# 2013 ANNUAL REPORT

modra zavarovalnica

A safe old age in good hands.

2013 ANNUAL REPORT

modra zavarovalnica

A safe old age in good hands.

Nataša Hočevar,
Responsible for the introduction of measures of
Family Friendly Enterprise Certificate

# 1
# BUSINESS REPORT



# 2
# FINANCIAL REPORT



# 3
# APPENDIX

## GUARANTEE OF TRUST

Trust is not something you get as a matter of course. It is something you have to earn. At Modra zavarovalnica, we strive every day to keep the promises we make. We have already won the trust of 45% of people saving up for a supplementary pension.

**Vesna Razpotnik,**
Executive Director of the Insurance Development, Marketing and Implementation Division

# 1
# BUSINESS REPORT

Borut Jamnik
Chairman of the Management Board

Matija Debelak
Member of the Management Board

# ADDRESS BY THE MANAGEMENT BOARD

In 2013, Modra zavarovalnica d.d. made an important mark on the supplementary pension insurance market. Over 12,000 insured persons received supplementation pensions in the form of monthly pension annuities totalling €11.6 million. At the same time, the insurance company increased its market share in voluntary pension savings schemes to 45% with respect to the funds collected. Modra zavarovalnica is the second largest life insurance company, which builds its reputation on capital strength and products characterised by a high level of safety, expertise and highly motivated employees.

In 2013, the insurance company generated a net operating profit of €4.1 million and surpassed its planned operating results. It generated net technical income amounting to €22.8 million and comprising net premium income and income deriving from fund management. Technical expenses or, rather, charges, including operating costs, amounted to €17.0 million, while mathematical provisions increased by €6.8 million. The positive operating result was also influenced by investment income, which substantially exceeded investment expenses. Hence, the Company reported a positive result from investment activities amounting to €16.2 million. On the other hand, the result was lowered by other technical charges amounting to €11.2 million, referring primarily to the formation of provisions for not achieving the guaranteed rate of the PPS fund, which is the result of decreasing the investment value of certain Slovenian companies.

At the end of 2013, assets under management amounted to €1.12 billion, of which €830 million is collected in mutual pension funds, €115 million in both Guarantee Funds and €177 million are own financial assets representing contingent capital for its insured persons. In the pool of all specialised providers of supplementary pension insurance, Modra zavarovalnica has the highest level of capital adequacy, which, in this difficult economic situation, represents the most important safety factor for the funds saved. The central strategic goal of Modra zavarovalnica is to build trust and provide safety for insured persons' pension savings, which is realised through professional management and a high level of contingent capital.

2013 was marked by a favourable macroeconomic environment, with European stock indices increasing considerably in this period, while bond rates exhibited moderate growth. Low positive growth of Slovenian stock options fell behind the trends recorded on developed stock markets, hence the return rate on Slovenian government bonds slightly decreased in the past year. The Slovenian economy recorded negative economic growth and a rise in unemployment. The return rates of marketable pension funds managed by Modra zavarovalnica d.d. were among the highest in 2013 compared to the competition at home and abroad. The return rate achieved exceeded the guaranteed rate, while the majority of other major pension fund managers failed to achieve the guaranteed rate.

Furthermore, the volume of disbursements decreased significantly in 2013, i.e. after the expiry of the 120-month period. As a result of austerity measures, the premiums of collective supplementary pension insurance for public servants decreased. Similar measures have also been considered by private-sector companies. Hence, the growth of the volume of funds in pension funds was moderate in 2013 and is not expected to increase significantly in 2014. Despite the mentioned risks, the Company plans to maintain its leading market share, both in supplementary pension insurance as well as in supplementary pension disbursements, and expand its saving and annuity products provided for by the new pension legislation.

The essential factors in making the decision to take out supplementary pension insurance remain to be safety and trust in the fund provider or manager. The establishment and, most of all, maintenance of excellent relationships and trust entail products that meet the requirements of an individual or an employer providing for the safe old age of its employees. Therefore, it is our intention to listen to them and offer quality, reliable and safe products, thereby meeting their expectations and requirements.

The Company will continue to pursue supplementary pension insurance activities according to the existing pension scheme and manage the assets of its insured persons with a guaranteed rate, at the same time providing the possibility of transferring or including employees in a guarantee pension fund composed of three sub-funds that will implement the life-cycle investment policy. Individuals will be able to choose from a more diverse range of investment policies tailored to their age structure that will seek to provide the maximum possible yield of the funds paid in for supplementary insurance. The range of supplementary pension products will also be expanded and adjusted, so that retired persons can select the form of drawing the funds saved that is most suited to them and ensure financial safety in their old age.

Borut Jamnik
Chairman of the
Management Board

Matija Debelak
Member of the
Management Board

# COMPANY PROFILE

## GENERAL INFORMATION

**Company name:** Modra zavarovalnica d.d.
**Registered office:** Dunajska cesta 119, Ljubljana
**Registration No.:** 6031226
**VAT ID No.:** SI21026912
**Number of employees:** 55 persons
**Share capital:** €152.2 million
**Assets under management:** €1.12 billion
**Number of persons insured in the mutual pension fund (VPS):** 259,811
**Number of pension annuity recipients:** 12,161

## OWNERSHIP STRUCTURE AND INFORMATION ABOUT CAPITAL

As at 31 December 2013, the sole shareholder of Modra zavarovalnica d.d. was Kapitalska družba d.d.

The Company's share capital amounts to €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 no par value shares issued.

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

## COMPANY ACTIVITY

Modra zavarovalnica d.d. performs activities within the group of life insurance products pursuant to the Insurance Act and the decision issued by the Insurance Supervision Agency allowing the Company to perform insurance transactions for the following types of insurance:

- **accident insurance**
  – point 1 of paragraph 2 of Article 2 of ZZavar,
- **life insurance**
  – point 19 of paragraph 2 of Article 2 of ZZavar,
- **unit-linked insurance**
  (units of investment funds or guarantee fund) – point 21 of paragraph 2 of Article 2 of ZZavar.

The activities of Modra zavarovalnica d.d. are laid down by the law and the Company's Articles of Association. According to the latter and in line with its purpose, Modra zavarovalnica d.d. performs the following activities:

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

## COMPANY BODIES

### Management Board

In 2013, Modra zavarovalnica d.d. was run by the Management Board composed of:

- **Borut Jamnik**, Chairman of the Board and
- **Matija Debelak**, MSc, Member of the Board.

### Supervisory Board

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

The Supervisory Board comprises six Members who were appointed by the Company's General Meeting on 9 December 2011 for the period of 5 years. Three Supervisory Board Members are proposed by the persons insured based on a public call to submit their candidate proposals. Two Members are proposed by the ZVPSJU Board on behalf of persons insured in ZVPSJU, while the last Member is proposed by the KVPS Board on behalf of other insured persons.

The Supervisory Board comprises the following Members:

- **Bojan Zupančič**
  (representative of insured persons), Chairman of the Supervisory Board from 23 December 2012 to 22 December 2013, Deputy Chairman of the Supervisory Board as of 23 December 2013;

- **Dr Aleš Groznik,**
  Deputy Chairman of the Supervisory Board from 23 December 2012 to 22 December 2013, Chairman of the Supervisory Board as of 23 December 2013;

- **Branimir Štrukelj**
  (representative of insured persons), Member;

  **Dario Radešič,**
  Member;

  **Goran Bizjak**
  (representative of insured persons), Member;

- **Marino Furlan,**
  Member.

## GENERAL MEETING OF SHAREHOLDERS

The voting rights at the 2013 General Meeting of Shareholders were exercised by Kapitalska družba d.d. as the sole shareholder.

# REPORT OF THE SUPERVISORY BOARD

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

**a) Report by the Supervisory Board on the method and scope of review of the Company's management during the financial year**

Based on the provisions of the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (hereinafter "ZPKDPIZ") and the company's Articles of Association, Modra zavarovalnica d.d. (hereinafter "Company") has a Supervisory Board comprising six members who are appointed by the Company's General Meeting. Three members of the Supervisory Board are proposed by persons insured at the Company, i.e. two members are proposed by the ZVPSJU Board on behalf of persons insured in the Closed Mutual Pension Fund for Civil Servants (ZVPSJU) and one candidate is proposed by other persons insured (those insured in the KVPS Fund, PPS Fund and other). Three Members of the Supervisory Board represent the interests of the sole shareholder, Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

At its 1st General Meeting held on 9 December 2011, the following Members of the Supervisory Board were appointed for a period of 5 years:

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

At the constitutive meeting of the Company's Supervisory Board held on 23 December 2011, Branimir Štrukelj was appointed the Chairman of the Supervisory Board and Dr Aleš Groznik the Deputy Chairman of the Supervisory Board. Based on the decision adopted at the 10th constitutive meeting of the Company's Supervisory Board, Dr. Aleš Groznik chaired the Supervisory Board from 23 June 2012 to 22 December 2012, with Branimir Štrukelj acting as the Deputy Chairman. Between 23 December 2012 and 22 December 2013, the Chairman of the Supervisory Board was Bojan Zupančič and the Deputy Chairman was Dr Aleš Groznik and, as of 23 December 2013, Dr Aleš Groznik was appointed the Chairman of the Supervisory Board and Bojan Zupančič the Deputy Chairman.

Over the course of 2013 financial year, the Supervisory Board met at 14 meetings, 12 of them regular and 2 correspondence meetings. Members of the Supervisory Board acted independently when adopting decisions. Members attended meetings well prepared in regard to the topics discussed, put forth constructive proposals and remarks and adopted decisions pursuant to their competences. Members of the Supervisory Board acted in line with the rules on professional secrecy and handling in case of conflict of interests. Control over the Company's operations was carried out pursuant to the powers and competences as laid down by the Companies Act and further specified by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board.

Monitoring covered the management of the Company's underlying assets and the management and provision of supplementary pension insurance provided by the pension funds managed by Modra zavarovalnica as of 3 October 2011 (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 Civil Servants – ZVPSJU), which were transferred to the management of Modra zavarovalnica on the day the Company was entered in the Court Register (3 October 2011), and MR Guarantee Fund.
The management of the above-mentioned pension funds and the disbursement of pension annuities were transferred to Modra zavarovalnica d.d.

At its 35th meeting, held on 22 May 2013, the Supervisory Board confirmed the annual report of Modra zavarovalnica for the 2012 financial year, including the audit report and the report of the Supervisory Board regarding the review of the Company's annual report, and introduced themselves to the Company's annual internal audit report for 2013, the report made by a certified actuary and the annual reports of the mutual pension funds managed by Modra zavarovalnica d.d. It also agreed to the proposal made by the Management Board regarding distributable profit. Based on the proposal put forth by the Audit Committee, the Supervisory Board proposed that the auditor for 2013 be Deloitte revizija d.o.o.

Pursuant to the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (ZPPOGD) and the Benchmarks for variable remuneration of Members of the Management Board of Modra zavarovalnica, also taking into account qualitative and quantitative criteria, the Supervisory Board assessed the work performed by the Management Board since the establishment of the Company, i.e. in 2011 and 2012, and approved the payment of variable remuneration to Members of the Management Board.

In 2013, Members of the Supervisory Board decided on granting consent to the Management Board to take part in the recapitalisation of Pozavarovalnica Sava d.d., to the sale of the shares of Helios Domžale d.d., to the Framework agreement for the temporary sale of commercial papers concluded between GEN-I d.o.o. and Modra zavarovalnica d.d. and to the conclusion of a short-term loan agreement pursuant to the provisions of the Agreement related to participation in the financial restructuring of Cimos d.d. and the Company's Articles of Association. Members were regularly updated about the course of the restructuring procedure carried out at Cimos d.d. Members were acquainted with the implementation of the Strategy Business Plan for the 2013-2015 period. The Supervisory Board kept track of the Company's operations and dealt with quarterly reports on Company operations.

Furthermore, it was informed of the course of the sales procedure of the companies Helios Domžale d.d., Letrika d.d. and Cinkarna Celje d.d.

Based on Article 39 of the Rules of the Capital Mutual Pension Fund, the Supervisory Board appointed the members of the Capital Mutual Pension Fund Board.

At its 38th meeting, held on 24 July 2013, the Supervisory Board gave its consent to amendments to the Business and Financial Plan of Modra zavarovalnica d.d. for 2013 and, at its 42nd meeting, held on 25 November 2013, it gave its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2014.

The remuneration received by Members of the Management Board comply with the decision adopted by the General Meeting and are accurately disclosed in the annual report by Modra zavarovalnica d.d. in Chapter 2.11.3.5. Other disclosures.

**Work of the Supervisory Board Audit Committee**

The 3-member Audit Committee comprising Goran Bizjak (Chairman), Dario Radešič (Member) and Marjeta Končar, MSc (independent external member), was a permanent operative body of the Supervisory Board in 2013 and monitored the Company's operations and the work performed by the Management Board in the course of the financial year to aid the Supervisory Board in its decision-making process. In 2013, the Audit Committee met 8 times. In its work, the Audit Committee employed the recommendations for audit committees provided by the Slovenian Directors' Association and the Slovenian Institute of Auditors as well as the Rules of Procedure for Audit Committee as adopted by the Supervisory Board. The Audit Committee conducted a preliminary interview with the selected independent auditor and cooperated in the discussion of the unaudited annual report of Modra zavarovalnica d.d. for 2013.

Furthermore, it reviewed the Company's annual report and the audit report provided by the external independent auditor and discussed the annual reports of the mutual pension funds managed by the Company, the annual work programme of the Internal Audit Department and the Business and Financial Plan of Modra zavarovalnica d.d. for 2014, to which the Supervisory Board gave its consent.

In addition to the tasks specified in the Companies Act, the Audit Committee familiarised themselves with the Rules on the formation and release of provisions for not achieving the guaranteed return on assets and the Instructions on investment bank limits of Modra zavarovalnica d.d.

The Audit Committee kept the Supervisory Board regularly informed of its operations at Supervisory Board meetings.

**Assessment of the work performed by the Management Board and Supervisory Board**

Based on the mentioned day-to-day monitoring and control over the operations and management of Modra zavarovalnica over the course of the financial year and based on the review of the annual report drawn up by the Management Board, the Supervisory Board assesses that the annual report and all disclosures contained therein are a true and fair representation of the actual state of affairs and position of Modra zavarovalnica d.d. The Supervisory Board estimates that the Company's Management Board managed the Company's operations in 2013 successfully and properly and, given the circumstances of changed operating conditions, successfully realised the business goals set. It prepared materials with quality information and in-depth discussions of all major operating categories in due time and provided elaborate answers to subsequent questions and motions put forward by Members of the Supervisory Board. The Management Board's reports to the Supervisory Board in 2013 allowed the latter to perform its function of control appropriately.

**b) Position of the Supervisory Board regarding the audit report**

Based on paragraph 2 of Article 282 of the Companies Act, the Supervisory Board reviewed and discussed the auditor's report regarding the audit of the Company's financial statements for 2013, which was performed by the audit firm Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed its duty in line with the law, rules on auditing and the International Standards on Auditing. The Supervisory Board has no objections to the auditor's report.

**c) Decision on confirmation of the 2013 annual report**

Based on the provisions of Article 282 of the Companies Act, the Supervisory Board confirms the annual report of Modra zavarovalnica d.d. for 2013.

**d) Proposal to the General Meeting on discharging the Management and Supervisory Boards**

Based on the above-stated under points a), b) and c), the Supervisory Board proposes to the General Meeting of Modra zavarovalnica d.d. and, based on the provisions of Article 294 of the Companies Act, adopts a decision to grant a discharge to the Management and Supervisory Boards of Modra zavarovalnica d.d. for the work performed in the 2013 financial year, namely:

to Members of the Management Board:

- **Borut Jamnik**
  for the period between 1 January 2013 and 31 December 2013,
- **Matija Debelak**
  for the period between 1 January 2013 and 31 December 2013.

to the Supervisory Board for the period between 1 January 2013 and 31 December 2013 comprising:

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

Dr Aleš Groznik
Chairman of the Supervisory Board

Ljubljana, 9 May 2014

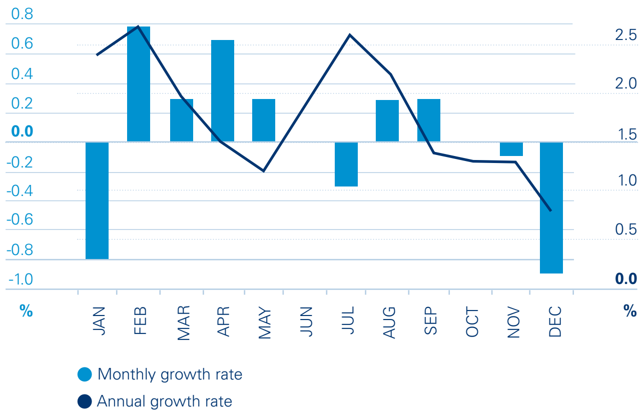
# BUSINESS ENVIRONMENT

## INFLATION

In 2013, the annual consumer price index in Slovenia amounted to 0.7%, while the average amounted to 1.8%. In 2012, the annual inflation rate (2.7%) slightly surpassed the average rate (2.6%).

In 2013, the largest price increases were in the following groups: apartments, alcoholic beverages and tobacco, food and soft drinks, catering and accommodation services and health. On the other hand, the largest price decrease was seen in products and services pertaining to the groups of miscellaneous goods and services, clothing and footwear, communications, furnishings, transport, recreation and culture.

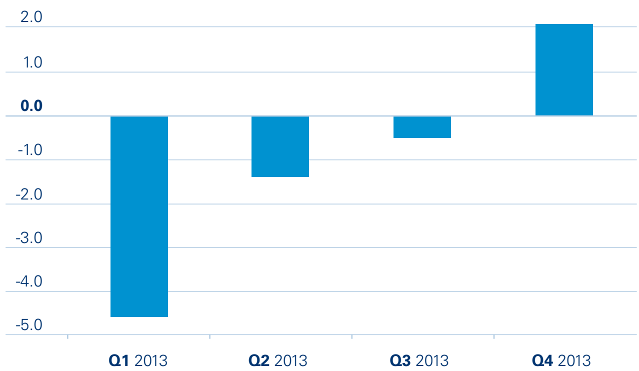
**Figure 1:** Changes in the monthly and annual consumer price indices in 2013 (in %) Source: Statistical Office of the Republic of Slovenia




## GROSS DOMESTIC PRODUCT

In 2013, the Slovenian GDP dropped by 1.1% in real terms. In Q4 of 2013, it grew by 2.1% YOY and by 1.2% compared to Q3 of 2013. The GDP growth rate was positive in all quarters of 2013; however, YOY was positive only in Q4. The growth of the economic activity in Q4 was predominantly influenced by investments, which increased by 5.9% in Q4, of which investments in construction works by 11.1% and investments in machinery and equipment by 2.9%. Government spending decreased and final consumption of households remained unchanged in Q4 of 2013 compared to the Q4 of 2012. External demand had a positive impact on economic activity in 2013.

**Figure 2:** Changes in YOY real GDP growth rates by quarter in 2013 (in %) Source: Statistical Office of the Republic of Slovenia




## EMPLOYMENT AND SALARIES

In December 2013, the number of active citizens was 915,338 according to the data provided by the Statistical Office of the Republic of Slovenia. There were 791,323 persons in employment, which is 0.2% less than at the end of 2012. At the end of December 2013, the number of registered unemployed people was 124,015, which is a 5% rise compared to the number of registered unemployed people at the end of 2012. In December 2013, the registered unemployment rate amounted to 13.5% and at the end of 2012 to 12.9%.

The average monthly net wage in 2013 was around €997. The latter grew nominally by 0.6% with respect to the 2012 average but decreased by 0.2% in real terms. The average monthly gross wage in 2013 was €1,523, which decreased nominally by 0.2% with respect to the 2012 average monthly gross wage and by 0.9% in real terms.

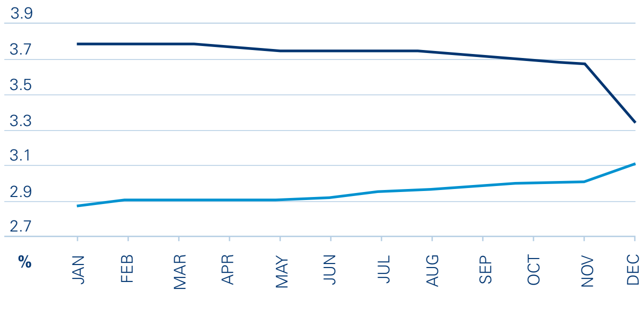
## MONEY MARKET

### Interest rates

In 2013, interest rates for loans mostly grew. The interest rates on existing consumer loans to households with maturity over 5 years amounted to 4.79% in December 2013 (4.74% in January 2013) and 2.88% for non-financial companies (3.11% in January 2013). The interest rate for short-term loans for households and non-financial companies slightly decreased in December 2013 compared to January 2013, i.e. from 5.53% to 5.49%.

The interest rates on existing household deposits with agreed maturities over 2 years decreased in December 2013 compared to January 2013, i.e. from 3.79% to 3.64%, and also dropped for non-financial companies from 3.5% to 3.35% at the end of December 2013.

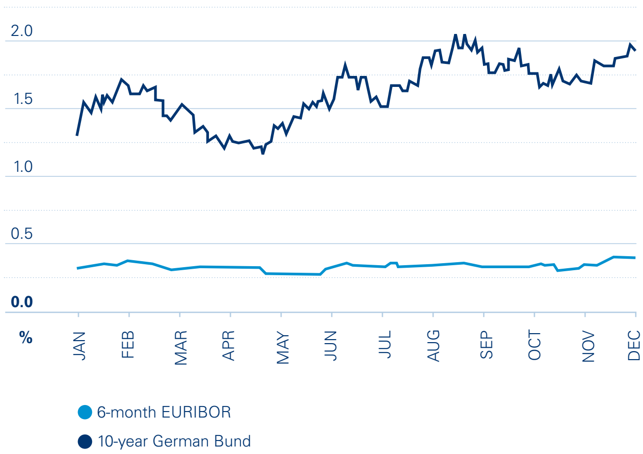
**Figure 3:** Changes in interest rates on existing transactions in 2013 (in %)
Source: Bulletin of the Bank of Slovenia




The interbank reference rate in the Eurozone, the 6-month EURIBOR, started 2013 at 0.32% and reached 0.39% by the end of the year. The changes in interbank rates were most significantly affected by the ECB, which lowered the reference rate from 0.5 to 0.25% in July 2013.

The yield of the German 10-year government bond rose in 2013. The growth of the yield expected is primarily the result of increased optimism seen in Europe in 2013 and its ability to climb out of the recession. Therefore, investors sold German bonds, which served as a safe haven at the time of the worst crisis.

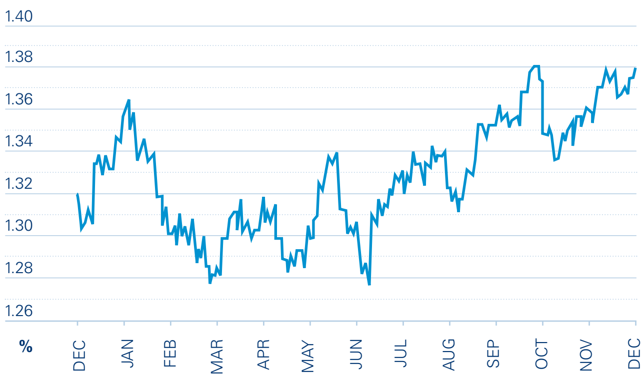
**Figure 4:** Changes in yield to maturity (YTM) of the 10-year German government bond and 6m EURIBOR in 2013 (in %)
Source: Bloomberg




### Foreign exchange rate

In 2013, the value of the US dollar decreased by 4% compared to the euro. At year-end, the exchange rate was $1.3743 for €1. The average annual exchange rate in 2013 was $1.3284 for €1. The US dollar exchange rate recorded changes of no clear trend in 2013. Major changes occurred in May, when the US Federal Reserve System announced its intention to decrease the volume of securities redeemed.

**Figure 5:** Changes in the USD/EUR exchange rate in 2013 (in $ for €1)
Source: Bloomberg

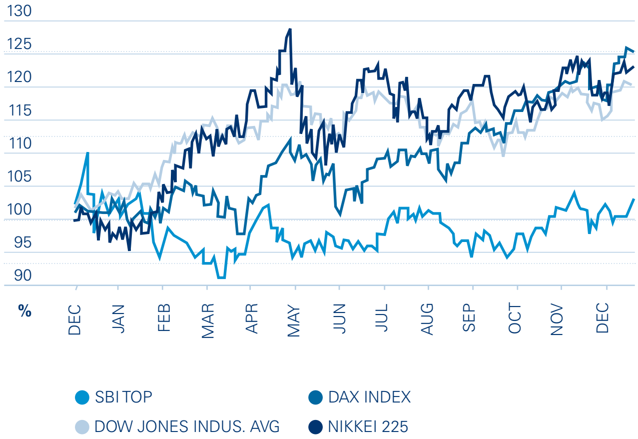


## CAPITAL MARKET

### Equity market

In 2013, the value of the global stock index grew by 17.5% (assessed in €). On average, European (German) stocks gained the most, followed by the Japanese and American ones. Slovenian stocks fell behind the trends recorded on developed stock markets, gaining only 3.2% in 2013.

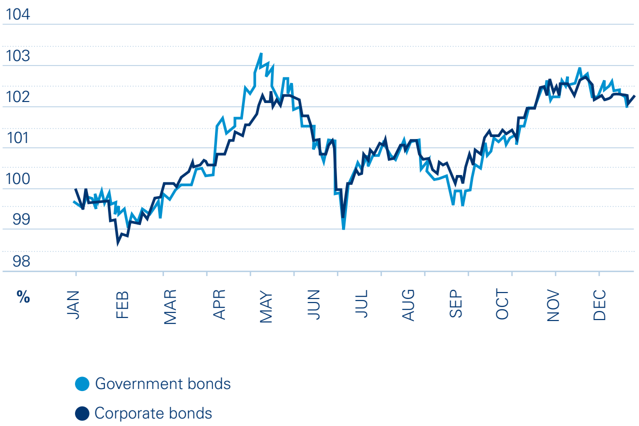
**Figure 6:** Changes in the Slovenian SBI TOP stock index and certain foreign stock indices in 2013, assessed in € (index: 31/ 12/ 2013 = 100)
Source: Bloomberg




### Debt securities market

The European government bond index (IBOXX EUR Sovereigns TR index) gained 2.2% in 2013. Changes in the index were largely denoted by credit spread reduction, which was the result of the financial crisis settling down and its consequences and measures taken by central banks. The European government bond index (IBOXX EUR Corporates TR index) also gained in value, i.e. by 2.2%.

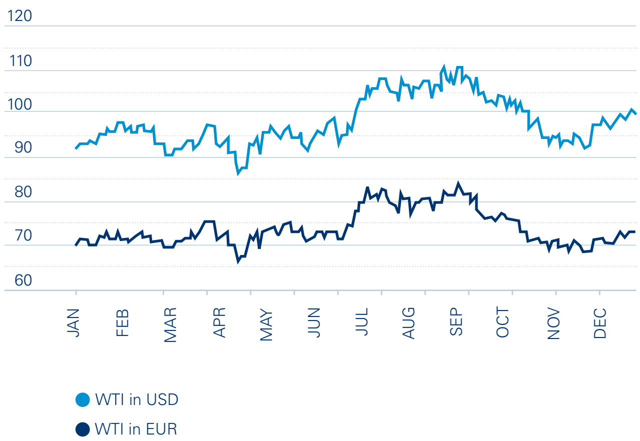
**Figure 7:** Changes in IBOXX EUR Sovereigns TR index and the IBOXX EUR Corporates TR index in 2013 (index: 31/12/2012 = 100)
Source: Bloomberg




## OIL PRICE

In 2013, the price of crude oil grew from $91.82 to $98.42 per barrel at year-end. The average price in 2013 was $98, exceeding the average 2012 price by 6.8%.

**Figure 8:** Changes in crude oil prices (West Texas Intermediate) in 2013 (in $ and € per barrel)
Source: Bloomberg



## SECURITY AND STABILITY

The only way to create something massive is to build on a sold foundation of knowledge and experience. At Modra zavarovalnica, we make sure all our clients and partners enjoy stability and security. This is our strong point.

**Alenka čok Pangeršič,**
Executive Director of the Asset Management Division

# OPERATIONS IN 2013

## FINANCIAL RESULT AND FINANCIAL POSITION

In 2013, Modra zavarovalnica d.d. generated €22,810,140 in revenues from premiums and other technical income. Almost three quarters of this is income from annuity insurance premiums, while the remaining share is income from the management of mutual pension and guarantee funds. The premiums paid in the mutual pension funds managed by Modra zavarovalnica d.d. amounted to €66.2 million in the same period.

In 2013, expenses for claims and other technical charges amounted to €22,826,815 and represented expenses due to annuities paid and provisions formed for not achieving the guaranteed rate of mutual pension funds. A major part of the mentioned expenses is accounted for by provisions due to non-achievement of the guaranteed rate of PPS, amounting to €10,912,433. The change in mathematical provisions implies an expense due to the increase in mathematical provisions deriving from pension annuities sold. Operating costs include the costs of labour, services, material, amortisation/depreciation and similar.

In 2013, the profit from investment activities recognised in the profit or loss account reached €16,178,152.

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

in €

| Item | 2013 | 2012 |
|---|---|---|
| Income from premiums and other technical income | 22,810,140 | 28,414,938 |
| Expenses for claims and other technical charges | –22,826,815 | –12,432,960 |
| Change in mathematical provisions | –6,838,890 | –11,724,596 |
| Operating costs | –5,437,753 | –5,296,382 |
| Operating profit or loss | –12,293,318 | –1,038,999 |
| Profit or loss from investment activities recognised in the income statement | 16,178,152 | 15,936,262 |
| Other net income | 36,361 | 25,176 |
| Profit or loss before tax | 3,921,195 | 14,922,439 |
| Income tax | 149,268 | –2,599,345 |
| Net profit or loss | 4,070,463 | 12,323,094 |
| Profit or loss recognised in equity | 5,216,685 | 9,942,348 |
| **Total comprehensive income** | **9,287,148** | **22,265,442** |

**Table 2:** Financial position of Modra zavarovalnica d.d.

in €

| Item | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Financial assets | 292,250,970 | 284,939,586 |
| Other assets | 20,973,009 | 11,566,784 |
| Mathematical provisions | –114,122,814 | –107,283,925 |
| Other provisions | –12,102,490 | –3,275,042 |
| Other liabilities | –8,923,058 | –12,778,619 |
| Equity | 178,075,616 | 173,168,784 |
| Minimum capital requirement | 40,684,393 | 38,625,821 |
| Available capital | 172,163,180 | 169,062,699 |

The largest share of the Company's assets are financial assets, which amounted to €292,250,970 at the end of 2013. Liabilities include mathematical and other provisions, particularly provisions made due to non-achievement of the guaranteed rate of the PPS fund.

## FINANCIAL ASSETS OF MODRA ZAVAROVALNICA D.D.

The Company's financial assets include own company assets and the assets of both guarantee funds.

**Table 3:** Financial assets of Modra zavarovalnica d.d.

in €

| Financial asset | 31/12/2013 |
|---|---|
| Own financial assets | 177,279,730 |
| KS PPS assets | 95,820,700 |
| KS MR assets | 19,150,540 |
| **Total** | **292,250,970** |

## MANAGEMENT OF OWN FINANCIAL ASSETS

The Company's own financial assets amounted to €177,279,730 at the end of 2013. The Company breaks them down pursuant to the items indicated in the table below. The largest share is accounted for by the equity investment portfolio and non-portfolio equity investments, followed by the debt investment portfolio.

**Table 4:** The structure of own financial assets of Modra zavarovalnica d.d.

in €

| Financial asset | 31/12/2013 |
|---|---|
| Portfolio financial investments in equity | 74,736,814 |
| Non-portfolio financial investments in equity | 30,634,895 |
| Portfolio of financial investments in debt securities | 66,197,508 |
| Cash and cash equivalents | 5,710,513 |
| **Total** | **177,279,730** |

### Portfolio financial investments in equity

Portfolio financial investments in equity comprise foreign shares and investment fund certificates by domestic and foreign issuers. As at 31 December 2013, the value of the mentioned investments was €74,736,814. The largest five investments in the portfolio-managed financial investments in equity as at 31 December 2013 include: Coca-Cola Company shares, the index fund representing the MSCI global index (XMWO GY), the index fund investing in agriculture (MOO US), the German stock index DAX (DAXEX GR) and the index fund investing in shares on developing markets (MXFS LN).

**Table 5:** Structure of portfolio financial investments in equity

in €

| Investment | 31/12/2013 |
|---|---|
| **Shares** | **27,671,253** |
| • Domestic shares | 0 |
| • Foreign shares | 27,671,253 |
| **Investment funds** | **47,065,561** |
| • Domestic investment funds | 342,804 |
| • Foreign investment funds | 46,722,757 |
| **Total** | **74,736,814** |

In 2013, stock indices increased on average by 17.5%, assessed in €. As at 31 December 2013, the portfolio's greatest exposure in terms of industry was to finance, followed by non-cyclical consumer goods and IT. As regards exposure to foreign exchange risk, the portfolio's greatest exposure was to the US dollar and euro. Around half of the mentioned portfolio is invested in equity investments by North American issuers and around a third in investments by European issuers. The remainder are investments in issuers from developed Asian countries and issuers from developing economies.

### Non-portfolio financial investments in equity

At the end of 2013, the Company owned major stakes in the Pozavarovalnica Sava d.d., Cinkarna Celje d.d., Žito d.d. and Letrika d.d. In total, the value of these investments reached €30,634,895 at the end 2013.

On 16 October 2013, Modra zavarovalnica d.d., together with other vendors in a joint sales procedure for the shares of Helios d.d., concluded a sale and purchase agreement with the purchaser, Remho Beteiligungs GmbH (Rembrandtin Holding). The sales price per Helios d.d. share reached €520, while the total value of the sale amounted to €12,025,520.

### Financial investments in debt securities

At the end of 2013, the balance of financial investments in debt securities reached €66,197,508. The largest share of financial investments in debt securities was taken up government bonds, followed by corporate bonds and deposits.

**Table 6:** Structure of financial investments in debt securities

in €

| Investment | 31/12/2013 |
|---|---|
| **Bonds** | **41,795,003** |
| Government bonds | 20,952,120 |
| • Domestic government bonds | 10,109,502 |
| • Foreign government bonds | 10,842,618 |
| Corporate bonds | 20,842,883 |
| • Domestic corporate bonds | 3,769,279 |
| • Foreign corporate bonds | 17,073,604 |
| **Deposits** | **17,920,000** |
| **Certificates of deposit** | **1,306,533** |
| **Treasury bills** | **5,175,971** |
| **Total** | **66,197,508** |

The government bond IBOXX Sovereign TR index increased by 2.43% in 2013. After an optimistic start to the year, government bonds recorded a sharp drop in May, when the US Federal Reserve announced its intention to lower the redemption of bonds if favourable trends in the American economy continue; however, in September it took a step back to reassure the markets. The value of government bonds started rising again.

The yield curve of the Slovenian government bonds recorded a sharp drop last year, i.e. on average by 86 basis points. Slovenian government bonds recorded the highest growth upon the autumn 1.5-billion issue of a 3-year bond and after the publication of bank stress test results.

Likewise, prices of European corporate bonds were unstable in 2013. The IBOXX Corporate TR index grew by 2.24% in 2013, and the IBOXXMJA Liquid High Yield index grew by 7.85% in the same period. Corporate bond indices grew until mid-May, when the mentioned announcements of the US Federal Reserve regarding the termination of monetary stimuli caused a fall in liquidity, hence leading to increased sales pressures and another price decrease.

In 2013, Slovenia was characterised by bank rescuing attempts and their stress tests. Under low liquidity, the prices of government bonds already fell substantially in the first half of 2013. The price decrease of Slovenian government bonds was even greater after the announcements made by the Bank of Slovenia and the Government of the Republic of Slovenia on 6 September 2013 regarding the controlled liquidation of Factor banka d.d. and Probanka d.d. and the publication of stress test results. Subordinated bonds of the mentioned two banks and NLB, NKBM and Abanka were entirely revalued to 0 or, rather, deleted.

### Investments in cash and cash equivalents

At the end of 2013, the Company disclosed €5,710,513 of own cash and cash equivalents. The majority of these funds were euro call deposits.

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

in €

| Investment | 31/12/2013 |
|---|---|
| Bank balances and cash in hand | 59,513 |
| Euro call deposits | 5,651,000 |
| **Total** | **5,710,513** |

## GUARANTEE FUND MANAGEMENT

In 2013, the Company paid a net sum of €10.8 million for supplementary pensions to 12,161 persons insured. 3,569 insured people received a monthly pension annuity deriving from pillar 2 supplementary pension insurance (Modra renta) and 8,592 persons insured from supplementary pension insurance in the PPS fund (in exchange for pension vouchers).

Modra zavarovalnica d.d. manages two guarantee funds that are intended solely for the payment of liabilities towards persons insured that derive from supplementary pension payments:

- the Guarantee Fund of the First Pension Fund (PPS), from which supplementary pension annuities deriving from exchanged pension vouchers have been paid since 2004;
- the »Modra renta« Guarantee Fund, which has provided a comprehensive selection of competitive pension annuities deriving from supplementary pension insurance since December 2011.

In 2013, the Company's income deriving from the management of both guarantee funds reached a total of €463,672.

**Table 8:** Basic information about the guarantee funds of Modra zavarovalnica d.d. (December 2013)

| Guarantee fund | Amount of assets under management (in € million) | No. of annuity recipients | Amount of net payments made in 2013 (in €) |
|---|---|---|---|
| KS PPS | 96.9 | 8,592 | 5,737,013 |
| KS MR | 19.7 | 3,569 | 5,092,088 |
| **Total** | **116.6** | **12,161** | **10,829,101** |

### Guarantee Fund of the First Pension Fund (KS PPS)

KS PPS represents segregated assets formed on 13 July 2004 for all insured persons aged 60 or, rather, those acquiring the right to the annuity when they turn 60. Upon being given the right, every person insured chooses a corresponding form of pension annuity, thereby exercising their right and finally specifying the manner of the enjoyment of the right. Insured persons with 2,000 points or less can have their pension annuity paid out in a one-off amount. Insured persons with over 2,000 points on their insurance policy can choose from a lifetime pension annuity and a lifetime pension annuity with a guaranteed payment period. Insured persons with 2,000 to 5,000 points can also have their pension annuity paid out once a year. The guaranteed disbursement period is set to 5, 10 or 15 years. If a person insured dies during the guaranteed disbursement period, the pension annuity is paid to their heirs until the expiry of the guaranteed disbursement period.

By 31 December 2013, the right to a pension annuity was exercised by 23,195 persons insured, 13,216 of which opted for a one-off payment, 1,132 opted for an annual pension annuity and 8,695 requested a monthly annuity.

In 2013, 1,406 persons insured who turned 60 and paid a total of €4,635,473 of supplementary pension funds into the KS PPS fund acquired the right to an annuity.

As at 31 December 2013, the Fund's assets amounted to €96,929,403. The largest share of these assets are bonds (58% of total assets), followed by shares and loans and deposits.

**Table 9:** Structure of assets in KS PPS

in €

| Asset | 31/12/2013 |
|---|---|
| Shares | 13,962,364 |
| Bonds | 56,497,826 |
| Certificates of deposit | 905,716 |
| Treasury bills | 3,701,826 |
| Loans and deposits | 11,506,404 |
| Investment certificates | 9,000,550 |
| Cash and cash equivalents | 246,014 |
| Other receivables | 1,108,703 |
| **Total** | **96,929,403** |

Other receivables include receivables due from the fund manager and arising from the KS PPS asset deficit amounting to €1,028,165 and short-term receivables arising from interest and dividends.

As at 31 December 2013, 64% of KS PPS assets were invested at home and 36% in investments by foreign issuers. The largest share of foreign issuer investments is represented by foreign bonds.

**Table 10:** Geographic diversification of KS PPS investments

in €

| Area | 31/12/2013 |
|---|---|
| Domestic investments | 61,701,074 |
| Foreign investments | 35,228,330 |
| **Total** | **96,929,403** |

## The Modra renta Guarantee Fund

Annuity pension insurance is intended for the payment of pension annuities deriving from voluntary supplementary pension insurance. Upon taking out annuity pension insurance, every person insured can select the form of lifetime annuity, thereby exercising their right to supplementary old age pension.

The Company offers its insured persons a diverse range of 24 forms of supplementary pension. Savers can choose from a diverse range of annuity products.

**Classic Modra renta** is a lifetime monthly pension annuity without a guaranteed disbursement period.

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

**Accelerated Modra renta with full guarantee** is a lifetime pension annuity with a guaranteed monthly disbursement period between 1 and 10 years (accelerated monthly disbursements and guarantee in the event of death), resulting in annual annuity disbursements in the amount equalling the preceding monthly amount.

**Accelerated Modra renta with limited guarantee** is a lifetime pension annuity with a guaranteed monthly disbursement period between 2 and 10 years (accelerated monthly disbursements and guarantee in the event of death for 1 to 9 years), resulting in annual annuity disbursements amounting to €12.

Only persons insured through one of the supplementary pension insurance schemes who meet the requirements for regular termination and exercise the right to supplementary old-age pension can take out such insurance policies. By 31 December 2013, 3,904 persons insured/members exercised their right to supplementary old-age pension and opted to receive a chosen monthly pension annuity; 1,752 persons in 2013. Together, they paid a total of €12,438,626 in the Guarantee Fund.

**Table 11:** An overview of exercised rights to supplementary old-age pension in 2013

| | No. of members/policies | Redemption value of assets (in €) |
|---|---|---|
| Modra renta - transfer to KS MR from KVPS | 345 | 3,889,401 |
| Modra renta - transfer to KS MR from ZVPSJU | 1,378 | 8,335,930 |
| Modra renta - transfer from competitors | 29 | 213,295 |
| **Total** | **1,752** | **12,438,626** |

The amount of an individual's pension annuity depends on the supplementary pension insurance funds collected, technical interest rate, date of birth, age upon the effective date of annuity insurance, the cost of annuity payments and life expectancy tables broken down by gender.

**Table 12:** Structure of KS MR supplementary pension annuities as at 31 December 2013

| Type of annuity | Share of persons insured (in %) | Average annuity amount (in €) |
|---|---|---|
| Classic Modra renta | 1% | 38 |
| Guaranteed Modra renta with guarantee | 2% | 57 |
| Accelerated Modra renta with full guarantee | 18% | 97 |
| Accelerated Modra renta with limited guarantee | 79% | 174 |
| **Total** | **100%** | **154** |

Members of the KVPS Fund have on average collected more funds per fund member than members of the ZVPSJU Fund and, as a result, on average received a higher annuity. The average age of annuity recipients is 61 years. 53% of all annuity recipients are male.

The insurance cannot be suspended, meaning that annuities are paid out for life or until the expiry of the guaranteed disbursement period. In the event of an insured person's death before the expiry of the guaranteed payment period, the annuity is paid to the beneficiary designated by the person insured or to their heir until the expiry of the guaranteed disbursement period.

As at 31 December 2013, the Fund's assets amounted to €19,658,649. The largest share of the assets comprises bonds and the investment class of treasury bills.

**Table 13:** Structure of KS MR assets

in €

| Asset | 31/12/2013 |
|---|---|
| Bonds | 10,132,357 |
| Loans and deposits | 1,370,146 |
| Treasury bills | 3,884,635 |
| Certificates of deposit | 181,072 |
| Investment certificates | 3,356,625 |
| Cash and cash equivalents | 225,705 |
| Other receivables | 508,109 |
| **Total** | **19,658,649** |

**Table 14:** Geographic diversification of KS MR investments

in €

| Area | 31/12/2013 |
|---|---|
| Domestic investments | 12,125,237 |
| Foreign investments | 7,533,412 |
| **Total** | **19,658,649** |

As at 31 December 2013, 62% of KS MR assets were invested at home and 38% in investments by foreign issuers.

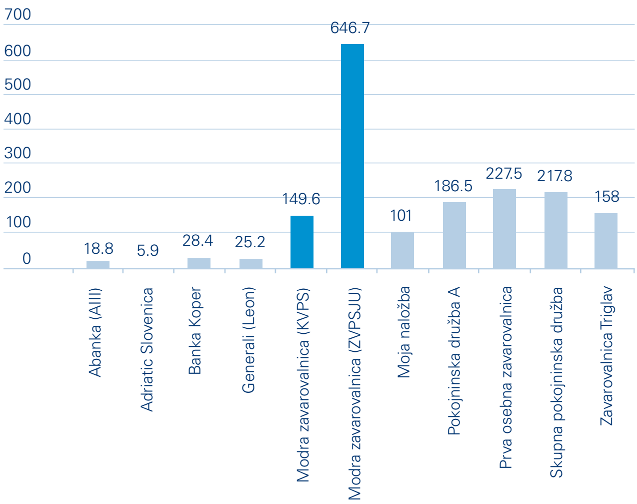
## MANAGEMENT OF MUTUAL PENSION FUNDS

### Market and competition

At the end of 2013, supplementary pension insurance was offered by 10 providers on the Slovenian market. 4 providers (Abanka, Banka Koper, Zavarovalnica Generali and Modra zavarovalnica) managed five mutual pension funds, while three pension companies (Pokojninska družba A, Skupna pokojninska družba and Moja naložba) and three insurance companies (Prva osebna zavarovalnica, Zavarovalnica Triglav and Adriatic Slovenica) provided pension insurance in the form of guarantee funds. At the end of 2013, all providers managed a total of €1.759 billion in assets of members/persons insured under supplementary pension insurance, which is 2% less than at the end of 2012, when the members/insured persons' assets amounted to €1.785 billion. The data on the mutual pension fund managed by Probanka, against which a procedure of supervised liquidation was initiated in September 2013, is not available. Furthermore, the comparison does not include the First Pension Fund, since this is a special form of supplementary pension insurance classified under 3rd pillar pension insurance.

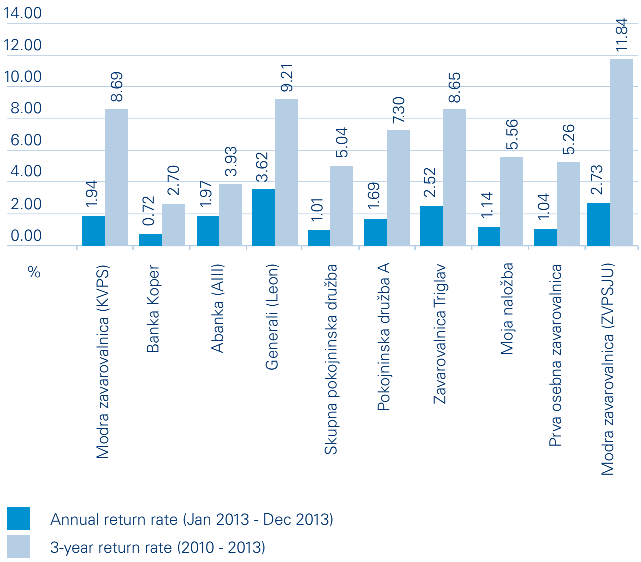
In 2013, Modra zavarovalnica somewhat increased its market share in supplementary pension insurance compared to 2012, which amounted to 45% of all supplementary pension insurance funds collected or 47% of all persons insured/members included.

**Figure 9:** Pension funds/providers (net value of assets under management as at 31 December 2013; in € millions)
Source: Dnevnik, 17 February 2014




In 2013, the annual yields of pension funds were substantially lower than those achieved in 2012. In 2013, the yields of the KVPS and ZVPSJU Funds, managed by Modra zavarovalnica, were among the highest. The yield achieved surpassed the guaranteed return rate, unlike that of the pension companies and Prva osebna zavarovalnica, which failed to achieve the guaranteed rate. In the last three years, the ZVPSJU Fund achieved the highest return rate of all pension funds in Slovenia, while the KVPS Fund fell behind the ZVPSJU Fund and the pension fund managed by Zavarovalnica Generali, in view of the return rate achieved.

**Figure 10:** Annual and 3-year return rates of pension insurance providers
Source: Dnevnik, 17 February 2014




In the pool of all specialised providers of supplementary pension insurance, Modra zavarovalnica d.d. has the highest level of capital strength, which is, in this difficult economic situation, the most important safety factor for the assets saved. The capital used by Modra zavarovalnica d.d. to ensure the safety of the insured persons' assets is by far the largest compared to competitive pension fund managers. The large contingent capital of Modra zavarovalnica d.d., transparent operations and professional management will continue to be the most important safety elements of supplementary pension savings. The safety of savings is identified as a the central strategic goal of the Company and is written down in its strategy.

## Mutual pension funds under management

By lowering pensions deriving from compulsory insurance, the difference between an individual's income before and after retirement is increasing. By saving under the supplementary pension insurance scheme, compared to other forms of saving, individuals benefit from a considerable tax relief, since they can receive the employer's premium, including all relevant taxes and contributions, to their accounts or decrease their income tax base if they pay for the premium from their net wages. According to the new ZPIZ-2, the right to withdraw the funds paid in by the employer after 31 December 2012 has been abolished, unless the funds amount to less than €5,000 upon retirement. However, the right to withdraw, after ten years, the funds collected through employer payments made until 31 December 2012 has been sustained. Supplementary pension insurance tax incentives, limited possibilities for non-assigned wastage of the assets saved and regular savings amounting to 5.8% of an individual's gross salary are the key factors to ensure financially safe old age.

Modra zavarovalnica d.d. focuses a major part of its communication activities on raising awareness among savers about the importance of supplementary pension insurance. The Company also strives to raise awareness and visibility of supplementary pension insurance in cooperation with trade unions and employers.

Modra zavarovalnica d.d. is the largest provider of supplementary pension insurance in Slovenia and the key provider of old-age savings schemes within the scope of the second pension pillar. In December 2013, there were slightly less than 260,000 individuals saving in its three mutual pension funds, while the collected assets managed for the account of persons insured/members amounted to €829.5 million. In 2013, the total supplementary pension insurance premium paid in amounted to €66,217,941 and dropped by 40% compared to 2012 due to the adopted Agreement on further measures in the field of salaries and other labour costs in the public sector aiming to balance public finances.

The Company manages three mutual pension funds that are run and reported as segregate assets owned by persons insured/members of a relevant fund.

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

PPS pursues a special form of supplementary pension insurance and classifies as 3rd pillar pension insurance, while the other two mutual pension funds fall within the scope of the second pension pillar.

**Table 15:** Data on the mutual pension funds managed by Modra zavarovalnica d.d. as at 31 December 2013

| Fund | No. of members/ persons insured | No. of employers/ premium payers | Amount of assets under management (in € million) |
|---|---|---|---|
| Capital Mutual Pension Fund (KVPS) | 27,725 | 288 | 149.6 |
| Closed Mutual Pension Fund for Civil Servants (ZVPSJU) | 205,531 | 1,915 | 646.7 |
| First Pension Fund (PPS) | 26,555 | intended for natural persons only | 33.2 |
| **TOTAL** | **259,811** | **2,203** | **829.5** |

In 2013, the Company's income deriving from the management of mutual pension funds reached a total of €5,640,079.

Pursuant to Article 313 of ZPIZ-2, Modra zavarovalnica d.d. is, in the event the actual net value of pension fund assets in an accounting period fall below the guaranteed value of the funds' assets, obliged to form provisions for failing to achieve the guaranteed rate that are debited to equity and equal the difference between the guaranteed and actual net value of assets. At the end of 2013, Modra zavarovalnica d.d. disclosed provisions for failing to achieve the guaranteed rate of mutual pension funds amounting to €10,942,982, whereby €10,912,433 of the provisions refer to the PPS Fund.

## Closed Mutual Pension Fund for Civil Servants

ZVPSJU is a closed mutual pension fund intended solely for public servants. It was established for the purpose of collecting public servants' assets in their personal accounts, thus providing them with the right to supplementary old-age pension or some other right specified by the pension scheme. Premiums can be paid in the Fund by employers or public servants themselves, thus ensuring a higher supplementary pension and benefiting from the income tax relief. As the manager of the Fund, Modra zavarovalnica d.d. ensures the guaranteed rate of the funds saved, which in 2013 amounted to 1.88%. The methodology to calculate the minimum guaranteed rate is specified by the minister competent for finance.

Based on ZKDPZJU and KPOPNJU, the collective insurance as per the PNJU K Pension Scheme included all persons holding public servant status as at 1 August 2003 or who were subject to KPNG. Individuals who entered into an employment relationship with the Republic of Slovenia, local community or a public law body after 1 August 2003 are included in the PNJU K Pension Scheme on the day they conclude the employment contract or receive the status of a public servant.

Poor economic conditions spurred a number of measures to balance public finances. As a result, the Government of the Republic of Slovenia and representative public sector unions adopted an Agreement on further measures in the field of salaries and other labour costs in the public sector aiming to balance public finances in the period from 1 June 2013 to 31 December 2014, which also affected the amount of collective supplementary pension insurance premiums for public servants. Since August 2013, public servants have received 80% lower employer premiums compared to previous months in 2013. The average monthly premium dropped from €33.19 to €6.6. The result of the mentioned premium decrease is a decrease in the funds saved for supplementary pension, which has become an important source of funds alleviating one's transition to retirement age.

Supplementary pension insurance for public servants can be terminated on a regular or extraordinary basis. Regular termination of collective insurance under the PNJU K Pension Scheme takes place when a member of the ZVPSJU Fund enforces their right to supplementary old-age pension or the right to an early supplementary old-age pension. Extraordinary termination, on the other hand, can be enforced by a member through the termination of their public sector employment contract, provided that 120 months have passed from the date the member was included in the insurance scheme, or by the member's beneficiaries/heirs in the event of the member's death. Until 1 August 2013, a special regulation applied to all members of the ZVPSJU Fund who, as at 1 August 2003, had less than ten years to meet the minimum requirements for acquiring the right to old-age pension. In this case, a member could, under the compulsory insurance scheme, choose between the right to an old-age pension or payment of a one-off redemption value upon retirement.

In 2013, insurance was terminated for 5,703 members, while the redemption value paid amounted to €26 million.

Based on the PNJU K Pension Scheme and ZVPSJU Rules, Modra zavarovalnica d.d. is entitled to an entry fee and management fee as the manager of the ZVPSJU Fund. Entry fees are calculated in the percentage of the paid-in premium upon its payment and are remitted to the manager's account; in 2013, they amounted to 0.525%. As of 1 January 2014, they amount to 0.5%. The annual fee for the management of the ZVPSJU Fund hence amounts to 0.50% of the average annual net value of ZVPSJU assets. All other operating costs of the Fund are charged to the Company.

In 2013, the management of ZVPSJU was geared towards safety, profitability, liquidity and diversification of investments as well as long-term growth of the value of ZVPSJU assets.

ZVPSJU achieved a 2.73% return rate in 2013. The largest management change in 2013 was the decrease in the share of loans and bank deposits at Slovenian banks as a result of a downgrade in their credit ratings and uncertainty regarding the expected stress test results. On the other hand, the share of treasury bills and commercial records as well as the share of investment certificates investing in diversified bond and stock investments increased.

## Capital Mutual Pension Fund

KVPS is an open mutual pension fund intended to implement voluntary supplementary pension insurance schemes. The Fund is open to all employed persons included in the compulsory pension insurance scheme. Separate pension schemes for individual and collective voluntary supplementary pension insurance designated PN1 P and PN1 K have been formed since 2002 within the frame of KVPS. As the manager of the Fund, Modra zavarovalnica d.d. ensures the guaranteed rate of the funds saved, which in 2013 amounted to 1.88%. The methodology to calculate the minimum guaranteed rate is specified by the minister competent for finance.

Supplementary pension insurance can be terminated on a regular or extraordinary basis. Regular termination takes place when an insured person included in this insurance scheme acquires the right to a supplementary old-age pension or early supplementary old-age pension. Extraordinary termination takes place when a member of the Fund terminates insurance based on a written statement of withdrawal or upon the member's death. A special way to terminate insurance is to transfer assets to another provider and enforce the right to the payment of the funds after ten years that have been collected through employer payments made until 31 December 2012, whereby a member can continue saving in the KVPS Fund and in fact not withdraw from it.

In 2013, insurance was terminated for 2,472 members, while the redemption value paid amounted to €16 million.

Pursuant to the PN1 P and PN1 K pension schemes and the KVPS Rules, the manager of the fund is entitled to entry fees, exit fees and management fees. In 2013, the fee for the management of the fund amounted to 1% of the average annual net value of KVPS assets. Entry fees are calculated as a percentage of the paid-in premium upon its payment and amounted to 3% in 2013. Exit fees are calculated in the percentage of the paid-out redemption value of assets and amounted to 1% in 2013.

In 2013, large efforts were made in the management of the fund's assets to search for investments that minimally yield the guaranteed rate under acceptable risks. Government and corporate bonds were relatively expensive in 2013, while stocks reached new record-breaking levels. The share of deposits in the fund's assets was again relatively low in 2013, which is the result of an uncertain situation at Slovenian banks. Deposits were therefore replaced with Slovenian treasury bills that achieved higher return rates than the treasury bills of comparable countries.

In 2013, KVPS achieved a return rate of 1.94%, which is relatively favourable considering the fact that most of the KVPS investment portfolio is exposed to government and corporate bonds that achieved low return rates in 2013 due to the measures taken by central banks and that the holders of subordinated bank bonds, one of which was also KVPS, were expropriated after stress tests were performed in Slovenian banks. The return rate achieved nevertheless exceeds the guaranteed rate.

## The First Pension Fund of the Republic of Slovenia

PPS is a special form of a pension fund that is managed by Modra zavarovalnica d.d. on its behalf and for the account of insured persons. It is intended solely for the coverage of pension annuity disbursements from supplementary pension insurance policies that were formed through the exchange for pension vouchers. Since 1 January 2003, PPS has been a closed mutual pension fund, which is why further payments or inclusions in the Fund are not possible. Since August 2004, the assets collected by all persons insured/members aged 60 have been transferred to KS PPS, which is intended to cover liabilities arising from the payment of supplementary pension annuities. If a person insured/member of PPS dies before acquiring the right to a pension annuity, the right to the payment of the policy's redemption value is granted to that person's heirs.

Modra zavarovalnica d.d. is entitled to an annual fee for the management of the PPS Fund, which in 2013 amounted to 1% of the average annual net asset value and to exit fees that are charged as a percentage of the asset redemption value paid to heirs.

The manager's primary objective in 2013 was to restructure the PPS portfolio, i.e. to sell investments in private limited companies and non-marketable investments in public limited companies. To realise this goal, the Action Plan for the Sale of Equity Investments of the PPS Fund was updated and an updated management strategy for the PPS Fund prepared.

Due to an impairment of the Fund's investment in the shares of Cimos d.d., PPS failed to achieve the guaranteed rate in 2013, which is why Modra zavarovalnica d.d. formed provisions amounting to €10,912,433.

According to the decision issued by the Insurance Supervision Agency, the deadline for restructuring the investments of PPS was extended to 31 October 2013, except for the investment in Cimos d.d., for which the deadline was postponed to 13 July 2015. Since it was not possible to align all investments with the legal restriction, a request was submitted to the Insurance Supervision Agency for another extension of the deadline. By 31 December 2013, the Agency did not communicate its decision regarding the extension.

# RISK MANAGEMENT

Swift adjustment to market conditions brings about the need to eliminate and manage risks as efficiently as possible, which is a prerequisite for successful business operations. Therefore, risk management is of key importance in the pursuit of activities aimed at achieving the goals of the Company. The application of standard risk management methodologies enables the Company to make a quality assessment of all types of risks, respond in due time and reduce exposure to risks. In risk management, the Company primarily takes into account legal regulations but also governs the area through its internal acts.

Modra zavarovalnica d.d. operates so that:

- it always has adequate capital at its disposal with respect to the scope and type of insurance transactions performed as well as risks to which it is exposed when performing these transactions (capital adequacy);
- the risks to which it is exposed in individual or all types of insurance transactions concluded never surpass the limitations laid down by the Insurance Act and therewith related regulations;
- it is at any time capable of settling its liabilities in due time (liquidity) and permanently capable of settling all its liabilities (solvency).

The Company considers the most important types of risk in its operations to be credit risk, market risk, liquidity risk and operational risk. In 2014, it will continue to develop and upgrade the overall risk management system in order to improve asset management in the long term. This area is governed by Solvency II Directive, which is strategically aimed at protecting insured persons or, rather, their assets while meeting the capital requirements (SCR, MCR), improving risk management, providing conditions for better capital allocation and increasing transparency.

## CREDIT RISK

Last year, exposure to credit risk was particularly pronounced due to a long-lasting debt crisis; as a result, credit ratings dropped for countries, banks and individual securities. Credit risk refers to the debt securities (financial investments in bonds, commercial and treasury bills, deposits and loans given) and represents a possibility that investments in debt securities be recouped partially or not at all.

A share of the Company's assets are invested in Slovenian government securities, debt securities of EU Member States and international financial institutions, equity and debt securities of international non-financial companies, domestic equity shares and debt securities and domestic banks.

The Company has specified the procedures used to monitor credit exposure to financial institutions providing the instruments in which the Company invests its assets. Within the frame of the Company's internal regulations, a business partner's credit rating is determined using an own model and taking into account the credit ratings provided by Standard & Poor's, Fitch and Moody's. The decision to approve an investment is adopted by the Management Board based on the proposals submitted by internal committees.

The Company manages its credit risk by dispersing investments in terms of issuers, sectors and geographical areas. The credit risk of foreign debt securities is managed by investing in foreign debt securities with a credit rating higher than BBB- that has been provided by a recognised credit rating agency and by adjusting the portfolio's credit rating structure to the internal restrictions adopted. The Company's portfolio of debt securities does include bonds of a credit rating below BBB-, but only as a result of changed conditions on financial markets.

The credit risk deriving from exposure to an individual bank (deposits) is managed in line with internal rules, i.e. the monthly specification of investment limits that represent the exposure permitted at an individual bank within a specified period.

The total exposure to an individual issuer is identified on an ongoing basis and is aligned with legal regulations.

## THE RISK OF SECURITY PRICE CHANGES

The diversification of a share of the Company's investments abroad has reduced the dependency of the long-term investment portfolio on the trends recorded on the Slovenian capital market. In 2014, Modra zavarovalnica will continue to diversify its share of investments abroad pursuant to its investment policy.

Risk monitoring and assessments are made weekly by calculating the value at risk (V@R), which applies the Monte Carlo calculation method, i.e. at the level of the entire portfolio as well as separately for equity and debt securities. Furthermore, the beta indicator is assessed weekly for equity securities as a systemic risk measure.

## CURRENCY RISK

When managing the share of the underlying assets invested in foreign currencies, the Company is also exposed to currency risk.

The Company manages its credit risk by balancing financial investments with liabilities in terms of currency, pursuant to the Insurance Act. The amount of receivables exposed to currency risk is low. In 2013, the Company did not use the financial instruments made for protection against currency risk.

## INTEREST RATE RISK

By investing assets in debt securities and deposits, the Company is exposed to the risk related to changes in investment value due to interest rate changes. In foreign debt securities, assets are invested with respect to the reference portfolio selected. Furthermore, the Company's internal committees monitor interest rate changes on a weekly basis, including the analyses and forecasts of market players based on which investment proposals are made.

The Company manages the risks deriving from interest rates by balancing the maturity structure of debt security investments and by restructuring investments from fixed rate bonds into floating rate notes or vice versa with respect to the expected intensity of market interest rate changes, or by restructuring investments from debt securities with a low yield to maturity into investments with a high yield to maturity. In 2013, the Company did not use the financial instruments made for protection against interest rate risk.

## LIQUIDITY RISK

Modra zavarovalnica manages its resources and investments in a manner that allows it to settle all due liabilities at any moment. The Company forms and carries out the policy of regular liquidity management separately for the Company and guarantee funds, pursuant to ZZavar and statutory instruments.

Due to the low liquidity of the Slovenian capital market, liquidity risk persists in the majority of the Company's investments in domestic equity and debt securities and is the highest in non-marketable investments. The Company reduces its liquidity risk by allocating a portion of investments in high-liquidity securities abroad. Furthermore, it limits the liquidity risk by planning and monitoring the portfolio's cash flows daily and investing a limited portion of the assets in high-liquidity money market instruments.

## OPERATIONAL RISK

The key operational risk factors at the Company pertain to human resources, business processes, information technology (IT), corporate structure and external events. The Company manages its operational risk through a system of authorisations, definition of business processes and adequately trained employees. To further reduce the operation risk, the Company has established a system of recording loss events in order to minimise its operational risk.

The Company also has an internal audit department that pays special attention to verifying the internal control system and making proposals for its improvement.

# INFORMATION TECHNOLOGY

The IT service at the Company pursues its strategic goals by taking part in the execution of implementation projects and offering support to the strategic guidelines set forth in the plan. It supports the strategic guidelines of business data processing as defined in the Company's annual business and financial plan.

After successfully introducing the Modri e-račun online service, the Company continued to develop the service in 2013, thus moving closer to its customers. The service provides information about the balance of assets and premiums paid in within a specified period. In the personal section of the portal, an individual can view a certificate containing the number of asset units. This method of posting certificates has allowed the Company to reduce its operating costs. Such contact with customers is also used for educating and raising awareness about the importance of saving for old age.

Within the scope of introducing the Solvency II regime, important deadlines for the enforcement of the regime were adopted in 2013. Hence, 31 March 2015 is the final deadline for the transfer of the Solvency II Directive into the national legal systems of EU Member States. The deadline to harmonise insurance companies with the requirements of the Solvency II Directive is 1 January 2016. In 2013, Modra zavarovalnica d.d. invited providers of IT services to present their IT support for the Directive.

Upon establishment in 2011, the Company continued to perform the key business processes (management of mutual pension funds, management of annuity funds) and the key IT support for the mentioned processes. To this end, Modra zavarovalnica d.d. concluded a "Contract on the use of software" with Kapitalska družba d.d. with which the latter allows the former the use of certain computer programs throughout the term of the Contract against the payment of the amount specified in the Contract. In addition, it has concluded software maintenance contracts with selected suppliers. However, such a business model is financially unacceptable for the Company in the long term. As a result, the Company adopted a decision to replace the existing IT support with a new one that would simultaneously support the requirements or possibilities foreseen by ZPIZ-2, which will enable it to manage a new umbrella pension fund containing a group of three sub-funds within the frame of which the life-cycle investment policy will be carried out. In line with this decision, the Company successfully concluded the procedure to select a supplier for integral IT support to the management of supplementary pension insurance funds. The procurement order covers a 5-year lease of a system for establishing IT support to the key management and reporting processes, the implementation of the migration of the existing support system for the key management processes, the provision of operational system maintenance and further development of the system in line with additional requirements deriving from our business operations. In December, the Company aligned the key contractual elements for long-term cooperation with the selected supplier.

The IT and CRM Division provides for efficient management of IT services. The management of system infrastructure has been excluded and is being carried out at an outsourcer. Such a partnership implies certain risks that are managed through a contract on the provision of quality IT service levels and by reporting about the service quality levels achieved. The complexity of system infrastructure management is entrusted to the outsourcer's experts. The key business software and IT services are supplied to the Company by outsourcers from Slovenia and abroad. The Company is in a contractual relationship with its outsourcers under which the latter are obliged to achieve the required levels of availability, integrity and confidentiality of business information.

In 2013, the operational risks related to the use of IT system were successfully managed. There were no major safety incidents related to IT safety. System operations were stable. Requirements concerning the availability and reliability of IT services for business processes were met pursuant to the contractually agreed service levels or pursuant to the expectations of business users.

Within the scope of information security management, the Company adopted an umbrella policy for information protection and the Rules on the management system for information security. Based on this, a subordinated act entitled "Information Asset Management Policy" was adopted that specifies procedures for managing the register of information assets and purchasing, introducing and protecting of information assets that are used in business processes. The Company also adopted the Policy to control access to information assets that specifies the rules and procedures for allocating the rights and authorisations to access information assets as well as control over the use access rights. All security documents adopted are compliant with the requirements of the ISO/IEC 27001 standard and the ISO/EIC 27002 code of practice for information security management in all essential components. By implementing the provisions laid down in its security documents, the Company provides top-quality, reliable and safe services and thus meets the expectations and requirements of its customers and owners, justifying their trust in every respect. The Company is well aware of the significance and risks related to the management of information security, since information and IT constitute a special asset and an essential component of its business operations.

# ORGANISATION AND HUMAN RESOURCES

## INTERNAL ORGANISATION

Upon its establishment, Modra zavarovalnica adopted the underlying internal acts governing the internal organisation of the Company. In 2013, the Company adopted the Code of Ethics for employees of Modra zavarovalnica d.d. and some additional internal acts or their updates that refer to accounting, authorisations and signing, management of information security, storage of documents and performance of regular annual inventories.

The basic internal organisational units at Modra zavarovalnica d.d. are departments and divisions that enable an efficient decision-making process and optimal implementation of the key areas of work within three umbrella organisational units:

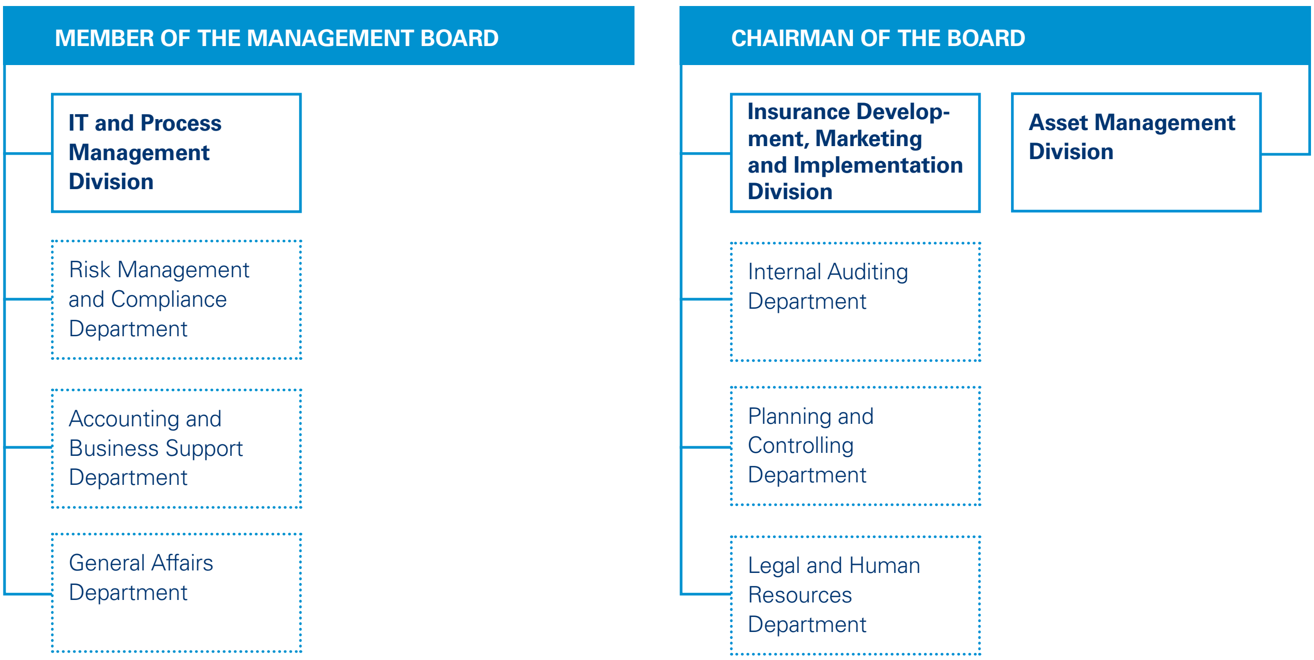
- Insurance Development, Marketing and Implementation Division,
- Asset Management Division,
- IT and Process Management Division,

Back office processes are carried out within departments that are under direct supervision of the Company's Management Board:

- Internal Auditing Department,
- Planning and Controlling Department,
- Legal and Human Resources Department,
- Risk Management and Compliance Department,
- Accounting and Business Support Department,
- General Affairs Department.

The Company's internal organisation provides for efficient implementation of all business processes, cost-effectiveness and strengthening of competitive advantages.

**Figure 11:** Organisational chart of Modra zavarovalnice d.d.



## EMPLOYEES

At the start of 2013, Modra zavarovalnica d.d. employed 56 people, Members of the Board included, while the number fell to 55 by the end of 2013. One person was recruited in 2013, while two persons terminated their employment relationship.

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

**Table 16:** Number of employees by organisational units

| Organisational unit | Balance as at 31/12/2013 |
|---|---|
| Management Board | 2 |
| Insurance Development, Marketing and Implementation Division | 23 |
| Asset Management Division | 7 |
| IT and Process Management Division | 4 |
| Accounting and Business Support Department | 7 |
| Planning and Controlling Department | 2 |
| Risk Management and Compliance Department | 1 |
| General Affairs Department | 4 |
| Internal Auditing Department | 1 |
| Legal and Human Resources Department | 4 |
| **Total** | **55** |

78% of the Company's human resources are female and 22% are male. The average age of employees is 40 years, while the average period of service amounts to almost 18 years.

## EDUCATIONAL STRUCTURE OF EMPLOYEES

As at 31 December 2013, 65% of the Company's employees had postgraduate education and 35% secondary education or lower.

**Table 17:** Number of employees by educational structure

| Level of education | Balance as at 31/12/2013 | Balance as at 31/12/2012 |
|---|---|---|
| Level 8 (8/1, 8/2) | 6 | 6 |
| Level 7 | 21 | 21 |
| Level 6 (6/1, 6/2) | 9 | 10 |
| Level 5 | 18 | 18 |
| Level 4 | 1 | 1 |
| **Total** | **55** | **56** |

In 2013, the existing areas of work continued to be upgraded with various forms of training. These were tailored to the requirements of a particular job position and to special areas of the knowledge required for each employee, whereas the training was also aligned with the development tasks set by the Company. The use of funds for training was within the planned scope.

The seminars and courses organised by external institutions are most often related to IT, accounting, financial operations, human resource management, foreign language skills, asset management, marketing and sales skills, financial analyses, commercial and insurance law, organisation of operations, project management and team management.

In additional to the training organised by outsourcers, the Company also prepares internal employee training that is carried out independently by the Company's experts and refers primarily to novelties or changes in legislation.

## STRENGTHENING TRUST

Employees are the driving force behind success and satisfaction. We take care of our insurance holders and their employers. We are delighted with the survey results that prove our clients perceive us as a trustworthy insurance company. As employees, we value the good working conditions, the family-friendly nature of the company and its efforts to ensure financial security after we retire.

**Gabrijela Skerbinek,**
Manager of personal accounts in the Division for Insurance Development, Marketing And Implementation Division

# CORPORATE SOCIAL RESPONSIBILITY

Modra zavarovalnica d.d. strives to be a socially responsible company both in relation to its employees, employers and members/persons insured and the environment as well as to the wider community. The Company's actions are aimed at strengthening trust, which is particularly important at the time of unstable conditions on the financial services market.

## RESPONSIBILITY TOWARDS EMPLOYEES

Modra zavarovalnica maintains a safe and pleasant working environment and suitable and stimulating conditions for work. The Company's efforts are focused on raising the level of mutual communication or, rather, cooperation culture, the level of cooperation in making important decisions, improving the flow of information, establishing an organisation of work that provides employees with a well-balanced relationship between job requirements and their skills, a sound social network, conditions for employees' physical activity and sound ergonomic conditions at the workplace. The existing areas of work and the development of new business functions at the Company are upgraded with different forms of education that are tailored to job requirements, specific knowledge or skills required by an employee and to the development tasks set by the Company. Employees receive further training at home or abroad by attending brief or prolonged seminars and workshops and through the internal training courses planned. The Company also encourages its employees to continue their studies and obtain various licences, consequently raising the quality of the work process and qualification for work at a particular job position. Professional training also includes courses related to occupational health and safety. The Company has also adopted organisational, environmental and individual measures to improve health and well-being at the workplace.

The Company is well aware of the importance of a well-balanced career and family life and is a proud holder of the full Family-Friendly Company certificate. By obtaining the full certificate, the Company will continue to carry out all measures taken in flexible working hours management, information and communication policy, implementation of opinion polls among employees, training managers regarding effective balancing of career and family life, inclusion of employees after a lengthy leave of absence and family services. The staff working at the Company are relatively young, with a prevailing share of women (78%), including mothers with small children.

The Company provides social security upon retirement for all employees by paying in the maximum tax-deductible premium in the collective voluntary pension insurance scheme of the KVPS Pension Fund, managed by Modra zavarovalnica d.d., which further strengthens the sense of belonging and visibility of the product. In 2013, the total voluntary supplementary pension insurance premium for supplementary pensions of employees amounted to €103,000.

## RESPONSIBILITY TO THE WIDER SOCIAL COMMUNITY

Modra zavarovalnica d.d. focuses a major part of its communication activities on raising awareness among savers about the importance of supplementary pension insurance. The Company also strives to raise awareness and visibility of supplementary pension insurance in cooperation with trade unions and employers. Consultations were organised for individual groups of employers and visits to companies were made in order to present the advantages of saving for old age; furthermore, we prepared information to be published on their websites and internal bulletins and provided professional assistance in the preparation of answers to questions posed by employees to employers and trade unions in relation to supplementary pension insurance. We have taken part in retirement seminars, organised info points at companies and attended a professional training course held by the Slovenian Works Council Association at which we presented the key novelties in supplementary pension insurance under ZPIZ-2. As a golden sponsor, we attended the 2013 Slovenian HR Congress and presented the implementation of collective supplementary pension insurance and the role of HR departments within companies with respect to the novelties brought about by ZPIZ-2. Furthermore, we presented our products at the 20th Slovenian Insurance Days.

Special attention is also placed on the Internet, since we seek to share our experiences, knowledge, ideas and values. In September 2013, a special website (www.varcujzastarost.si) was set up for the purposes of acquiring new clients and focusing on sales. The existing website was upgraded and optimised in terms of technical support and search engines. The website provides an indicative calculation of supplementary pension, tax relief calculations and increasingly important information about supplementary pension insurance, the operations carried out by various funds and the pension system, including FAQ and all sample forms required to exercise one's rights arising from the pension scheme. Modra zavarovalnica d.d. enables all pension fund savers 24-hour personal insight into their insurance policy. Using the free-of-charge online service "Modri e-račun", savers are able to access data about own and employer's monthly payments at any place and at any time, thus keeping track of the amount of the funds saved for their supplementary pension. The Company has also set up its own Facebook, Twitter and LinkedIn accounts, which are used to raise public awareness about supplementary pension insurance and the Company's visibility among young target groups.

In an effort to achieve top-quality services, the Company measured customer satisfaction in December 2013, i.e. for the second time in a row. The response exceeded every expectation, since 185 company representatives and over 1600 members who appreciate our efforts to continuously improve services decided to take part in the survey. Most of all, the Company is pleased with the results of the survey, which showed that customers see the Company as a trustworthy insurance company.

## RESPONSIBILITY TOWARDS THE ENVIRONMENT

As a socially responsible company, we support environmentally targeted activities. We separate waste, minimise paper consumption, collect worn-out printer cartridges and respond to charity actions.

By purchasing new-years cards, the Company contributed funds required for the financial independence of artists painting with their mouth and feet, while a share of the funds was also provided to children with special needs, enabling better conditions at the Dr. Ljudevit Pivko Primary School in Ptuj. The funds intended for new-years corporate gifts were donated to the Regional Red Cross Association in Maribor, i.e. for settling the costs of medical treatment abroad for a member of the Slovenian chess team, since treatment in Slovenia was inadequate due to the nature of the disease, while the treatment abroad was a financial burden that her family could not afford.

In 2013, we collected a large amount of plastic stoppers for the purposes of the "Vesele nogice" Society, which helps people with developmental disorders. The Company's employees also responded to the project entitled "Santa Clause for a day" and joined numerous people who enabled over 1000 children from Slovenia, Kosovo and Bosnia to have Christmas presents. By collecting food for cats and dogs, blankets, sheets, old pillows and other equipment, the Company also aided the coastal society fighting against animal cruelty.

# MAJOR BUSINESS EVENTS AFTER 2013

On 17 February 2014, Modra zavarovalnica d.d. received a decision issued by the Insurance Supervision Agency in which the latter postponed the deadline for harmonising the PPS Fund's investment structure with legal requirements to 31 October 2016, except for the investments made in Certa d.d. and Premogovnik Velenje d.d., for which the deadline was extended to 31 May 2014, while the majority of investments in business interests of private limited companies will have to be disposed.

# EXPECTED DEVELOPMENT OF MODRA ZAVAROVALNICA D.D. IN 2014

In 2014, the greatest challenge will be the unenviable economic situation at hand, lack of trust in financial institutions and a low level of awareness among individuals regarding the urgency of saving for old-age. The payments of the funds saved that were made after the expiry of a 120-month period following the entry in the pension scheme led to non-assigned spending of the funds saved that were intended for financial safety in old age and over half of collective supplementary pension insurance fund members in fact started saving anew. Furthermore, as a result of austerity measures, premium payments made by public sector employers decreased, while private sector companies are still considering similar measures or even termination of payments. The volume of payments made to beneficiaries after the expiry of the 120-month period decreased significantly in 2013, and the same is expected in 2014.

Competition between providers of supplementary pension insurance has increased as a result of standardised bases for operations and increased comparability between providers, leaving individuals with a slightly easier decision as to whom to entrust their savings for old age based on comparable data. According to ZPIZ-2, an employer can form and finance several pension schemes and enable its employees to select the pension scheme provider. Despite the mentioned risks, the insurance company plans to maintain the leading market share on the supplementary pension insurance market in 2014 and continue making supplementary pension payments while expanding its products provided by the new pension legislation.

Modra zavarovalnica d.d. will continue to provide supplementary pension insurance according to the existing pension scheme carried out by the mutual pension fund KVPS and is expected to provide the possibility of transferring or entering employees in the umbrella pension fund composed of three sub-funds implementing the life-cycle investment policy in the first half of 2014. With the establishment of the umbrella fund, all employers financing KVPS will be able to offer their employees two options: the existing KVPS mutual pension fund with a guaranteed rate or the umbrella pension fund composed of three sub-funds that will carry out the life-cycle investment policy as per ZPIZ-2. In 2014, the Company will perform all activities required to restructure the ZVPSJU Fund into an umbrella fund composed of three sub-funds that will pursue a life-cycle investment policy. The establishment of umbrella funds will have a major impact on the funds' investment policy and will require individuals to further train and educate themselves to be able to choose a suitable sub-fund of the umbrella fund. Younger persons will be able to save in a sub-fund with a more aggressive investment policy and potentially higher yield. After reaching a specified age limit, they will transfer to a more balanced sub-fund and will enter the sub-fund with a guaranteed rate a few years prior to retirement, leading them safely to retirement. Once a year, every member will have the right to select another sub-fund of the umbrella pension fund, whereby this sub-fund will not be intended for a younger age group than that of the member. Every member will also have the opportunity to stay in the fund with a guaranteed rate.

Supplementary pension insurance/saving has been provided for 12 years; however, profile analyses of saving for old age in pension funds still reveal poor public awareness. Most people are aware that they will need additional savings, which will not be possible through their current pension saving scheme, after retiring due to lower income; however, many put off the decision to save or even rely on their employers. This is the result of poor awareness of various pension savings schemes and lack of knowledge about supplementary pension insurance products. The products provided by umbrella funds with a life-cycle investment policy will further complicate the decision to select a product. In 2014, marketing communication activities will be upgraded with educational contents and advice in order to raise awareness and financial literacy of our customers and, consequently, their trust and satisfaction.

The share of individuals who opt for an annuity upon retirement is very low, which is why activities to increase the share of retired person deciding on supplementary pension will be strengthened in 2014. Cooperation with trade unions and HR departments will also be strengthened to provide individuals comprehensive information and present the advantages of supplementary pension over one-off payments. Pursuant to ZPIZ-2, a new pension scheme for annuities will be registered and the existing pension annuity products expanded, so that we will be able to provide specific solutions for the needs expressed by persons insured at the Company, dissuading them from deciding on a competitive insurance company. After retiring, individuals will select the insurance company paying them supplementary pension; that is to say, a major new feature of ZPIZ-2 is the separation of supplementary pension insurance into the savings portion and insurance portion (drawing funds), which are completely separate choices of the provider or, rather, payer.

# REPORT ON RELATIONS WITH THE CONTROLLING COMPANY

The company controlling Modra zavarovalnica d.d. is Kapitalska družba d.d., which holds a 100% share in the Company. In 2013, there were no transactions between Modra zavarovalnica d.d. and its controlling company, Kapitalska družba d.d., that were performed under unusual market terms and conditions. Modra zavarovalnica d.d. did not incur any damage in its operations with the controlling company.

## LEASE OF BUSINESS PREMISES

Modra zavarovalnica d.d. has been operating in leased business premises at Stekleni dvor, Dunajska cesta 119, Ljubljana, since its establishment. The Company has concluded a lease contract with Kapitalska družba d.d. for business premises that specifies the rights and obligations of the lessor and lessee. The lease of fully furnished business and other pertaining premises amounts to €27,714 per month. The rent includes a part of operating costs that are borne by the owner (investment maintenance, insurance of premises and cost of electricity spent at the business premises).

## USE OF SOFTWARE

For its operations, Modra zavarovalnica d.d. uses computer programs, the material rights of which are exclusively held by Kapitalska družba d.d. or, rather, Kapitalska družba is the holder of the right to use this software. Pursuant to this, a contract on the use of four computer programs has been concluded. The monthly fee for using the software amounts to €15,494, VAT included.

## PROVISION OF IT SERVICES

Modra zavarovalnica d.d. uses system infrastructure (servers, communication equipment, multifunctional devices, system software, disc capacities, etc.) owned by Kapitalska družba d.d. The lease of system infrastructure and provision of services related to IT management have been regulated in the contract on the provision of IT services. The monthly fee for the provision of these services amounts to €13,123, VAT included, 40% of which or €5,249 is accounted for by the lease of system infrastructure and 60% or €7,874 by the provision of services.

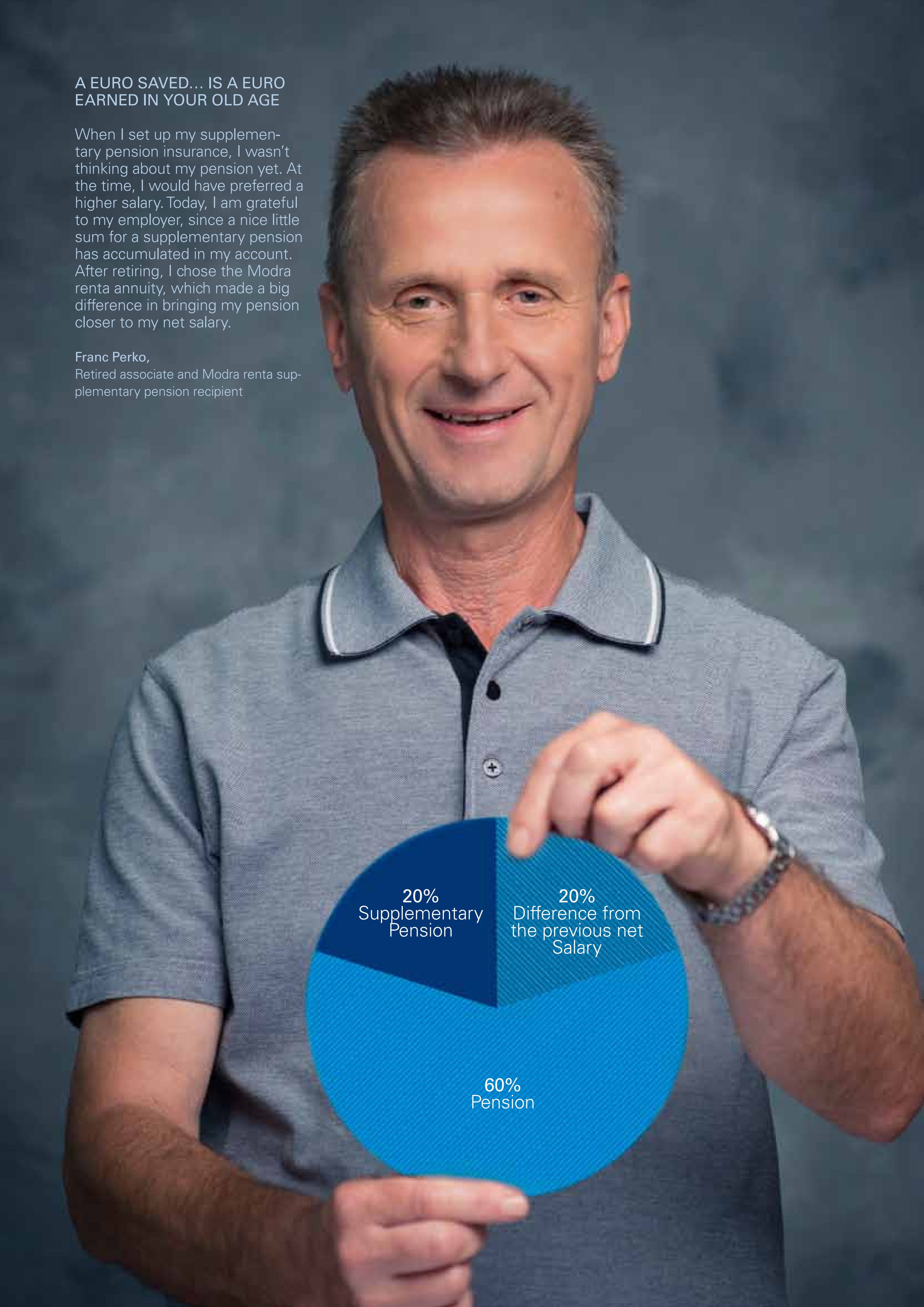
## PROVISION OF ADMINISTRATIVE MANAGEMENT SERVICES FOR THE COMPULSORY SUPPLEMENTARY PENSION INSURANCE FUND

Until 31 May 2013, the Company rendered certain management services for the Compulsory Supplementary Pension Insurance Fund. The services rendered were regulated in a contract, primarily to make mutual relations transparent and take into account transfer pricing rules. The monthly fee for the services rendered amounted to €2,000, VAT excluded.

## A EURO SAVED… IS A EURO EARNED IN YOUR OLD AGE

When I set up my supplementary pension insurance, I wasn't thinking about my pension yet. At the time, I would have preferred a higher salary. Today, I am grateful to my employer, since a nice little sum for a supplementary pension has accumulated in my account. After retiring, I chose the Modra renta annuity, which made a big difference in bringing my pension closer to my net salary.

**Franc Perko,**
Retired associate and Modra renta supplementary pension recipient



# 2
# FINANCIAL REPORT

# STATEMENT ON THE MANAGEMENT'S RESPONSIBILITY

The Management Board of Modra zavarovalnica d.d. hereby confirms the financial statements of Modra zavarovalnica d.d. for the period between 1 January 2013 to 31 December 2013, including the relevant notes and disclosures to the financial statements.

The Management Board hereby confirms that appropriate accounting policies were consistently applied and that accounting estimates were made under the principle of prudence and diligence of a good manager and represent a true and fair overview of the insurance company's financial position and financial performance for 2013.

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

The tax authority may inspect the Company's operations at any time within a period of 5 years following the expiry of the year in which tax assessment is due, which could result in additional tax liabilities, default interest and penalties arising from corporate income tax or other taxes and duties. The Company's Management Board has no knowledge of any circumstances that may result in a major tax liability in that respect.

Ljubljana, 31 March 2014

| | |
|---|---|
| Matija Debelak<br>Member of the<br>Management Board | Borut Jamnik<br>Chairman of the<br>Management Board |

# AUDITOR'S REPORT

Deloitte.

Deloitte Revizija d.o.o
Dunajska cesta 165
1000 Ljubljana
Slovenija

Tel: + 386 (0)1 3072 800
Fax: + 386 (0)1 3072 900
www.deloitte.si

**INDEPENDENT AUDITORS REPORT to the owners of Modra zavarovalnica, d. d.**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Modra zavarovalnica, d. d., which comprise the statement of financial position as at 31.12.2013, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Modra zavarovalnica d. d. as of 31.12.2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**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 Modra zavarovalnica, d. d., prepared the required financial statements, as disclosed in Appendices 1 and 2 to the annual report of the Company, on the basis of the Decision on Annual Report and Quarterly Financial Statements of Insurance Undertakings (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 the 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 the company Modra zavarovalnica, d.d.

DELOITTE REVIZIJA d.o.o.

Bojan Bodnaruk
Certified auditor

Yuri Sidorovich
President of the Board

*For signature please refer to the original Slovenian version.*

Ljubljana, 10 April 2014

Deloitte.

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

***FOR TRANSLATION PURPOSES ONLY- ORIGINAL PREVAILS***

# STATEMENT OF ACTUARIAL OPINION

## Statement of actuarial opinion

I have examined the balance of insurance technical provisions of Modra zavarovalnica d.d. as at 31 December 2013. I performed the examination in compliance with the provisions of the Insurance Act, relevant implementing regulations, International Accounting Standards and the General Actuarial Principles.

The balance of insurance technical provisions is the responsibility of the management of Modra zavarovalnica d.d., while the tasks of an appointed certified actuary are to:

- examine the adequacy of records for the purpose of evaluating liabilities;
- express an opinion on the adequacy and sufficiency of technical provisions;
- examine whether the insurance premiums and other financial resources of the insurance undertaking suffice in terms of reasonable actuarial expectations for the fulfilment of obligations arising from insurance contracts;
- confirm the amount of minimum capital and examine the capital adequacy of the insurance undertaking.

I believe that the examination performed provides a reasonable basis for the issue of the opinion of the appointed actuary.

Modra zavarovalnica d.d. keeps appropriate records for the purposes of evaluating liabilities.

In my opinion, the total written premiums charged by the insurance undertaking in the 2013 accounting year and the total amount of insurance technical provisions as at 31 December 2013 are adequate to ensure permanent fulfilment of all liabilities of the insurance undertaking arising from the insurance contracts in force.

The minimum capital (solvency margin requirements have) has been determined correctly and the insurance undertaking features capital adequacy as at 31 December 2013.

Ljubljana, 10 April 2014

Matjaž Music
Appointed actuary of Modra zavarovalnica d.d.

# INCOME STATEMENT[1]

in €

| Item | | Note | 2013 | 2012 |
|---|---|---|---|---|
| **I.** | **Net premium income** | **1.** | **16,592,991** | **17,609,546** |
| | – Gross written premiums | | 16,592,991 | 17,609,546 |
| **III.** | **Investment income** | **2.** | **19,409,752** | **17,439,306** |
| **IV.** | **Other insurance income, of which** | **4.** | **6,217,149** | **10,805,392** |
| | – fee and commission income | | 5,872,513 | 7,060,053 |
| **V.** | **Other income** | **5.** | **36,454** | **32,102** |
| **VI.** | **Net claims incurred** | **6.** | **–11,600,137** | **–7,677,470** |
| | – Gross damages paid | | –11,600,137 | –7,677,470 |
| **VII.** | **Change in other technical provisions** | **7.** | **–6,838,890** | **–11,724,596** |
| **XI.** | **Operating costs, of which** | **8.** | **–5,437,753** | **–5,296,381** |
| | – costs of insurance contract acquisition | | –680 | 0 |
| **XIII.** | **Investment expenses, of which** | **3.** | **–3,231,600** | **–1,503,045** |
| | – impairment loss of financial assets not measured at fair value through profit or loss | | –721,300 | 0 |
| **XIV.** | **Other insurance expenses** | **9.** | **–11,226,678** | **–4,755,489** |
| **XV.** | **Other expenses** | **10.** | **–93** | **–6,926** |
| **XVI.** | **Profit or loss before tax** | | **3,921,195** | **14,922,439** |
| **XVII.** | **Income tax** | **11.** | **149,268** | **–2,599,345** |
| **XVIII.** | **Net profit or loss for the period** | | **4,070,463** | **12,323,094** |
| | Net earnings per share | | 0.03 | 0.08 |
| | Diluted net earnings per share | | 0.03 | 0.08 |

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

# STATEMENT OF OTHER COMPREHENSIVE INCOME[2]

in €

| | Item | 2013 | 2012 |
|---|---|---|---|
| **I.** | **Net profit for the financial year after tax** | **4,070,463** | **12,323,094** |
| **II.** | **Other comprehensive income after tax (1+2+3+4+5+6+7+8+9)** | **5,216,685** | **9,942,348** |
| 4. | Net gains/losses from the re-assessment of available-for-sale financial asset | 6,402,130 | 11,827,438 |
| 4.1. | Gains/losses recognised in revaluation surplus | 13,700,552 | 15,548,416 |
| 4.2. | Transfer of gain/losses from revaluation surplus to profit or loss | –7,298,422 | –3,720,978 |
| 9. | Tax on other comprehensive income | –1,185,445 | –1,885,090 |
| **III.** | **Comprehensive income for the financial year after tax (I+II)** | **9,287,148** | **22,265,442** |
| | Comprehensive income per share | 0.061 | 0.146 |
| | Diluted comprehensive income per share | 0.061 | 0.146 |

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

# BALANCE SHEET[3]

in €

| Item | | | Note | 31/ 12/ 2013 | 31/ 12/ 2012 |
|---|---|---|---|---|---|
| **Assets** | | | | **307,559,789** | **291,670,017** |
| **A.** | | **Intangible assets** | **13.** | **178,808** | **125,686** |
| **B.** | | **Property, plant and equipment** | **14.** | **39,203** | **39,533** |
| **C.** | | **Non-current assets held for sale** | **15.** | **14,666,670** | **0** |
| **D.** | | **Deferred tax assets** | **12.** | **581,309** | **1,561,454** |
| **F.** | | **Investments in group companies and associates** | **16.** | **0** | **12,874,077** |
| **G.** | | **Investments:** | **17.** | **271,402,068** | **267,889,122** |
| | | – in loans and deposits | | 30,796,550 | 39,677,570 |
| | | – held to maturity | | 47,168,345 | 45,413,242 |
| | | – available for sale | | 138,982,547 | 140,129,835 |
| | | – at fair value | | 54,454,626 | 42,668,475 |
| **K.** | | **Receivables** | **18.** | **14,286,071** | **4,741,741** |
| | 1. | Receivables from direct insurance transactions | | 514,898 | 295,876 |
| | 4. | Other receivables | | 13,771,173 | 4,445,865 |
| **L.** | | **Other assets** | **20.** | **223,429** | **262,017** |
| **M.** | | **Cash and cash equivalents** | **19.** | **6,182,231** | **4,176,387** |
| **Equity and liabilities** | | | | **307,559,789** | **291,670,017** |
| **A.** | | **Equity** | **21.** | **178,075,616** | **173,168,784** |
| | 1. | Share capital | | 152,200,000 | 152,200,000 |
| | 3. | Revenue reserves | | 7,578,619 | 5,345,385 |
| | 4. | Revaluation surplus | | 16,459,050 | 11,242,365 |
| | 5. | Retained earnings | | 1,837,947 | 4,381,034 |
| **C.** | | **Technical provisions** | **22.** | **114,122,814** | **107,283,925** |
| | 2. | Mathematical provisions | | 114,122,814 | 107,283,925 |
| **E.** | | **Other provisions** | **23.** | **12,102,490** | **3,275,042** |
| **G.** | | **Deferred tax liabilities** | | **0** | **0** |
| **J.** | | **Operating liabilities** | **24.** | **801,202** | **654,636** |
| | 1. | Liabilities from direct insurance transactions | | 745,169 | 654,636 |
| | 3. | Current tax liabilities | | 56,033 | 0 |
| **K.** | | **Other liabilities** | **25.** | **2,457,667** | **7,287,630** |

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

# CASH FLOW STATEMENT[4]

in €

| Item | | | 2013 | 2012 |
|---|---|---|---|---|
| **A. Cash flows from operating activities** | | | | |
| **a)** | **Income statement items** | | **5,563,616** | **7,205,916** |
| | 1. | Net written insurance premiums for the period | 16,592,991 | 17,609,546 |
| | 2. | Investment income (other than financial income) arising from: | 0 | 0 |
| | | – technical provisions | 0 | 0 |
| | | – other sources | 0 | 0 |
| | 3. | Other operating income (excluding revaluation and decrease of provisions) and financial income from operating receivables | 6,238,614 | 7,288,905 |
| | 4. | Net damages paid in the period | –11,600,137 | –7,677,470 |
| | 5. | Bonuses and discounts paid | 0 | 0 |
| | 6. | Net operating costs excluding depreciation charges and changes in accrued acquisition expenses | –5,354,549 | –5,651,395 |
| | 7. | Investment expenses (excluding depreciation/amortisation and financial expenses) arising from: | 0 | 0 |
| | | – technical sources | 0 | 0 |
| | | – other sources | 0 | 0 |
| | 8. | Other operating expenses excluding amortisation and depreciation charges (other than revaluation and increase in provisions) | –313,303 | –4,363,670 |
| | 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** | | **–3,553,159** | **5,111,419** |
| | 1. | Opening less closing receivables from direct insurance transactions | –219,023 | 689,218 |
| | 2. | Opening less closing receivables from reinsurance transactions | 0 | 0 |
| | 3. | Opening less closing other receivables from (re)insurance transactions | 0 | 0 |
| | 4. | Opening less closing other receivables and assets | 623,049 | –415,649 |
| | 5. | Opening less closing deferred tax assets | 0 | 0 |
| | 6. | Opening less closing inventories | 0 | 0 |
| | 7. | Closing less opening debts from direct insurance transactions | 90,532 | 120,038 |
| | 8. | Closing less opening debts from reinsurance transactions | 0 | 0 |
| | 9. | Closing less opening other operating debts | –4,047,717 | 4,717,812 |
| | 10. | Closing less opening other liabilities (other than unearned premiums) | 0 | 0 |
| | 11. | Closing less opening deferred tax liabilities | 0 | 0 |
| **c)** | **Net cash flow from operating activities (a+b)** | | **2,010,457** | **12,317,335** |

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

| Item | | | 2013 | 2012 |
|---|---|---|---|---|
| **B. Cash flows from investing activities** | | | | |
| **a)** | **Receipts from investing activities** | | **87,296,386** | **68,252,740** |
| | 1. | Receipts from interest earned from investing activities | 6,194,183 | 6,629,774 |
| | | – investments financed from technical provisions | 3,529,062 | 3,604,654 |
| | | – other investments | 2,665,121 | 3,025,120 |
| | 2. | Receipts from dividends received and profit participations pertaining to | 3,673,986 | 4,788,548 |
| | | – investments financed from technical provisions | 725,315 | 602,756 |
| | | – other investments | 2,948,671 | 4,185,792 |
| | 3. | Receipts from disposal of intangible assets financed from: | 0 | 0 |
| | | – technical provisions | 0 | 0 |
| | | – other sources | 0 | 0 |
| | 4. | Receipts from disposal of property, plant and equipment financed from: | 0 | 0 |
| | | – technical provisions | 0 | 0 |
| | | – other sources | 0 | 0 |
| | 5. | Receipts from disposal of long–term investments financed from: | 35,888,881 | 27,402,438 |
| | | – technical provisions | 13,075,809 | 4,835,365 |
| | | – other sources | 22,813,072 | 22,567,073 |
| | 6. | Receipts from disposal of short–term investments financed from: | 41,539,336 | 29,431,980 |
| | | – technical provisions | 20,412,950 | 17,781,980 |
| | | – other sources | 21,126,386 | 11,650,000 |
| **b)** | **Disbursements for investing activities** | | **–82,920,683** | **–77,541,356** |
| | 1. | Disbursements for acquisition of intangible assets | –107,014 | –124,630 |
| | 2. | Disbursements for acquisition of property, plant and equipment financed from: | –15,467 | –14,320 |
| | | – technical provisions | 0 | 0 |
| | | – other sources | –15,467 | –14,320 |
| | 3. | Disbursements for acquisition of long-term investments financed from: | –66,268,874 | –66,944,405 |
| | | – technical provisions | –33,675,054 | –28.949.129 |
| | | – other sources | –32.593.820 | –37.995.276 |
| | 4. | Disbursements for acquisition of short-term investments financed from: | –16,529,328 | –10,458,001 |
| | | – technical provisions | –8,746,348 | –8,942,142 |
| | | – other sources | –7,782,980 | –1,515,859 |
| **c)** | **Net cash flow from investing activities (a+b)** | | **4,375,703** | **–9,288,616** |

| | | | | |
|---|---|---|---|---|
| **C. Cash flows from financing activities** | | | | |
| **a)** | **Receipts from financing activities** | | **0** | **0** |
| | 1. | Receipts from paid-up capital | 0 | 0 |
| | 2. | Receipts from long-term loans | 0 | 0 |
| | 3. | Receipts from short-term loans | 0 | 0 |
| **b)** | **Disbursements for financing activities** | | **–4,380,316** | **0** |
| | 1. | Disbursements for interest paid | 0 | 0 |
| | 2. | Disbursements for repayment of equity | 0 | 0 |
| | 3. | Disbursements for repayment of long-term financial liabilities | 0 | 0 |
| | 4. | Disbursements for repayment of short-term financial liabilities | 0 | 0 |
| | 5. | Disbursements for dividends and other profit distributions | –4,380,316 | 0 |
| **c)** | **Net cash flow from financing activities (a+b)** | | **-4,380,316** | **0** |
| **D. Closing balance of cash and cash equivalents** | | | **6,182,231** | **4,176,387** |
| x) | Net cash flow for the period (sum of items Ac, Bc and Cc) | | 2,005,844 | 3,028,719 |
| + | | | | |
| y) | Opening balance of cash and cash equivalents | | 4,176,387 | 1,147,668 |

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

# STATEMENT OF CHANGES IN EQUITY 2013[5]

in €

| Item | I. Share capital | II. Capital surplus | III. Revenue reserves | | IV. Revaluation surplus | V. Retained earnings | VI. Net profit or loss | VII. Own interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | | | Legal and statutory reserves | Other revenue reserves | | | Net profit or loss of the financial year | (deductible item) | |
| **1. Opening balance for the period** | **152,200,000** | **0** | **964,351** | **4,381,034** | **11,242,365** | **4,381,034** | **0** | **0** | **173,168,784** |
| 2. Comprehensive income for the financial year after tax | 0 | 0 | 0 | 0 | 5,216,685 | 0 | 4,070,463 | 0 | 9,287,148 |
| 2. a Net profit or loss for the financial year | 0 | 0 | 0 | 0 | 0 | 0 | 4,070,463 | 0 | 4,070,463 |
| 2. b Other comprehensive income | 0 | 0 | 0 | 0 | 5,216,685 | 0 | 0 | 0 | 5,216,685 |
| 3. Subscription (or pay-up) of new capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Repayment of capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Net acquisition/disposal of treasury shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. Payment (account) of dividends/rewards in the form of shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Dividend distribution | 0 | 0 | 0 | 0 | 0 | –4,380,316 | 0 | 0 | –4,380,316 |
| 8. Allocation of net profit to revenue reserves | 0 | 0 | 399,820 | 1,851,170 | 0 | –718 | –2,250,272 | 0 | 0 |
| 9. Settlement of losses from previous periods | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10. Creation and use of provisions for credit risk and catastrophe claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. Other | 0 | 0 | –17,756 | 0 | 0 | 1,837,947 | –1,820,191 | 0 | 0 |
| **12. Closing balance for the period** | **152,200,000** | **0** | **1,346,415** | **6,232,204** | **16,459,050** | **1,837,947** | **0** | **0** | **178,075,616** |

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

# STATEMENT OF CHANGES IN EQUITY 2012[6]

in €

| | Item | I. Share capital | II. Capital surplus | III. Revenue reserves | | IV. Revaluation surplus | V. Retained earnings | VI. Net profit or loss | VII. Premium shares | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Legal and statutory reserves | Other revenue reserves | | | Net profit or loss of the financial year | (deductible item) | |
| **1.** | **Opening balance for the period** | **152,200,000** | **0** | **46,785** | **0** | **1,300,018** | **–2,643,460** | **0** | **0** | **150,903,343** |
| 2. | Comprehensive income for the financial year after tax | 0 | 0 | 0 | 0 | 9,942,347 | 0 | 12,323,094 | 0 | 22,265,441 |
| 2. a | Net profit or loss for the financial year | 0 | 0 | 0 | 0 | 0 | 0 | 12,323,094 | 0 | 12,323,094 |
| 2. b | Other comprehensive income | 0 | 0 | 0 | 0 | 9,942,347 | 0 | 0 | 0 | 9,942,347 |
| 3. | Subscription (or pay-up) of new capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. | Repayment of capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. | Net acquisition/disposal of treasury shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Payment (account) of dividends/rewards in the form of shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. | Dividend distribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8. | Allocation of net profit to revenue reserves | 0 | 0 | 946,595 | 4,381,034 | 0 | 0 | –5,327,629 | 0 | 0 |
| 9. | Settlement of losses from previous periods | 0 | 0 | 0 | 0 | 0 | 2,643,460 | –2,643,460 | 0 | 0 |
| 10. | Creation and use of provisions for credit risk and catastrophe claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11. | Other | 0 | 0 | –29,029 | 0 | 0 | 4,381,034 | –4,352,005 | 0 | 0 |
| **12.** | **Closing balance for the period** | **152,200,000** | **0** | **964,351** | **4,381,034** | **11,242,365** | **4,381,034** | **0** | **0** | **173,168,784** |

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

# PROFIT OR LOSS APPROPRIATION ACCOUNT[7]

in €

| | Item | 31/12/2013 | 31/12/2013 |
|---|---|---|---|
| a) | Net profit or loss for the financial year | 4,070,463 | 12,323,094 |
| b) | Retained net profit or loss | 0 | -2,643,460 |
| | profit or loss for the year under the applicable standards | 0 | -2,643,460 |
| | adjustment to new accounting standards | 0 | 0 |
| c) | Decrease in revenue reserves | 17,756 | 29,029 |
| d) | Increase in revenue reserves pursuant to the decision of the Management Board | 399,820 | 946,595 |
| | increase in contingency reserves | 0 | 0 |
| | increase in legal reserves | 205,036 | 485,433 |
| | increase in reserves for treasury shares and own interests | 0 | 0 |
| | increase in statutory reserves | 194,784 | 461,162 |
| e) | Increase of other reserves pursuant to the decision of the Management Board and the Supervisory Board | 1,850,452 | 4,381,034 |
| **f)** | **Profit or loss for appropriation (a+b+c-d-e)** | **1,837,947** | **4,381,034** |

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

# DISCLOSURES AND NOTES

## GENERAL DISCLOSURES

### Company profile

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

Modra zavarovalnica d.d. pursues activities within the scope of life insurance pursuant to the Insurance Act (Official Gazette of the Republic of Slovenia, No. 109/06 – official consolidated text, 9/07, 102/07, 69/08, 19/09, hereinafter »ZZavar«). The activities of Modra zavarovalnica d.d. are laid down by the law and the Company's Articles of Association. Modra zavarovalnica d.d. pursues the activities of life insurance, accident and health insurance, pension funds, risk and damage assessment, insurance brokerage, other auxiliary activities for insurance operations and pension funds and financial fund management.

### Information about 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. The Company's financial statements are included in the consolidated financial statements of the controlling company. The consolidated annual report 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.

### Information about subsidiaries

As at 31 December 2013, Modra zavarovalnica d.d. has no subsidiaries.

### Information about employees

**Table 18:** Number of employees by level of education

| Level of education | Balance as at 31/12/2013 | Balance as at 31/12/2012 |
|---|---|---|
| Level 8 (8/1, 8/2) | 6 | 6 |
| Level 7 | 21 | 21 |
| Level 6 (6/1, 6/2) | 9 | 10 |
| Level 5 | 18 | 18 |
| Level 4 | 1 | 1 |
| **Total** | **55** | **56** |

## ACCOUNTING POLICIES

### Bases for preparation

The financial statements of Modra zavarovalnica d.d. have been prepared on the basis of the accounting policies presented below. The financial statements for 2013 have been compiled pursuant to the International Financial Reporting Standards (IFRS), the Companies Act, the Insurance Act, the Decision on detailed method of valuing accounting items and the drawing up of financial statements and the Decision on annual report and quarterly financial statements of insurance undertakings issued by the Insurance Supervision Agency. The data in financial statements is based on bookkeeping documents and books of account, kept in line with International Financial Reporting Standards. During preparation, the fundamental accounting assumptions were taken into account, i.e. going concern, consistency and accrual. The following quality characteristics were observed in the formulation of accounting policies: comprehensibility, suitability, reliability and comparability.

### Statement of compliance

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

In its financial statements, Modra zavarovalnica d.d. applied all IFRS and IFRIC interpretations applicable in 2013. Modra zavarovalnica d.d. did not apply any standard or interpretation not applicable in 2013.

### Basic policies

The financial statements have been prepared based 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 Euro currency (€), which is the functional and reporting currency of the Company. All figures are rounded to €1, except where expressly stated otherwise.

### Significant accounting judgements and estimates

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

The suitability of assumptions and estimates is verified periodically.

The most important decisions made by the management refer to the classification of financial instruments or the distinction between financial instruments that the Company intends to hold to maturity and those available for trade or sale.

Major estimates made by the management refer to the impairment of non-marketable investments, the provisions set aside for failure to achieve the guaranteed return rate and the formation of mathematical and other provisions.

Mathematical provisions are calculated for each insurance contract separately. The calculation takes into account the prospective method. Calculations take into account actuarial assumptions, legislative provisions and all contractual obligations towards persons insured pursuant to the contents of the relevant insurance contract. The calculation of mathematical provisions is computer-aided. The amount of the mathematical provisions formed is verified independently each month.

### Translation of foreign currencies

The financial statements are presented in Euro currency (€), which is the functional and reporting currency of the Company. Transaction 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 the income statement. Non-monetary assets and liabilities that are measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of transaction. Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value are translated using the exchange rate as at the date of fair value assessment.

### Procedure for the adoption of the annual report

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Property, plant and equipment

Equipment is valued at cost less accumulated depreciation and any impairment. The Company uses the straight-line depreciation method to calculate depreciation according to the estimated useful life; the depreciation rate for equipment ranges between 16.67 and 33.33% per annum.

Every year, the Company makes an assessment whether there are any 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 a loss due to impairment that the Company recognises directly in its income statement.

Derecognition of equipment is performed when the relevant asset is disposed of or when the Company no longer expects economic benefits from the continuing use of the asset. Gains and losses arising from the derecognition of assets are included in the income statement for the year in which the relevant assets was eliminated from the books of account.

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

An item of property, plant and equipment with a cost value not exceeding €500 according to the supplier's charge can be recognised within the scope of small tools. Items of small tools of a cost not exceeding €500 according to the supplier's charge may be classified among materials.

## Intangible assets

Intangible assets acquired separately are recognised at cost. After initial recognition, the cost model is used, whereby intangible assets are recognised at cost less any accumulated amortisation and loss due to impairment of assets. The useful value of an item of intangible assets is limited. The amortisation charged on an intangible asset is recognised in the income statement. Intangible assets created within the Company, other than costs of development, are not capitalised. Costs are expenses for the period in which they were incurred.

Carrying amounts of intangible assets are revised annually for the purposes of impairment. The useful life of an item of intangible assets is assessed once a year and adjusted as required. A recognised intangible asset is impaired when the 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 of expense is recognised directly in the income statement.

Intangible long-term assets are amortised using the straight-line depreciation method over their useful lives at an 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 of disposal and the carrying amount of the asset and are recognised as revenue or expense in the income statement upon the elimination or disposal of the asset.

## Investments

The investments of Modra zavarovalnica d.d. are divided into the following groups:

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

The classification depends on the purpose of acquisition.

**Recognition of financial assets**

Modra zavarovalnica d.d. initially recognises all investments at fair value, including the cost of acquisition directly related to the purchase, except for investments classified in the group at fair value through the profit and loss account. The latter are recognised at fair value; that is, direct costs of acquisition are not included in the cost but are debited directly to profit or loss under investment expenses.

**Fair value estimate**

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

- level 1 includes investments where the fair value is determined entirely on the basis of the active market prices published;
- level 2 includes investments where the fair value is determined based on valuation models that take into account the variables obtained based on publicly available market data;
- level 3 includes investments where the fair value is determined based on valuation models that take into account subjective variables that are not publicly available on markets;

**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 from investments classified at fair value through profit or loss are recognised directly in the income statement.

The 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 for which the market price is not quoted on financial markets is determined using a valuation technique. Valuation techniques include the use of a recent arm's length market transaction between informed and willing parties, if available, a comparison with the current fair value of another instrument with similar material characteristics and an analysis of discounted cash flows. The acquisition and sale of an individual investment allocated to the group of financial assets at fair value through profit or loss are recognised on the trading day; the trading day is the day on which the Company made an obligation to purchase or sell an individual asset.

**Held-to-maturity investments**

If the Company has a positive intention and ability to hold an investment until maturity, it recognises financial assets with fixed or determinable payments and fixed maturity, which are not derivative instruments, as investments held to 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. Amortised cost is calculated through the deferment of a premium or discount upon its acquisition over the holding period until maturity. Realised gains and losses on investments valued at amortised cost are recognised in the income statement (disposal, impairment or effects of amortised discount/premium).

Investments classified as held-to-maturity are recognised as at the date of transaction.

**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 incurred, the amount of the loss is measured as the difference between the carrying amount of the financial asset and the current value of expected future cash flows that have been discounted at the original effective interest rate of the financial asset. The carrying amount of the asset is to be decreased through the allowance account. The amount of impairment loss is to be recognised in the profit or loss as a revaluation financial expense.

If the amount of loss due to impairment is decreased in the subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in credit rating), the impairment loss previously recognised must be reversed under the value adjustment account. The reversal of an impairment loss shall not result in a carrying amount of the financial asset that exceeds what the amortised 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 is to be recognised in the profit or loss as a revaluation financial revenue.

**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 as at the settlement date.

**Available-for-sale financial assets**

After initial recognition, all investments designated by the Company as available-for-sale financial assets are measured at fair value or, if the fair value cannot be reliably determined, at cost. Gains or losses from available-for-sale investments 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 of. If an investment is impaired, the impairment is recognised in the income statements.

The acquisition and sale of individual investments classified as available-for-sale are recognised as at the trading day, i.e. the day on which the Company made an obligation to purchase or sell an individual asset.

**Impairment of investments classified as available-for-sale financial assets**

The Company regularly checks the need to impair investments classified as available for sale. The Company impairs investments, the value of which declined significantly during the reporting period or in the long term. The Company estimates that the assumption of significant reduction in the value of equity investments is met when the negative revaluation in equity, including any exchange rate differences, exceeds 40% of the cost of the relevant equity investment. In such cases, the Company impairs such equity investments, i.e. to the total amount of accumulated negative revaluation and eventual exchange rate differences recognised in equity. The Company estimates that the decrease in value is a long-term decrease when the value of an investment is in continuous decline over a period of 9 to 12 months. The Company additionally checks investment impairments as appropriate but not less than once a year on the balance sheet date.

The Company impairs only those debt security investments designated as available for sale for which it assesses with due skill, care and diligence that their principal amount will not be repaid upon maturity or in full. In the former case, such debt security investments are as a rule impaired to the value of €0, while in the latter case such debt security investments are as a rule impaired to the percentage of principal amount estimated to be repaid with certainty upon maturity. In the latter case, debt security investments with no material effect on financial statements are not carried at amortised cost but rather at estimated realisable value. The Company additionally checks impairments of these investments as appropriate, but not less than once a year on the balance sheet date.

**Derecognition of financial instruments**

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

**Investments in associates**

The Company reports and presents investments in associates in its books of account based on the above accounting policies applying to investments classified as available-for-sale assets. Taking into account the criteria set by IAS 28, the Company has no major influence in the associate, as it has no representative in the Supervisory Board of the associate, nor does it take part in processes related to the development of its business policy; there are no major transactions between the Company and associate and there is no exchange of senior officers and key professional information between the companies.

The investment in associate was reclassified under non-current assets held for sale and is valued pursuant to IFRS 5.

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 of invoices issued less any value adjustments. The value adjustment estimate is based on the Company's reasonable expectations that their receivable is no longer likely to be paid in full or in part.

**Short-term receivables from direct insurance transactions**

Short-term receivables from direct insurance transactions are receivables arising from the premiums paid in 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 PPS to KS PPS or from KVPS or ZVPSJU to KS MR.

They are recognised on the day an insured person acquires the right to pension annuity. At that point, 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 held by PPS and KVPS or ZVPSJU for the transfer of premiums to KS PPS and KS MR equals the sum total of the redemption values of asset units in policies held by insured persons. The liability is identified daily.

The redemption value of units is the product of the number of units held by an insured person who has obtained the right to a pension annuity and per unit value as at the date on which the right to pension annuity was obtained (the last known per unit value). If the guaranteed unit value exceeds the actual unit value, the guaranteed unit value is applied in the calculation.

**Short-term receivables for shares in claims incurred**

Short-term receivables for 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 deriving from securities are recognised as at the due date of interest, pursuant to the amortisation schedule or conditions specified by the issuer upon issue.

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

Receivable allowances are made pursuant to an individual assessment of the financial position and liquidity of the debtor from whom the outstanding receivable is due.

**Other short-term receivables**

Other short-term receivables are receivables due from security purchasers (receivables arising from securities trading) and other short-term receivables including receivables from principal amounts due, receivables for securities to be issued, receivables from advances and receivables for the costs of annuities paid.

**Receivables for the deficit in KS PPS assets**

If KS PPS discloses a deficit of assets, according to its liabilities, as at the reporting date, the mentioned difference is recognised as a receivable for the deficit of KS PPS assets that is due from the manager Modra zavarovalnica d.d. The Company forms provisions in the same amount that are debited to its capital in order to cover the shortfall of KS PPS assets. Such recognition of a deficit is compliant with the Rules on the formation of mathematical provisions, issued on the basis of Article 22 of the First Pension Fund of the Republic of Slovenia and Transformation of Authorised Investment Corporations Act, and with the letter sent by the Insurance Supervision Agency on 20 December 2010.

## Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash in hand and short-term deposits with maturity up to 3 months.

## Equity

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

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

Revenue reserves are recognised based on:

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

Revaluation surplus derives solely from the valuation effects of available-for-sale financial assets at fair value. The revaluation surplus amounts disclosed in the balance sheet are adjusted by deferred tax amounts.

The calculation of net profit or loss per share in both reported periods takes into account all 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

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

IFRS 4 states that an event is uncertain if it is not clear upon the conclusion of the contract:

- whether the event insured will take place,
- when the event insured will take place or
- what the compensation amount might be.

Insurance contracts carrying major insurance risk are accounted for pursuant to IFRS 4. If insurance contracts carry no major insurance risk, they are accounted for as financial contracts as per IAS 39.

## Liabilities from insurance contracts – technical provisions

Long-term technical provisions for insurance contracts are laid down by the Insurance Act, its implementing regulations and IFRS 4.

The Company is required to form adequate technical provisions intended for covering future liabilities arising from insurance contracts and any losses due to risks deriving from the insurance transactions performed.

Mathematical provisions are calculated for each insurance contract separately. The calculation applies the prospective method.

Calculations take into account actuarial assumptions, legislative provisions and all contractual obligations towards persons insured pursuant to the contents of the relevant insurance contract.

The calculation of technical provisions arising from insurance contracts and their adequacy at the annual level are examined by a certified actuary who is appointed by the Company's Management Board to provide an opinion relating to the provisions.

**Net technical provisions of the KS MR Guarantee Fund**

Net KS MR technical provisions are mathematical provisions for KVPS and ZVPSJU policies. The calculation of mathematical provisions for KVPS and ZVPSJU policies takes into account 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 bases for pension insurance annuities by Modra zavarovalnica d.d.

The bases 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 costs equal those used in the calculation of the premium.

**Net technical provisions of the KS PPS Guarantee Fund**

Net KS PPS technical provisions are mathematical provisions comprising:

- mathematical provisions from PPS policies,
- equalisation provisions for PPS mortality experience and
- equalisation provisions for PPS yield experience.

**Mathematical provisions from PPS policies**

Mathematical provisions from PPS policies are calculated by taking into account Article 117 of the Insurance Act and the Rules for the calculation of mathematical provisions.

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

The imputed interest rate and costs equal 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.

**Equalisation provisions for PPS mortality experience**

Equalisation provisions for mortality experience are identified upon the first calculation of mathematical provisions as the difference between the value of transferred assets and the value of mathematical provisions set aside for a PPS policy.

Equalisation provisions for mortality experience are calculated per policy upon the transfer, increase the balance of provisions set aside for the equalisation of mortality experience and are formed for all persons insured.

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

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

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

**Equalisation provisions for PPS yield experience**

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

## Provisions for not achieving the guaranteed rate

Pursuant to Article 322 of ZPIZ-1, Modra zavarovalnica d.d. is, in the event the actual net value of KVPS and ZVPSJU fund assets in an accounting period falls below the guaranteed value of the funds' assets, obliged to form provisions for failing to achieve the guaranteed rate that are debited to equity and equal the difference between the guaranteed and actual net value of assets. The actual net or guaranteed value of the funds is 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. The calculation takes into account the assumptions regarding the expected worker turnover, their years of service and the expected number of years until retirement while observing the provisions of individual and collective employment contracts and the Company's internal acts.

## Accruals and deferrals

Accrued revenue and deferred costs include short-term deferred costs and accrued revenue. They are disclosed in actual amounts and do not differ from actual income or costs. Any differences between the actual and accrued and deferred data are included in the income statement for the current year.

Accrued costs and deferred revenue include accrued costs and other accrued costs and deferred revenue. Accrued costs are the accrued costs from regular company operations reported and costs for the leave of absence not used by employees.

Other accrued costs and deferred revenue comprise short-term deferred revenue for the premium paid in the Modra renta Guarantee Fund (KS MR) and the accident insurance premium.

## Operating liabilities

Operating liabilities comprise liabilities of guarantee funds to the persons insured for the payment of annuities and tax liabilities. Liabilities relating to the costs of annuity payments are identified on the day short-term liabilities to annuity recipients are established.

## Other liabilities

Other liabilities comprise liabilities to employees, suppliers (primarily liabilities deriving from dealing with securities) and other liabilities.

## Income

Income is recognised if an increase in economic benefits in an accounting period is associated with an increase in assets or decrease in liabilities and such increase or decrease can be reliably measured. Income and increases in assets or decreases in liabilities are hence recognised at the same time. The following types of income are recognised:

**Premium income**

Net insurance premium equals the gross written premium. Gross written premiums are recognised in accounting records on the accounting date rather than on the payment date.

**Fee and commission income**

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

**a. Entry fee**

The Company charges an entry fee for the performance of its activity pursuant to the pension scheme, which means that the funds collected and transferred to a particular pension fund are decreased by the entry fee, while the fund manages assets within the scope of net premium. The entry fee is calculated as a percentage of the premium paid as at its settlement date.

**b. Management fee**

The Company charges a management fee to mutual pension funds, which means that the monthly value of assets held by an individual fund is decreased by the cost of management. The management fee is calculated as a percentage of the average net annual value of assets held by an individual fund, which in turn is calculated as the arithmetic mean of the net value of the fund's assets as at conversion cut-off dates in the current year.

**c. Exit fee**

Pursuant to the pension scheme, the Company is entitled to an exit fee, meaning that the redemption value is decreased by exit charges and such net value is then paid to an individual terminating insurance. The exit fee is calculated as a percentage of the redemption value upon its redemption or disbursement.

**Interest**

Interest revenues are calculated and recognised upon their occurrence based on the effective interest rate. Interest from debt securities is disclosed in the balance sheet together with investments.

**Dividends**

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

## Expenses and costs

Expenses are decreases in economic benefits in an accounting period in the form of outflows, asset decreases or debt increases that result in equity decreases other than those related to distribution to owners.

The Company's expenses comprise net expenses for claims incurred, cost of increase in mathematical provisions, net operating costs, other insurance expenses and financial expenses.

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

Net operating costs include the cost of material and services, depreciation of assets required for operation, the cost of labour and other operating costs.

The Company classifies financial expenses as investment expenses.

Other insurance expenses include expenses arising from provisions for not achieving the guaranteed rate of return of mutual pension funds and provisions for covering the deficit of assets in a guarantee fund.

**Employee benefits**

Employee benefits include salaries and other benefits pursuant to the collective agreement. The Company recognises contributions made in the pension fund at the state level, social security contributions, health insurance and unemployment insurance as the current expenses of the period. The Company also recognises any future costs arising from the collective employment agreement pursuant to IAS 19. The mentioned costs are calculated based on the actuarial method and recognised over the entire employment period of employees to whom the collective agreement refers.

## Taxes

**Current taxes**

Current tax assets and liabilities for present and past periods are recognised at amounts that the Company expects to pay or receive from the tax authority. Current tax assets or liabilities are measured using the tax rates applicable as at the balance sheet date.

**Deferred taxes**

Deferred tax assets and liabilities for corporate income tax are calculated using the balance sheet liability method. Only deferred assets and liabilities deriving from temporary differences are recognised.

A deferred tax asset is also recognised for unused tax losses and unused tax credits notes that are carried forward to the next period, if it is likely that taxable income will be available in future to the debit of which unused tax losses and credit notes can be used.

Deferred tax liabilities are examined as at the balance sheet date and impaired by the amount of assets that is not expected to provide an adequate taxable income in future to the debit of which unused tax losses can be used.

Deferred tax liabilities or assets are measured at tax rates that are expected to be applied when the asset is realised or a liability paid. This procedure takes into account the tax rates (and tax regulations) applicable or close to being enacted as at the balance sheet date.

Deferred tax assets and liabilities can only be offset if the Company has a legal right to offset the tax assets and liabilities assessed and provided that deferred tax assets and liabilities refer to the corporate income tax attributable to the same tax authority.

Deferred tax is recognised directly to the debit or credit of equity if the tax refers to the items recognised directly to the debit or credit of equity.

## Cash flow statement using the indirect method

A cash flow statement compiled using the indirect method is a financial statement that shows changes in cash flows during the year. It is compiled according to the indirect method using the balance sheet data as at 31 December 2013 and 31 December 2012, the income statement data for 2013 and other additional data required to adjust cash flows and adequately break down major items.

## Amendments of standards and interpretations

**The standards and interpretations applicable in the current period**

The following standards, amendments of existing standards and interpretations issued by the International Financial Reporting Interpretations Committee and the EU apply in the current period:

IFRS 13 – Fair Value Measurement

The new standard applies to annual periods starting on 1 January 2013 or later. IFRS 13 does not change the guidance as to when a company should apply fair value but provides guidance on how to measure fair value and other assets and liabilities when so required or permitted under IFRS.

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 reference to the agreed date of »1 January 2004« with the »date of transition to IFRS« and hence eliminates the need for first-time adopters to change derecognition transactions that arose prior to the date of transition to IFRS. The second amendment provides guidance on how a company is to compile the existing financial statements pursuant to IFRS after the period in which the company failed to comply with IFRS, because its functional currency was subject to severe hyperinflation. The standard applies to annual periods starting on or after 1 January 2013.

IFRS 1 – First -time Adoption of IFRS (Government loans). The standard applies to annual periods starting on 1 January 2013 or later.

IFRS 7 – Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)

The amendments adopted require information about all financial instruments recognised that are offset pursuant to paragraph 42 of IAS 32. Furthermore, they require the disclosure of information on recognised financial instruments that are subject to enforceable master offset agreements and similar agreements, despite not being offset under IAS 32. The standard applies to annual periods starting on or after 1 January 2013.

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

The amendment of IAS 1 changes the grouping of items presented in other comprehensive income. Items presented in other comprehensive income that can or will be »transferred« to the income statements at a future point will be presented separately from items that are never recognised in the income statement. The amendment applies to annual periods starting on or after 1 July 2012.

IAS 12 – Deferred Taxes (amendment)

The amendment becomes applicable for annual periods starting on or after 1 January 2013. This amendment refers to the identification of deferred tax for the investment property measured at fair value. The amendment seeks to include a) an assumption that deferred taxes for investment property measured at fair value pursuant to IAS 40 are determined based on a rebuttable presumption that the carrying amount of investment property will be recovered through sale and b) a requirement that deferred tax for non-depreciable assets and valued according to the revaluation model as per IAS 16 be always measured based on the sales value of these assets.

IAS 19 – Employee Benefits (amendment)

The principal amendment refers to the abolition of the corridor mechanism for the recognition of changes made to a certain benefit plan. This means that all changes are recognised upon occurrence, i.e. depending on the type of change in the income statement or statement of other comprehensive income. The amendments apply to annual periods starting on or after 1 January 2013.

Amendments of various IFRS Improvements standards (2009-2011 period) deriving from the annual IFRS improvement project (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) that are primarily aimed at eliminating discrepancies and interpreting the wording. The amendments apply to annual periods starting on 1 January 2013 or later.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine, adopted by the EU on 11 December 2012 (applies to annual periods starting on 1 January 2013 or later).

The adoption of these amendments of the existing standards did not lead to changes in the Company's accounting policy.

**Standards and interpretations issued by the International Financial Reporting Interpretations Committee and adopted by the EU but not yet applicable**

IFRS 10 – Consolidated Financial Statements

This standard replaces a part of IAS 27, Consolidated and Separate Financial Statements, referring to group financial statements and will become applicable for annual periods starting on 1 January 2014 or later. IFRS 10 establishes a model of uniform control for all companies. It will require a company's management to carefully assess which companies are controlled and, consequently, consolidated. The standard also changes the definition of company control.

IFRS 11 – Joint Arrangements

This standard replaces standards IAS 31, Interests 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, i.e. joint operations and joint ventures. The standard uses the definition of control as laid down in IFRS 10. Furthermore, it eliminates the possibility of proportional consolidation for jointly controlled undertakings, thereby leaving available only the equity method. The standard applies to annual periods starting on or after 1 January 2014.

IFRS 12 – Disclosure of Interest in Other Entities

The standards, to be applied for annual periods starting on 1 January 2014 or later, includes all disclosures related to consolidated financial statements that are included in IAS 27, Consolidated and Separate Financial Statements, as well as the disclosures included in IAS 28, Investments in Associates, and IAS 31, Interests in Joint Ventures. At the same time, it also specifies new disclosures, primarily in relation to the assumption used to determine whether a company is in control of another company.

IAS 27 – Separate Financial Statements

The standard was issued in May 2011 as a result of new IFRS 10, IFRS 11 and IFRS 12 standards. IAS 27 hence provides guidance for the accounting treatment and disclosures related to investments in subsidiaries, associates and joint ventures made in separate financial statements of a company. The standard applies to 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 result of new IFRS 10, IFRS 11 and IFRS 12 standards. IAS 28 describes the accounting of investments in associates and requirements for the application of the equity method to consolidate investments in associates and joint ventures. The standard applies to annual periods starting on or after 1 January 2014.

IAS 32 – Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

The amendments provide explanations regarding the application of rules governing offsetting and focus on four main areas: (a) the meaning of »currently has a legally enforceable right of set-off«; (b) the application of simultaneous asset realisation and settlement; (c) offsetting collateral amounts; (d) unit of account for the application of offsetting requirements. The standard applies to annual periods starting on or after 1 January 2014.

IAS 36 – Impairment of Assets

Amendments refer to the disclosure of data about the recoverable value of impaired assets, provided that such value is based on fair value less the cost of disposal. The amendments were adopted by the EU on 19 December 2013 and apply to annual periods starting on 1 January 2014 or later.

IAS 39 – Financial Instruments: Recognition and Measurement

The amendments adopted provide for subsequent accounting of insurance risk in cases when a realised financial instrument that has been classified as a hedging instrument is to be revised in order to be cleared with the central opposite party due to acts and regulations, provided that certain conditions have been met (in this context, the revision provides that contractual parties must agree on the replacement of the original opposing party with a new one). The amendments were adopted by the EU on 19 December 2013 and apply to annual periods starting on 1 January 2014 or later.

The Company uses no new IFRS already issued but not applicable yet; the Company has been examining the impact of these standards and interpretations and has not yet estimated the impact of new requirements.

**Standards and interpretations issued by the International Financial Reporting Interpretations Committee but not yet adopted by the EU**

Presently, the IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments of the existing standards and interpretations that were not yet approved for application in the EU at the end of 2013:

IFRS 9 – Financial Instruments and subsequent amendments; the effective date has not yet been determined.

Amendments of IAS 19 – Employee Benefits: Defined benefit plans: Employee contributions. It applies to annual periods starting on 1 July 2014 or later.

Amendments of various standards – Improvements of IFRS (2010-2012) arising from the annual IFRS improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) are primarily aimed at eliminating discrepancies and interpreting the wording; the amendments are to be applied to annual periods starting on 1 July 2014 or later.

Amendments of various standards – Improvements of IFRS (2011-2013) arising from the annual IFRS improvement project (IFRS 1, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 40) are primarily aimed at eliminating discrepancies and interpreting the wording; the amendments are to be applied to annual periods starting on 1 July 2014 or later.

IFRIC 21 – Levies; applies to annual periods starting on 1 January 2014 or later.

The fund manager has been examining the impact of the standards and interpretations not yet in effect and has not yet assessed the impact of new requirements. The fund will apply new standards and interpretations in line with their requirements if endorsed by the EU.

# BREAKDOWN AND DISCLOSURES TO FINANCIAL STATEMENTS

## Notes on the income statement

### Note No. 1
Net premium income

in €

| Item | 2013 | 2012 |
|---|---|---|
| Gross life written premiums | 16,586,969 | 17,608,468 |
| Gross non-life written premiums | 6,022 | 1,078 |
| **Total** | **16,592,991** | **17,609,546** |

Gross life written premiums are payments effected in both annuity insurance guarantee funds.

### Note No. 2
Income from investments

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Interest income from investments** | **6,140,072** | **6,035,010** |
| At fair value through profit or loss | 970,428 | 691,673 |
| Held-to-maturity | 1,923,963 | 1,903,025 |
| Available-for-sale | 1,698,154 | 1,702,128 |
| Loans and deposits | 1,547,502 | 1,738,165 |
| Cash and cash equivalents | 26 | 19 |
| Derivatives | 0 | 0 |
| **Dividends from investments** | **3,698,590** | **4,858,152** |
| At fair value through profit or loss | 739,108 | 651,530 |
| Available-for-sale | 2,959,482 | 4,206,622 |
| **Revaluation income** | **2,170,581** | **2,521,701** |
| Investment revaluation at fair value through profit or loss | 2,170,581 | 2,521,701 |
| Other revaluation income | 0 | 0 |
| **Income from foreign exchange differences** | **51,298** | **37,489** |
| **Gains on investment disposal** | **7,349,157** | **3,986,943** |
| Available-for-sale | 7,348,652 | 3,983,670 |
| At fair value through profit or loss | 505 | 3,273 |
| **Other financial income** | **53** | **11** |
| **Total** | **19,409,752** | **17,439,306** |

In 2013, the total financial income amounted to €19,409,752. The largest share is accounted for by income from the disposal of investments. The gain realised through the sale of the investment in Helios d.d. amounted to €4,854,147.

### Note No. 3
Expenses from investments

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Interest expenses from investments** | **–108,066** | **–3,205** |
| Bank loans | 0 | 0 |
| Other loans | 0 | 0 |
| Bonds issued | 0 | 0 |
| Derivatives | 0 | 0 |
| Other interest expenses | –108,066 | –3,205 |
| **Revaluation expense** | **–2,590,868** | **–513,015** |
| Investment revaluation at fair value through profit or loss | –1,869,568 | –513,015 |
| Revaluation of held-to-maturity investments | 0 | 0 |
| Investment revaluation at fair value through equity | –721,300 | 0 |
| Revaluation expenses from futures transactions and currency swaps | 0 | 0 |
| Revaluation expenses from deposits and loans denominated in foreign currency | 0 | 0 |
| Other revaluation expenses | 0 | 0 |
| **Exchange rate losses** | **–163,708** | **–133,525** |
| **Loss on investment disposal** | **–356,344** | **–842,415** |
| At fair value through profit or loss | –8,115 | –18,922 |
| Held-to-maturity | –297,999 | –560,800 |
| Available-for-sale | –50,230 | –262,693 |
| **Loss on permanent impairment of investments** | **0** | **0** |
| **Other financial expenses** | **–12,614** | **–10,885** |
| **Total** | **–3,231,600** | **–1,503,045** |

In 2013, expenses from investments amounted to €-3,231,600.

### Gains or losses from investments

in €

| Item | 2013 | 2012 |
|---|---|---|
| Income from investments | 19,409,752 | 17,439,306 |
| Expenses from investments | –3,231,600 | –1,503,045 |
| **Net gains or losses from investments** | **16,178,152** | **15,936,261** |

### Note No. 4
Other insurance income

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Other insurance income** | **6,217,149** | **10,805,392** |

Other insurance income refer to the income realised through the management of mutual pensions and guarantee funds.

## Note No. 5
Other income

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Other income** | **36,454** | **32,102** |

Other income is income from unused annual leave, income from the services rendered by the Company for Kapitalska družba d.d. in relation to the SODPZ Fund operations, income from rent and other minor items.

## Note No. 6
Net claims incurred

in €

| Item | 2013 | 2012 |
|---|---|---|
| Gross claims paid from life insurance | –11,600,137 | –7,677,470 |
| Gross claims paid from non-life insurance | 0 | 0 |
| **Total** | **–11,600,137** | **–7,677,470** |

Gross claims paid are the pension annuities paid.

## Note No. 7
Change in technical provisions

in €

| Item | 2013 | 2012 |
|---|---|---|
| Change in KS PPS technical provisions | –205,825 | –787,094 |
| Change in KS MR technical provisions | –6,633,065 | –10,937,502 |
| **Total** | **–6,838,890** | **–11,724,596** |

## Note No. 8
Operating costs

in €

| Item | 2013 | 2012 |
|---|---|---|
| Cost of insurance contract acquisition | –680 | 0 |
| Cost of material | –150,818 | –130,602 |
| Cost of services | –2,525,620 | –2,539,606 |
| Write-downs | –75,560 | –34,219 |
| Cost of provisions | –7,644 | –12,117 |
| Labour costs | –2,616,747 | –2,523,857 |
| Other operating costs | –60,683 | –55,980 |
| **Total** | **–5,437,753** | **–5,296,381** |

In 2013, the cost of material amounted to €-150,818. The largest share of the mentioned costs represented the costs of printing.

In 2013, the cost of services amounted to €-2,525,620. The largest share of the mentioned costs were the costs of leasing IT assets and software maintenance amounting to €-575,175, the cost of custodian bank amounting to €-381,263 and the cost of business premises rent amounting to €-333,060.

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

The cost of provisions amounting to €-7,644 relate to creation of provisions for jubilee awards and severance pay upon retirement. Expenses for provisions due to failure to achieve the guaranteed rate of return of mutual pension funds or a deficit of KS PPS assets are included in other insurance expenses.

In 2013, labour cost amounted to €-2,616,747. €-1,990,680 of the mentioned amount is accounted for by the cost of gross salaries and allowances, while the remainder are the cost of contributions on salaries and wages paid, the cost of meal and transport allowances, the cost of supplementary pension insurance and similar.

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

In 2013, audit cost amounted to €-17,690.

## Note No. 9
Other insurance expenses

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Other insurance expenses** | **–11,226,678** | **–4,755,489** |

In 2013, other insurance expenses referred primarily to the provisions created for failing to achieve the guaranteed rate of return of the PPS fund amounting to €-10,912,933. The remainder are payments effected by the manager to settle the difference to the guaranteed rate of return of mutual pension funds, the management fee for the Modra renta guarantee fund and expenses incurred by the fund manager to cover the deficit of guarantee fund assets.

## Note No. 10
Other expenses

in €

| Item | 2013 | 2012 |
|---|---|---|
| **Other expenses** | **–93** | **–6,926** |

In 2013, other expenses arose from the write-off of operating receivables, cent round-offs and similar. In 2012, other expenses included also expenses due to the payment of foreign dividends tax, which are in 2013 disclosed under investment expenses.

## Note No. 11
Income tax

in €

| Item | 2013 | 2012 |
|---|---|---|
| Profit or loss for the period before tax | 3,921,195 | 14,922,439 |
| Non-deductible expenses | 1,180,832 | 468,207 |
| Value adjustments of inventories and receivables | 0 | 0 |
| Provisioning | 0 | 0 |
| Non-taxable income | 4,049,608 | 5,164,702 |
| Tax allowance | 224,473 | 104,216 |
| Tax loss | 498,342 | 10,121,728 |
| **Total** | **329,604** | **0** |
| Income tax | 56,033 | 0 |
| Tax on dividends from abroad | 0 | 0 |

The effective interest rate amounts to 1.43% (the ratio between the accounted for income tax and the profit or loss of the period before tax).

**Note No. 12**
Deferred tax

in €

| Item | Balance sheet as at 31/12/2013 | Balance sheet as at 31/12/2012 | 2013 income statement | 2012 income statement |
|---|---|---|---|---|
| Deferred income tax – liabilities, of which: | 5,664,189 | 4,836,353 | 357,609 | 1,067,521 |
| Revaluation of available-for-sale investments to fair value | 2,812,551 | 1,627,106 | 0 | 0 |
| Liabilities from investments carried forward | 2,851,638 | 3,209,247 | 357,609 | 1,067,521 |
| Total deferred income tax liabilities | 5,664,189 | 4,836,353 | 357,609 | 1,067,521 |
| Deferred income tax – assets, of which: | 6,245,498 | 6,397,807 | –152,308 | –3,666,866 |
| Loss brought forward to be used as tax allowance | 3,895,681 | 3,980,399 | –84,718 | –2,726,769 |
| Value adjustments of investments | 2,338,653 | 2,407,944 | –69,291 | –937,824 |
| Provisions | 11,164 | 9,464 | 1,701 | –2,273 |
| Total deferred income tax assets | 6,245,498 | 6,397,807 | –152,308 | –3,666,866 |
| **Netting of deferred tax assets and liabilities** | **581,309** | **1,561,454** | **205,301** | **–2,599,345** |

### Changes in deferred tax recognised directly in equity

in €

| Changes in deferred tax | 2013 | 2012 |
|---|---|---|
| Balance as at 1 January | 4,836,352 | 4,018,783 |
| Changes during the year | 827,837 | 817,569 |
| **Balance as at 31 December 2013** | **5,664,189** | **4,836,352** |

## Notes to the balance sheet

**Note No. 13**
Changes in intangible assets and long-term accrued revenue and deferred costs

in €

| 2013 | Software | Intangible assets in acquisition | Total |
|---|---|---|---|
| Cost as at 1 January 2013 | 150,369 | 0 | 150,369 |
| New acquisitions | 107,014 | 5,871 | 112,886 |
| Disposals | 0 | 0 | 0 |
| Cost as at 31 December 2013 | 257,383 | 5,871 | 263,255 |
| Value adjustment as at 1 January 2013 | –24,683 | 0 | –24,683 |
| Increases | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 |
| Decreases | 0 | 0 | 0 |
| Write-downs | 0 | 0 | 0 |
| Amortisation | –59,763 | 0 | –59,763 |
| Value adjustment as at 31 December 2013 | –84,446 | 0 | –84,446 |
| Carrying amount as at 1 January 2013 | 125,686 | 0 | 125,686 |
| **Carrying amount as at 31 December 2013** | **172,937** | **5,871** | **178,808** |

in €

| 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 |
| Amortisation | –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** |

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

in €

| 2013 | Equipment | Company cars | Total |
|---|---|---|---|
| Cost as at 1 January 2013 | 25,646 | 25,280 | 50,926 |
| New acquisitions | 15,467 | 0 | 15,467 |
| Disposals | 0 | 0 | 0 |
| Cost as at 31 December 2013 | 41,113 | 25,280 | 66,393 |
| Value adjustment as at 1 January 2013 | –5,494 | –5,899 | –11,393 |
| Increases | 0 | 0 | 0 |
| Transfers | 0 | 0 | 0 |
| Decreases | 0 | 0 | 0 |
| Write-downs | 0 | 0 | 0 |
| Depreciation | –10,741 | –5,056 | –15,797 |
| Value adjustment as at 31 December 2013 | –16,235 | –10,955 | –27,190 |
| Carrying amount as at 1 January 2013 | 20,152 | 19,381 | 39,533 |
| **Carrying amount as at 31 December 2013** | **24,878** | **14,325** | **39,203** |

in €

| 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** |

## Note No. 15
Non-current assets held for sale

As at 31 December 2013, the Company discloses the investment in its associated undertaking Cinkarna Celje d.d. amounting to €14,666,670 under non-current assets held for sale.

## Note No. 16
Investments in group companies and associates

As at 31 December 2012, the Company disclosed the investment in its associated undertaking Cinkarna Celje d.d. under investments in associates. As at 31 December 2013, this investment was reallocated to non-current assets held for sale.

## Note No. 17
Investments

in €

| Item | Own investments | Investments by guarantee funds | Total 31/12/2013 |
|---|---|---|---|
| Loans and deposits | 17,920,000 | 12,876,550 | 30,796,550 |
| Held-to-maturity investments | 0 | 47,168,346 | 47,168,346 |
| Available-for-sale financial assets | 138,982,546 | 0 | 138,982,546 |
| Investments at fair value through profit or loss | 0 | 54,454,626 | 54,454,626 |
| **Total** | **156,902,546** | **114,499,521** | **271,402,068** |

in €

| Item | Own investments | Financial by guarantee funds | Total 31/12/2012 |
|---|---|---|---|
| Loans and deposits | 22,076,773 | 17,600,797 | 39,677,570 |
| Held-to-maturity investments | 0 | 45,413,242 | 45,413,242 |
| Available-for-sale financial assets | 140,129,835 | 0 | 140,129,835 |
| Investment at fair value through profit or loss | 0 | 42,668,475 | 42,668,475 |
| **Total** | **162,206,608** | **105,682,514** | **267,889,122** |

### Investments in loans and deposits

in €

| Item | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Long-term loans and deposits | 3,850,000 | 13,120,000 |
| Short-term loans and deposits | 26,946,550 | 26,557,570 |
| **Total** | **30,796,550** | **39,677,570** |

Investments in loans and deposits are investments in deposits held with domestic banks.

### Investments in securities

in €

| Item | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Investment at fair value through profit or loss | 54,454,626 | 42,668,475 |
| Equity securities | 26,319,540 | 19,909,830 |
| Debt securities | 28,135,086 | 22,758,645 |
| Available-for-sale financial assets | 138,982,546 | 140,129,835 |
| Equity securities | 90,705,039 | 91,570,116 |
| Debt securities | 48,277,508 | 48,559,719 |
| Held-to-maturity investments | 47,168,346 | 45,413,242 |
| **Total** | **240,605,518** | **228,211,552** |

### Changes in investments in securities

in €

| Modra zavarovalnica, d.d. | Held to maturity | Available for sale | At fair value | Total |
|---|---|---|---|---|
| Balance as at 1 January 2013 | 45,413,242 | 153,003,912 | 42,668,475 | 241,085,629 |
| Acquisitions | 10,198,390 | 23,980,668 | 22,223,133 | 56,402,191 |
| Revaluation/impairments/revalorisation | 1,625,973 | 14,591,665 | 1,130,593 | 17,348,231 |
| Sales | 0 | –33,247,675 | –4,790,917 | –38,038,592 |
| Maturity | –10,069,259 | –4,679,354 | –6,776,658 | –21,525,271 |
| **Balance as at 31 December 2013** | **47,168,346** | **153,649,216** | **54,454,626** | **255,272,188** |

Available-for-sale securities include the investment in Cinkarna Celje d.d., which is allocated under non-current assets held for sale.

in €

| Guarantee funds | Held to maturity | Available for sale | At fair value | Total |
|---|---|---|---|---|
| Balance as at 1 January 2013 | 45,413,242 | 0 | 42,668,475 | 88,081,717 |
| Acquisitions | 10,198,390 | 0 | 22,223,133 | 32,421,523 |
| Revaluation/impairments/revalorisation | 1,625,973 | 0 | 1,130,593 | 2,756,566 |
| Sales | 0 | 0 | –4,790,917 | –4,790,917 |
| Maturity | –10,069,259 | 0 | –6,776,658 | –16,845,917 |
| **Balance as at 31 December 2013** | **47,168,346** | **0** | **54,454,626** | **101,622,972** |

in €

| Own assets | Held to maturity | Available for sale | At fair value | Total |
|---|---|---|---|---|
| Balance as at 1 January 2013 | 0 | 153,003,912 | 0 | 153,003,912 |
| Acquisitions | 0 | 23,980,668 | 0 | 23,980,668 |
| Revaluation/impairments/revalorisation | 0 | 14,591,665 | 0 | 14,591,665 |
| Sales | 0 | –33,247,675 | 0 | –33,247,675 |
| Maturity | 0 | –4,679,354 | 0 | –4,679,354 |
| **Balance as at 31 December 2012** | **0** | **153,649,216** | **0** | **153,649,216** |

### Structure of investments with respect to the interest rate type

in €

| Investment | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Debt instruments | 123,580,939 | 116,731,606 |
| Fixed interest rate | 120,378,565 | 111,357,678 |
| Variable interest rate | 3,202,374 | 5,373,928 |
| Loans and deposits | 30,796,550 | 39,677,570 |
| Fixed interest rate | 30,796,550 | 39,677,570 |
| Variable interest rate | 0 | 0 |
| **Total** | **154,377,489** | **156,409,176** |

Treasury bills and certificates of deposit are taken into account within the scope of fixed-rate debt security investments. Cash is not taken into account.

### Risk of interest rate fluctuations

in €

| Investments as at 31 December 2013 | Up to 1 year | From 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Investment at fair value through profit or loss | 9,053,115 | 13,336,182 | 5,745,788 | **28,135,086** |
| Held-to-maturity investments | 6,567,061 | 19,449,440 | 21,151,844 | **47,168,346** |
| Available-for-sale financial assets | 10,232,995 | 17,590,245 | 20,454,268 | **48,277,508** |
| Loans and deposits given | 26,946,550 | 3,850,000 | 0 | **30,796,550** |
| Cash and cash equivalents | 6,182,232 | 0 | 0 | **6,182,232** |
| **Total** | **58,981,954** | **54,225,867** | **47,351,900** | **160,559,721** |

The investments in the table above include all debt security investments at the effective interest rate increased by cash and cash equivalents.

### Note No. 18
Receivables

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Receivables from direct insurance transactions | 514,898 | 295,876 |
| Other receivables | 13,771,173 | 4,445,865 |
| **Total** | **14,286,071** | **4,741,741** |

In 2013, the largest item of other receivables is short-term receivables from debt security buyers amounting to €12,025,520, while in 2012 it was the retained deficit of assets for covering liabilities to KS PPS insured persons amounting to €3,118,559.

### Note No. 19
Cash and cash equivalents

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Bank balances and cash in hand | 531,232 | 439,387 |
| Call deposits | 5,651,000 | 3,737,000 |
| Deposits with original maturity up to 3 months | 0 | 0 |
| **Total** | **6,182,232** | **4,176,387** |

## Note No. 20
Other assets

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Other assets | 223,429 | 262,017 |

Other assets amounting to €223,439 comprise short-term accrued revenue and deferred costs.

## Note No. 21
Equity

### Share capital

| Item | 31/12/2014 | 31/12/2014 |
|---|---|---|
| Share capital (in €) | 152,200,000 | 152,200,000 |
| Ordinary shares (number) | 152,200,000 | 152,200,000 |
| Uncalled capital (in €) | 0 | 0 |

The Company's share capital amounts to €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 the associated amount in the share capital. The share of an individual no par value share in the share capital is determined according to the number of no par value shares issued.

The book value of one share as at 31 December 2013 amounts to €1.17.

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

### Changes in individual equity components

in €

| Item | Share capital | Capital surplus | Revenue reserves | Revaluation surplus | Retained earnings | Net profit or loss for the financial year | Total |
|---|---|---|---|---|---|---|---|
| 1 January 2013 | 152,200,000 | 0 | 5,345,385 | 11,242,365 | 4,381,034 | 0 | 173,168,784 |
| Change | 0 | 0 | 2,233,234 | 5,216,685 | –2,543,087 | 0 | 4,906,832 |
| **31 December 2013** | **152,200,000** | **0** | **7,578,619** | **16,459,050** | **1,837,947** | **0** | **178,075,616** |

Revenue reserves represent legal and statutory reserves amounting to €1,346,415 and other revenue reserves amounting to €6,232,204.

## Note No. 22
Technical provisions

### Technical provisions

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| KS PPS technical provisions | 96,170,896 | 95,965,071 |
| KS MR technical provisions | 17,951,918 | 11,318,854 |
| **Total** | **114,122,815** | **107,283,925** |

Technical provisions are mathematical provisions of the life insurance guarantee funds.

Technical provisions are presented in the chapter "Disclosures of insurance contracts".

### Changes in technical provisions

in €

| Item | 2013 mathematical provisions | 2012 mathematical provisions |
|---|---|---|
| Opening balance | 107,283,925 | 95,559,334 |
| Newly formed during the year | 7,480,110 | 17,609,546 |
| Drawing of provisions during the year | –641,220 | –5,884,955 |
| **Closing balance** | **114,122,815** | **107,283,925** |

**Note No. 23**
Other provisions

### Other provisions

in €

| Other provisions | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Provisions for not achieving the guaranteed return rate | 10,942,982 | 30,715 |
| Provisions for the deficit of KS PPS assets | 1,028,165 | 3,118,559 |
| Provisions for pensions, jubilee awards and severance pay upon retirement | 131,344 | 125,768 |
| **Total** | **12,102,491** | **3,275,042** |

### Changes in other provisions

in €

| Item | Provisions for not achieving the guaranteed return rate | Provisions for the deficit of KS PPS assets | Other provisions | Total |
|---|---|---|---|---|
| 1 January 2013 | 30,715 | 3,118,559 | 125,768 | 3,275,042 |
| Newly formed during the year | 10,913,479 | 735,127 | 7,644 | 11,656,250 |
| Drawing of provisions | 0 | 0 | –2,068 | –2,068 |
| Reversal of provisions | –1,212 | –2,825,521 | 0 | –2,826,733 |
| **31 December 2013** | **10,942,982** | **1,028,165** | **131,344** | **12,102,491** |

At the end of 2013, provisions for severance pay upon retirement and jubilee awards amounting to €7,644 were created anew.

Provisions for severance pay upon retirement and jubilee awards are calculated based on the assumption regarding the expected employee turnover, their years of service and the expected number of years until retirement, while taking into account the provisions of individual and collective employment contracts and the Company's internal acts. Assumptions regarding the expected employee turnover attribute the highest probability (60%) for leaving the Company to the employees with over 20 years of service until retirement, while the employees with less than 5 years of service until retirement are attributed the probability of 0%.

**Note No. 24**
Operating liabilities

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Liabilities from direct insurance transactions | 745,168 | 654,636 |
| Liabilities from reinsurance and co--insurance transactions | 0 | 0 |
| Current tax liabilities | 56,033 | 0 |
| **Total** | **801,201** | **654,636** |

Liabilities from direct insurance transactions refer to liabilities of the guarantee funds for the payment of annuities. Current tax liabilities are liabilities for income tax.

**Note No. 25**
Other liabilities

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Short-term liabilities to employees | 220,747 | 169,433 |
| Short-term liabilities for shares in claims incurred | 0 | 0 |
| Other short-term liabilities from insurance transactions | 163,401 | 435,158 |
| Short-term financing liabilities | 0 | 0 |
| Other short-term liabilities | 287,364 | 1,211,915 |
| Accrued costs | 198,676 | 237,667 |
| Short-term deferred revenue | 1,545,652 | 1,229,913 |
| Fund manager's liability to pay the difference up to the guaranteed return rate of mutual pension fund (VPS) | 0 | 4,003,544 |
| Long-term liabilities | 41,829 | 0 |
| **Total** | **2,457,669** | **7,287,630** |

Short-term liabilities to employees relate to liabilities arising from salaries and wages for December 2013.

Short-term deferred revenue is deferred revenue arising from the pension insurance annuity premiums received from persons insured who withdrew from the KVPS and ZVPSJU Funds and expressed their intention to take out insurance as at 1 January 2014 based on an indicative calculation.

Long-term liabilities are liabilities for the payment of variable remuneration to Members of the Management Board.

## Disclosures of insurance contracts

### Composition of long-term insurance contracts

**Table 19:** Current gross value of future KS PPS and KS MR disbursements

in €

| Types of disbursements | 31 December 2013 | 31 December 2012 |
|---|---|---|
| KS PPS | 96,170,896 | 95,965,071 |
| KS MR | 17,951,918 | 11,318,854 |
| **Total** | **114,122,814** | **107,283,925** |

The total current gross value of future disbursements of all types of KS PPS pension annuities as at 31 December 2013 amounts to €96,170,896. The calculation of the value of future disbursements uses annuity tables DAV2004R and the statutory technical interest rate amounting to 1%. Upon being given the right to pension annuity, every person insured can choose one of the pension annuity products offered, thereby exercising their right and specifying the manner of enjoyment of this right. A person insured holding over 2,000 points can choose from a lifetime pension annuity and a lifetime pension annuity with a guaranteed disbursement period of 5, 10 or 15 years. If a person insured dies during the guaranteed disbursement period, the pension annuity is paid to their beneficiaries or heirs until the expiry of the guaranteed disbursement period. A person insured holding less than 2,000 points can choose to receive a monthly pension annuity or a one-off payment of the pension annuity, while an insured person holding between 2,001 and 5,000 points can opt to receive an annual pension annuity.

Mathematical provisions of the Modra renta Guarantee Fund are calculated pursuant to the Insurance Act, technical standards and technical bases. The mathematical provision for the annuity insurance product is calculated prospectively for each insurance contract separately. The calculation applied German DAV1994R annuity tables.

Annuity insurance can be taken out in several forms. The classic Modra renta is paid out monthly from the effective date of annuity insurance to the end of the insured person's life and cannot be inherited. In the event of an insured person's death prior to the expiry of the guaranteed disbursement period (5, 10 or 15 years), the annuity is paid to their beneficiary or heir until the expiry of the guaranteed period.

Accelerated Modra renta with full guarantee is paid out from the effective date of annuity insurance until the end of the insured person's life. During the guaranteed disbursement period (24, 48, 72, 96 or 120 months), the annuity is higher and is paid out monthly, after which it converts to annual payments of the same amount. In the event of an insured person's death prior to the expiry of the guaranteed disbursement period, the annuity is paid to their beneficiary or heir until the expiry of the guaranteed period.

Accelerated Modra renta with limited guarantee is paid out from the effective date of annuity insurance until the end of the insured person's life. During the period of monthly payments (24, 48, 72, 96 or 120 months), the annuity is higher, after which it is disbursed in annual amounts of €12. In the event of an insured person's death prior to the expiry of the guaranteed disbursement period, the annuity is paid to their beneficiary or heir until the expiry of the guaranteed period. The guarantee period is a period that is 1 year shorter than the period of monthly payments.

### Adequacy of liabilities

Modra zavarovalnica d.d. verifies the adequacy of liabilities or mathematical provisions deriving from the insurance contracts concluded by performing the Liability Adequacy Test (LAT). The test is limited to annuity insurance products. The result of the test is the best estimate of liabilities defined as a the sum total of the current value of expected future cash flows (annuity payments and costs of the Company). This estimate is compared with the value of the mathematical provisions identified pursuant to the rules indicated in the technical bases of individual insurance products.

The Liability Adequacy Test performed at the level of an individual insurance contract using monthly dynamics took into account the following assumptions:

- expected mortality was determined pursuant to German D1994R mortality tables for annuities, which adequately describe the actual mortality rate based on past experience;
- the cancellation rate is calculated based on the data from previous years;
- early terminations were not foreseen, as they are not possible in view of the provisions set forth in insurance contracts;
- expected costs equal the costs accrued;
- the discount rate was determined according to the yield curve of Slovenian sovereign debt securities.

The Liability Adequacy Test showed that mathematical provisions are adequate.

### Changes in interest rates/return

The technical interest rate and guaranteed return rate for KS PPS are legally prescribed, which is why the sensitivity of provisions to changes in the mentioned parameters are not disclosed.

**Table 20:** Changes in interest rates/return for KS MR as at 31 December 2013

in €

| Change in return | Increase in return by 0.25 percentage points | Decrease in return by 0.25 percentage points |
|---|---|---|
| Change in liabilities (provisions) | –139,901 | 145,427 |

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

in €

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

### Change in mortality

**Table 22:** Change in mortality as at 31 December 2013 for KS PPS

in €

| Change in mortality | Increase in mortality variable by 10% | Decrease in mortality variable by 10% |
|---|---|---|
| Change in liabilities (provisions) | –3,044,522 | 3,454,059 |

Increase in mortality variable by 10% would result in a decrease of liabilities by €3,044,522. The calculation of changes in liabilities due to changes in mortality applied DAV2004R annuity tables.

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

in €

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

Increase in mortality variable by 10% would result in a decrease of liabilities by €2,978,626. The calculation of changes in liabilities due to changes in mortality applied DAV2004R annuity tables.

**Table 24:** Change in mortality as at 31 December 2013 for KS MR

in €

| Change in mortality | Increase in mortality variable by 10% | Decrease in mortality variable by 10% |
|---|---|---|
| Change in liabilities (provisions) | –77,403 | 86,276 |

Increase in mortality variable by 10% would result in a decrease of liabilities by €77,403. The calculation of changes in liabilities due to changes in mortality applied DAV1994R annuity tables.

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

in €

| Change in mortality | Increase in mortality variable by 10% | Decrease in mortality variable by 10% |
|---|---|---|
| Change in liabilities (provisions) | –27,431 | 30,467 |

Increase in mortality variable by 10% would result in a decrease of liabilities by €27,431. The calculation of changes in liabilities due to changes in mortality applied DAV1994R annuity tables.

## Insurance risk management

Modra zavarovalnica d.d. estimates that, within the scope of its operations, its own assets and the assets of KS PPS and KS MR are exposed to credit, market, interest and liquidity risks. The tables presented include own assets held by the Company and the assets held by both guarantee funds (KS PPS and KS MR).

### Capital management

Pursuant to the Insurance Act, an insurance company is required to meet the minimum capital requirements as laid down by this Act. Since the Company is registered to provide both life as well as non-life insurance products, it is also required to meet the capital requirements laid down for both types of insurance products.

**Table 26:** Capital adequacy

in €

| Item | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Minimum capital requirement | 40,684,393 | 38,625,821 |
| Minimum capital requirement for life insurance | 38,184,393 | 36,325,821 |
| Minimum capital requirement for non-life insurance | 2,500,000 | 2,300,000 |
| Surplus of available capital | 131,478,787 | 130,436,878 |
| Surplus of available capital for life insurance products | 128,969,226 | 127,713,768 |
| Surplus of available capital for non-life insurance products | 2,509,561 | 2,723,110 |

## Credit risk

Credit risk refers to debt securities (investments in bonds, commercial and treasury bills, certificates of deposit, deposits, loans given, cash and cash equivalents) and represents a possibility that investments in debt securities will be recouped partially or not at all; the maximum exposure equals the carrying amount of these financial instruments. Equity securities are excluded from the analysis, since they hold no direct credit risk.

The Company has laid down procedures used to monitor credit exposure to the financial institutions providing the instruments in which the Company invests its assets. Within the framework of the Company's internal acts, a business partner's credit rating is determined using an own model and taking into account the credit ratings provided by Standard & Poor's, Fitch and Moody's. The decision to approve an investment is adopted by the Management Board based on the proposals put forth by internal committees.

In 2012, the Company used the conservative strategy to classify investments by credit rating, meaning that an investment with various credit ratings was classified in a category applicable to the lowest rating. In 2013, the strategy was amended and thus the second best credit rating was applied to an investment with various credit ratings.

**Table 27:** Exposure of financial assets to credit risk, not taking into account any collateral, as at 31 December 2013

in €

| Group of financial assets | Low risk – high credit rating of the debtor | Moderate risk – medium credit rating of the debtor | Moderate risk investments (no rating) | High risk investments | Impaired investments – low credit rating of the debtor | Total |
|---|---|---|---|---|---|---|
| Investments at fair value through profit or loss | 1,343,341 | 19,237,719 | 1,341,212 | 6,212,814 | 0 | **28,135,086** |
| Held-to-maturity investments | 12,305,908 | 32,952,436 | 0 | 1,910,001 | 0 | **47,168,346** |
| Available-for-sale financial assets | 13,419,105 | 27,827,650 | 2,007,321 | 5,023,432 | 0 | **48,277,508** |
| Loans and deposits given | 1,830,000 | 15,790,000 | 0 | 13,176,550 | 0 | **30,796,550** |
| Cash and cash equivalents | 21,893 | 6,113,000 | 0 | 47,339 | 0 | **6,182,232** |
| **Total** | **28,920,247** | **101,920,805** | **3,348,533** | **26,370,136** | **0** | **160,559,721** |

**Table 28:** Exposure of financial assets to credit risk, not taking into account any collateral, as at 31 December 2012

in €

| Group of financial assets | Low risk – high credit rating of the debtor | Moderate risk – medium credit rating of the debtor | Moderate risk investments (no rating) | High risk investments | Impaired investments – low credit rating of the debtor | Total |
|---|---|---|---|---|---|---|
| Investments 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 investments | 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** |
| Loans and deposits given | 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** |

Securities are categorised in the mentioned groups based on their credit ratings. Low risk investments are all investments with a credit rating ranging from AAA to A-, moderate risk investments are those with a credit rating ranging from BBB+ to BBB- and high risk investments are investments with a credit rating lower than BBB-. High risk investments mostly include investments made by Slovenian bank issuers whose credit rating has been downgraded. Moderate risk investments are those lacking a credit rating provided by an accredited credit rating agency but meet the criteria for the so-called investment category pursuant to the internal methodology used by the fund manager; this category mostly includes certain domestic corporate bonds.

Loans and deposits given are deposits provided to domestic banks. Deposits and certificates of deposit are classified in the same rating category as the banks at which the Company holds its assets.

**Table 29:** Geographical concentration of credit risk exposure of financial assets

in €

| Region | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Slovenia | 102,304,275 | 102,883,940 |
| Other countries | 58,255,446 | 57,701,622 |
| **Total** | **160,559,721** | **160,585,563** |

## Foreign exchange risk

**Table 30:** Currency structure of financial assets

in €

| Currency | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Assets denominated in Euro | 248,795,800 | 242,329,236 |
| Assets denominated in US dollar | 40,365,550 | 39,123,982 |
| Assets denominated in other currencies | 3,089,620 | 3,486,369 |
| **Total** | **292,250,970** | **284,939,586** |

As at 31 December 2013, 85% of the Company's financial assets were denominated in EUR currency, 14% in US dollar and the remainder was in other currencies.

**Table 31:** Foreign exchange risk of financial assets as at 31 December 2013

| Changes of USD exchange rate in % | Effect on profit or loss | Effect on equity in € |
|---|---|---|
| +/– 10% | +/– 146,971 | +/– 3,889,584 |

**Table 32:** Foreign exchange risk of financial assets as at 31 December 2012

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

## Interest rate risk

Interest rate risk is related to investments in securities that react to changes in the level of market interest rates. This includes investments with income depending on variable interest rate and debt securities with interest income depending on fixed interest rate but with a changed market value upon any fluctuation of market interest rates.

**Table 33:** Sensitivity analysis of investments with respect to changes in market interest rates as at 31 December 2013 – change of interest rate by 50 basis points

in €

| | Change of interest rate | Sensitivity of interest income | Effect on fair value | Total |
|---|---|---|---|---|
| Investments at fair value through profit or loss | +/– 0.5% | +/– 768 | +/– 96,541 | +/– 95,773 |
| Held-to-maturity investments | +/– 0.5% | 0 | 0 | 0 |
| Available-for-sale financial assets | +/– 0.5% | +/– 132,71 | +/– 195,704 | +/– 182,433 |
| Loans and deposits | +/– 0.5% | +/– 0 | +/– 0 | +/– 0 |
| **Total** | | **+/– 14,039** | **+/– 292,245** | **+/– 278,206** |

**Table 34:** Sensitivity analysis of investments with respect to changes in market interest rates as at 31 December 2012 – change of interest rate by 50 basis points

in €

| | Change of interest rate | Sensitivity of interest income | Effect on fair value | Total |
|---|---|---|---|---|
| Investments at fair value through profit or loss | +/– 0.5% | +/– 1,618 | +/– 87,783 | +/– 86,165 |
| Held-to-maturity investments | +/– 0.5% | +/– 0 | +/– 0 | +/– 0 |
| Available-for-sale financial assets | +/– 0.5% | +/– 25,251 | +/– 213,592 | +/– 188,341 |
| Loans and deposits | +/– 0.5% | +/– 0 | +/– 0 | +/– 0 |
| **Total** | | **+/– 26,869** | **+/– 301,375** | **+/– 274,506** |

The calculation of interest income sensitivity took into account investments with a variable interest rate, while that of effect on fair value took into account investments with a fixed interest rate.

### Market risk

Market risk is a possibility that the value of equity securities will change due to changes in market indices or market values of individual shares.

**Table 35:** Market risk of the equities portfolio as at 31 December 2013

in €

| Change of index in % | Effect on profit or loss | Effect on equity |
|---|---|---|
| +/– 10% | +/– 2,631,954 | +/– 10,537,171 |

**Table 36:** Market risk of the equities portfolio as at 31 December 2012

in €

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

The table shows equity investments of the Company and both guarantee funds. The effect on profit or loss is revealed by equity securities measured at fair value through profit or loss, while the effect on equity is revealed by available-for-sale equity investments.

**Table 37:** Overview of financial instruments by marketability

in €

| Financial instrument | 31 December 2013 | 31 December 2012 |
|---|---|---|
| Securities traded on organised market | 249,006,341 | 232,619,664 |
| Investment at fair value through profit or loss | 49,495,313 | 36,846,751 |
| Held-to-maturity investments | 47,168,346 | 45,413,242 |
| Available-for-sale financial assets | 152,342,683 | 150,359,672 |
| Securities not traded on organised market | 6,265,846 | 8,465,965 |
| Investment at fair value through profit or loss | 4,959,313 | 5,821,724 |
| Held-to-maturity investments | 0 | 0 |
| Available-for-sale financial assets | 1,306,533 | 2,644,241 |
| **Total** | **255,272,188** | **241,085,629** |

At the end of 2013, the investments traded on organised securities markets accounted for 98% of assets.

Investments measured at fair value through profit or loss and not traded on organised market are shares amounting to €3,872,525; the remainder are certificates of deposit.

**Table 38:** Overview of financial assets by book and fair value as at 31 December 2013

in €

| Financial asset | Book value | Fair value |
|---|---|---|
| Investment at fair value through profit or loss | 54,454,626 | 54,454,626 |
| Held-to-maturity investments | 47,168,346 | 48,760,429 |
| Available-for-sale financial assets | 153,649,217 | 153,649,217 |
| Investments in loans and deposits | 30,796,550 | 30,796,550 |
| Cash and cash equivalents | 6,182,231 | 6,182,231 |
| **Total** | **292,250,970** | **293,843,053** |

**Table 39:** Overview of financial assets at book and fair value as at 31 December 2012

in €

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

According to its accounting policy, the Company measures its financial assets at fair value, which equals the market value of an investment. Differences may arise in non-marketable available-for-sale investments where the value assessed is the fair value; the fair value in loans and deposits equals their amortised cost.

**Table 40:** Hierarchy of financial asset fair value as at 31 December 2013

in €

| Item | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Investments at fair value through profit or loss | 48,497,563 | 2,084,537 | 3,872,525 | 54,454,626 |
| Equity securities | 22,447,015 | 0 | 3,872,525 | 26,319,540 |
| Debt securities | 26,050,549 | 2,084,537 | 0 | 28,135,086 |
| Available-for-sale financial assets | 152,379,413 | 1,269,803 | 0 | 153,649,216 |
| Equity securities | 105,371,709 | 0 | 0 | 105,371,709 |
| Debt securities | 47,007,704 | 1,269,803 | 0 | 48,277,508 |
| **Total** | **200,876,976** | **3,354,340** | **3,872,525** | **208,103,842** |

No reclassification occurred in the hierarchy in 2013.

Level 1 includes investments with a fair value determined entirely on the basis of the published prices achieved on the active market for identical assets (stock prices and generic prices obtained in the Bloomberg system). This group includes financial assets with market prices on the active market.

Level 2 includes investments measured using benchmark market data (other than quoted prices of identical assets) obtained indirectly or directly for an identical or similar asset; the basis for valuation is the yield curve for comparable financial assets with similar maturity and credit risk.

Level 3 includes investments where fair value is determined based on valuation models that take into account the subjective variables not publicly available on markets. Major investments include investments in three Slovenian companies dealing with power distribution in the total amount of €1,995,638; their fair value was determined using the discounted cash flow model and applying discount rates ranging between 7.6 and 8.2%.

### Liquidity risk

Liquidity risk is a possibility that the Company's liabilities will not be settled by the due date. As at 31 December 2013, Modra zavarovalnica d.d. disclosed a total surplus of €187,966,598 in expected non-discounted cash inflows over outflows.

**Table 41:** Expected actual non-discounted cash flows as at 31 December 2013

in €

| Item | Up to 1 year | From 1 to 5 years | Over 5 years | With no maturity | Total |
|---|---|---|---|---|---|
| Investments in securities | 30,202,589 | 61,048,861 | 50,131,878 | 131,691,249 | 273,074,577 |
| – at fair value through profit or loss | 10,038,502 | 15,624,693 | 5,662,011 | 26,319,540 | 57,644,746 |
| – held to maturity | 8,322,173 | 24,545,532 | 24,357,694 | 0 | 57,225,399 |
| – available for sale | 11,841,914 | 20,878,637 | 20,112,172 | 105,371,709 | 158,204,432 |
| Loans and deposits given | 27,361,677 | 3,856,275 | 0 | 0 | 31,217,952 |
| Cash and cash equivalents | 6,182,231 | 0 | 0 | 0 | 6,182,231 |
| Receivables | 13,257,906 | 0 | 0 | 0 | 13,257,906 |
| **Total assets** | **77,004,404** | **64,905,136** | **50,131,878** | **131,691,249** | **323,732,667** |
| Operating liabilities as at 31 December 2013 | 801,201 | 0 | 0 | 0 | 801,201 |
| Other liabilities as at 31 December 2013 | 2,415,839 | 41,829 | 0 | 0 | 2,457,668 |
| Liabilities of PPS and MR Guarantee Funds as at 31 December 2013 | 10,767,437 | 27,374,773 | 94,364,990 | 0 | 132,507,200 |
| **Total liabilities** | **13,984,477** | **27,416,602** | **94,364,990** | **0** | **135,766,069** |
| **Difference** | **63,019,927** | **37,488,534** | **–44,233,112** | **131,691,249** | **187,966,598** |

**Table 42:** Expected actual non-discounted cash flows as at 31 December 2012

in €

| Item | Up to 1 year | From 1 to 5 years | Over 5 years | With no maturity | Total |
|---|---|---|---|---|---|
| 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 |
| Loans and deposits given | 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 |
| **Total assets** | **48,300,643** | **76,679,224** | **49,193,886** | **124,354,023** | **298,527,775** |
| 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 PPS and MR Guarantee Funds as at 31 December 2012 | 8,614,366 | 24,580,968 | 73,467,738 | 0 | 106,663,072 |
| **Total liabilities** | **16,556,632** | **24,580,968** | **73,467,738** | **0** | **114,605,338** |
| **Difference (assets minus liabilities)** | **31,744,011** | **52,098,256** | **–24,273,852** | **124,354,023** | **183,922,437** |

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

### Overview of effective interest rates and return by investment groups

**Table 43:** Effective interest rates by investment groups

| Item | 2013 | 2012 |
|---|---|---|
| Investments at fair value through profit or loss | 3.65% | 7.81% |
| Held-to-maturity investments | 4.08% | 4.37% |
| Available-for-sale investments | 4.34% | 4.51% |
| Investments in loans and deposits | 2.97% | 3.73% |

**Table 44:** Return by investment groups

| Item | 2013 | 2012 |
|---|---|---|
| Financial at fair value through profit or loss | 3.55% | 13.56% |
| Held-to-maturity investments | 4.22% | 0.70% |
| Available-for-sale investments | 11.42% | 15.81% |
| Investments in loans and deposits | 3.76% | 4.16% |

Investments in the tables above include all debt financial instruments where the effective interest rate is applied.

## Other disclosures

### Remuneration of the Management Board, Supervisory Board and employees with individual employment contracts

The remuneration received by Members of the Management Board, Supervisory Board and employees with individual employment contracts who are not subject to the tariff part of the collective agreement totalled €469,521 in 2013.

In 2013, the Company granted no prepayments or loans to Members of the Management and Supervisory Boards nor did it assume any liabilities on their behalf.

**Table 45:** Gross remuneration in 2013 by recipient category

in €

| Category of recipients | Amount |
|---|---|
| Members of the Management Board | 257,609 |
| Members of the Supervisory Board | 45,647 |
| Employees with manager contracts | 166,265 |
| **Total** | **469,521** |

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

**Table 46:** Remuneration of Members of the Management Board in 2013

in €

| Name and surname | Fixed remuneration | Outstanding payments | Fringe benefits | Holiday allowance | Reimbursement of costs | Insurance premiums (PDPZ) | Total |
|---|---|---|---|---|---|---|---|
| Borut Jamnik | 107,860 | 18,962 | 2,836 | 784 | 4,399 | 2,819 | **137,660** |
| Matija Debelak | 97,074 | 17,066 | 94 | 784 | 2,112 | 2,819 | **119,949** |

Fixed remuneration includes gross salaries. Outstanding payments include part 1 of the variable remuneration for 2011 and 2012. Reimbursements of costs include meal and/or travel allowances and/or other reimbursements of travel expenses (daily allowances, mileage expenses, costs of overnight stays, parking, taxi). Fringe benefits include the use of a company car and collective accident insurance. Insurance premiums (PDPZ) relate to the premiums paid in for voluntary supplementary pension insurance.

**Table 47:** Remuneration of Members of the Supervisory Board in 2013

in €

| Name and surname | Fixed remuneration | Monthly allowance | Reimbursement of costs | Total |
|---|---|---|---|---|
| Branimir Štrukelj | 3,740 | 0 | 0 | **3,740** |
| Aleš Groznik | 3,190 | 4,604 | 221 | **8,015** |
| Bojan Zupančič | 3,740 | 6,278 | 0 | **10,018** |
| Dario Radešič | 3,740 | 4,361 | 1,066 | **9,167** |
| Goran Bizjak | 3,190 | 4,186 | 252 | **7,628** |
| Marino Furlan | 2,365 | 4,186 | 528 | **7,079** |

Fixed remuneration includes attendance fees for meetings of the Supervisory Board. Monthly allowance includes a monthly amount received for performing the function of a Member of the Supervisory Board. Reimbursement of costs includes the reimbursement of travel expenses.

## Related party transactions

In 2013, there were no transactions between Modra zavarovalnica d.d. and its controlling company Kapitalska družba d.d. that were carried out under unusual market terms and conditions. Modra zavarovalnica d.d. generated a total of €12,000 revenues and €673,684 costs from operations with the controlling company. The Company leased business premises from Kapitalska družba d.d. and used its IT services while rendering the administrative services of managing the compulsory supplementary pension insurance fund of Kapitalska družba d.d.

As at 31 December 2013, Modra zavarovalnica d.d. disclosed operating liabilities to the controlling company amounting to €69,456.

In 2013, the Company paid dividends amounting to €4,380,316 to Kapitalska družba d.d.

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

Articles of Association and its amendments are adopted by the General Meeting of the Company.

Members of the Management Board are appointed by the Supervisory Board. The Management Board comprises two members, one of which is appointed as the Chairman of the Board. The term of office of the Chairman and Member is 5 years, after which they may be reappointed. The Management Board or one of its Members may be dismissed early for the reasons laid down in paragraph 2 of Article 268 of the Companies Act.

The Company's Management Board is not authorised to issue or purchase treasury shares.

The Company's Supervisory Board comprises 6 members who are appointed or dismissed by the Company's General Meeting pursuant to Article 2 of ZPKDPIZ. Three Supervisory Board members are proposed by persons insured, two members are proposed by the ZVPSJU Board on behalf of persons insured under ZVPSJU and one member is proposed jointly by other persons insured (persons insured under KVPS, PPS and other). Supervisory Board candidate proposals made by members of the KVPS Board and members of the ZVPSJU Board are prepared based on a public call to all persons insured to submit their candidate proposals. The term of office for Members of the Supervisory Board is 5 years, after which they may be re-elected.

## Events after the balance sheet date

In the period between the end of 2013 and the compilation of this annual report, the Company experienced no significant business events that might affect its financial statements for 2013.

WE ARE HERE FOR YOU

Advisors in the Contact Center:
Sandra Urankar
Kaja Režek
Polona Stropnik
Jelka Vidic

# 3
# APPENDIX

# SELECTED OPERATING PERFORMANCE RATIOS

| Ratio | | | 2013 | 2012 |
|---|---|---|---|---|
| **1.** | **Total** | **Increase in gross written premium (index)** | **94%** | **1.161%** |
| | Life insurance | Increase in gross written premium | 94% | 1.161% |
| | Non-life insurance | Increase in gross written premium | 559% | – |
| **2.** | **Total** | **Net written premium as % of gross written premium** | **100%** | **100%** |
| | Life insurance | Net written premium as % of gross written premium | 100% | 100% |
| | Non-life insurance | Net written premium as % of gross written premium | 100% | 100% |
| **3.** | **Total** | **Changes in gross claims paid (index)** | **151%** | **546%** |
| | Life insurance | Changes in gross claims paid | 151% | 546% |
| | Non-life insurance | Changes in gross claims paid | – | – |
| **4.** | **Total** | **Average claim** | **80 EUR** | **70 EUR** |
| | Life insurance | Average claim | 80 EUR | 70 EUR |
| | Non-life insurance | Average claim | – | – |
| **5.** | **Total** | **Loss ratio** | **70%** | **44%** |
| | Life insurance | Loss ratio | 70% | 44% |
| | Non-life insurance | Loss ratio | – | – |
| **6.** | **Total** | **Operating costs as % of gross written premium** | **33%** | **30%** |
| | Life insurance | Operating costs as % of gross written premium | 32% | 29% |
| | Non-life insurance | Operating costs as % of gross written premium | 3,502% | 23,426% |
| **7.** | **Total** | **Cost of acquisition as % of gross written premium** | **0%** | **0%** |
| | Life insurance | Cost of acquisition as % of gross written premium | 0% | 0% |
| | Non-life insurance | Cost of acquisition as % of gross written premium | 0% | 0% |
| **8.** | **Total** | **Investment performance as % of the average balance of investments** | **5.61%** | **6.02%** |
| | Life insurance | Investment performance as % of the average balance of investments | 5.75% | 6.27% |
| | Guarantee funds | Investment performance as % of the average balance of investments | 3.74% | 5.70% |
| | Non-life insurance | Investment performance as % of the average balance of investments | 3.30% | 4.20% |
| **9.** | **Total** | **Net claims provisions as % of net premium income** | **0** | **0** |
| | Life insurance | Net claims provisions as % of net premium income | 0 | 0 |
| | Non-life insurance | Net claims provisions as % of net premium income | 0 | 0 |
| **10.** | **Total** | **Gross profit or loss for the year as % of net written premium** | **24%** | **85%** |
| | Life insurance | Gross profit or loss for the year as % of net written premium | 24% | 85% |
| | Non-life insurance | Gross profit or loss for the year as % of net written premium | –582% | –3,300% |
| **11.** | **Total** | **Gross profit or loss for the year as % of average equity** | **2.23%** | **9.21%** |
| | Life insurance | Gross profit or loss for the year as % of average equity | 2.32% | 9.53% |
| | Non-life insurance | Gross profit or loss for the year as % of average equity | –0.70% | –0.71% |
| **12.** | **Total** | **Gross profit or loss for the year as % of average assets** | **1.29%** | **5.33%** |
| | Life insurance | Gross profit or loss for the year as % of average assets | 1.32% | 5.44% |
| | Non-life insurance | Gross profit or loss for the year as % of average assets | –0.68% | –0.69% |

| Ratio | | | 2013 | 2012 |
|---|---|---|---|---|
| **13.** | **Total** | **Gross profit or loss for the year per share** | **0.03 EUR** | **0.10 EUR** |
| | Life insurance | Gross profit or loss for the year per share | – | – |
| | Non-life insurance | Gross profit or loss for the year per share | – | – |
| **14.** | **Total** | **Net profit or loss as % of average equity** | **2.32%** | **7.61%** |
| | Life insurance | Net profit or loss as % of average equity | 2.40% | 7.87% |
| | Non-life insurance | Net profit or loss as % of average equity | –0.60% | –0.58% |
| **15.** | **Total** | **The Company's available capital as % of net insurance premium** | **1,038%** | **960%** |
| | Life insurance | The Company's available capital as % of net insurance premium | 1,008% | 932% |
| | Non-life insurance | The Company's available capital as % of net insurance premium | 83,189% | – |
| **16.** | **Total** | **The Company's available capital as % of minimum capital** | **423%** | **435%** |
| | Life insurance | The Company's available capital as % of minimum capital | 438% | 452% |
| | Non-life insurance | The Company's available capital as % of minimum capital | 200% | 218% |
| **17.** | **Total** | **The Company's available capital as % of technical provisions** | **151%** | **158%** |
| | Life insurance | The Company's available capital as % of technical provisions | 146% | 153% |
| | Non-life insurance | The Company's available capital as % of technical provisions | – | – |
| **18.** | **Total** | **The Company's available capital as % of reinsurance receivables and the reinsurer's share of technical provisions** | **–** | **–** |
| **19.** | **Total** | **Net written premium as % of the average balance of equity and technical provisions** | **5.80%** | **6.68%** |
| | Life insurance | Net written premium as % of the average balance of equity and technical provisions | 5.90% | 6.81% |
| | Non-life insurance | Net written premium as % of the average balance of equity and technical provisions | 0.12% | 0.02% |
| **20.** | **Total** | **Net written premium as % of the average balance of equity** | **9.45%** | **10.87%** |
| | Life insurance | Net written premium as % of the average balance of equity | 9.72% | 11.22% |
| | Non-life insurance | Net written premium as % of the average balance of equity | 0.12% | 0.02% |
| **21.** | **Total** | **Average balance of net technical provisions as % of net premium income** | **667%** | **576%** |
| | Life insurance | Average balance of net technical provisions as % of net premium income | 667% | 576% |
| | Non-life insurance | Average balance of net technical provisions as % of net premium income | – | – |
| **22.** | **Total** | **Equity as % of net unearned premium** | **–** | **–** |
| | Life insurance | Equity as % of net unearned premium | – | – |
| | Non-life insurance | Equity as % of net unearned premium | – | – |
| **23.** | **Total** | **Equity as % of liabilities** | **56.85%** | **58.40%** |
| | Life insurance | Equity as % of liabilities | 56.16% | 57.73% |
| | Non-life insurance | Equity as % of liabilities | 99.43% | 95.93% |
| **24.** | **Total** | **Net technical provisions as % of liabilities** | **36.43%** | **36.18%** |
| | Life insurance | Net technical provisions as % of liabilities | 37.03% | 36.83% |
| | Non-life insurance | Net technical provisions as % of liabilities | 0.00% | 0.00% |
| **25.** | **Total** | **Net mathematical provisions to net technical provisions** | **100,00%** | **100,00%** |
| **26.** | **Total** | **Gross written premium to the number of full-time employees** | **€301,691** | **€323,111** |

# FINANCIAL STATEMENTS PURSUANT TO THE DECISION OF THE INSURANCE SUPERVISION AGENCY

## SEGMENT REPORTING PURSUANT TO THE PROVISIONS OF THE DECISION ON ANNUAL REPORT AND QUARTERLY FINANCIAL STATEMENTS OF INSURANCE UNDERTAKINGS (SKL-2009) – APPENDIX 1

### Balance sheet items as at 31 December 2013 by segment

in €

| Item | | | Life | Non-life | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | **302,536,714** | **5,025,371** | **307,559,789** |
| A. | | Intangible assets | 178,808 | 0 | 178,808 |
| B. | | Property, plant and equipment | 39,203 | 0 | 39,203 |
| C. | | Non-current assets held for sale | 14,666,670 | 0 | 14,666,670 |
| D. | | Deferred tax assets | 583,605 | 0 | 581,309 |
| E. | | Investment property | 0 | 0 | 0 |
| F. | | Investments in group companies and associates | 0 | 0 | 0 |
| G. | | Investments: | 266,471,075 | 4,930,993 | 271,402,068 |
| | | – loans and deposits | 27,746,550 | 3,050,000 | 30,796,550 |
| | | – held to maturity | 47,168,346 | 0 | 47,168,346 |
| | | – available for sale | 137,101,554 | 1,880,993 | 138,982,546 |
| | | – at fair value | 54,454,626 | 0 | 54,454,626 |
| H. | | Unit-linked insurance assets | 0 | 0 | 0 |
| I. | | Reinsurer's share in technical provisions | 0 | 0 | 0 |
| J. | | Assets from financial contracts | 0 | 0 | 0 |
| K. | | Receivables | 14,279,672 | 6,400 | 14,286,071 |
| | 1. | Receivables from direct insurance transactions | 514,357 | 541 | 514,898 |
| | 2. | Receivables from reinsurance and co-insurance transactions | 0 | 0 | 0 |
| | 3. | Current tax assets | 0 | 0 | 0 |
| | 4. | Other receivables | 13,765,315 | 5,858 | 13,771,173 |
| L. | | Other assets | 223,429 | 0 | 223,429 |
| M. | | Cash and cash equivalents | 6,094,252 | 87,980 | 6,182,232 |

in €

| Item | | | Life | Non-life | Total |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | **302,536,714** | **5,025,371** | **307,559,789** |
| A. | | Equity | 173,079,176 | 4,996,439 | 178,075,616 |
| | 1. | Share capital | 147,200,000 | 5,000,000 | 152,200,000 |
| | 2. | Capital surplus | 0 | 0 | 0 |
| | 3. | Revenue reserves | 7,578,619 | 0 | 7,578,619 |
| | 4. | Revaluation surplus | 16,450,106 | 8,944 | 16,459,049 |
| | 5. | Retained earnings | 1,850,452 | –12,504 | 1,837,947 |
| | 6. | Net profit or loss for the financial year | 0 | 0 | 0 |
| B. | | Subordinated liabilities | 0 | 0 | 0 |
| C. | | Technical provisions | 114,122,815 | 0 | 114,122,815 |
| | 1. | Unearned premiums | 0 | 0 | 0 |
| | 2. | Mathematical provisions | 114,122,815 | 0 | 114,122,815 |
| | 3. | Claims provisions | 0 | 0 | 0 |
| | 4. | Other technical provisions | 0 | 0 | 0 |
| D. | | Technical provisions for unit-linked insurance contracts | 0 | 0 | 0 |
| E. | | Other provisions | 12,100,692 | 1,798 | 12,102,491 |
| F. | | Liabilities associated with non-current assets held for sale | 0 | 0 | 0 |
| G. | | Deferred tax liabilities | 0 | 2,296 | 0 |
| H. | | Liabilities from financial contracts | 0 | 0 | 0 |
| I. | | Other financial liabilities | 0 | 0 | 0 |
| J. | | Operating liabilities | 801,201 | 0 | 801,201 |
| | 1. | Liabilities from direct insurance transactions | 745,168 | 0 | 745,168 |
| | 2. | Liabilities from reinsurance and co-insurance transactions | 0 | 0 | 0 |
| | 3. | Current tax liabilities | 56,033 | 0 | 56,033 |
| K. | | Other liabilities | 2,432,830 | 24,839 | 2,457,669 |

## Balance sheet items as at 31 December 2012 by segment

in €

| Item | | Life | Non-life | Total |
|---|---|---|---|---|
| **ASSETS** | | **286,439,388** | **5,235,857** | **291,670,017** |
| 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 | 1,566,682 | 0 | 1,561,454 |
| E. | Investment property | 0 | 0 | 0 |
| F. | Investments in group companies and associates | 12,874,077 | 0 | 12,874,077 |
| G. | Investments: | 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 | 42,668,475 | 0 | 42,668,475 |
| H. | Unit-linked insurance assets | 0 | 0 | 0 |
| I. | Reinsurer's share in 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 transactions | 295,490 | 386 | 295,876 |
| 2. | Receivables from reinsurance and co-insurance transactions | 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 |
| **EQUITY AND LIABILITIES** | | **286,439,388** | **5,235,857** | **291,670,017** |
| A. | Equity | 168,151,028 | 5,017,756 | 173,168,784 |
| 1. | Share capital | 147,200,000 | 5,000,000 | 152,200,000 |
| 2. | Capital surplus | 0 | 0 | 0 |
| 3. | Revenue reserves | 5,327,629 | 17,756 | 5,345,385 |
| 4. | Revaluation surplus | 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 |
| B. | Subordinated liabilities | 0 | 0 | 0 |
| C. | Technical provisions | 107,283,925 | 0 | 107,283,925 |
| 1. | Unearned premiums | 0 | 0 | 0 |
| 2. | Mathematical provisions | 107,283,925 | 0 | 107,283,925 |
| 3. | Claims provisions | 0 | 0 | 0 |
| 4. | Other technical provisions | 0 | 0 | 0 |
| D. | 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 | 0 | 5,228 | 0 |
| 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 transactions | 654,636 | 0 | 654,636 |
| 2. | Liabilities from reinsurance and co-insurance transactions | 0 | 0 | 0 |
| 3. | Current tax liabilities | 0 | 0 | 0 |
| K. | Other liabilities | 7,076,468 | 211,162 | 7,287,630 |

## Income statement items for the period between 1 January and 31 December 2013 by segment

in €

| Item | | Life | Non-life | Total |
|---|---|---|---|---|
| I. | NET PREMIUM INCOME | 16,586,969 | 6,022 | 16,592,991 |
| | – Gross written premiums | 16,586,969 | 6,022 | 16,592,991 |
| | – Ceded reinsurance and co-insurance written premium | 0 | 0 | 0 |
| | – Change in unearned premiums | 0 | 0 | 0 |
| II. | INCOME FROM INVESTMENTS IN ASSOCIATES, of which | 0 | 0 | 0 |
| | – profit from equity investments in associated and jointly controlled companies measured using the equity method | 0 | 0 | 0 |
| III. | INVESTMENT INCOME | 19,227,898 | 181,854 | 19,409,752 |
| IV. | Other income from insurance transactions, of which | 6,217,149 | 0 | 6,217,149 |
| | – fee and commission income | 5,872,513 | 0 | 5,872,513 |
| V. | OTHER INCOME | 35,422 | 1,032 | 36,454 |
| VI. | NET CLAIMS INCURRED | 11,600,137 | 0 | 11,600,137 |
| | – Gross claims paid | 11,600,137 | 0 | 11,600,137 |
| | – Reinsurer and co-insurer's shares | 0 | 0 | 0 |
| | – Change in claims provisions | 0 | 0 | 0 |
| VII. | CHANGE IN OTHER TECHNICAL PROVISIONS | –6,838,890 | 0 | –6,838,890 |
| VIII. | CHANGE IN TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS | 0 | 0 | 0 |
| IX. | CHANGE IN LIABILITIES FROM FINANCIAL CONTRACTS | 0 | 0 | 0 |
| X. | EXPENSES FOR BONUSES AND DISCOUNTS | 0 | 0 | 0 |
| XI. | OPERATING COSTS, of which | 5,226,854 | 210,899 | 5,437,753 |
| | – costs of insurance contract acquisition | 680 | 0 | 680 |
| XII. | EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which | 0 | 0 | 0 |
| | – loss from equity investments in associated and jointly controlled companies measured using the equity method | 0 | 0 | 0 |
| XIII. | INVESTMENT EXPENSES, of which | 3,218,566 | 13,034 | 3,231,600 |
| | – impairment loss of financial assets not measured at fair value through profit or loss | 721,300 | 0 | 721,300 |
| XIV. | OTHER INSURANCE EXPENSES | 11,226,678 | 0 | 11,226,678 |
| XV. | OTHER EXPENSES | 93 | 0 | 93 |
| XVI. | PROFIT OR LOSS BEFORE TAX | 3,956,220 | –35,025 | 3,921,195 |
| XVII. | INCOME TAX | 144,504 | 4,764 | 149,268 |
| **XVIII.** | **NET PROFIT OR LOSS FOR THE PERIOD** | **4,100,724** | **–30,261** | **4,070,463** |

## Income statement items for the period between 1 January to 31 December 2012 by segment

in €

| 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 INVESTMENTS IN ASSOCIATES, of which | 0 | 0 | 0 |
| | – profit from equity investments in associated and jointly controlled companies measured using the equity method | 0 | 0 | 0 |
| III. | INVESTMENT INCOME | 17,223,438 | 215,868 | 17,439,306 |
| IV. | Other income from insurance transactions, 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 claims paid | 7,677,470 | 0 | 7,677,470 |
| | – Reinsurer and co-insurer's shares | 0 | 0 | 0 |
| | – Change in claims provisions | 0 | 0 | 0 |
| VII. | CHANGE IN OTHER TECHNICAL PROVISIONS | –11,724,596 | 0 | –11,724,596 |
| VIII. | CHANGE IN TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS | 0 | 0 | 0 |
| IX. | CHANGE IN LIABILITIES FROM FINANCIAL CONTRACTS | 0 | 0 | 0 |
| X. | EXPENSES FOR BONUSES AND DISCOUNTS | 0 | 0 | 0 |
| XI. | OPERATING COSTS, of which | 5,043,865 | 252,516 | 5,296,381 |
| | – costs of insurance contract acquisition | 0 | 0 | 0 |
| XII. | EXPENSES FROM INVESTMENTS IN ASSOCIATES, of which | 0 | 0 | 0 |
| | – loss from equity investments in associated and jointly controlled companies measured using the equity method | 0 | 0 | 0 |
| XIII. | INVESTMENT EXPENSES, 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 | –2,605,886 | 6,541 | –2,599,345 |
| **XVIII.** | **NET PROFIT OR LOSS FOR THE PERIOD** | **12,352,123** | **–29,029** | **12,323,094** |

## Statement of comprehensive income items for the period between 1 January to 31 December 2013 by segment

in €

| Item | | Life | Non-life | Total |
|---|---|---|---|---|
| I. | NET PROFIT FOR THE FINANCIAL YEAR AFTER TAX | 4,100,724 | –30,261 | 4,070,463 |
| II. | OTHER COMPREHENSIVE INCOME AFTER TAX (1+2+3+4+5+6+7+8+9) | 5,207,740 | 8,945 | 5,216,685 |
| | 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 from the re-assessment of available-for-sale financial assets | 6,391,354 | 10,776 | 6,402,130 |
| | 4.1. Gains/losses recognised in revaluation surplus | 13,689,776 | 10,776 | 13,700,552 |
| | 4.2. Transfer of gains/losses from revaluation surplus to profit or loss | –7,298,422 | 0 | –7,298,422 |
| | 5. Net gains/losses relating to non-current assets held for sale | 0 | 0 | 0 |
| | 5.1. Gains/losses recognised in revaluation surplus | 0 | 0 | 0 |
| | 5.2. Transfer of gains/losses from revaluation surplus to profit or loss | 0 | 0 | 0 |
| | 6. Net gains/losses from cash flow hedging | 0 | 0 | 0 |
| | 6.1. Gains/losses recognised in revaluation surplus | 0 | 0 | 0 |
| | 6.2. Transfer of gains/losses from revaluation surplus to profit or loss | 0 | 0 | 0 |
| | 6.3. Transfer of gains/losses revaluation surplus to the carrying amount of a hedged item | 0 | 0 | 0 |
| | 7. Net gains/losses recognised in revaluation surplus and retained earnings/loss arising from equity investments in associated and jointly controlled companies measured 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 | –1,183,614 | –1,831 | –1,185,445 |
| **III.** | **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)** | **9,308,464** | **–21,316** | **9,287,148** |

## Statement of comprehensive income items for the period between 1 January to 31 December 2012 by segment

in €

| Item | | Life | Non-life | Total |
|---|---|---|---|---|
| I. | NET PROFIT 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 from the re-assessment of available-for-sale financial assets | 11,827,438 | 0 | 11,827,438 |
| | 4.1. Gains/losses recognised in revaluation surplus | 15,548,416 | 0 | 15,548,416 |
| | 4.2. Transfer of gains/losses from revaluation surplus 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 surplus | 0 | 0 | 0 |
| | 5.2. Transfer of gains/losses from revaluation surplus to profit or loss | 0 | 0 | 0 |
| | 6. Net gains/losses from cash flow hedging | 0 | 0 | 0 |
| | 6.1. Gains/losses recognised in revaluation surplus | 0 | 0 | 0 |
| | 6.2. Transfer of gains/losses from revaluation surplus to profit or loss | 0 | 0 | 0 |
| | 6.3. Transfer of gains/losses revaluation surplus to the carrying amount of a hedged item | 0 | 0 | 0 |
| | 7. Net gains/losses recognised in revaluation surplus and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies measured 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** |

## FINANCIAL STATEMENTS PURSUANT TO THE PROVISIONS OF THE DECISION ON ANNUAL REPORT AND QUARTERLY FINANCIAL STATEMENTS OF INSURANCE UNDERTAKINGS (SKL-2009) – APPENDIX 2

### Balance sheet

in €

| Items | 31 December 2013 | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|
| | Life | Non-life | TOTAL | Life | Non-life | TOTAL | Index |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 = 3/6*100 |
| **A. ASSETS** | **302,536,714** | **5,025,371** | **307,559,789** | **286,439,388** | **5,235,857** | **291,670,017** | **105** |
| A. INTANGIBLE FIXED ASSETS | 178,808 | 0 | 178,808 | 125,686 | 0 | 125,686 | 142 |
| 1. Intangible fixed assets | 178,808 | 0 | 178,808 | 125,686 | 0 | 125,686 | 142 |
| 2. Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Long-term deferred costs of insurance contract acquisition | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4. Other long-term deferred costs and accrued income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| B. INVESTMENTS IN LAND AND BUILDINGS AND FINANCIAL INVESTMENTS | 281,137,745 | 4,930,993 | 286,068,738 | 275,562,988 | 5,200,211 | 280,763,200 | 102 |
| I. LAND AND BUILDINGS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| a) Used in direct performance of insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | |
| 1. Land used in direct performance of insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Buildings used in direct performance of insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Other land and buildings used in direct performance of insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Investments in real estate not used directly in insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1. Land | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| II. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES | 14,666,670 | 0 | 14,666,670 | 12,874,077 | 0 | 12,874,077 | 114 |
| 1. Shares and interests in group companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. Debt securities and loans to other group companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3. Shares and interests in associated companies | 14,666,670 | 0 | 14,666,670 | 12,874,077 | 0 | 12,874,077 | 114 |
| 4. Debt securities and loans to other associated companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5. Other investments in group companies and associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| III. OTHER INVESTMENTS | 266,471,075 | 4,930,993 | 271,402,068 | 262,688,911 | 5,200,211 | 267,889,123 | 101 |
| 1. Long-term investments | 204,981,713 | 1,597,847 | 206,579,560 | 212,112,707 | 750,000 | 212,862,707 | 97 |
| 1.1. Shares and other securities with variable yield and mutual fund coupons | 108,840,555 | 0 | 108,840,555 | 103,370,688 | 0 | 103,370,688 | 105 |
| 1.2. Debt securities and other securities with fixed yield | 93,291,158 | 597,847 | 93,889,005 | 96,372,019 | 0 | 96,372,019 | 97 |
| 1.3. Stakes in investment funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1.4. Mortgage loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1.5. Other loans given | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Items | | | 31 December 2013 | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Life | Non-life | TOTAL | Life | Non-life | TOTAL | Index |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 = 3/6*100 |
| | | 1.6. Bank deposits | 2,850,000 | 1,000,000 | 3,850,000 | 12,370,000 | 750,000 | 13,120,000 | 29 |
| | | 1.7. Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2. | Short-term investments | 61,489,363 | 3,333,146 | 64,822,508 | 50,576,204 | 4,450,211 | 55,026,416 | 118 |
| | | 2.1. Shares and interests acquired for sale | 8,081,776 | 0 | 8,081,776 | 7,915,456 | 0 | 7,915,456 | 102 |
| | | 2.2. Securities acquired for sale or with remaining maturity of up to 1 year | 28,408,788 | 1,283,146 | 29,691,934 | 20,359,587 | 0 | 20,359,587 | 146 |
| | | 2.3. Short-term loans given | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2.4. Short-term bank deposits | 24,896,550 | 2,050,000 | 26,946,550 | 22,107,359 | 4,450,211 | 26,557,570 | 101 |
| | | 2.5. Other short-term investments | 102,248 | 0 | 102,248 | 193,803 | 0 | 193,803 | 53 |
| | IV. | REINSURERS' INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | V. | ASSETS FROM FINANCIAL CONTRACTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | VI. | TECHNICAL PROVISIONS TRANSFERRED TO REINSURANCE AND CO-INSURANCE UNDERTAKINGS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | a) | from unearned premiums | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | b) | from mathematical provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | c) | from claims provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | d) | from provisions for bonuses and discounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | e) | from other technical provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | f) | from technical provisions for unit-linked insurance contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C. | INVESTMENTS FOR THE BENEFIT OF UNIT-LINKED INSURANCE CONTRACTS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| D. | RECEIVABLES | | 14,863,277 | 6,399 | 14,867,380 | 6,291,914 | 16,509 | 6,303,195 | 236 |
| | I. | RECEIVABLES FROM DIRECT INSURANCE TRANSACTIONS | 514,357 | 541 | 514,898 | 295,490 | 386 | 295,875 | 174 |
| | 1. | Receivables from policyholders | 514,357 | 541 | 514,898 | 295,490 | 386 | 295,875 | 174 |
| | 2. | Receivables from insurance brokers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3. | Other receivables from direct insurance transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | II. | RECEIVABLES FROM REINSURANCE AND CO-INSURANCE OPERATIONS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1. | Assumed co-written premiums | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2. | Assumed rewritten premiums | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3. | Receivables for the shares of co-insurers in claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4. | Receivables for the shares of reinsurers in claims | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 5. | Other receivables from reinsurance and co-insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | III. | OTHER RECEIVABLES AND DEFERRED TAX ASSETS | 14,348,920 | 5,858 | 14,352,482 | 5,996,424 | 16,123 | 6,007,319 | 239 |
| | 1. | Receivables for advances for intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Items | | | 31 December 2013 | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Life | Non-life | TOTAL | Life | Non-life | TOTAL | Index |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 = 3/6*100 |
| | | 2. Other short-term receivables from insurance transactions | 3,801 | 0 | 3,801 | 153,795 | 0 | 153,795 | 2 |
| | | 3. Short-term receivables from financing activities | 274,293 | 5,858 | 280,151 | 287,469 | 16,124 | 303,593 | 92 |
| | | 4. Other short-term receivables | 13,487,221 | 0 | 13,487,221 | 3,986,078 | 0 | 3,986,078 | 338 |
| | | 5. Other short-term receivables due from group companies | 0 | 0 | 0 | 2,400 | 0 | 2,400 | 0 |
| | | 6. Long-term receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 7. Corporate income tax assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 8. Deferred tax assets | 583,605 | 0 | 581,309 | 1,566,682 | 0 | 1,561,454 | 37 |
| | IV. | UNPAID CALLED-UP CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| E. | MISCELLANEOUS ASSETS | | 6,133,455 | 87,980 | 6,221,435 | 4,196,782 | 19,137 | 4,215,919 | 148 |
| | I. | PROPERTY, PLANT AND EQUIPMENT OTHER THAN LAND AND BUILDINGS | 39,203 | 0 | 39,203 | 39,533 | 0 | 39,533 | 99 |
| | | 1. Equipment | 39,203 | 0 | 39,203 | 39,533 | 0 | 39,533 | 99 |
| | | 2. Other property, plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | II. | CASH AND CASH EQUIVALENTS | 6,094,252 | 87,980 | 6,182,232 | 4,157,250 | 19,137 | 4,176,387 | 148 |
| | III. | INVENTORIES AND OTHER ASSETS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1. Inventories | | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. Other assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| F. | SHORT-TERM ACCRUED REVENUE AND DEFERRED COSTS | | 223,429 | 0 | 223,429 | 262,017 | 0 | 262,017 | 85 |
| | | 1. Accrued interest and rental income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. Short-term deferred costs of insurance contract acquisition | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3. Other short-term accrued revenue and deferred costs | 223,429 | 0 | 223,429 | 262,017 | 0 | 262,017 | 85 |
| G. | NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| H. | OFF-BALANCE SHEET RECORDS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **B** | **LIABILITIES** | | **302,536,714** | **5,025,371** | **307,559,789** | **286,439,388** | **5,235,857** | **291,670,017** | **105** |
| A. | EQUITY | | 173,079,176 | 4,996,439 | 178,075,616 | 168,151,028 | 5,017,756 | 173,168,785 | 103 |
| | I. | CALLED-UP CAPITAL | 147,200,000 | 5,000,000 | 152,200,000 | 147,200,000 | 5,000,000 | 152,200,000 | 100 |
| | | 1. Share capital | 147,200,000 | 5,000,000 | 152,200,000 | 147,200,000 | 5,000,000 | 152,200,000 | 100 |
| | | 2. Uncalled capital (as a deductible item) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | II. | CAPITAL SURPLUS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | III. | REVENUE RESERVES | 7,578,619 | 0 | 7,578,619 | 5,327,629 | 17,756 | 5,345,385 | 142 |
| | | 1. Safety reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. Legal and statutory reserves | 1,346,415 | 0 | 1,346,415 | 946,595 | 17,756 | 964,351 | 140 |
| | | 3. Reserves for treasury shares and own interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 4. Treasury shares and own interests (as a deductible item) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 5. Reserve for credit risk equalisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 6. Reserve for catastrophe claims equalisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 7. Other revenue reserves | 6,232,204 | 0 | 6,232,204 | 4,381,034 | 0 | 4,381,034 | 142 |

| Items | | | 31 December 2013 | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Life | Non-life | TOTAL | Life | Non-life | TOTAL | Index |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 = 3/6*100 |
| | IV. | REVALUATION SURPLUS | 16,450,106 | 8,944 | 16,459,049 | 11,242,365 | 0 | 11,242,365 | 146 |
| | | 1. Property, plant and equipment revaluation surplus | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. Revaluation surplus from long-term investments | 16,450,106 | 8,944 | 16,459,049 | 11,242,365 | 0 | 11,242,365 | 146 |
| | | 3. Revaluation surplus from short-term investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 4. Other revaluation surplus | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | V. | RETAINED EARNINGS | 1,850,452 | –12,504 | 1,837,947 | 4,381,034 | 0 | 4,381,034 | 42 |
| | VI. | NET PROFIT OR LOSS FOR THE FINANCIAL YEAR | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| B. | SUBORDINATED LIABILITIES | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C. | GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUM INCOME | | 114,122,815 | 0 | 114,122,815 | 107,283,925 | 0 | 107,283,925 | 106 |
| | I. | Gross unearned premium | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | II. | Gross mathematical provisions | 114,122,815 | 0 | 114,122,815 | 107,283,925 | 0 | 107,283,925 | 106 |
| | III. | Gross claims provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | IV. | Gross provisions for bonuses and discounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | V. | Other gross technical provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| D. | GROSS TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| E. | PROVISIONS FOR OTHER RISKS AND COSTS | | 12,100,692 | 1,798 | 12,102,491 | 3,273,331 | 1,711 | 3,275,042 | 370 |
| | | 1. Provisions for pensions | 129,545 | 1,798 | 131,344 | 124,057 | 1,711 | 125,768 | 104 |
| | | 2. Other provisions | 11,971,147 | 0 | 11,971,147 | 3,149,274 | 0 | 3,149,274 | 380 |
| F. | LIABILITIES FOR REINSURERS' INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| G. | OTHER LIABILITIES | | 1,490,233 | 26,605 | 769,373 | 6,263,898 | 216,016 | 6,474,686 | 12 |
| | I. | LIABILITIES FROM DIRECT INSURANCE TRANSACTIONS | 745,168 | 0 | 745,168 | 654,636 | 0 | 654,636 | 114 |
| | | 1. Liabilities to policyholders | 745,168 | 0 | 745,168 | 654,636 | 0 | 654,636 | 114 |
| | | 2. Liabilities to insurance brokers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3. Other liabilities from direct insurance transactions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | II. | LIABILITIES FROM REINSURANCE AND CO-INSURANCE OPERATIONS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 1. Liabilities for co-insurance premiums | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. Liabilities for reinsurance premiums | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 3. Liabilities for shares in claims incurred from co-insurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 4. Liabilities for shares in claims incurred from reinsurance | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 5. Other liabilities from reinsurance and co-insurance operations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | III. | LOANS COLLATERALISED WITH SECURITIES WITH FIXED YIELD | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | IV. | LIABILITIES TO BANKS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | V. | LIABILITIES FROM FINANCIAL CONTRACTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Items | | | | 31 December 2013 | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Life | Non-life | TOTAL | Life | Non-life | TOTAL | Index |
| | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 = 3/6*100 |
| | VI. | OTHER LIABILITIES | | 745,064 | 26,605 | 769,373 | 5,609,262 | 216,016 | 5,820,050 | 13 |
| | a) | Other long-term liabilities | | 41,829 | 2,296 | 41,829 | 0 | 5,228 | 0 | – |
| | | 1. | Long-term liabilities from finance lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2. | Other long-term liabilities | 41,829 | 0 | 41,829 | 0 | 0 | 0 | 0 |
| | | 3. | Deferred tax liabilities | 0 | 2,296 | 0 | 0 | 5,228 | 0 | – |
| | b) | Other short-term liabilities | | 703,236 | 24,309 | 727,545 | 5,609,263 | 210,788 | 5,820,050 | 13 |
| | | 1. | Short-term liabilities to employees | 191,275 | 0 | 191,275 | 169,433 | 0 | 169,433 | 113 |
| | | 2. | Other short-term liabilities from insurance transactions | 163,368 | 33 | 163,401 | 435,134 | 23 | 435,158 | 38 |
| | | 3. | Short-term financial liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 4. | Corporate income tax liabilities | 56,033 | 0 | 56,033 | 0 | 0 | 0 | 0 |
| | | 5. | Other short-term liabilities | 223,104 | 24,276 | 247,380 | 4,961,794 | 210,764 | 5,172,558 | 5 |
| | | 6. | Other short-term liabilities to group companies | 69,456 | 0 | 69,456 | 42,902 | 0 | 42,902 | 162 |
| H. | ACCRUED COSTS AND DEFERRED REVENUE | | | 1,743,798 | 530 | 1,744,328 | 1,467,206 | 374 | 1,467,581 | 119 |
| | | 1. | Accrued costs and expenses | 198,654 | 21 | 198,676 | 237,655 | 12 | 237,667 | 84 |
| | | 2. | Other accrued costs and deferred revenue | 1,545,144 | 508 | 1,545,652 | 1,229,551 | 362 | 1,229,913 | 126 |
| I. | NON-CURRENT LIABILITIES LINKED TO NON--CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| J. | OFF-BALANCE SHEET RECORDS | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## Statement of total comprehensive income

in €

| Item | | 2013 | 2012 | Index (in %) |
|---|---|---|---|---|
| **A.** | **Technical account for non-life insurance other than health insurance** | | | |
| I. | Net premium income | 6,022 | 1,078 | 559 |
| | 1. Gross written premiums | 6,022 | 1,078 | 559 |
| | 2. Assumed co-insurance written premium (+) | 0 | 0 | 0 |
| | 3. Ceded co-insurance written premium (-) | 0 | 0 | 0 |
| | 4. Written reinsurance premiums (-) | 0 | 0 | 0 |
| | 5. Change in gross unearned premiums (+/-) | 0 | 0 | 0 |
| | 6. Change in unearned premiums for reinsurer and co-insurer's share (+/-) | 0 | 0 | 0 |
| II. | Allocated ROI transferred from the net profit or loss of the Company (D.VIII) | 0 | 0 | 0 |
| III. | Other net insurance income | 0 | 0 | 0 |
| IV. | Net claims incurred | 0 | 0 | 0 |
| | 1. Gross claims paid | 0 | 0 | 0 |
| | 2. Income from subrogated gross receivables (-) | 0 | 0 | 0 |
| | 3. Co-insurer shares (+/-) | 0 | 0 | 0 |
| | 4. Reinsurer shares (-) | 0 | 0 | 0 |
| | 5. Change in gross claims provisions (+/-) | 0 | 0 | 0 |
| | 6. Change in claims provisions for the reinsurer and co-insurer's share (+/-) | 0 | 0 | 0 |
| V. | Change in other net technical provisions (+/-) | 0 | 0 | 0 |
| VI. | Net expenses for bonuses and discounts | 0 | 0 | 0 |
| VII. | Net operating expenses | 210,899 | 252,516 | 84 |
| | 1. Cost of insurance contract acquisition | 0 | 0 | 0 |
| | 2. Change in deferred insurance acquisition costs (+/-) | 0 | 0 | 0 |
| | 3. Other operating expenses | 210,899 | 252,516 | 84 |
| | 3.1. Depreciation of assets required for operation | 3,306 | 1,782 | 186 |
| | 3.2. Labour costs | 122,512 | 145,918 | 84 |
| | 3.2.1. Employee salaries and wages | 93,773 | 113,969 | 82 |
| | 3.2.2. Social security and pension insurance costs | 19,771 | 23,345 | 85 |
| | 3.2.3. Other labour costs | 8,968 | 8,604 | 104 |
| | 3.3. Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and in relation to other legal relationships), including charges borne by the Company | 2,688 | 0 | 0 |
| | 3.4. Other operating costs | 82,393 | 104,816 | 79 |
| | 4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-) | 0 | 0 | 0 |
| VIII. | Other net insurance expenses | 0 | 0 | 0 |
| | 1. Expenses for prevention activities | 0 | 0 | 0 |
| | 2. Contributions to cover losses from uninsured and unknown vehicles | 0 | 0 | 0 |
| | 3. Other net insurance expenses | 0 | 0 | 0 |
| **IX.** | **Profit or loss from non-life insurance other than health insurance (I+II+III-IV+V-VI-VII-VIII)** | **–204,877** | **–251,438** | **81** |
| **B.** | **Technical account for life insurance** | | | |
| I. | Net premium income | 16,586,969 | 17,608,468 | 94 |
| | 1. Gross written premiums | 16,586,969 | 17,608,468 | 94 |
| | 2. Assumed co-insurance written premium (+) | 0 | 0 | 0 |
| | 3. Ceded co-insurance written premium (-) | 0 | 0 | 0 |
| | 4. Written reinsurance premiums | 0 | 0 | 0 |
| | 5. Change in gross unearned premiums (+/-) | 0 | 0 | 0 |
| | 6. Change in unearned premiums for reinsurer's share (+/-) | 0 | 0 | 0 |

| Item | 2013 | 2012 | Index (in %) |
|---|---|---|---|
| II. Investment income | 19,284,597 | 17,223,438 | 112 |
| 1. Income from dividends and profit participation | 3,698,590 | 4,858,152 | 76 |
| 1.1. Income from dividends and other profit participation in group companies | 0 | 0 | 0 |
| 1.2. Income from dividends and other profit participation in associates | 1,059,260 | 2,444,445 | 43 |
| 1.3. Income from dividends and other profit participation in other companies | 2,639,330 | 2,413,707 | 109 |
| 2. Income from other investments (the Company discloses income from investments in associates and group companies separately under items 2.1, 2.2 and 2.3) | 15,586,007 | 12,365,286 | 126 |
| 2.1. Income from land and buildings | 0 | 0 | 0 |
| 2.2. Interest income | 5,958,218 | 5,819,143 | 102 |
| 2.3. Other investment income | 9,627,789 | 6,546,143 | 147 |
| 2.3.1. Financial income from revaluation | 9,519,738 | 6,508,643 | 146 |
| 2.3.2. Other financial income | 51,352 | 37,500 | 137 |
| 3. Income from value adjustments in investments | 0 | 0 | 0 |
| 4. Gains on investment disposal | 0 | 0 | 0 |
| III. Net unrealised gains on unit-linked life insurance contracts | 0 | 0 | 0 |
| IV. Other net income from insurance transactions | 6,217,149 | 10,837,494 | 57 |
| V. Net claims incurred | 11,600,137 | 7,677,470 | 151 |
| 1. Gross claims paid | 11,600,137 | 7,677,470 | 151 |
| 2. Income from subrogated gross receivables (-) | 0 | 0 | 0 |
| 3. Reinsurer shares (-) | 0 | 0 | 0 |
| 4. Change in gross claims provisions (+/-) | 0 | 0 | 0 |
| 5. Change in claims provisions for the reinsurer's share (+/-) | 0 | 0 | 0 |
| VI. Change in other net technical provisions (+/-) | –6,838,890 | –11,724,596 | 58 |
| 1. Change in mathematical provisions | –6,838,890 | –11,724,596 | 58 |
| 1.1. Change in gross mathematical provisions | –6,838,890 | –11,724,596 | 58 |
| 1.2. Change in reinsurer share (+/-) | 0 | 0 | 0 |
| 2. Change in other net technical provisions (+/-) | 0 | 0 | 0 |
| 2.1. Change in gross other technical provisions (+/-) | 0 | 0 | 0 |
| 2.2. Change in reinsurer share (+/-) | 0 | 0 | 0 |
| VII. Net expenses for bonuses and discounts | 0 | 0 | 0 |
| VIII. Net operating costs | 5,226,854 | 5,043,865 | 104 |
| 1. Cost of insurance contract acquisition | 680 | 0 | 0 |
| 2. Change in deferred insurance acquisition costs (+/-) | 0 | 0 | 0 |
| 3. Other operating costs | 5,226,174 | 5,043,865 | 104 |
| 3.1. Depreciation of assets required for operation | 72,254 | 32,437 | 223 |
| 3.2. Labour costs | 2,494,235 | 2,377,940 | 105 |
| 3.2.1. Employee salaries and wages | 1,896,907 | 1,815,124 | 105 |
| 3.2.2. Social security and pension insurance costs | 405,902 | 387,445 | 105 |
| 3.2.3. Other labour costs | 191,426 | 175,371 | 109 |
| 3.3. Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and relating to other legal relationships), including charges borne by the Company | 88,042 | 62,976 | 140 |
| 3.4. Other operating costs | 2,571,643 | 2,570,512 | 100 |
| 4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-) | 0 | 0 | 0 |
| IX. Investment expenses | 3,218,566 | 1,509,971 | 213 |
| 1. Depreciation of assets not required for operation | 0 | 0 | 0 |
| 2. Expenses for asset management, interest expense and other financial expenses | 992,654 | 154,541 | 642 |
| 3. Financial expenses from revaluation | 1,877,683 | 794,630 | 236 |
| 4. Loss on investment disposal | 348,229 | 560,800 | 62 |

| Item | 2013 | 2012 | Index (in %) |
|---|---|---|---|
| X. Net unrealised losses on unit-linked life insurance contracts | 0 | 0 | 0 |
| XI. Other net technical expenses | 11,226,678 | 4,755,489 | 236 |
| 1. Expenses for prevention activities | 0 | 0 | 0 |
| 2. Other net insurance expenses | 11,226,678 | 4,755,489 | 236 |
| XII. Allocated ROI transferred to net profit or loss (-) | 11,890,199 | 10,145,787 | 117 |
| **XIII. Profit or loss from life insurance (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)** | **–7,969,308** | **4,812,222** | **–166** |
| **D. Net profit or loss of the Company** | | | |
| I. Profit or loss from non-life insurance other than health insurance (A.IX) | –204,877 | –251,438 | 81 |
| II. Profit or loss from life insurance (B.XIII) | –7,969,308 | 4,812,222 | –166 |
| III. Profit or loss from health insurance (C.XIII) | 0 | 0 | 0 |
| IV. Investment income | 181,854 | 215,868 | 84 |
| 1. Income from dividends and profit participation | 0 | 0 | 0 |
| 1.1. Income from dividends and other profit participation in group companies | 0 | 0 | 0 |
| 1.2. Income from dividends and other profit participation in associates | 0 | 0 | 0 |
| 1.3. Income from dividends and other profit participation in other companies | 0 | 0 | 0 |
| 2. Income from other investments (the Company discloses income from investments in associates and group companies separately under items 2.1, 2.2 and 2.3) | 181,854 | 215,868 | 84 |
| 2.1. Income from land and buildings | 0 | 0 | 0 |
| 2.2. Interest income | 181,854 | 215,868 | 84 |
| 2.3. Other investment income | 0 | 0 | 0 |
| 2.3.1. Financial income from revaluation | 0 | 0 | 0 |
| 2.3.2. Other financial income | 0 | 0 | 0 |
| 3. Income from value adjustments in investments | 0 | 0 | 0 |
| 4. Gains on investment disposal | 0 | 0 | 0 |
| V. Allocated ROI transferred from the technical account for life insurance (B.XII) | 11,890,199 | 10,145,787 | 117 |
| VI. Allocated ROI transferred from the technical account for health insurance (C.X) | 0 | 0 | 0 |
| VII. Investment expenses | 13,034 | 0 | 0 |
| 1. Depreciation of assets not required for operation | 0 | 0 | 0 |
| 2. Expenses for asset management, interest expenses and other financial expenses | 13,034 | 0 | 0 |
| 3. Financial expenses from revaluation | 0 | 0 | 0 |
| 4. Loss on investment disposal | 0 | 0 | 0 |
| VIII. Allocated ROI transferred to the technical account for non-life insurance other than health insurance (A.II) | 0 | 0 | 0 |
| IX. Other insurance income | 0 | 0 | 0 |
| 1. Other income from non-life insurance other than health insurance | 0 | 0 | 0 |
| 2. Other income from life insurance | 0 | 0 | 0 |
| 3. Other income from health insurance | 0 | 0 | 0 |
| X. Other insurance expenses | 0 | 0 | 0 |
| 1. Other expenses from non-life insurance other than health insurance | 0 | 0 | 0 |
| 2. Other expenses from life insurance | 0 | 0 | 0 |
| 3. Other expenses from health insurance | 0 | 0 | 0 |
| XI. Other income | 36,454 | 0 | 0 |
| 1. Other income from non-life insurance other than health insurance | 1,032 | 0 | 0 |
| 2. Other income from life insurance | 35,422 | 0 | 0 |
| 3. Other income from health insurance | 0 | 0 | 0 |

| Item | | | 2013 | 2012 | Index (in %) |
|---|---|---|---|---|---|
| | XII. | Other expenses | 93 | 0 | 0 |
| | | 1. Other expenses from non-life insurance other than health insurance | 0 | 0 | 0 |
| | | 2. Other expenses from health insurance | 93 | 0 | 0 |
| | | 3. Other expenses from health insurance | 0 | 0 | 0 |
| | XIII. | Profit or loss for the period before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII) | 3,921,195 | 14,922,439 | 26 |
| | | **1. Profit or loss for the period from non-life insurance other than health insurance** | **–35,025** | **–35,570** | **98** |
| | | **2. Profit or loss for the period from life insurance** | **3,956,220** | **14,958,009** | **26** |
| | | **3. Profit or loss for the period from health insurance** | **0** | **0** | **0** |
| | **XIV.** | **Income tax** | **56,033** | **0** | **0** |
| | **XV.** | **Deferred taxes** | **205,301** | **–2,599,345** | **–8** |
| | **XVI.** | **Net profit or loss for the period (XIII-XIV+XV)** | **4,070,463** | **12,323,094** | **33** |
| **E.** | **Comprehensive income** | | | | |
| | **I.** | **Net profit or loss for the financial year after tax** | **4,070,463** | **12,323,094** | **33** |
| | **II.** | **Other comprehensive income after tax (1+2+3+4+5+6+7+8+9)** | **5,216,685** | **9,942,348** | **52** |
| | | 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 from the re-assessment of available-for-sale financial assets | 6,402,130 | 11,827,438 | 54 |
| | | 5. Net gains/losses relating to non-current assets held for sale | 0 | 0 | 0 |
| | | 6. Net gains/losses from cash flow hedging | 0 | 0 | 0 |
| | | 7. Net gains/losses recognised in revaluation surplus and retained earnings/loss brought forward arising from equity investments in associates and jointly controlled companies measured 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 | –1,185,445 | –1,885,090 | 63 |
| | **III.** | **Total comprehensive income (I+II)** | **9,287,148** | **22,265,442** | **42** |

## Assets and liabilities of guarantee funds

### Assets and liabilities of the PPS Guarantee Fund

in €

| Item | | | 31/12/2013 | 31/12/2012 | Index |
|---|---|---|---|---|---|
| | | **ASSETS** | **96,929,404** | **96,633,046** | **100** |
| A. | | Investments in real estate and financial investments | 95,574,686 | 93,195,511 | 103 |
| | I. | Investments in real estate | 0 | 0 | – |
| | II. | Investments in group companies and associates | 0 | 0 | – |
| | 1. | Investments in group companies | 0 | 0 | – |
| | 2. | Investments in associates | 0 | 0 | – |
| | III. | Other investments | 95,574,686 | 93,195,511 | 103 |
| | 1. | Shares and other securities with variable yield and mutual fund coupons | 22,860,667 | 18,241,275 | 125 |
| | 2. | Debt securities with fixed yield | 61,105,367 | 59,655,472 | 102 |
| | 3. | Stakes in investment funds | 0 | 0 | – |
| | 4. | Issued loans collateralised with a lien | 0 | 0 | – |
| | 5. | Other loans given | 0 | 0 | – |
| | 6. | Bank deposits | 11,506,404 | 15,104,961 | 76 |
| | 7. | Other investments | 102,248 | 193,803 | 53 |
| | IV. | Reinsurer's share in technical provisions | 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 technical provisions for unit-linked insurance contracts | 0 | 0 | – |
| B. | | Receivables | 1,108,704 | 3,217,445 | 34 |
| | I. | Receivables from direct insurance transactions | 18,285 | 15,882 | 115 |
| | 1. | Receivables from policyholders | 18,285 | 15,882 | 115 |
| | 2. | Receivables from insurance brokers | 0 | 0 | – |
| | 3. | Other receivables from direct insurance transactions | 0 | 0 | – |
| | II. | Receivables from reinsurance | 0 | 0 | – |
| | III. | Other receivables | 1,090,419 | 3,201,563 | 34 |
| C. | | Miscellaneous assets | 246,014 | 220,090 | 112 |
| | I. | Cash and cash equivalents | 246,014 | 220,090 | 112 |
| | II. | Other assets | 0 | 0 | – |
| D. | | Short-term accrued revenue and deferred costs | 0 | 0 | – |
| | 1. | Accrued interest and rental income | 0 | 0 | – |
| | 2. | Short-term deferred costs of insurance contract acquisition | 0 | 0 | – |
| | 3. | Other short-term accrued revenue and deferred costs | 0 | 0 | – |
| | | **LIABILITIES** | **96,929,404** | **96,633,046** | **100** |
| A. | | Revaluation surplus | 0 | 0 | – |
| B. | | Gross technical provisions | 96,170,896 | 95,965,071 | 100 |
| | I. | Gross unearned premium | 0 | 0 | – |
| | II. | Gross mathematical provisions | 96,170,896 | 95,965,071 | 100 |
| | III. | Gross claims provisions | 0 | 0 | – |
| | IV. | Gross provisions for bonuses and discounts | 0 | 0 | – |
| C. | | Gross technical provisions for unit-linked life insurance contracts | 0 | 0 | – |
| D. | | Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings | 0 | 0 | – |
| E. | | Other liabilities | 758,508 | 667,975 | 114 |
| | I. | Liabilities from direct insurance transactions | 745,169 | 654,636 | 114 |
| | 1. | Liabilities to policyholders | 745,169 | 654,636 | 114 |
| | 2. | Liabilities to insurance brokers | 0 | 0 | – |
| | 3. | Other liabilities from direct insurance transactions | 0 | 0 | – |
| | II. | Liabilities from reinsurance and co-insurance transactions | 0 | 0 | – |
| | III. | Other liabilities | 13,339 | 13,339 | 100 |
| F. | | Accrued costs and deferred revenue | 0 | 0 | – |

**Assets and liabilities of the MR Guarantee Fund**

in €

| Item | | | 31/12/2013 | 31/12/2012 | Index |
|---|---|---|---|---|---|
| | | **ASSETS** | **19,658,649** | **12,923,685** | **152** |
| A. | | Investments in real estate and financial investments | 18,924,835 | 12,487,004 | 152 |
| I. | | Investments in real estate | 0 | 0 | – |
| II. | | Investments in group companies and associates | 0 | 0 | – |
| | 1. | Investments in group companies | 0 | 0 | – |
| | 2. | Investments in associates | 0 | 0 | – |
| III. | | Other investments | 18,924,835 | 12,487,004 | 152 |
| | 1. | Shares and other securities with variable yield and mutual fund coupons | 3,356,626 | 1,474,752 | 228 |
| | 2. | Debt securities with fixed yield | 14,198,063 | 8,516,415 | 167 |
| | 3. | Stakes in investment funds | 0 | 0 | – |
| | 4. | Issued loans collateralised with a lien | 0 | 0 | – |
| | 5. | Other loans given | 0 | 0 | – |
| | 6. | Bank deposits | 1,370,146 | 2,495,837 | 55 |
| | 7. | Other investments | 0 | 0 | – |
| IV. | | Reinsurer's share in technical provisions | 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 technical provisions for unit-linked insurance contracts | 0 | 0 | – |
| B. | | Receivables | 508,109 | 292,560 | 174 |
| I. | | Receivables from direct insurance transactions | 496,072 | 279,608 | 177 |
| | 1. | Receivables from policyholders | 496,072 | 279,608 | 177 |
| | 2. | Receivables from insurance brokers | 0 | 0 | – |
| | 3. | Other receivables from direct insurance transactions | 0 | 0 | – |
| II. | | Receivables from reinsurance | 0 | 0 | – |
| III. | | Other receivables | 12,037 | 12,952 | 93 |
| C. | | Miscellaneous assets | 225,705 | 144,121 | 157 |
| I. | | Cash and cash equivalents | 225,705 | 144,121 | 157 |
| II. | | Other assets | 0 | 0 | – |
| D. | | Short-term accrued revenue and deferred costs | 0 | 0 | – |
| | 1. | Accrued interest and rental income | 0 | 0 | – |
| | 2. | Short-term deferred costs of insurance contract acquisition | 0 | 0 | – |
| | 3. | Other short-term accrued revenue and deferred costs | 0 | 0 | – |
| | | **LIABILITIES** | **19,658,649** | **12,923,685** | **152** |
| A. | | Revaluation surplus | 0 | 0 | – |
| B. | | Gross technical provisions | 17,951,918 | 11,318,854 | 159 |
| I. | | Gross unearned premium | 0 | 0 | – |
| II. | | Gross mathematical provisions | 17,951,918 | 11,318,854 | 159 |
| III. | | Gross claims provisions | 0 | 0 | – |
| IV. | | Gross provisions for bonuses and discounts | 0 | 0 | – |
| C. | | Gross technical provisions for unit-linked life insurance contracts | 0 | 0 | – |
| D. | | Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings | 0 | 0 | – |
| E. | | Other liabilities | 161,587 | 375,280 | 43 |
| I. | | Liabilities from direct insurance transactions | 0 | 0 | – |
| | 1. | Liabilities to policyholders | 0 | 0 | – |
| | 2. | Liabilities to insurance brokers | 0 | 0 | – |
| | 3. | Other liabilities from direct insurance transactions | 0 | 0 | – |
| II. | | Liabilities from reinsurance and co-insurance transactions | 0 | 0 | – |
| III. | | Other liabilities | 161,587 | 375,280 | 43 |
| F. | | Accrued costs and deferred revenue | 1,545,144 | 1,229,551 | 126 |

## Technical account of the guarantee funds for supplementary pension insurance in the annuity disbursement period

**Technical account of the PPS Guarantee Fund**

in €

| Item | | | | 2013 | 2012 | Index |
|---|---|---|---|---|---|---|
| I. | | | TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME | 4,635,473 | 4,943,623 | 94 |
| | 1. | | of the legal entity | 0 | 0 | – |
| | 2. | | of other insurance company | 0 | 0 | – |
| | 3. | | of other pension company | 0 | 0 | – |
| | 4. | | of mutual pension fund | 4,635,473 | 4,943,623 | 94 |
| II. | | | INVESTMENT INCOME | 5,731,943 | 6,180,181 | 93 |
| | 1. | | Income from dividends and profit participation | 692,706 | 644,984 | 107 |
| | | 1.1. | Income from dividends and other profit participation in group companies | 0 | 0 | – |
| | | 1.2. | Income from dividends and other profit participation in associates | 0 | 0 | – |
| | | 1.3. | Income from dividends and other profit participation in other companies | 692,706 | 644,984 | 107 |
| | 2. | | Other investment income | 5,039,237 | 5,535,197 | 91 |
| | | 2.1. | Income from land and buildings | 0 | 0 | – |
| | | 2.2. | Interest income | 3,032,911 | 3,271,200 | 93 |
| | | 2.3. | Other investment income | 2,006,326 | 2,263,997 | 89 |
| | | | 2.3.1. Financial income from revaluation | 2,005,840 | 2,263,192 | 89 |
| | | | 2.3.2. Other financial income | 486 | 805 | 60 |
| | 3. | | Income from value adjustments in investments | 0 | 0 | – |
| | 4. | | Gains on investment disposal | 0 | 0 | – |
| III. | | | CLAIMS INCURRED | 5,983,681 | 5,839,949 | 102 |
| | 1. | | Claims paid | 5,983,681 | 5,839,949 | 102 |
| | 2. | | Change in claims provisions | 0 | 0 | – |
| IV. | | | CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-) | –205,825 | –787,094 | 26 |
| | 1. | | Change in mathematical provisions (+/-) | –205,825 | –787,094 | 26 |
| | 2. | | Change in other net 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 disbursement | 0 | 0 | – |
| V. a | | | Net operating costs | 0 | 0 | – |
| | 1. | | Cost of insurance contract acquisition | 0 | 0 | – |
| | 2. | | Change in deferred insurance acquisition costs (+/-) | 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. Employee salaries and wages | 0 | 0 | – |
| | | | 3.2.2. Social security and pension insurance costs | 0 | 0 | – |
| | | | 3.2.3. Other labour costs | 0 | 0 | – |
| | | 3.3. | Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and relating to 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 | – |
| VI. | | | INVESTMENT EXPENSES | 4,177,910 | 4,496,761 | 93 |
| | 1. | | Depreciation of assets not required for operation | 0 | 0 | – |
| | 2. | | Expenses for asset management, interest expenses and other financial expenses | 2,186,853 | 3,410,116 | 64 |
| | 3. | | Financial expenses from revaluation | 1,693,058 | 525,845 | 322 |
| | 4. | | Loss on investment disposal | 297,999 | 560,800 | 53 |
| | | | 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** | **0** |

**Technical account of the MR Guarantee Fund**

in €

| Item | | | 2013 | 2012 | Index |
|---|---|---|---|---|---|
| I. | | TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME | 11,951,496 | 12,664,845 | 94 |
| | 1. | of the legal entity | 0 | 0 | – |
| | 2. | of other insurance company | 45,341 | 0 | – |
| | 3. | of other pension company | 33,021 | 0 | – |
| | 4. | of mutual pension fund | 11,873,134 | 12,664,845 | 94 |
| II. | | INVESTMENT INCOME | 766,361 | 518,706 | 148 |
| | 1. | Income from dividends and profit participation | 46,401 | 6,545 | 709 |
| | 1.1. | Income from dividends and other profit participation in group companies | 0 | 0 | – |
| | 1.2. | Income from dividends and other profit participation in associates | 0 | 0 | – |
| | 1.3. | Income from dividends and other profit participation in other companies | 46,401 | 6,545 | 709 |
| | 2. | Other investment income | 719,960 | 512,009 | 141 |
| | 2.1. | Income from land and buildings | 0 | 0 | – |
| | 2.2. | Interest income | 497,842 | 245,439 | 203 |
| | 2.3. | Other investment income | 222,118 | 266,570 | 83 |
| | | 2.3.1. Financial income from revaluation | 165,247 | 261,630 | 63 |
| | | 2.3.2. Other financial income | 56,871 | 4,940 | 1.150 |
| | 3. | Income from value adjustments in investments | 0 | 0 | – |
| | 4. | Gains on investment disposal | 0 | 152 | – |
| III. | | CLAIMS INCURRED | 5,616,456 | 1,837,521 | 306 |
| | 1. | Claims paid | 5,616,456 | 1,837,521 | 306 |
| | 2. | Change in claims provisions | 0 | 0 | – |
| IV. | | CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-) | -6,633,065 | –10,937,502 | 61 |
| | 1. | Change in mathematical provisions (+/-) | -6,633,065 | –10,937,502 | 61 |
| | 2. | Change in other net 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 disbursement | 0 | 0 | – |
| V. a | | Net operating costs | 0 | 0 | – |
| | 1. | Cost of insurance contract acquisition | 0 | 0 | – |
| | 2. | Change in deferred insurance acquisition costs (+/-) | 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. Employee salaries and wages | 0 | 0 | – |
| | | 3.2.2. Social security and pension insurance costs | 0 | 0 | – |
| | | 3.2.3. Other labour costs | 0 | 0 | – |
| | 3.3. | Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and relating to 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 | – |
| VI. | | INVESTMENT EXPENSES | 468,336 | 408,528 | 115 |
| | 1. | Depreciation of assets not required for operation | 0 | 0 | – |
| | 2. | Expenses for asset management, interest expenses and other financial expenses | 283,710 | 402,436 | 70 |
| | 3. | Financial expenses from revaluation | 184,626 | 6,092 | 3.031 |
| | 4. | Loss on investment disposal | 0 | 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** | **–** |

# INDEX OF TABLES

# INDEX OF FIGURES

## LIST OF ABBREVIATIONS USED

| | |
|---|---|
| **GDP** | Gross domestic product |
| **DAX** | The central German stock market index (Deutscher Aktienindex) |
| **ECB** | European Central Bank |
| **EU** | European Union |
| **EUR** | Euro – the currency of the European Union |
| **EURIBOR** | The Euro Interbank Offered Rate |
| **iBoxx** | The reference index of liquid investment grade bond issues |
| **KPNG** | Collective agreement for the non-economic sector of the Republic of Slovenia |
| **KPOPNJU** | Collective agreement on the establishing of the civil servants pension scheme |
| **KS MR** | The Modra renta Guarantee Fund |
| **KS PPS** | The Guarantee Fund for the First Pension Fund of the Republic of Slovenia |
| **KVPS** | Capital Mutual Pension Fund |
| **IFRS** | International Financial Reporting Standards |
| **IFRIC** | International Financial Reporting Interpretations Committee |
| **PDPZ** | Voluntary supplementary pension insurance |
| **PN1 K** | Pension scheme for collective voluntary supplementary pension insurance |
| **PN1 P** | Pension scheme for individual voluntary supplementary pension insurance |
| **PNJU K** | Pension scheme for collective supplementary pension insurance for public servants |
| **PPS** | The First Pension Fund of the Republic of Slovenia |
| **RS** | Republic of Slovenia |
| **SBI TOP** | The central Slovenian stock market index |
| **USD** | US 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, No 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) |
| **ZVPSJU** | Closed Mutual Pension Fund for Civil Servants |
| **ZZavar** | Insurance Act (official consolidated text, ZZavar, UPB7, Official Gazette of the Republic of Slovenia, No. 99/2010) |

Annual report of Modra zavarovalnica for the year 2013
Concept and Design: arnoldvuga+
Photography: Borut Peterlin
Translation: Prevajalska agencija Julija, d. o. o.
July 2014

**Modra zavarovalnica, d.d.**
Dunajska cesta 119
1000 Ljubljana
**T:** +386 1 47 46 800
**F:** +386 1 47 46 754
**E:** info@modra-zavadovalnica.si
www.modra-zavarovalnica.si