundamental change relates to the 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 applies for annual periods beginning on or after 1 January 2013.

#### 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 and disclosures of investments into subsidiaries, associates and joint ventures in separate financial statements. The standard shall start to apply for the annual periods starting on or after 1 January 2014.

#### 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 accounting of investments into associates and the requirements for the application of the equity method for the consolidation of investments in associates and joint ventures. The standard shall start to apply for the annual periods starting on or after 1 January 2014.

#### IAS 32 - Financial Instruments Presentation – (Offsetting financial assets and financial liabilities)

Amendments provide interpretations on the application of rules on offsetting and focus on four main areas: (a) meaning of 'currently has a legally enforceable right of set-off'; (b) the application of the simultaneous settlement criterion; (c) the treatment of collateral and margin and (d) issues around unit of account. The standard shall start to apply for the annual periods starting on or after 1 January 2014.

Modra zavarovalnica, d. d. does not apply the new IFRSs that have been issued but are not yet applicable; the insurance company is reviewing the effect of these standards and interpretations and has at this moment not yet assessed the impact of the new requirements.

#### Standards and Interpretations Issued by IASB, but not yet Endorsed by the EU

At this time, the IFRSs as adopted by the EU do not differ significantly from the regulations adopted by IFRIC, with the exception of the following standards, amendments of existing standards and interpretations that were not confirmed for application at the end of 2012:

**IFRS 9 - Financial Instruments** Financial Instruments The standard applies for the annual periods starting on or

after 1 January 2015.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards (Government loans) The standard applies for the annual periods starting on or after 1 January 2013.

Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosures – (Mandatory Effective Date and Transition Disclosures)

Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities – Transition guidance The standards apply for the annual periods starting on or after 1 January 2013.

Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Consolidated and Separate Financial Statements – Investment undertakings. The standards apply for the annual periods starting on or after 1 January 2014.

#### Amendments of various standards

Improvements of IFRSs (2012) arising from the annual IFRS improvement project published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily aiming to eliminate discrepancies and interpret the wording. The amendment applies for the annual periods starting on or after 1 January 2013.

Modra zavarovalnica, d. d. is reviewing the effect of the not yet effective standards and interpretations and at this stage cannot reasonably 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.

## 2.11.3 Breakdown and Disclosures to Financial Statements

### 2.11.3.1 Notes to the Income Statement

When comparing operating results, it is necessary to take into account that Modra zavarovalnica, d. d. only operated for three months in 2011.

#### Note No. 1 - Net premium income

in EUR

Item	2012	2011
Gross life written premiums	17,608,468	1,517,397
Gross non-life written premiums	1,078	0
Total	17,609,546	1,517,397

Gross life written premiums are effected payments into the two annuity insurance guarantee funds.

## Note No. 2 - Income from financial assets

in EUR

Item	2012	2011
Interest income from financial assets	6,035,010	1,368,181
At fair value through profit or loss	691,673	136,633
Held-to-maturity	1,903,025	425,550
Available-for-sale	1,702,128	388,038
Loans and deposits	1,738,165	417,943
Cash and cash equivalents	19	18
Derivatives	0	0
Dividend income from financial assets	4,858,152	329,918
At fair value through profit or loss	651,530	7,107
Available-for-sale	4,206,622	322,811
Revaluation income	2,521,701	0
Revaluation of financial assets at fair value through profit or loss	2,521,701	0
Other revaluation income	0	0
Income from foreign exchange differences	37,489	69,493
Gains on disposal of financial assets	3,986,943	59,026
Available-for-sale	3,983,670	0
At fair value through profit or loss	3,273	59,026
Other financial income	11	0
<b>Total</b>	<b>17,439,306</b>	<b>1,826,618</b>

Total financial income in 2012 came in at EUR 17,439,306. The major share of financial income is represented by interest income from financial assets.

## Note No. 3 - Expenses from financial assets

in EUR

Item	2012	2011
Interest expenses from financial assets	-3,205	-1,473
Bank loans	0	0
Other loans	0	0
Bonds issued	0	0
Derivatives	0	0
Other interest expenses	-3,205	-1,473
Revaluation expense	-513,015	-2,059,173
Revaluation of financial assets at fair value through profit or loss	-513,015	-443,017
Revaluation of held-to-maturity financial assets	0	-1,034,836
Revaluation of financial assets at fair value through equity	0	0
Revaluation expenses from futures transactions and currency swaps	0	-581,320
Revaluation expenses from deposits and loans denominated in foreign currencies	0	0
Other revaluation expenses	0	0
Exchange rate losses	-133,525	-3,731
Loss on disposal of financial assets	-842,415	-26,512
At fair value through profit or loss	-18,922	-3,866
Held-to-maturity	-560,800	0
Available-for-sale	-262,693	-22,647
Loss on impairment of financial assets	0	0
Other finance costs	-10,885	-229
<b>Total</b>	<b>-1,503,045</b>	<b>-2,091,118</b>

Total financial expenses in 2012 came in at EUR -1,503,045.

**Realised gains and losses**

in EUR

Item	2012	2011
Income from financial assets	17,439,306	1,826,618
Expenses from financial assets	-1,503,045	-2,091,118
Net gains or losses from financial assets	15,936,261	-264,500

**Note No. 4 - Other insurance income**

in EUR

Item	2012	2011
Entry fee	657,680	187,887
Management fee	5,608,654	1,491,354
Exit fee	793,719	281,845
Other	3,745,339	1,470,249
Total	10,805,392	3,431,335

The major amount of other income is income from the reversal of provisions for non-achievement of guaranteed return that came in at EUR 3,548,603.

**Note No. 5 - Other income**

in EUR

Item	2012	2011
Other income	32,102	7,806

Other income is income from the services which Modra zavarovalnica, d. d. has rendered for Kapitalska družba, d. d. in relation to the operations of the SODPZ fund, rental income and other smaller items.

**Note No. 6 - Net claims incurred**

in EUR

Item	2012	2011
Gross paid claims from life insurance	-7,677,470	- 1,405,316
Gross paid claims from non-life insurance	0	0
Total	-7,677,470	- 1,405,316

Gross paid claims represent paid pension annuities.

**Note No. 7 - Change in insurance technical provisions**

in EUR

Item	2012	2011
Change in insurance technical provisions of the KS PPS	-787,094	-197,707
Change in insurance technical provisions of the KS MR	-10,937,502	-381,352
Total	-11,724,596	-579,059

**Note No. 8 - Operating costs**

in EUR

Item	2012	2011
Acquisition cost	0	0
Cost of material	-130,602	-82,949
Cost of services	-2,539,606	-774,532
Write-downs	-34,219	-1,858
Cost of provisions	-12,117	-117,374
Labour costs	-2,523,857	-591,532
Other operating costs	-55,980	-1,571
Total	-5,296,381	-1,569,816

Acquisition costs include the cost of insurance brokers and other costs directly attributable to acquisition. In 2012, the insurance company incurred no such costs.

Cost of material in 2012 came in at EUR -130,602. The major share of the above costs are the costs of printing.

Cost of services in 2012 came in at EUR -2,539,606. The main part of the above costs are the cost of leasing IT assets and maintaining software in the amount of EUR -562,172, cost of the custodian bank in the amount of EUR -348,608 and the costs of rent for business premises in the amount of EUR -332,788.

Write-downs are the costs of depreciation of property, plant and equipment and amortisation of intangible assets.

The costs of provisions in the amount of EUR 1-12,117 are the costs of the formation of provisions for jubilee awards and severance pay upon retirement. Any potential expenses for provisions set aside for non-achievement of guaranteed return or deficit of assets of the KS PPS are included in other insurance expenses.

Labour cost in 2012 came in at EUR -2,523,857. Of the said amount, EUR 1,929,093 represent costs of gross salaries and income replacements, with the remaining amount relating to the cost of contributions on salaries paid, meal allowance and travel allowance, costs of supplementary pension insurance and similar costs.

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

Audit cost in 2012 amounted to EUR -45,974.

**Note No. 9 - Other insurance expenses**

in EUR

Item	2012	2011
Other technical expenses	-4,755,489	-699,113

Other insurance expenses in 2012 comprise payments made by the fund manager to make up the difference to the guaranteed return of mutual pension funds in the amount of EUR -4,354,139, the Modra renta guarantee fund management fee, while in 2011 they also comprised expenses for provisions sets aside for non-achievement of guaranteed return.



## Note No. 10 - Other expenses

Item	2012	2011
Other expenses	-6,926	-1,228

Other expenses represent payments of tax on dividends from abroad, rounding up of amounts in cents and similar expenses.

## Note No. 11 - Income tax expense

in EUR

Item	2012	2011
Net profit or loss for the period before taxes	14,922,439	437,506
Non-deductible expenses	468,207	143,504
Value adjustments of inventories and receivables	0	0
Provisioning	0	0
Non-taxable income	5,164,702	532,998
Tax allowance	104,216	0
Tax loss	0	0
<b>Total</b>	<b>10,121,728</b>	<b>48,012</b>
Income tax	0	0
Tax on dividends from abroad	0	0

Modra zavarovalnica, d. d. has no income tax liability arising from the settlement of tax losses, which is why the effective tax rate calculation is not possible.

## Note No. 12 - Deferred tax

in EUR

Item	Balance sheet as at 31 Dec. 2012	Balance Sheet as at 31 Dec. 2011	Income statement 2012	Income statement 3 Oct. – 31 Dec. 2011
Deferred income tax – liabilities; of which:	4,836,352	4,018,783	1,067,521	3,772
• Revaluation of available-for-sale financial assets to fair value	1,627,105	257,986	0	0
<b>Total deferred income tax liabilities</b>	<b>4,836,352</b>	<b>4,018,783</b>	<b>1,067,521</b>	<b>3,772</b>
Deferred income tax – receivables; of which:	6,397,807	10,064,673	-3,666,866	2,135
• Loss brought forward to be used as tax allowance	3,980,399	6,707,168	-2,726,769	-9,602
• Value adjustment of investments	2,407,944	3,345,768	-937,824	0
• Provisions	9,464	11,737	-2,273	11,737
<b>Total deferred income tax assets</b>	<b>6,397,807</b>	<b>10,064,673</b>	<b>-3,666,866</b>	<b>2,135</b>
<b>Netting of deferred tax assets and liabilities</b>	<b>1,561,455</b>	<b>6,045,890</b>	<b>-2,599,345</b>	<b>5,907</b>

### 12.1 Changes in deferred tax recognised directly in equity

in EUR

Changes in deferred tax	2012	2011
Balance as at 1 January	4,018,783	2,947,210
Changes during the year	817,569	1,071,573
<b>Balance as at 31 December 2012</b>	<b>4,836,352</b>	<b>4,018,783</b>

## 2.11.3.2 Notes to the Balance Sheet

## Note No. 13 - Changes in intangible assets and long-term prepaid expenses and accrued income

in EUR

2012	Software	Total
Cost as at 1 January 2012	25,739	25,739
New acquisitions	124,630	124,630
Disposals	0	0
Cost as at 31 December 2012	150,369	150,369
Value adjustment as at 1 January 2012	-715	-715
Increases	0	0
Transfers	0	0
Decreases	0	0
Write-downs	0	0
Depreciation	-23,968	-23,968
Value adjustment as at 31 December 2012	-24,683	-24,683
Carrying amount as at 1 January 2012	25,024	25,024
Carrying amount as at 31 December 2012	125,686	125,686

in EUR

2011	Software	Total
Cost as at 3 October 2011	0	0
New acquisitions	25,739	25,739
Disposals	0	0
Cost as at 31 December 2011	25,739	25,739
Value adjustment as at 3 October 2011	0	0
Increases	0	0
Transfers	0	0
Decreases	0	0
Write-downs	0	0
Depreciation	-715	-715
Value adjustment as at 31 December 2011	-715	-715
Carrying amount as at 3 October 2011	0	0
Carrying amount as at 31 December 2011	25,024	25,024

## Note No. 14 - Changes in property, plant and equipment

in EUR

2012	Equipment	Company cars	Total
Cost as at 1 January 2012	11,326	25,280	36,606
New acquisitions	14,320	0	14,320
Disposals	0	0	0
Cost as at 31 December 2012	25,646	25,280	50,926
Value adjustment as at 1 January 2012	-300	-843	-1,143
Increases	0	0	0
Transfers	0	0	0
Decreases	0	0	0
Write-downs	0	0	0
Depreciation	-5,194	-5,056	-10,250
Value adjustment as at 31 December 2012	-5,494	-5,899	-11,393
Carrying amount as at 1 January 2012	11,026	24,437	35,463
Carrying amount as at 31 December 2012	20,152	19,381	39,533

in EUR

2011	Equipment	Company cars	Total
Cost as at 3 October 2011	0	0	0
New acquisitions	11,326	25,280	36,606
Disposals	0	0	0
Cost as at 31 December 2011	11,326	25,280	36,606
Value adjustment as at 3 October 2011	0	0	0
Increases	0	0	0
Transfers	0	0	0
Decreases	0	0	0
Write-downs	0	0	0
Depreciation	-300	-843	-1,143
Value adjustment as at 31 December 2011	-300	-843	-1,143
Carrying amount as at 3 October 2011	0	0	0
Carrying amount as at 31 December 2011	11,026	24,437	35,463

## Note No. 15 - Investments in Group companies and associates

### 15.1 Investments in associates

At 31 December 2012, Modra zavarovalnica, d. d. has an investment of EUR 12,874,077 in its associated entity Cinkarna Celje, d. d. The investment in the associated entity is classified as an available-for-sale financial asset.

in EUR

Associate	Registered office	Equity stake in %	Equity as at 1 Dec. 2012 (unaudited data)	Net profit in 2012 (unaudited data)
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.00 %	133,348,357	18,293,805

### 15.2 Changes in investments in associates

in EUR

Item	Investments in associated companies
Balance as at 1 January 2012	13,770,374
Change in the revaluation reserve	-896,297
Balance as at 31 December 2012	12,874,077

As a result of reduction in the share price of the investment, investments in associates fell by EUR 896,297 in 2012.

## Note No. 16 - Financial assets

in EUR

Item	Financial assets of the insurance company y	Financial assets of the guarantee funds	Total 31 December 2012
Loans and deposits	22,076,773	17,600,797	39,677,570
Held-to-maturity financial assets	0	45,413,242	45,413,242
Available-for-sale financial assets	140,129,835	0	140,129,835
Financial assets at fair value through profit or loss	0	42,668,475	42,668,475
Total	162,206,608	105,682,514	267,889,122

in EUR

Item	Financial assets of the insurance company y	Financial assets of the guarantee funds	Total 31 December 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
<b>Total</b>	<b>140,616,737</b>	<b>89,037,109</b>	<b>229,653,846</b>

### 16.1 Loans and deposits

in EUR

Item	31 December 2012	as at 31 December 2011
Long-term loans and deposits	13,120,000	14,500,000
Short-term loans and deposits	26,557,570	25,772,904
<b>Total</b>	<b>39,677,570</b>	<b>40,272,904</b>

Investments in loans and deposits comprise deposits held with domestic banks.

### 16.2 Investments in securities

in EUR

Item	31 December 2012	31 December 2011
Financial assets at fair value through profit or loss	42,668,475	24,822,680
• Equity securities	19,909,830	12,750,831
• Debt securities	22,758,645	12,071,849
Available-for-sale financial assets	140,129,835	123,110,260
• Equity securities	91,570,116	78,999,670
• Debt securities	48,559,719	44,110,590
Held-to-maturity financial assets	45,413,242	41,448,002
<b>Total</b>	<b>228,211,552</b>	<b>189,380,942</b>

### 16.3 Changes in investments in securities

in EUR

Modra zavarovalnica, d. d.	Held to maturity	Available-for-sale	At fair value	Total
Balance as at 1 January 2012	41,448,002	123,110,259	24,822,681	189,380,942
Acquisitions	7,071,266	23,754,820	21,961,961	52,788,047
Revaluation / impairments / revalorisation	1,342,225	18,102,726	2,658,195	22,103,146
Sales	-534,640	-13,421,831	-3,907,975	-17,864,446
Maturity	-3,913,611	-11,416,139	-2,866,387	-18,196,137
Balance as at 31 December 2012	45,413,242	140,129,835	42,668,475	228,211,552

in EUR

Guarantee funds	Held to maturity	Available-for-sale	At fair value	Total
Balance as at 1 January 2012	41,448,002	0	24,822,681	66,270,682
Acquisitions	7,071,266	0	21,961,961	29,033,227
Revaluation / impairments / revalorisation	1,342,225	0	2,658,195	4,000,420
Sales	-534,640	0	-3,907,975	-4,442,615
Maturity	-3,913,611	0	-2,866,387	-6,779,998
Balance as at 31 December 2012	45,413,242	0	42,668,475	88,081,717

in EUR

Own financial assets	Held to maturity	Available-for-sale	At fair value	Total
Balance as at 1 January 2012	0	123,110,260	0	123,110,260
Acquisitions	0	23,754,820	0	23,754,820
Revaluation / impairments / revalorisation	0	18,102,726	0	18,102,726
Sales	0	-13,421,831	0	-13,421,831
Maturity	0	-11,416,139	0	-11,416,139
Balance as at 31 December 2012	0	140,129,835	0	140,129,835

### 16.4 Structure of financial assets with respect to the interest rate type

in EUR

Financial asset	31 December 2012	31 December 2011
Debt instruments	116,731,606	97,630,441
• Fixed interest rate	111,357,678	89,019,645
• Variable interest rate	5,373,928	8,610,796
Loans and deposits	39,677,570	40,272,904
• Fixed interest rate	39,677,570	40,272,904
• Variable interest rate	0	0
Total	156,409,176	137,903,345

Treasury bills and certificates of deposits are accounted within the scope of fixed-rate debt security investments. Cash is not accounted.



### 16.5 Risk of interest rate fluctuations

in EUR

Financial assets as at 31 December 2012	Maturity of up to 1 year	From 1 to 5 years	More than 5 years	Total
Financial assets at fair value through profit or loss	5,175,341	9,687,097	7,896,207	22,758,645
Held-to-maturity financial assets	7,883,667	20,545,476	16,984,099	45,413,242
Available-for-sale financial assets	3,148,694	24,462,894	20,948,131	48,559,719
Issued loans and deposits	26,552,609	13,124,961	0	39,677,570
Cash and cash equivalents	4,176,387	0	0	4,176,387
<b>Total</b>	<b>46,936,698</b>	<b>67,820,428</b>	<b>45,828,437</b>	<b>160,585,563</b>

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

### Note No. 17- Receivables

in EUR

Item	31 December 2012	31 December 2011
Receivables from direct insurance operations	295,876	985,094
Other receivables	4,445,865	7,391,111
<b>Total</b>	<b>4,741,741</b>	<b>8,376,205</b>

The biggest item within other receivables is the retained deficit of assets for the coverage of liabilities owed to insured persons of the KS PPS in the amount of EUR 3,118,559.

### Note No. 18 - Cash and cash equivalents

in EUR

Item	31 December 2012	31 December 2011
Bank balances and cash in hand	439,387	465,668
Deposits redeemable at notice	3,737,000	682,000
Deposits of up to three months of original maturity	0	0
<b>Total</b>	<b>4,176,387</b>	<b>1,147,668</b>

### Note No. 19 - Other assets

in EUR

Item	31 December 2012	31 December 2011
Other assets	262,017	185,079

Other assets in the amount of EUR 262,017 represent short-term accrued costs or deferred revenues.

## Note No. 20 - Equity

### 20.1 Share capital

in EUR

Item	31 December 2012	31 December 2011
Share capital (in EUR)	152,200,000	152,200,000
Ordinary shares (number)	152,200,000	152,200,000
Uncalled capital (in EUR)	0	0

The insurance company's share capital is EUR 152,200,000. The share capital is divided into 152,200,000 ordinary registered no-par value shares. Each share represents an equal stake and associated amount in the share capital. The share of an individual no-par value share in the share capital is determined according to the number of issued no-par value shares.

As at 31 December 2012, the carrying amount of one share is EUR 1.14.

Modra zavarovalnica, d. d. is wholly owned by Kapitalska družba, d. d.

### 20.2 Changes in individual capital components

in EUR

Item	Share capital	Share premium	Profit reserves	Revaluation reserve	Retained earnings	Net profit or loss for the financial year	Total
1 January 2012	152,200,000	0	46,785	1,300,018	-2,643,460	0	150,903,343
Change	-	0	5,298,600	9,942,347	7,024,494	0	22,265,441
31 December 2012	152,200,000	0	5,345,385	11,242,365	4,381,034	0	173,168,784

Profit reserves represent legal and statutory reserves in the amount of EUR 964,351 as well as other profit reserves in the amount of EUR 4,381,034.

## Note No. 21- Insurance technical provisions

### 21.1 Insurance technical provisions

in EUR

Item	31 December 2012	31 December 2011
Insurance technical provisions of the KS PPS	95,965,071	95,177,977
Insurance technical provisions of the KS MR	11,318,854	381,357
Total	107,283,925	95,559,334

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

Insurance technical provisions are presented in the chapter entitled Disclosures of Insurance Contracts.

### 21.2 Changes in insurance technical provisions

in EUR

Item	Mathematical provisions in 2012	Mathematical provisions in 2011
Opening balance	95,559,334	94,980,270
New provisions set aside during the year	17,609,546	1,517,397
Drawing of provisions during the year	-5,884,955	-938,333
Closing balance	107,283,925	95,559,334

**Note No. 22- Other provisions****22.1. Other provisions**

in EUR

Other provisions	31 December 2012	31 December 2011
Provisions for non-achievement of the guaranteed return	30,715	3,579,318
Provisions for the deficit of assets of the KS PPS	3,118,559	6,491,382
Provisions for pensions, jubilee awards and severance pay upon retirement	125,768	117,374
<b>Total</b>	<b>3,275,042</b>	<b>10,188,074</b>

**22.2 Changes in other provisions**

in EUR

Item	Provisions for non-achievement of the guaranteed return	Provisions for the deficit of assets of the KS PPS	Other provisions	Total
1 January 2012	3,579,318	6,491,382	117,374	10,188,074
New provisions set aside during the year	0	0	12,117	12,117
Drawing of provisions	0	0	-3,723	-3,723
Reversal of provisions	-3,548,603	-3,372,823	0	-6,921,426
<b>31 December 2012</b>	<b>30,715</b>	<b>3,118,559</b>	<b>125,768</b>	<b>3,275,042</b>

At the end of 2012, the Company formed new provisions in the amount of EUR 12,117 for jubilee awards and severance pay upon retirement.

Provisions for severance pay upon retirement and jubilee awards are calculated based on the assumption on the expected worker turnover, their years of service and expected number of years until retirement while also observing the provisions of individual and collective employment contracts and the Company's internal acts. 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**

in EUR

Item	31 December 2012	31 December 2011
Liabilities from direct insurance operations	654,636	534,598
Liabilities from reinsurance and co-insurance operations	0	0
Current tax liabilities	0	0
<b>Total</b>	<b>654,636</b>	<b>534,598</b>

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

**Note No. 24- Other liabilities**

in EUR

Item	31 December 2012	31 December 2011
Short-term liabilities to employees	169,433	163,436
Short-term liabilities for the shares in claims incurred	0	0
Other short-term liabilities from insurance operations	435,158	51,739
Short-term financing liabilities	0	266,627
Other short-term liabilities	1,211,915	486,469
Accrued costs	237,667	146,487
Short-term deferred income	1,229,913	939,442
Fund manager's liability for the payment of the difference up to the guaranteed return of the mutual pension fund (VPS)	4,003,544	0
<b>Total</b>	<b>7,287,630</b>	<b>2,054,200</b>

Short-term liabilities to employees are liabilities arising from salaries and wages for December 2012.

Short-term deferred income is deferred income arising from the pension insurance annuities received from insured persons who withdrew from the KVPS and ZVPSJU funds and – based on the preliminary calculation – expressed the intention to take out insurance as of 1 January 2013.

The fund manager's liability for the payment of the difference up to the guaranteed return of the mutual pension fund (VPS) relates entirely to the liability for the payment of the difference up to the guaranteed return of the PPS fund.

### 2.11.3.3 Disclosures of insurance contracts

#### Composition of long-term insurance contracts

**Table 20: Present gross value of future payouts from the KS PPS and the KS MR**

in EUR

Type of payout	31 December 2012	31 December 2011
KS PPS	95,965,071	95,177,977
KS MR	11,318,854	381,357
Total	107,283,925	95,559,334

The total present gross value of future payouts of all types of pension annuities from the KS PPS as at 31 December 2012 is EUR 95,965,071. Annuity tables DAV2004R and the legally prescribed technical interest rate of 1% were applied in the calculation of the value of future payouts. Any insured person can, upon acquiring the right to a pension annuity, select one of the available annuity products, thus exercising his/her right and finally determining the method of enjoyment of the right. An insured person with more than 2,000 points on their insurance policy can choose between pension annuity for life and pension annuity with a guaranteed payment period of 5, 10 or 15 years. If an insured person dies during the guaranteed payout period, the pension annuity is paid out to their beneficiaries or heirs until the expiry of the guaranteed payout period. An insured person with less than 2,000 points on their insurance policy can, in addition to the monthly annuity, opt for a one-off payment of the pension annuity, whereas an insured person with between 2,001 and 5,000 points, can opt for the annuity that is paid annually.

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

Annuity insurance may be taken out in a number of formats. The classic “Modra renta” is paid out monthly from the beginning of the annuity insurance validity until the end of one’s life and is not inherited. In the event of an insured person’s death before the expiry of the guaranteed payout period (5, 10, 15, or 20 years), annuities are paid to the beneficiaries or heirs until the expiry of the guaranteed payout period.

Accelerated “Modra renta” with full guarantee is paid out from the beginning of the validity of annuity insurance until the end of one’s life. During the guaranteed payout period (24, 48, 72, 96, or 120 months), the annuity is higher and is paid out monthly, whereas after the end of the said period, it is paid out in equal annual amounts. In

the event of death of the insured person before the expiry of the guaranteed payout period, annuities are paid to the beneficiaries or heirs until the expiry of the guaranteed payout period.

Accelerated “Modra renta” with limited guarantee is paid out from the beginning of the validity of annuity insurance until the end of one’s life. During the period of monthly payments (24, 48, 72, 96, or 120 months), the annuity is higher, after which it is paid annually in the amount of EUR 12. In the event of death of the insured person before the expiry of the guaranteed payout period, annuities are paid to the beneficiaries or heirs until the expiry of the guaranteed payout period. The guaranteed payout period is shorter than the period of monthly payments.

#### Adequacy of Liabilities

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

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

- the expected mortality was determined using the German D1994R mortality table for annuities that adequately describe actual mortality based on past experience;
- the cancellation rate is calculated based on data from previous years;
- early terminations were not envisaged as they are not possible in line with the provisions laid down in insurance contracts;
- expected costs are the same as the accrued ones;
- the discount rate was determined according to the curve of yields of Slovenian sovereign debt securities.

The LAT has shown that mathematical provisions are sufficient.

#### Changes in Interest Rates / Return

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

**Table 21: Changes in interest rates / return of the KS MR as at 31 December 2012**

in EUR

Change in return	Increase in return by 0.25 percentage points	Decrease in return by 0.25 percentage points
Changes in liabilities (provisions)	-51,179	53,085

**Table 22: Changes in interest rates / return of the KS MR as at 31 December 2011**

in EUR

Change in return	Increase in return by 0.25 percentage points	Decrease in return by 0.25 percentage points
Changes in liabilities (provisions)	-306	318

## Change in Mortality

**Table 23: Change in mortality as at 31 December 2012 for the KS PPS**

in EUR

Change in mortality	Increase in the mortality variable by 10%	Decrease in the mortality: variable by 10%
Changes in liabilities (provisions)	-2,978,626	3,379,258

Increase of the mortality variable by 10% would result in a decrease of liabilities by EUR 2,978,626. Annuity tables DAV2004R were used in the calculation of changes in liabilities due to changes in the mortality variable.

**Table 24: Change in mortality as at 31 December 2011 for the KS PPS**

in EUR

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

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

**Table 25: Change in mortality as at 31 December 2012 for the KS MR**

in EUR

Change in mortality	Increase in the mortality by 10%	Decrease in the mortality: by 10%
Changes in liabilities (provisions)	-27,431	30,467

Increase of the mortality variable by 10% would result in a decrease of liabilities by EUR 27,431. Annuity tables DAV1994R were used in the calculation of changes in liabilities due to changes in the mortality variable.

**Table 26: Change in mortality as at 31 December 2011 for the KS MR**

in EUR

Change in mortality	Increase in the mortality by 10%	Decrease in the mortality: by 10%
Changes in liabilities (provisions)	-194	215

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



### 2.11.3.4 Underwriting Risk Management

Modra zavarovalnica, d. d. estimates that its own assets as well as those of the KS PPS and KS MR funds are exposed to the credit, market, interest rate and liquidity risk within the scope of its operations. The assets owned by the insurance company as well as those of the two guarantee funds (PPS and MR) are included in the tables presented.

### Capital Management

Pursuant to the Insurance Act, an insurance company is required to comply with minimum capital requirements laid down by the said act. Since the insurance undertaking is registered to perform life and non-life insurance operations, it must comply with the capital requirements for both types of insurance products.

**Table 27: Capital adequacy**

in EUR

Item	31 December 2012	31 December 2011
Minimum capital requirement	38,625,821	36,714,761
Minimum capital requirement for life insurance products	36,325,821	34,414,761
Minimum capital requirement for non-life insurance products	2,300,000	2,300,000
Surplus of available capital	130,436,878	107,456,390
Surplus of available capital of life insurance products	127,713,768	104,697,735
Surplus of available capital of non-life insurance products	2,723,110	2,758,655

### Credit Risk

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

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

**Table 28: Exposure of the financial assets of Modra zavarovalnica, d. d. to credit risk without considering potential collateral (security) as at 31 December 2012**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	Total
Financial assets at fair value through profit or loss	2,487,455	17,100,276	316,234	2,854,680	0	22,758,645
Held-to-maturity financial assets	8,657,456	35,296,522	0	1,459,264	0	45,413,242
Available-for-sale financial assets	17,343,706	27,416,152	1,509,482	2,290,378	0	48,559,719
Issued loans and deposits	2,580,000	12,160,000	0	24,937,570	0	39,677,570
Cash and cash equivalents	19,511	4,088,500	0	68,376	0	4,176,387
Total	31,088,128	96,061,451	1,825,716	31,610,267	0	160,585,563

**Table 29: Exposure of the financial assets of the guarantee funds to credit risk without considering potential collateral (security) as at 31 December 2012**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	Total
Financial assets at fair value through profit or loss	2,487,455	17,100,276	316,234	2,854,680	0	22,758,645
Held-to-maturity financial assets	8,657,456	35,296,522	0	1,459,264	0	45,413,242
Available-for-sale financial assets	0	0	0	0	0	0
Issued loans and deposits	980,000	2,910,000	0	13,710,797	0	17,600,797
Cash and cash equivalents	9,257	351,500	0	3,455	0	364,212
<b>Total</b>	<b>12,134,168</b>	<b>55,658,298</b>	<b>316,234</b>	<b>18,028,196</b>	<b>0</b>	<b>86,136,896</b>

**Table 30: Exposure of the Company's own financial assets to credit risk without considering potential collateral (security) as at 31 December 2012**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	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	17,343,706	27,416,152	1,509,482	2,290,378	0	48,559,719
Issued loans and deposits	1,600,000	9,250,000	0	11,226,773	0	22,076,773
Cash and cash equivalents	10,254	3,737,000	0	64,921	0	3,812,175
<b>Total</b>	<b>18,953,960</b>	<b>40,403,152</b>	<b>1,509,482</b>	<b>13,582,071</b>	<b>0</b>	<b>74,448,666</b>

**Table 31: Exposure of the financial assets of Modra zavarovalnica, d. d. to credit risk without considering potential collateral (security) as at 31 December 2011**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	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
<b>Total</b>	<b>66,730,081</b>	<b>19,790,103</b>	<b>1,973,621</b>	<b>49,394,913</b>	<b>1,162,295</b>	<b>139,051,013</b>

**Table 32: Exposure of the financial assets of the guarantee funds to credit risk without considering potential collateral (security) as at 31 December 2011**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	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
<b>Total</b>	<b>38,647,605</b>	<b>8,468,530</b>	<b>421,222</b>	<b>28,026,077</b>	<b>1,162,295</b>	<b>76,725,728</b>

**Table 33: Exposure of the Company's own financial assets to credit risk without considering potential collateral (security) as at 31 December 2011**

in EUR

Financial assets group	Low risk – high credit rating of debtor	Moderate risk – medium credit rating of debtor	Moderate risk investments (no rating)	High risk investments	Impaired investments – lower credit rating of debtor	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
<b>Total</b>	<b>28,082,476</b>	<b>11,321,573</b>	<b>1,552,400</b>	<b>21,368,836</b>	<b>0</b>	<b>62,325,284</b>

Securities are categorised in identified groups according to their respective credit ratings. Low risk investments are all investments with a credit rating from AAA to A-; moderate risk investments are those with a 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 cut. Moderate risk investments are those without a credit rating from a recognised credit rating agency, however, according to the internal methodology of the fund manager, they meet the criteria for classification into the so-called investment class. This class comprises primarily certain domestic corporate bonds.

Issued loans and deposits are deposits held with domestic banks. Deposits are classified into the same credit rating class as held by the bank, in which the insurance company holds its funds.

**Table 34: Geographical concentration of credit risk exposure of financial assets**

in EUR

Region	31 December 2012	31 December 2011
Slovenia	102,883,940	97,190,690
Other countries	57,701,622	41,860,323
<b>Total</b>	<b>160,585,563</b>	<b>139,051,013</b>

## Foreign Exchange Risk

**Table 35: Currency composition of financial assets**

in EUR

Currency	31 December 2012	31 December 2011
Assets denominated in euros	242,329,236	204,859,653
Assets denominated in US dollars	39,123,982	36,774,218
Assets denominated in other currencies	3,486,369	2,938,017
<b>Total</b>	<b>284,939,586</b>	<b>244,571,888</b>

As at 31 December 2012, 85% of the Company's financial assets were denominated in euros, 14% in US dollars and the remainder in other currencies.

**Table 36: Foreign exchange risk of financial assets as at 31 December 2012**

v EUR

Changes of the USD exchange rate in %	Effect on profit or loss	Effect on equity
+/- 10%	+/- 144,779	+/- 3,767,620

**Table 37: Foreign exchange risk of financial assets as at 31 December 2011**

in EUR

Changes of the USD exchange rate in %	Effect on profit or loss	Effect 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 investments, the income from which is linked to variable interest rates, and debt instruments where interest income is linked to a fixed interest rate despite the fact their market value changes upon any fluctuation of the level of market interest rates.

**Table 38: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2012 – change in interest rates by 50 basis points**

in EUR

	Changes in interest rates	Sensitivity of interest income	Effect on fair value	Total
Financial assets at fair value through profit or loss	+/- 0.5 %	+/- 1,618	+/- 87,783	+/- 86,165
Held-to-maturity financial assets	+/- 0.5 %	+/- 0	-/+ 0	+/- 0
Available-for-sale financial assets		+/- 25,251	+/- 213,592	+/- 188,341
Loans and deposits	+/- 0.5 %	+/- 0	+/- 0	+/- 0
<b>Total</b>		<b>+/-26,869</b>	<b>-/+ 301,375</b>	<b>+/- 274,506</b>

**Table 39: Analysis of investment sensitivity to changes in market interest rates as at 31 December 2011 – change in interest rates by 50 basis points**

in EUR

	Changes in interest rates	Sensitivity of interest income	Effect on 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
<b>Total</b>		<b>+/-41,536</b>	<b>-/+ 234,986</b>	<b>+/- 193,449</b>

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

## Market Risk

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

**Table 40: Market risk of the equities portfolio as at 31 December 2012**

in EUR

Change of the index in %	Effect on profit or loss	Effect on equity
+/-10%	+/- 1,990,983	+/- 10,444,419

**Table 41: Market risk of the equities portfolio as at 31 December 2011**

in EUR

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

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

**Table 42: Overview of financial instruments according to marketability**

in EUR

Financial Instrument	31 December 2012	31 December 2011
Securities traded on the organised market	232,619,664	198,787,206
Financial assets at fair value through profit or loss	36,846,751	21,179,243
Held-to-maturity financial assets	45,413,242	41,448,002
Available-for-sale financial assets	150,359,672	136,159,961
Securities not traded on the organised market	8,465,965	4,364,111
Financial assets at fair value through profit or loss	5,821,724	3,643,438
Held-to-maturity financial assets	0	0
Available-for-sale financial assets	2,644,241	720,673
Total	241,085,629	203,151,317

At the end of 2012, investments traded on the organised market accounted for 96% of the insurance company's own funds and those of the guarantee funds.

Financial assets measured at fair value through profit or loss, which are not traded on the organised market, comprise shares valued at EUR 2,577,799; the remaining value is made up of investment coupons of mutual funds. The fair value of these shares has been determined by applying the valuation method based on market data.

**Table 43: Overview of financial assets by book and fair value as at 31 December 2012**

in EUR

Financial asset	Book value	Fair value
Financial assets at fair value through profit or loss	42,668,475	42,668,475
Held-to-maturity financial assets	45,413,242	44,779,725
Available-for-sale financial assets	153,003,912	153,003,912
Investments in loans and receivables	39,677,570	39,677,570
Cash and cash equivalents	4,176,387	4,176,387
Total	284,939,586	284,306,069



**Table 44: Overview of financial assets by book and fair value as 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
Investments in loans and receivables	40,272,904	40,272,904
Cash and cash equivalents	1,147,668	1,147,668
<b>Total</b>	<b>244,571,888</b>	<b>242,484,174</b>

According to its accounting policies, Modra zavarovalnica, d. d. 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 45: Hierarchy of financial asset fair values as at 31 December 2012**

in EUR

Item	Level 1	Level 2	Level 3	Level
Financial assets at fair value through profit or loss	38,067,740	156,540	0	38,224,280
Equity securities	17,332,032	156,540	0	17,488,572
Debt securities	20,735,708	0	0	20,735,708
Available-for-sale financial assets	149,170,649	3,833,263	0	153,003,912
Equity securities	104,444,193	0	0	104,444,193
Debt securities	44,726,456	3,833,263	0	48,559,719
<b>Total</b>	<b>187,238,389</b>	<b>3,989,803</b>	<b>0</b>	<b>191,228,192</b>

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

- the first level includes investments where the fair value is determined entirely based on published prices achieved on the active market;
- the second level includes investments where the fair value is determined based on valuation models that observe variables obtained based on publicly available market data;
- the third level includes investments where the fair value is determined based on valuation models that observe subjective variables that are not publicly available on markets.

No reclassifications occurred in the fair value hierarchy in 2012.

As at 31 December 2012, Modra zavarovalnica, d. d. recorded financial assets valued at cost in the amount of EUR 4,444,195.

## Liquidity Risk

Liquidity risk represents the risk that the insurance company's liabilities will not be settled by their due date. As at 31 December 2012, Modra zavarovalnica, d. d. recorded a total of EUR 183,922,437 worth of surplus of expected non-discounted cash inflows over outflows.

**Table 46: Expected actual non-discounted cash flows as at 31 December 2012**

in EUR

Item	Up to 1 year	From 1 to 5 years	More than 5 years	With no maturity	Total
Operating liabilities as at 31 December 2012	654,636	0	0	0	654,636
Other liabilities as at 31 December 2012	7,287,630	0	0	0	7,287,630
Liabilities of the guarantee funds of the PPS and MR as at 31 December 2012	8,614,366	24,580,968	73,467,738	0	106,663,072
<b>Total liabilities</b>	<b>16,556,632</b>	<b>24,580,968</b>	<b>73,467,738</b>	<b>0</b>	<b>114,605,338</b>
Investments in securities	14,895,796	63,393,482	49,193,886	124,354,023	251,837,187
• at fair value through profit or loss	1,066,243	12,925,658	7,635,768	0	21,627,668
• held-to-maturity	9,648,469	25,550,466	20,223,230	0	55,422,166
• available-for-sale	4,181,084	24,917,358	21,334,888	124,354,023	174,787,353
Issued loans and deposits	27,605,277	13,285,742	0	0	40,891,019
Cash and cash equivalents	4,176,387	0	0	0	4,176,387
Receivables	1,623,183	0	0	0	1,623,183
<b>Total assets</b>	<b>48,300,643</b>	<b>76,679,224</b>	<b>49,193,886</b>	<b>124,354,023</b>	<b>298,527,775</b>
<b>Difference</b>	<b>31,744,011</b>	<b>52,098,256</b>	<b>-24,273,852</b>	<b>124,354,023</b>	<b>183,922,437</b>

**Table 47: Expected actual non-discounted cash flows as at 31 December 2011**

in EUR

Item	Up to 1 year	From 1 to 5 years	More than 5 years	With no maturity	Total
Operating liabilities as at 31 December 2011	534,598	0	0	0	534,598
Other liabilities as at 31 December 2011	2,054,200	0	0	0	2,054,200
Liabilities of the guarantee funds of the PPS and MR as at 31 December 2011	4,274,658	16,010,352	84,618,802	0	104,903,812
<b>Total liabilities</b>	<b>6,863,456</b>	<b>16,010,352</b>	<b>84,618,802</b>	<b>0</b>	<b>107,492,610</b>
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
<b>Total assets</b>	<b>37,638,188</b>	<b>72,119,718</b>	<b>32,241,979</b>	<b>105,520,875</b>	<b>247,520,760</b>
<b>Difference</b>	<b>30,774,732</b>	<b>56,109,366</b>	<b>-52,376,823</b>	<b>105,520,875</b>	<b>140,028,150</b>

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

## Overview of Effective Interest Rates and Yields by Financial Assets Groups

**Table 48: Effective interest rates by financial asset groups**

in %

Item	2012	2011
Financial assets at fair value through profit or loss	7.81%	4.82%
Held-to-maturity financial assets	4.37%	4.36%
Available-for-sale financial assets	4.51%	4.83%
Investments in loans and receivables	3.73%	4.13%

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

**Table 49: Yields by financial assets groups**

in %

Item	2012	2011
Financial assets at fair value through profit or loss	13.56%	-4.22%
Held-to-maturity financial assets	0.70%	4.17%
Available-for-sale financial assets	15.81%	2.21%
Investments in loans and receivables	4.16%	3.40%

### 2.11.3.5 Other Disclosures

#### Remuneration of the Management Board, the Supervisory Board and Workers Employed under Individual Employment Contracts

In 2012, total remuneration of the members of the Management Board, Supervisory Board and employees with individual employment contracts for performing their function and to whom the tariff section of the collective agreement does not apply, amounted to EUR 459,141.

In 2012, Modra zavarovalnica, d. d. granted no prepayments or loans to members of its Management or Supervisory Boards, and neither did it assume any liabilities in their name.

**Table 50: Gross remuneration in 2012 by category of beneficiaries**

in EUR

Category of beneficiaries	Amount
Members of the Management Board	272,855
Members of the Supervisory Board	28,420
Employees employed under individual contracts	157,866
Total	459,141

#### Remuneration of the Members of the Management and Supervisory Boards

**Table 51: Remuneration of the members of the Management Board in 2012**

in EUR

Name and surname	Fixed remuneration	Fringe benefits	Holiday pay	Reimbursement of expenses	Insurance premiums (PDPZ)	Total
Borut Jamnik	136,132	3,302	763	1,926	2,761	144,884
Matija Debelak	122,519	54	763	1,874	2,761	127,971

Fixed income includes gross salary. Expense reimbursements include reimbursements of meal and/or travel expenses, and/or per diems. Fringe benefits include the use of a company car and collective accident insurance. Insurance premiums (PDPZ) represent premium payments for voluntary supplementary pension insurance.

**Table 52: Remuneration of the members of the Supervisory Board in 2012**

in EUR

Name and surname	Fixed remuneration	Reimbursement of expenses	Total
Branimir Štrukelj	4,675	0	4,675
Aleš Groznik	4,950	309	5,259
Bojan Zupančič	4,950	0	4,950
Dario Radešič	3,575	1,154	4,729
Goran Bizjak	3,575	277	3,852
Marino Furlan	4,125	830	4,955

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

## Related Party Transactions

In 2012, no transactions between Modra zavarovalnica, d. d. and the controlling entity, Kapitalska družba, d. d. were conducted at non-market conditions. Modra zavarovalnica, d. d. disclosed EUR 24,000 in income and EUR 833,441 worth of costs in operations with the controlling entity. Modra zavarovalnica, d. d. leased business premises and used IT services of Kapitalska družba, d. d., while it performed administrative services for the management of the Compulsory Supplementary Pension Insurance Fund for Kapitalska družba, d. d.

As at 31 December 2012, Modra zavarovalnica, d. d. disclosed EUR 24,000 of receivables and EUR 42,902 worth of liabilities vis-à-vis the controlling entity.

## Amendments to the Articles of Association and the Rules on the Appointment of the Management Board and the Supervisory Board

Articles of Association as well as its amendments are adopted by the General Meeting of Modra zavarovalnica, d. d.

Management Board members of Modra zavarovalnica, d. d. are appointed by the Supervisory Board. The Management Board comprises two members, one of whom is appointed President of the Management Board. A Management Board President's and member's term of office is 5 years, whereby they have the option of re-appointment. The Management Board or its member may be recalled early for reasons stipulated in the second paragraph of Article 268 of the ZGD-1.

The Management Board of Modra zavarovalnica, d. d. is not authorised for the issue or acquisition of treasury shares.

The Supervisory Board of Modra zavarovalnica, d. d. comprises six members who are appointed or recalled by the insurance company's General Meeting in accordance with Article 2 of the ZPKDPIZ. Half of the Supervisory Board members are proposed by the persons insured; two members are proposed by the ZVPSJU Board on behalf of ZVPSJU insured persons, and one member is proposed jointly by other insured persons (insured persons of the KVPS, insured persons of the PPS and other insured persons). Proposals for the Supervisory Board member candidates who are proposed by the members of the KVPS Board and the members of the ZVPSJU Board are drafted pursuant to a public call to all insured persons of the insurance company to submit candidate proposals. The term of office of Supervisory Board members is 5 years, whereby they have the option of re-appointment.

## Significant Events after the Balance Sheet Date

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

# 2.12

## Appendix

### 2.12.1. Selected Operating Performance Ratios

Ratio			2012	2011
1.	Total	Increase in gross written premium (index)	1.161%	-
	Life insurance	Increase in gross written premium	1.161%	-
	Non-life insurance	Increase in gross written premium	-	-
2.	Total	Net written premium as a % of the gross written premium	100.00%	100.00%
	Life insurance	Net written premium as a % of the gross written premium	100.00%	100.00%
	Non-life insurance	Net written premium as a % of the gross written premium	100.00%	-
3.	Total	Changes in gross paid claims (index)	546%	-
	Life insurance	Changes in gross paid claims	546%	-
	Non-life insurance	Changes in gross paid claims	-	-
4.	Total	Average claim	EUR 69.82	EUR 58.78
	Life insurance	Average claim	EUR 69.82	EUR 58.78
	Non-life insurance	Average claim		-
5.	Total	Loss ratio	0.44	0.93
	Life insurance	Loss ratio	0.44	0.93
	Non-life insurance	Loss ratio	-	-
6.	Total	Operating costs as a % of the gross written premium	30%	103.45%
	Life insurance	Operating costs as a % of the gross written premium	29%	102.79%
	Non-life insurance	Operating costs as a % of the gross written premium	23.426%	-
7.	Total	Acquisition costs as a % of the gross written premium	0	0
	Life insurance	Acquisition costs as a % of the gross written premium	0	0
	Non-life insurance	Acquisition costs as a % of the gross written premium	0	0
8.	Total	Investment performance as a % of the average balance of investments	6.02%	0.76%
	Life insurance	Investment performance as a % of the average balance of investments	6.27%	0.75%
	Guarantee funds	Investment performance as a % of the average balance of investments	5.70%	0.52%
	Non-life insurance	Investment performance as a % of the average balance of investments	4.20%	1.02%
9.	Total	Net claims provisions as a % of net premium income	0	0
	Life insurance	Net claims provisions as a % of net premium income	0	0
	Non-life insurance	Net claims provisions as a % of net premium income	0	0
10.	Total	Gross profit or loss for the year as a % of the net written premium	85%	28.83%
	Life insurance	Gross profit or loss for the year as a % of the net written premium	85%	26.11%
	Non-life insurance	Gross profit or loss for the year as a % of the net written premium	-3.300%	-
11.	Total	Gross profit or loss for the year as a % of average equity	9.21%	0.29%
	Life insurance	Gross profit or loss for the year as a % of average equity	9.53%	0.28%
	Non-life insurance	Gross profit or loss for the year as a % of average equity	-0.71%	0.66%
12.	Total	Gross profit or loss for the year as a % of average assets	5.33%	0.16%
	Life insurance	Gross profit or loss for the year as a % of average assets	5.44%	0.15%
	Non-life insurance	Gross profit or loss for the year as a % of average assets	-0.69%	0.66%



Ratio			2012	2011
13.	Total	Gross profit or loss for the year per share	EUR 0.10	EUR 0.0029
	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	Gross profit or loss for the year as a % of average equity	7.61%	0.30%
	Life insurance	Gross profit or loss for the year as a % of average equity	7.87%	0.29%
	Non-life insurance	Gross profit or loss for the year as a % of average equity	-0.58%	0.66%
15.	Total	Insurance company's available capital as a % of the net insurance premium	960%	9.501%
	Life insurance	Insurance company's available capital as a % of the net insurance premium	932%	9.168%
	Non-life insurance	Insurance company's available capital as a % of the net insurance premium	-	-
16.	Total	Insurance company's available capital as a % of the insurance company's minimum capital	435%	393%
	Life insurance	Insurance company's available capital as a % of the insurance company's minimum capital	452%	404%
	Non-life insurance	Insurance company's available capital as a % of the insurance company's minimum capital	218%	219%
17.	Total	Insurance company's available capital as a % of insurance technical provisions	158%	151%
	Life insurance	Insurance company's available capital as a % of insurance technical provisions	153%	146%
	Non-life insurance	Insurance company's available capital as a % of insurance technical provisions	-	-
18.	Total	Insurance company's available capital as a % of receivables from reinsurance and the reinsurer's share of insurance technical provisions	-	-
19.	Total	Net written insurance premium as a % of the average balance of equity and insurance technical provisions	6.68%	0.62%
	Life insurance	Net written insurance premium as a % of the average balance of equity and insurance technical provisions	6.81%	0.64%
	Non-life insurance	Net written insurance premium as a % of the average balance of equity and insurance technical provisions	0.02%	0.00%
20.	Total	Net written insurance premium as a % of the average balance of equity	10.87%	1.02%
	Life insurance	Net written insurance premium as a % of the average balance of equity	11.22%	1.06%
	Non-life insurance	Net written insurance premium as a % of the average balance of equity	0.02%	0.00%
21.	Total	Average balance of net insurance technical provisions as a % of net premium income	576%	6.279%
	Life insurance	Average balance of net insurance technical provisions as a % of net premium income	576%	6.279%
	Non-life insurance	Average balance of net insurance technical provisions as a % of net premium income	-	-
22.	Total	Equity as a % of net unearned premium	-	-
	Life insurance	Equity as a % of net unearned premium	-	-
	Non-life insurance	Equity as a % of net unearned premium	-	-
23.	Total	Equity as a % of liabilities	58.40%	57.32%
	Life insurance	Equity as a % of liabilities	57.73%	50.92%
	Non-life insurance	Equity as a % of liabilities	95.93%	99.80%
24.	Total	Net insurance technical provisions as a % of liabilities	36.18%	36.30%
	Life insurance	Net insurance technical provisions as a % of liabilities	36.83%	37.01%
	Non-life insurance	Net insurance technical provisions as a % of liabilities	0.00%	0.00%
25.	Total	Net mathematical provisions to net insurance technical provisions	100.00%	100.00%
26.	Total	Gross written insurance premium to the number of full-time employees	EUR 323,111	EUR 28,630

## 2.12.2

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

### 2.12.2.1 Segment Reporting Pursuant to the Provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL-2009) – Appendix 1

#### 2.12.2.1.1 Balance Sheet Items as at 31 December 2012 by Segment

in EUR

Item		Life	Non-life	Total
<b>ASSETS</b>		291,275,741	5,230,629	296,506,370
A.	Intangible assets	125,686	0	125,686
B.	Property, plant and equipment	39,533	0	39,533
C.	Non-current assets held for sale	0	0	0
D.	Deferred tax assets	6,403,035	-5,228	6,397,807
E.	Investment property	0	0	0
F.	Investments in Group companies and associates	12,874,077	0	12,874,077
G.	Financial assets	262,688,911	5,200,211	267,889,122
	• loans and deposits	34,477,359	5,200,211	39,677,570
	• held to maturity	45,413,242	0	45,413,242
	• available for sale	140,129,835	0	140,129,835
	• at fair value through profit or loss	42,668,475	0	42,668,475
H.	Unit-linked insurance assets	0	0	0
I.	Reinsurers' share in insurance technical provisions	0	0	0
J.	Assets from financial contracts	0	0	0
K.	Receivables	4,725,232	16,509	4,741,741
	1. Receivables from direct insurance operations	295,490	386	295,876
	2. Receivables from reinsurance and co-insurance operations	0	0	0
	3. Current tax assets	0	0	0
	4. Other receivables	4,429,742	16,123	4,445,865
L.	Other assets	262,017	0	262,017
M.	Cash and cash equivalents	4,157,250	19,137	4,176,387
<b>EQUITY AND LIABILITIES</b>		291,275,741	5,230,629	296,506,370
A.	Equity	168,151,028	5,017,756	173,168,784
	1. Share capital	147,200,000	5,000,000	152,200,000
	2. Share premium	0	0	0
	3. Profit reserves	5,327,629	17,756	5,345,385
	4. Revaluation reserve	11,242,365	0	11,242,365
	5. Retained earnings	4,381,034	0	4,381,034
	6. Net profit or loss for the financial year	0	0	0

Item		Life	Non-life	Total
B.	Subordinated liabilities	0	0	0
C.	Insurance technical provisions	107,283,925	0	107,283,925
	1.	Unearned premiums	0	0
	2.	Mathematical provisions	107,283,925	107,283,925
	3.	Claims provisions	0	0
	4.	Other insurance technical provisions	0	0
D.	Insurance technical provisions for unit-linked insurance contracts	0	0	0
E.	Other provisions	3,273,331	1,711	3,275,042
F.	Liabilities associated with non-current assets held for sale	0	0	0
G.	Deferred tax liabilities	4,836,353	0	4,836,353
H.	Liabilities from financial contracts	0	0	0
I.	Other financial liabilities	0	0	0
J.	Operating liabilities	654,636	0	654,636
	1.	Liabilities from direct insurance operations	654,636	654,636
	2.	Liabilities from reinsurance and co-insurance operations	0	0
	3.	Tax liabilities	0	0
K.	Other liabilities	7,076,468	211,162	7,287,630

### 2.12.2.1.2 Balance Sheet Items as at 31 December 2011 by Segment

in EUR

Item		Life	Non-life	Total
<b>ASSETS</b>		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
	• at fair value through profit or loss	24,822,680	0	24,822,680
H.	Unit-linked insurance assets	0	0	0
I.	Reinsurers' share in insurance 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
	2.	Receivables from reinsurance and co-insurance operations	0	0
	3.	Current tax assets	0	0
	4.	Other receivables	7,374,549	16,562
L.	Other assets	185,079	0	185,079
M.	Cash and cash equivalents	1,145,726	1,942	1,147,668
<b>EQUITY AND LIABILITIES</b>		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
	2.	Share premium	0	0
	3.	Profit reserves	0	46,785
	4.	Revaluation reserve	1,300,018	0
	5.	Retained earnings	-2,643,460	0
	6.	Net profit or loss for the financial year	0	0
B.	Subordinated liabilities	0	0	0

in EUR

Item		Life	Non-life	Total
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 associated with 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 co-insurance operations	0	0	0
	3. Tax liabilities	0	0	0
K.	Other liabilities	2,045,103	9,097	2,054,200

### 2.12.2.1.3 Income Statement Items for the Period from 1 January to 31 December 2012 by Segment

in EUR

Item		Life	Non-life	Total
I.	NET PREMIUM INCOME	17,608,468	1,078	17,609,546
	• Gross written premiums	17,608,468	1,078	17,609,546
	• Ceded reinsurance and co-insurance written premium	0	0	0
	• Change in unearned premiums	0	0	0
II.	INCOME FROM FINANCIAL ASSETS IN ASSOCIATES, of which	0	0	0
	• profit on equity investments in associates and jointly controlled companies accounted using the equity method	0	0	0
III.	INCOME FROM FINANCIAL ASSETS	17,223,438	215,868	17,439,306
IV.	OTHER INSURANCE INCOME, of which	10,805,392	0	10,805,392
	• Fee and commission income	7,060,053	0	7,060,053
V.	OTHER INCOME	32,102	0	32,102
VI.	NET CLAIMS INCURRED	7,677,470	0	7,677,470
	• Gross paid claims	7,677,470	0	7,677,470
	• Reinsurers' and co-insurers' shares	0	0	0
	• Change in claims provisions	0	0	0
VII.	CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-11,724,596	0	-11,724,596
VIII.	CHANGE IN INSURANCE TECHNICAL PROVISION FOR UNIT-LINKED INSURANCE CONTRACTS	0	0	0
IX.	CHANGE IN LIABILITIES FROM FINANCIAL CONTRACTS	0	0	0
X.	EXPENSES FOR BONUSES AND DISCOUNTS	0	0	0
XI.	OPERATING COSTS, of which	5,043,865	252,516	5,296,381
	• acquisition cost	0	0	0
XII.	INCOME FROM FINANCIAL ASSETS IN ASSOCIATES, of which	0	0	0
	• loss on equity investments in associates and jointly controlled companies accounted using the equity method	0	0	0
XIII.	EXPENSES FROM FINANCIAL ASSETS, of which	1,503,045	0	1,503,045
	• impairment loss of financial assets not measured at fair value through profit or loss	0	0	0
XIV.	OTHER INSURANCE EXPENSES	4,755,489	0	4,755,489
XV.	OTHER EXPENSES	6,926	0	6,926
XVI.	PROFIT OR LOSS BEFORE TAX	14,958,009	-35,570	14,922,439
XVII.	INCOME TAX EXPENSE	-2,605,886	6,541	-2,599,345
XVIII.	NET PROFIT OR LOSS FOR THE PERIOD	12,352,123	-29,029	12,323,094

## 2.12.2.1.4 Income Statement Items for the Period from 3 October to 31 December 2011 by Segment

in EUR

Item		Life	Non-life	Total
I.	ET PREMIUM INCOME	1,517,397	0	1,517,397
	• Gross written premiums	1,517,397	0	1,517,397
	• Ceded reinsurance and coinsurance written premium	0	0	0
	• Change in unearned premiums	0	0	0
II.	INCOME FROM FINANCIAL ASSETS IN ASSOCIATES, of which	0	0	0
	• profit on equity investments in associates and jointly controlled companies accounted 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 which	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 paid claims	1,405,316	0	1,405,316
	• Reinsurers' and co-insurers' shares paid	0	0	0
	• Changes in claims provisions	0	0	0
VII.	CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	-579,059	0	-579,059
VIII.	CHANGE IN INSURANCE TECHNICAL PROVISION FOR UNIT-LINKED INSURANCE CONTRACTS	0	0	0
IX.	CHANGE IN LIABILITIES FROM FINANCIAL CONTRACTS	0	0	0
X.	EXPENSES FOR BONUSES AND DISCOUNTS	0	0	0
XI.	OPERATING COSTS, of which	1,559,705	10,111	1,569,816
	• acquisition cost	0	0	0
XII.	INCOME FROM FINANCIAL ASSETS IN ASSOCIATES, of which	0	0	0
	• loss on equity investments in associates and jointly controlled companies accounted using the equity method	0	0	0
XIII.	EXPENSES FROM FINANCIAL ASSETS, of which	2,091,118	0	2,091,118
	• impairment loss 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
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 PERIOD	410,375	33,038	443,413



### 2.12.2.1.5 Statement of Comprehensive Income Items for the Period from 1 January to 31 December 2012 by Segment

in EUR

Item		Life	Non-life	Total	
I.	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR AFTER TAX	12,352,123	-29,029	12,323,094	
II.	OTHER COMPREHENSIVE INCOME AFTER TAX (1+2+3+4+5+6+7+8+9)	9,942,348	0	9,942,348	
	1.	Net gains/losses recognised in the surplus from revaluation of property, plant and equipment	0	0	0
	2.	Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	0
	3.	Net actuarial gains/losses for pension schemes	0	0	0
	4.	Net gains/losses on the re-measurement of available-for-sale financial assets	11,827,438	0	11,827,438
	4.1.	Gains/losses recognised in revaluation reserve	15,548,416	0	15,548,416
	4.2.	Transfer of gains/losses from revaluation reserve to profit or loss	-3,720,978	0	-3,720,978
	5.	Net gains/losses relating to non-current assets held for sale	0	0	0
	5.1.	Gains/losses recognised in 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 from the hedging of cash flows	0	0	0
	6.1.	Gains/losses recognised in 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 reserve to the carrying amount of a hedged item	0	0	0
	7.	Gains/losses recognised in revaluation reserves and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies accounted 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	-1,885,090	0	-1,885,090
III.	TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	22,294,471	-29,029	22,265,442	

### 2.12.2.1.6 Statement of Comprehensive Income Items for the Period from 3 October to 31 December 2011 by Segment

in EUR

Item		Life	Non-life	Total	
I.	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR 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 recognised in the surplus from revaluation of property, plant and equipment	0	0	0
	2.	Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	0
	3.	Net actuarial gains/losses for pension schemes	0	0	0
	4.	Net gains/losses on the re-measurement of available-for-sale financial assets	5,490,732	0	5,490,732
	4.1.	Gains/losses recognised in revaluation reserve	5,790,896	0	5,790,896
	4.2.	Transfer of gains/losses from revaluation reserve to profit or loss	-300,164	0	-300,164
	5.	Net gains/losses relating to non-current assets held for sale	0	0	0
	5.1.	Gains/losses recognised in 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 from the hedging of cash flows	0	0	0
	6.1.	Gains/losses recognised in 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 reserve to the carrying amount of a hedged item	0	0	0
	7.	Gains/losses recognised in revaluation reserves and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies accounted 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	-1,075,346	0	-1,075,346
III.	TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	4,825,761	33,038	4,858,799	

## 2.12.2.2 Financial Statements Pursuant to the Provisions of the Decision on annual report and quarterly financial statements of insurance undertakings (SKL-2009) – Appendix 2

### 2.12.2.2.1 Balance Sheet

Item	
A.	ASSETS
A.	INTANGIBLE FIXED ASSETS
	1. Intangible long-term assets
	2. Goodwill
	3. Long-term deferred acquisition costs
	4. Other long-term deferred costs and accrued revenues
B.	INVESTMENTS IN LAND, BUILDINGS AND FINANCIAL ASSETS
I.	LAND AND BUILDINGS
	a) Used in direct performance of insurance operations
	1. Land used in direct performance of insurance operations
	2. Buildings used in direct performance of insurance operations
	3. Other land and buildings used in direct performance of insurance operations
	b) Investments in real estate not used directly in insurance operations
	1. Land
	2. Buildings
II.	INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES
	1. Shares and interests in Group companies
	2. Debt securities and loans to other Group companies
	3. Shares and interests in associated companies
	4. Debt securities and loans to other associated companies
	5. Other investments in Group companies and associates
III.	OTHER FINANCIAL INVESTMENTS
	Long-term investments
	1.1. Shares and other securities with variable yield and mutual fund coupons
	1.2. Debt securities and other securities with variable yield
	1.3. Stakes in investment funds
	1.4. Mortgage loans
	1.5. Other issued loans
	1.6. Bank deposits
	1.7. Other financial assets
	Short-term financial assets
	2.1. Shares and interests acquired for sale
	2.2. Securities acquired for sale or with remaining maturity of up to one year
	2.3. Short-term loans issued
	2.4. Short-term bank deposits
	2.5. Other short-term financial assets
IV.	REINSURER'S INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS
V.	ASSETS FROM FINANCIAL CONTRACTS
VI.	INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURANCE AND CO-INSURANCE UNDERTAKINGS
	a) from unearned premiums
	b) from mathematical provisions
	c) from claims provisions
	d) from provisions for bonuses and discounts
	e) from other insurance technical provisions
	f) from insurance technical provisions for unit-linked insurance contracts
C.	INVESTMENTS FOR THE BENEFIT OF UNIT-LINKED INSURANCE CONTRACTS



Item		
D.	RECEIVABLES	
	I.	RECEIVABLES FROM DIRECT INSURANCE OPERATIONS
	1.	Receivables due from policyholders
	2.	Receivables due from insurance brokers
	3.	Other receivables from direct insurance operations
	II.	RECEIVABLES FROM REINSURANCE AND CO-INSURANCE OPERATIONS
	1.	Assumed co-written premiums
	2.	Assumed rewritten premiums
	3.	Receivables for the shares of co-insurers in claims
	4.	Receivables for the shares of reinsurers in claims
	5.	Other receivables from reinsurance and co-insurance operations
	III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS
	1.	Receivables for advances for intangible assets
	2.	Other short-term receivables from insurance operations
	3.	Short-term financing receivables
	4.	Other short-term receivables
	5.	Other short-term receivables due from Group members
	6.	Long-term receivables
	7.	Corporate income tax assets
	8.	Deferred tax assets
	IV.	UNPAID CALLED-UP CAPITAL
E.	MISCELLANEOUS ASSETS	
	I.	PROPERTY, PLANT AND EQUIPMENT EXCEPT LAND AND BUILDINGS
	1.	Equipment
	2.	Other property, plant and equipment
	II.	CASH ASSETS
	III.	INVENTORIES AND OTHER ASSETS
	1.	Inventories
	2.	Other assets
F.	SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	
	1.	Accrued interest and rental income
	2.	Short-term deferred acquisition costs
	3.	Other short-term deferred costs and accrued income
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	
H.	OFF-BALANCE SHEET RECORDS	
B.	LIABILITIES	
A.	EQUITY	
	I.	CALLED-UP CAPITAL
	1.	Share capital
	2.	Uncalled capital (as a deductible item)
	II.	SHARE PREMIUM
	III.	PROFIT RESERVES
	1.	Safety reserve
	2.	Legal and statutory reserves
	3.	Reserves for treasury shares and interests
	4.	Treasury shares and interests (as a deductible item)
	5.,	Reserve for the equalisation of credit risk
	6.	Reserve for the equalisation of catastrophe claims
	7.	Other profit reserves

in EUR

Life	Non-life	Total 31 December 2012	Life	Non-life	Total 31 December 2011	Index
11,128,267	11,281	11,139,548	18,436,086	4,792	18,440,878	60
295,490	386	295,876	985,094	0	985,094	30
295,490	386	295,876	985,094	0	985,094	30
0	0	0				
0	0	0				
0	0	0				
0	0	0				
0	0	0				
0	0	0				
0	0	0				
0	0	0				
10,832,777	10,895	10,843,672	17,450,992	4,792	17,455,784	62
0	0	0	0	0	0	-
153,795	0	153,795	114,220	0	114,220	135
287,469	16,123	303,592	198,153	16,562	214,715	141
3,986,078	0	3,986,078	7,059,776	0	7,059,776	56
2,400	0	2,400	2,400	0	2,400	100
0	0	0	0	0	0	-
0	0	0	0	0	0	-
6,403,035	-5,228	6,397,807	10,076,443	-11,770	10,064,673	64
0	0	0	0	0	0	-
4,196,783	19,137	4,215,920	1,181,189	1,942	1,183,131	356
39,533	0	39,533	35,463	0	35,463	111
	0	39,533	35,463	0	35,463	111
0	0	0	0	0	0	-
4,157,250	19,137	4,176,387	1,145,726	1,942	1,147,668	364
0	0	0	0	0	0	-
	0	0	0	0	0	-
0	0	0	0	0	0	-
262,017	0	262,017	185,079	0	185,079	142
0	0	0	0	0	0	-
0	0	0	0	0	0	-
262,017	0	262,017	185,079	0	185,079	142
0	0	0	0	0	0	-
0	0	0	0	0	0	-
291,275,741	5,230,629	296,506,370	258,201,446	5,056,886	263,258,332	113
168,151,028	5,017,756	173,168,784	145,856,558	5,046,785	150,903,343	115
147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000	100
147,200,000	5,000,000	152,200,000	147,200,000	5,000,000	152,200,000	100
0	0	0	0	0	0	-
0	0	0	0	0	0	-
5,327,629	17,756	5,345,385	0	46,785	46,785	11,425
0	0	0	0	0	0	-
946,595	17,756	964,351	0	46,785	46,785	2,061
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
4,381,034	0	4,381,034	0	0	0	-



Item		
IV.	REVALUATION RESERVE	
	1.	Property, plant and equipment revaluation reserve
	2.	Long-term financial assets revaluation reserve
	3.	Short-term financial assets revaluation reserve
	4.	Other revaluation reserves
V.	RETAINED EARNINGS	
VI.	NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	
B.	SUBORDINATED LIABILITIES	
C.	GROSS INSURANCE TECHNICAL PROVISIONS AND DEFERRED PREMIUM INCOME	
	I.	Gross unearned premium
	II.	Gross mathematical provisions
	III.	Gross claims provisions
	IV.	Gross provisions for bonuses and discounts
	V.	Other gross insurance technical provisions
D.	GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS	
E.	PROVISIONS FOR OTHER RISKS AND COSTS	
	1.	Provisions for pensions
	2.	Other provisions
F.	LIABILITIES FOR REINSURER'S INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	
G.	OTHER LIABILITIES	
	I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS
	1.	Liabilities to policyholders
	2.	Liabilities to insurance brokers
	3.	Other liabilities from direct insurance operations
	II.	LIABILITIES FROM REINSURANCE AND CO-INSURANCE OPERATIONS
	1.	Liabilities for co-insurance premiums
	2.	Liabilities for reinsurance premiums
	3.	Liabilities for the shares in claims incurred from co-insurance
	4.	Liabilities for the shares in claims incurred from reinsurance
	5.	Other liabilities from reinsurance and co-insurance operations
	III.	LOANS COLLATERALISED BY SECURITIES WITH FIXED YIELD
	IV.	LIABILITIES TO BANKS:
	V.	LIABILITIES FROM FINANCIAL CONTRACTS
	VI.	OTHER LIABILITIES
	a)	Other long-term liabilities
	1.	Long-term finance lease liabilities
	2.	Other long-term liabilities
	3.	Deferred tax liabilities
	b)	Other short-term liabilities
	1.	Short-term liabilities to employees
	2.	Other short-term liabilities from insurance operations
	3.	Short-term financing liabilities
	4.	Corporate income tax payable
	5.	Other short-term liabilities
	6.	Other short-term liabilities to Group members
H.	ACCRUED COSTS AND DEFERRED INCOME	
	1.	Accrued costs and expenditures
	2.	Other accrued costs and deferred income
I.	NON-CURRENT LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	
J.	OFF-BALANCE SHEET RECORDS	

in EUR

Life	Non-life	Total 31 December 2012	Life	Non-life	Total 31 December 2011	Index
11,242,365	0	11,242,365	1,300,018	0	1,300,018	865
0	0	0	0	0	0	-
11,242,365	0	11,242,365	1,300,018	0	1,300,018	865
0	0	0	0	0	0	-
0	0	0	0	0	0	-
4,381,034	0	4,381,034	-2,643,460	0	-2,643,460	-166
0	0	0	0	0	0	-
0	0	0	0	0	0	-
107,283,925	0	107,283,925	95,559,334	0	95,559,334	112
0	0	0	0	0	0	-
107,283,925	0	107,283,925	95,559,334	0	95,559,334	112
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
3,273,331	1,711	3,275,042	10,187,070	1,004	10,188,074	32
124,057	1,711	125,768	116,370	1,004	117,374	107
3,149,274	0	3,149,274	10,070,700	0	10,070,700	31
0	0	0	0	0	0	-
11,100,251	210,788	11,311,039	5,512,566	9,086	5,521,652	205
654,636	0	654,636	534,598	0	534,598	122
654,636	0	654,636	534,598	0	534,598	122
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
0	0	0	0	0	0	-
10,445,615	210,788	10,656,403	4,977,968	9,086	4,987,054	214
4,836,353	0	4,836,353	4,018,783	0	4,018,783	120
0	0	0	0	0	0	-
0	0	0	0	0	0	-
4,836,353	0	4,836,353	4,018,783	0	4,018,783	120
5,609,262	210,788	5,820,050	959,185	9,086	968,271	601
169,433	0	169,433	161,870	1,566	163,436	104
435,134	23	435,157	52,336	0	52,336	831
0	0	0	266,627	0	266,627	-
0	0	0	0	0	0	-
4,961,793	210,765	5,172,558	478,352	7,520	485,872	1,065
42,902	0	42,902	0	0	0	-
1,467,206	374	1,467,580	1,085,918	11	1,085,929	135
237,655	12	237,667	146,476	11	146,487	162
1,229,551	362	1,229,913	939,442	0	939,442	131
0	0	0	0	0	0	-
0	0	0	0	0	0	-

## 2.12.2.2.2 Statement of Total Comprehensive Income

in EUR

Item		31 December 2012	31 December 2011	Index (in %)
A. Technical account for non-life insurance, net of health insurance				
I.	et premium income	1,078	0	-
	1. Gross written premiums	1,078	0	-
	2. Assumed co-insurance written premium (+)	0	0	-
	3. Ceded co-insurance written premium (-)	0	0	-
	4. Written co-insurance premiums (-)	0	0	-
	5. Change in gross unearned premiums (+/-)	0	0	-
	6. Change in unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	-
II.	Allocated investment return transferred from the net profit or loss of the insurance company (D.VIII)	0	0	-
III.	Other net income from insurance operations	0	0	-
IV.	Net claims incurred	0	0	-
	1. Gross paid claims	0	0	-
	2. Income from subrogated gross receivables (-)	0	0	-
	3. Co-insurers' share(+/-)	0	0	-
	4. Reinsurers' share (-)	0	0	-
	5. Change in gross claims provisions (+/-)	0	0	-
	6. Change in claims provisions for the reinsurers' and co-insurers' share (+/-)	0	0	-
V.	Change in other net insurance technical provisions (+/-)	0	0	-
VI.	Net expenses for bonuses and discounts	0	0	-
VII.	Net operating costs	252,516	10,111	2,497
	1. Acquisition costs	0	0	-
	2. Change in deferred acquisition cost (+/-)	0	0	-
	3. Other operating costs	252,516	10,111	2,497
	3.1. Depreciation of assets required for operation	1,782	15	11,880
	3.2. Labour costs	145,918	5,689	2,565
	3.2.1. Salaries/wages of employees	113,969	4,531	2,515
	3.2.2. Social security and pension insurance costs	23,345	917	2,546
	3.2.3. Other labour cost	8,604	241	3,570
	3.3. Cost of services provided by natural persons who do not pursue an activity (costs of work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	0	0	-
	3.4. Other operating costs	104,816	4,407	2,378
	4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-
VIII.	Other net technical expenses	0	0	-
	1. Expenses for preventive activity	0	0	-
	2. Contributions to cover losses on uninsured and unknown vehicles	0	0	-
	3. Other net technical expenses	0	0	-
IX.	Profit or loss from non-life insurance, net of health insurance (I+II+III-IV+V-VI-VII-VIII)	-251,438	-10,111	2,487
B. Technical account for life insurance				
I.	et premium income	17,608,468	1,517,397	1,160
	1. Gross written premiums	17,608,468	1,517,397	1,160
	2. Assumed co-insurance written premium (+)	0	0	-
	3. Ceded co-insurance written premium (-)	0	0	-
	4. Written co-insurance premiums	0	0	-
	5. Change in gross unearned premiums (+/-)	0	0	-
	6. Change in unearned premiums, reinsurers' share (+/-)	0	0	-
II.	Income from investments	17,223,438	1,775,136	970
	1. Dividend income and profit sharing	4,858,152	329,918	1,473

in EUR

Item			31 December 2012	31 December 2011	Index (in %)
	1.1.	Dividend income and income from other profit sharing in Group companies	0	0	-
	1.2.	Dividend income and income from other profit sharing in associates	2,444,445	0	-
	1.3.	Dividend income and income from other profit sharing in other companies	2,413,707	329,918	732
	2.	Income from other investments (in items 2.1, 2.2, and 2.3, the insurance company discloses income from investments in associates and Group companies separately)	12,365,286	1,444,849	856
	2.1.	Income from land and buildings	0	0	-
	2.2.	Interest income	5,819,143	1,316,699	442
	2.3.	Other investment income	6,546,143	128,150	5,108
	2.3.1.	Financial income from revaluation	6,508,643	0	-
	2.3.2.	Other financial income	37,500	128,150	29
	3.	Income from the value adjustment of investments	0	369	0
	4.	Gains on disposal of investments	0	0	-
III.		Net unrealised gains on unit-linked life insurance contracts	0	0	-
IV.		Other net technical income	10,837,494	3,439,141	315
V.		Net claims incurred	7,677,470	1,405,316	546
	1.	Gross paid claims	7,677,470	1,405,316	546
	2.	Income from subrogated gross receivables (-)	0	0	-
	3.	Reinsurers' share paid (-)	0	0	-
	4.	Change in gross claims provisions (+/-)	0	0	-
	5.	Change in claims provisions, reinsurers' share (+/-)	0	0	-
VI.		Change in other net insurance technical provisions (+/-)	-11,724,596	-579,059	2,025
	1.	Change in mathematical provisions	-11,724,596	-579,059	2,025
	1.1.	Change in gross mathematical provisions	-11,724,596	-579,059	2,025
	1.2.	Change in the reinsurers' share (%)	0	0	-
	2.	Change in other net insurance technical provisions (+/-)	0	0	-
	2.1.	Change in other gross insurance technical provisions (+/-)	0	0	-
	2.2.	Change in the reinsurers' share (%)	0	0	-
VII.		Net expenses for bonuses and discounts	0	0	-
VIII.		Net operating costs	5,043,865	1,559,705	323
	1.	Acquisition costs	0	0	-
	2.	Change in deferred acquisition cost (+/-)	0	0	-
	3.	Other operating costs	5,043,865	1,559,705	323
	3.1.	Depreciation of assets required for operation	32,437	1,843	1,760
	3.2.	Labour costs	2,377,940	585,841	406
	3.2.1.	Salaries/wages of employees	1,815,124	452,971	401
	3.2.2.	Social security and pension insurance costs	387,445	96,024	403
	3.2.3.	Other labour cost	175,371	36,846	476
	3.3.	Cost of services provided by natural persons who do not pursue an activity (costs of work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	62,976	37,691	167
	3.4.	Other operating costs	2,570,512	934,330	275
	4.	Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-
IX.		Investment expenses	1,509,971	2,092,346	72
	1.	Depreciation of assets not required for operation	0	0	-
	2.	Expenses arising from asset management, interest expense and other financial expenses	154,541	587,980	26
	3.	Financial expenses from revaluation	794,630	1,504,366	53
	4.	Loss on disposal of financial assets	560,800	0	-
X.		Net unrealised losses on unit-linked life insurance contracts	0	0	-
XI.		Other net technical expenses	4,755,489	699,113	680
	1.	Expenses for preventive activity	0	0	-
	2.	Other net technical expenses	4,755,489	699,113	680
XII.		Allocated investment return transferred to the net profit or loss (-)	10,145,787	231,588	4,381

Item		31 December 2012	31 December 2011	Index (in %)
	XIII. Profit or loss from life insurance (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)	4,812,222	164,547	2,925
D.	Net profit or loss of the insurance company			
	I. Profit or loss from non-life insurance, net of health insurance (A.IX)	-251,438	-10,111	2,487
	II. Profit or loss from life insurance (B:XIII)	4,812,222	164,547	2,925
	III. Profit or loss from health insurance (C:XIII)	0	0	-
	IV. Investment income	215,868	51,482	419
	1. Dividend income and profit sharing in companies	0	0	-
	1.1. Dividend income and income from other profit sharing in Group companies	0	0	-
	1.2. Dividend income and income from other profit sharing in associates	0	0	-
	1.3. Dividend income and income from other profit sharing in other companies	0	0	-
	2. Income from other investments (in items 2.1, 2.2 and 2.3, the insurance company discloses income from investments in associates and Group companies separately)	215,868	51,482	419
	2.1. Income from land and buildings	0	0	-
	2.2. Interest income	215,868	51,482	419
	2.3. Other investment income	0	0	-
	2.3.1. Financial income from revaluation	0	0	-
	2.3.2. Other financial income	0	0	-
	3. Income from the value adjustment of investments	0	0	-
	4. Gains on disposal of investments	0	0	-
	V. Allocated investment return transferred from the technical account of life insurance (B.XII)	10,145,787	231,588	4,381
	VI. Allocated investment return transferred from the technical account of health insurance (C.X)	0	0	-
	VII. Investment expenses	0	0	-
	1. Depreciation of assets not required for operation	0	0	-
	2. Expenses arising from asset management, interest expense and other financial expenses	0	0	-
	3. Financial expenses from revaluation	0	0	-
	4. Loss on disposal of financial assets	0	0	-
	VIII. Allocated investment return transferred to the technical account of non-life insurance, net of health insurance (A.II)	0	0	-
	IX. Other technical income	0	0	-
	1. Other income from non-life insurance, net of health insurance	0	0	-
	2. Other income from life insurance	0	0	-
	3. Other income from health insurance	0	0	-
	X. Other expenses from insurance operations	0	0	-
	1. Other expenses from non-life insurance, net of health insurance	0	0	-
	2. Other expenses from life insurance	0	0	-
	3. Other expenses from health insurance	0	0	-
	XI. Other income	0	0	-
	1. Other income from non-life insurance, net of health insurance	0	0	-
	2. Other income from life insurance	0	0	-
	3. Other income from health insurance	0	0	-
	XII. Other expenses	0	0	-
	1. Other expenses from non-life insurance, net of health insurance	0	0	-
	2. Other expenses from life insurance	0	0	-
	3. Other expenses from health insurance	0	0	-
	XIII. Profit or loss for the period before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	14,922,439	437,506	3,411
	1. Profit or loss for the period from non-life insurance, net of health insurance	-35,570	41,371	-86
	2. Profit or loss for the period from life insurance	14,958,009	396,135	3,776
	3. Profit or loss for the period from health insurance	0	0	-
	XIV. Income tax	0	0	-
	XV. Deferred tax	-2,599,345	5,907	-
	XVI. Net profit or loss for the period (XIII-XIV+XV)	12,323,094	443,413	2,779



in EUR

Item		31 December 2012	31 December 2011	Index (in %)		
E.	Comprehensive income					
	I.	Net profit/loss for the financial year after tax	12,323,094	443,413	2,779	
	II.	Other comprehensive income after tax (1+2+3+4+5+6+7+8+9)	9,942,348	4,415,386	225	
		1.	Net gains/losses recognised in the surplus from revaluation of property, plant and equipment	0	0	-
		2.	Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	-
		3.	Net actuarial gains/losses for pension schemes	0	0	-
		4.	Net gains/losses on the re-measurement of available-for-sale financial assets	11,827,438	5,490,732	215
		5.	Net gains/losses relating to non-current assets held for sale	0	0	-
		6.	Net gains/losses from the hedging of cash flows	0	0	-
		7.	Gains/losses recognised in revaluation reserves and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies accounted using the equity method	0	0	-
		8.	Other net gains/losses of other comprehensive income	0	0	-
		9.	Tax on other comprehensive income	-1,885,090	-1,075,346	175
	III.	Total comprehensive income (I+II)	22,265,442	4,858,799	458	

## 2.12.2.2.3 Assets and Liabilities of Guarantee Funds

### 2.12.2.2.3.1 Assets and Liabilities of the PPS Guarantee Fund

in EUR

Item		31 December 2012	31 December 2011	Index (in %)		
	ASSETS	96,633,046	95,738,391	101		
A.	INVESTMENTS IN REAL ESTATE AND FINANCIAL ASSETS	93,195,511	88,662,661	105		
	I.	INVESTMENT IN REAL ESTATE	0	0	-	
	II.	FINANCIAL ASSETS IN GROUP COMPANIES AND ASSOCIATES	0	0	-	
		1.	Investments in Group companies	0	0	-
		2.	Investments in associated companies	0	0	-
	III.	OTHER FINANCIAL ASSETS	93,195,511	88,662,661	105	
		1.	Shares and other securities with variable yield and mutual fund coupons	18,241,275	12,563,276	145
		2.	Debt securities with fixed yield	59,655,472	53,230,060	112
		3.	Stakes in investment funds	0	0	-
		4.	Issued loans collateralised with a lien	0	0	-
		5.	Other issued loans	0	0	-
		6.	Bank deposits	15,104,961	22,681,770	67
		7.	Other financial assets	193,803	187,555	103
	IV.	INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS	0	0	-	
			• from unearned premiums	0	0	-
			• from mathematical provisions	0	0	-
			• from claims provisions	0	0	-
			• from provisions for bonuses and discounts	0	0	-
			• from insurance technical provisions for unit-linked insurance contracts	0	0	-

in EUR

Item		31 December 2012	31 December 2011	Index (in %)	
B.	RECEIVABLES	3,217,445	6,653,392	48	
	I.	RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	15,882	55,412	29
		1. Receivables due from policyholders	15,882	55,412	29
		2. Receivables due from insurance brokers	0	0	-
		3. Other receivables from direct insurance operations	0	0	-
	II.	RECEIVABLES FROM REINSURANCE	0	0	-
	III.	OTHER RECEIVABLES ***	3,201,563	6,597,980	49
C.	MISCELLANEOUS ASSETS	220,090	422,338	52	
	I.	CASH ASSETS	220,090	422,338	52
	II.	OTHER ASSETS	0	0	-
D.	SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	0	0	-	
		1. Accrued interest and rental income	0	0	-
		2. Short-term deferred acquisition costs	0	0	-
		3. Other short-term deferred costs and accrued income	0	0	-
	LIABILITIES	96,633,046	95,738,391	101	
A.	REVALUATION RESERVE	0	0	-	
B.	GROSS INSURANCE TECHNICAL PROVISIONS	95,965,071	95,177,977	101	
	I.	GROSS UNEARNED PREMIUM	0	0	-
	II.	GROSS MATHEMATICAL PROVISIONS	95,965,071	95,177,977	101
	III.	GROSS CLAIMS PROVISIONS	0	0	-
	IV.	GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	0	0	-
C.	GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS	0	0	-	
D.	LIABILITIES FOR REINSURER'S INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS				
E.	OTHER LIABILITIES	667,975	560,414	119	
	I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	654,636	534,597	122
		1. Liabilities to policyholders	654,636	534,597	122
		2. Liabilities to insurance brokers	0	0	-
		3. Other liabilities from direct insurance operations	0	0	-
	II.	LIABILITIES FROM REINSURANCE AND CO-INSURANCE OPERATIONS	0	0	-
	III.	OTHER LIABILITIES	13,339	25,817	52
F.	ACCRUED COSTS AND DEFERRED INCOME	0	0	-	

#### 2.12.2.3.2 Assets and Liabilities of the MR Guarantee Fund

in EUR

Item		31 December 2012	31 December 2011	Index (in %)	
	SREDSTVA	12,923,685	1,321,396	978	
A.	INVESTMENTS IN REAL ESTATE AND FINANCIAL ASSETS	12,487,004	374,448	3,335	
	I.	INVESTMENT IN REAL ESTATE	0	0	-
	II.	FINANCIAL ASSETS IN GROUP COMPANIES AND ASSOCIATES	0	0	-
		1. Investments in Group companies	0	0	-
		2. Investments in associated companies	0	0	-
	III.	OTHER FINANCIAL ASSETS	12,487,004	374,448	3,335
		1. Shares and other securities with variable yield and mutual fund coupons	1,474,752	0	-
		2. Debt securities with fixed yield	8,516,415	289,791	2,939
		3. Stakes in investment funds	0	0	-
		4. Issued loans collateralised with a lien	0	0	-
		5. Other issued loans	0	0	-
		6. Bank deposits	2,495,837	84,657	2,948
		7. Other financial assets	0	0	-

in EUR

Item		31 December 2012	31 December 2011	Index (in %)	
	IV.	INSURANCE TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS	0	0	-
		• from unearned premiums	0	0	-
		• from mathematical provisions	0	0	-
		• from claims provisions	0	0	-
		• from provisions for bonuses and discounts	0	0	-
		• from insurance technical provisions for unit-linked insurance contracts	0	0	-
B.		RECEIVABLES	292,560	929,831	31
	I.	RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	279,608	929,682	30
		1. Receivables due from policyholders	279,608	929,682	30
		2. Receivables due from insurance brokers	0	0	-
		3. Other receivables from direct insurance operations	0	0	-
	II.	RECEIVABLES FROM REINSURANCE	0	0	-
	III.	OTHER RECEIVABLES	12,952	149	8,693
C.		MISCELLANEOUS ASSETS	144,121	17,112	842
	I.	CASH ASSETS	144,121	17,112	842
	II.	OTHER ASSETS	0	0	-
D.		SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME	0	5	-
		1. Accrued interest and rental income	0	0	-
		2. Short-term deferred acquisition costs	0	0	-
		3. Other short-term deferred costs and accrued income	0	5	-
		LIABILITIES	12,923,685	1,321,396	978
A.		REVALUATION RESERVE	0	0	-
B.		GROSS INSURANCE TECHNICAL PROVISIONS	11,318,854	381,357	2,968
	I.	GROSS UNEARNED PREMIUM	0	0	-
	II.	GROSS MATHEMATICAL PROVISIONS	11,318,854	381,357	2,968
	III.	GROSS CLAIMS PROVISIONS	0	0	-
	IV.	GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	0	0	-
C.		GROSS INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS	0	0	-
D.		LIABILITIES FOR REINSURER'S INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS			
E.		OTHER LIABILITIES	375,280	597	62,861
	I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	0	597	0
		1. Liabilities to policyholders	0	0	-
		2. Liabilities to insurance brokers	0	0	-
		3. Other liabilities from direct insurance operations	0	597	0
	II.	LIABILITIES FROM REINSURANCE AND CO-INSURANCE OPERATIONS	0	0	-
	III.	OTHER LIABILITIES	375,280	0	-
F.		ACCRUED COSTS AND DEFERRED INCOME	1,229,551	939,442	131

## 2.12.2.2.4 Technical Account of the Guarantee Funds for Supplementary Pension Insurance In the Annuity Payout Period

### 2.12.2.2.4.2 Technical Account of the PPS Guarantee Fund

in EUR

Item	1 January 2012–31 December 2012	3 October 2011–31 December 2011	Index	
I.	TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	4,943,623	1,129,840	438
1.	Legal entities	0	0	-
2.	Other insurance companies	0	0	-
3.	Other pension companies	0	0	-
4.	Mutual pension fund	4,943,623	1,129,840	438
II.	Income from investments	6,180,181	1,950,137	317
1.	Dividend income and profit sharing in companies	644,984	7,107	9,075
1.1.	Dividend income and income from other profit sharing in Group companies	0	0	-
1.2.	Dividend income and income from other profit sharing in associates	0	0	-
1.3.	Dividend income and income from other profit sharing in other companies	644,984	7,107	9,075
2.	Income from other investment	5,535,197	1,943,030	285
2.1.	Income from land and buildings	0	0	-
2.2.	Interest income	3,271,200	802,795	407
2.3.	Other investment income	2,263,997	1,140,235	199
2.3.1.	Financial income from revaluation	2,263,192	58,910	3,842
2.3.2.	Other financial income	805	1,081,325	0
3.	Income from the value adjustment of investments	0	0	-
4.	Gains on disposal of investments	0	0	-
III.	CLAIMS INCURRED	5,839,949	1,398,804	417
1.	Claims paid	5,839,949	1,398,804	417
2.	Change in claims provisions	0	0	-
IV.	CHANGE IN OTHER NET INSURANCE TECHNICAL PROVISIONS (+/-)	-787,094	-197,707	398
1.	Change in mathematical provisions (+/-)	-787,094	-197,707	398
2.	Change in other net insurance technical provisions (+/-)	0	0	-
V.	ACCRUED COSTS BY POLICIES	0	0	-
1.	Initial costs	0	0	-
2.	Recovery of claims payable, administrative costs, overheads	0	0	-
3.	Closing costs or costs of payouts	0	0	-
V.a.	Net operating costs	0	0	-
1.	Acquisition costs	0	0	-
2.	Change in deferred acquisition cost (+/-)	0	0	-
3.	Other operating costs	0	0	-
3.1.	Depreciation of assets required for operation	0	0	-
3.2.	Labour costs	0	0	-
3.2.1.	Salaries/wages of employees	0	0	-
3.2.2.	Social security and pension insurance costs	0	0	-
3.2.3.	Other labour cost	0	0	-
3.3.	Cost of services provided by natural persons who do not pursue an activity (costs of work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	0	0	-
3.4.	Other operating costs	0	0	-
4.	Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-

Item		1 January 2012-31 December 2012	3 October 2011-31 December 2011	Index	
VI.	INVESTMENT EXPENSES	4,496,761	1,483,466	303	
	1.	Depreciation of assets not required for operation	0	0	-
	2.	Expenses arising from asset management, interest expense and other financial expenses	3,410,116	1,747	-
	3.	Financial expenses from revaluation	525,845	1,481,719	35
	4.	Loss on disposal of financial assets	560,800	0	-
VII.	PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)	0	0		
VII.a.	Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)	0	0	-	

#### 2.12.2.2.4.2 Technical Account of the MR Guarantee Fund

in EUR

Item		1 January 2012-31 December 2012	3 October 2011-31 December 2011	Index	
I.	TRANSFER OF CASH ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE PLAN	12,664,845	387,557	3,268	
	1.	Legal entities	0	0	
	2.	Other insurance companies	0	0	-
	3.	Other pension companies	0	0	-
	4.	Mutual pension fund	12,664,845	387,557	3,268
II.	Income from investments	518,706	904	57,379	
	1.	Dividend income and profit sharing in companies	6,545	0	-
	1.1.	Dividend income and income from other profit sharing in Group companies	0	0	-
	1.2.	Dividend income and income from other profit sharing in associates	0	0	-
	1.3.	Dividend income and income from other profit sharing in other companies	6,545	0	-
	2.	Income from other investment	512,009	904	56,655
	2.1.	Income from land and buildings	0	0	-
	2.2.	Interest income	245,439	788	31,148
	2.3.	Other investment income	266,570	116	229,802
	2.3.1.	Financial income from revaluation	261,630	116	225,542
	2.3.2.	Other financial income	4,940	0	-
	3.	Income from the value adjustment of investments	0	0	-
	4.	Gains on disposal of investments	152	0	-
III.	CLAIMS INCURRED	1,837,521	6,512	28,217	
	1.	Claims paid	1,837,521	6,512	28,217
	2.	Change in claims provisions	0	0	-
IV.	CHANGE IN OTHER NET INSURANCE TECHNICAL PROVISIONS (+/-)	-10,937,502	-381,352	2,868	
	1.	Change in mathematical provisions (+/-)	-10,937,502	-381,352	2,868
	2.	Change in other net insurance technical provisions (+/-)	0	0	-
V.	ACCRUED COSTS BY POLICIES	0	0	-	
	1.	Initial costs	0	0	-
	2.	Recovery of claims payable, administrative costs, overheads	0	0	-
	3.	Closing costs or costs of payouts	0	0	-
V.a.	Net operating costs	0	0	-	
	1.	Acquisition costs	0	0	-
	2.	Change in deferred acquisition cost (+/-)	0	0	-
	3.	Other operating costs	0	0	-



Item		1 January 2012-31 December 2012	3 October 2011-31 December 2011	Index
3.1.	Depreciation of assets required for operation	0	0	-
3.2.	Labour costs	0	0	-
3.2.1.	Salaries/wages of employees	0	0	-
3.2.2.	Social security and pension insurance costs	0	0	-
3.2.3.	Other labour cost	0	0	-
3.3.	Cost of services provided by natural persons who do not pursue an activity (costs of work contracts, copyright contracts and arising from other legal relationships), including charges borne by the Company	0	0	-
3.4.	Other operating costs	0	0	-
4.	Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-
<b>VI.</b>	<b>INVESTMENT EXPENSES</b>	<b>408,528</b>	<b>597</b>	<b>68,430</b>
1.	Depreciation of assets not required for operation	0	0	-
2.	Expenses arising from asset management, interest expense and other financial expenses	402,436	597	67,410
3.	Financial expenses from revaluation	6,092	0	-
4.	Loss on disposal of financial assets	0	0	-
<b>VII.</b>	<b>PROFIT OR LOSS OF THE GUARANTEE FUND (I+II-III+IV-V-VI)</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>VII.a.</b>	<b>Profit or loss of the guarantee fund (I+II-III+IV-V.a-VI)</b>	<b>0</b>	<b>0</b>	<b>-</b>



  
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