

ANNUAL REPORT 2014

*365 days  
we were  
ready for.*

  
mōdra  
zavarovalnica

For Your additional pension.

ANNUAL REPORT 2014

365 days  
we were  
ready for.

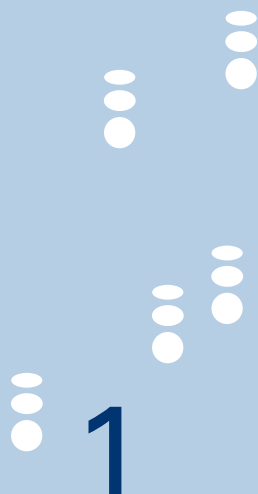
The logo for modra zavarovalnica features the word "modra" in a lowercase, sans-serif font with a blue dot above the letter 'o'. Below it, the word "zavarovalnica" is written in a smaller, lowercase, sans-serif font.

modra  
zavarovalnica

For Your additional pension.

Jelka Vidic  
Advisor in the Contact Center

5,235 NEW  
PENSIONERS CAN  
ENJOY OLD AGE IN  
DIGNITY THANKS TO US.



# 1

## BUSINESS REPORT

- 7 Address by the Management Board
- 8 Company profile
- 10 Report of the Supervisory Board
- 13 Business environment
- 15 Operations in 2014
- 23 Risk management
- 25 Information technology
- 26 Organisation and human resources
- 28 Corporate social responsibility
- 31 Major business events after 2014
- 32 Expected development of Modra zavarovalnica in 2015
- 33 Report on relations with the controlling company

# 2

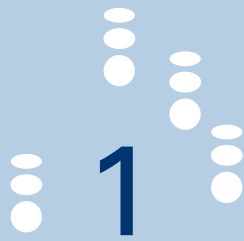
## FINANCIAL REPORT

- 36 Statement on the Management's responsibility
- 37 Auditor's report
- 39 Statement of actuarial opinion
- 40 Income statement
- 41 Statement of other comprehensive income
- 42 Balance sheet
- 43 Cash flow statement
- 45 Statement of changes in equity 2014
- 46 Statement of changes in equity 2013
- 47 Profit or loss appropriation account
- 48 Disclosures and notes

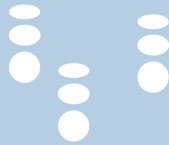
# 3

## APPENDIX

- 78 Selected operating performance ratios
- 80 Računovodski izkazi po sklepu Agencije za zavarovalni nadzor of the Insurance Supervision Agency
- 99 Index of tables
- 100 Index of figures
- 101 List of abbreviations used



# POSLOVNO POROČILO



<b>7</b>	<b>Address by the Management Board</b>	<b>23</b>	<b>Risk management</b>
<b>8</b>	<b>Company profile</b>	23	Credit risk
8	General information	23	The risk of security price changes
8	Mission	24	Currency risk
8	Vision	24	Interest rate risk
8	Ownership structure and information about capital	24	Liquidity risk
8	Company activity	24	Operational risk
9	Company bodies	<b>25</b>	<b>Information technology</b>
9	General Meeting of Shareholders	<b>26</b>	<b>Organisation and human resources</b>
<b>10</b>	<b>Report of the Supervisory Board</b>	26	Internal organisation
<b>13</b>	<b>Business environment</b>	27	Employees
13	Economic environment in Slovenia	27	Employee training
14	Trends on financial markets	<b>28</b>	<b>Corporate social responsibility</b>
<b>15</b>	<b>Operations in 2014</b>	28	Responsibility towards employees
15	Financial result and financial position	28	Responsibility to the wider social community
16	Management of guarantee funds	30	Responsibility towards the environment
18	Management of mutual pension funds	<b>31</b>	<b>Major business events after 2014</b>
20	Financial assets of Modra zavarovalnica	<b>32</b>	<b>Expected development of Modra zavarovalnica in 2015</b>
21	Management of own financial assets	<b>33</b>	<b>Report on relations with the controlling company</b>
		33	Lease of business premises
		33	Use of software
		33	Provision of IT services

Kaja Režek  
Advisor in the Contact Center



EUR 17,447,255 NET  
PROFIT, WHICH  
EXCEEDED OUR  
EXPECTATIONS.



Borut Jamnik  
Chairman of the Board

Matija Debelak  
Member of the Board

## ADDRESS BY THE MANAGEMENT BOARD

In 2014, Modra zavarovalnica maintained its position as the largest provider of supplementary pension insurance in Slovenia, keeping its 45% market share in voluntary pension savings considering the funds collected. At year-end, around 260,000 individuals were included in the savings schemes of its three mutual pension funds. Furthermore, Modra zavarovalnica has also maintained its leading position on the pension annuity market. Supplementary pensions were paid to almost 16,000 insured persons, altogether amounting to €12.9 million.

In 2014, Modra zavarovalnica generated a net operating profit of €17.4 million and surpassed its planned profit or loss. It achieved net technical income of €27.6 million, comprising premium income and other technical income. Technical expenses, which include the annuities written and operating costs, amounted to €19.7 million, while mathematical provisions increased by €13.1 million. The mainspring of the profit was financial income, which reached €28.2 million in the period discussed, while financial expenses reached a modest amount of €2.2 million.

In the pool of all specialised providers of supplementary pension insurance, Modra zavarovalnica d.d. has the highest level of capital adequacy, which is the most important safety factor for the assets saved in this demanding economic situation. The capital of Modra zavarovalnica, used to provide safety to the insured persons' assets, reached €209 million at the end of 2014, which is €66 million more than 3 years ago, when the Company started its operations. The value of assets under management increased as well and reached €1.2 billion at the end of 2014, i.e. €894 million was collected in mutual pension funds and €130 million in guarantee funds, along with €224 million in own financial assets.

In 2014, extremely positive trends dominated the global financial markets, causing a substantial growth of stock and bond indices. The Slovenian Stock Exchange Index also recorded a significant growth in the mentioned period, along with the Slovenian bonds. The economic environment in Slovenia was in general more stimulating than in previous years, as the gross domestic product grew, while the unemployment rate slightly fell.

The 2014 annual return rates of the pension funds increased substantially compared to 2013. All pension funds on the Slovenian market surpassed the guaranteed return rate. The return rates of KVPS and ZVPSJU, managed by Modra zavarovalnica, were consistently high and achieved 6.52% and 5.43% respectively in 2014. In the past three years, both funds recorded a return rate of over 16% and 18% respectively, which, recalculated to an annual level, amounts to 5.1% for KVPS and 5.7% for ZVPSJU.

At the beginning of 2015, Modra zavarovalnica was the first on the market to offer the possibility of supplementary pension savings in the Life-Cycle Pension Fund, which comprises three sub-funds pursuing the life-cycle investment policy. The sub-funds' investment policies are tailored to the age of individuals included in order to achieve a higher return rate on the assets paid in for supplementary pensions. Taking into account age limits, savers can invest their funds in the dynamic, prudent or guaranteed sub-fund. We expect to further increase our market share, measured through the assets collected, in 2015 by intensely marketing the new product. Our marketing efforts will also be focused on increasing individual premiums in the civil servant fund. Namely, analyses have shown that by paying in the minimum premium amount as laid down by the law it is not possible to guarantee a sufficient volume of supplementary pension funds. Only an adequate premium can replace the low pension deriving from the first pillar.

We have noticed that awareness about the importance of supplementary pension has increased among insured persons, which is why the percentage of beneficiaries who decide upon retirement to have their savings disbursed in the form of a supplementary pension is increasing. In 2015, we will continue to raise awareness and inform people intensively, both at the level of companies paying premiums for their employees as well as at the level of individuals in order to increase the volume of beneficiaries choosing supplementary pension at Modra zavarovalnica.

One of the central projects of Modra zavarovalnica in 2015 will be the upgrading and harmonisation of business processes and corporate structure with the provisions of the new insurance act, which is currently being discussed within the scope of the implementation of the Solvency II Directive in the Slovenian legislation. Modra zavarovalnica will also continue the project to implement integral IT support for the pension funds managed.

The safety of the insured persons' funds and a high level of quality of services will continue to be the Company's trademark. We will operate as a transparent and socially responsible company that demonstrates its corporate responsibility not only to its highly qualified and motivated employees but also to the wider social community and the environment.

Ljubljana, 12 March 2015

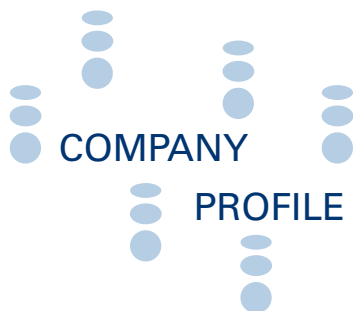
Matija Debelak  
Member of the Board



Borut Jamnik  
Chairman of the Board







## GENERAL INFORMATION

**Name:** Modra zavarovalnica, d. d.  
**Registered office:** Dunajska cesta 119, Ljubljana  
**Registration number:** 6031226  
**VAT ID number:** SI21026912  
**Number of employees:** 54 persons  
**Share capital:** €152.2 million  
**Assets under management:** €1.2 billion  
**Number of persons insured in the mutual pension fund (VPS):** 259,000  
**Number of pension annuity recipients:** 16,000

## MISSION

The Company's mission is to offer a comprehensive selection of competitive and complementary insurance products that can improve the social security of individuals and their families in all periods of life, enabling them to maintain their standard of living after retiring through a long-term and gradual savings scheme. Furthermore, the Company aims to strengthen its position as the leading provider of supplementary pension insurance in Slovenia in cooperation with trade unions and to round off the comprehensive treatment of individuals in their social security planning and provision by offering supplementary insurance products and services.

## VISION

A respected, reliable and trustworthy personal insurance company that is recognised for its high level of security and the quality of its products as well as satisfied customers due to its responsible, qualified and motivated employees.

## OWNERSHIP STRUCTURE AND INFORMATION ABOUT CAPITAL

As at 31 December 2014, the sole shareholder of Modra zavarovalnica was Kapitalska družba d.d.

The Company's share capital amounts to €152,200,000 and is divided into 152,200,000 ordinary no par shares. Each share represents an equal state 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 shares issued.

## COMPANY ACTIVITY

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

- **accident insurance – point 1 of paragraph 2 of Article 2 of the Insurance Act,**
- **life insurance – point 19 of paragraph 2 of Article 2 of the Insurance Act,**

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

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

## COMPANY BODIES

### Management Board

In 2014, Modra zavarovalnica 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 that were appointed by the Company's General Meeting on 9 December 2011 for a period of 5 years. Three Supervisory Board Members are proposed by insured persons based on a public call to submit their candidate proposals. Two Members are proposed by the ZVPSJU Board on behalf of the 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:

- **dr. Aleš Groznik**, Chairman of the Supervisory Board from 23 December 2013 to 22 December 2014; as of 23 December 2014, the Chairman of the Supervisory Board is Branimir Štrukelj, while Dr Aleš Groznik is the Deputy Chairman of the Supervisory Board;
- **Bojan Zupančič**, Deputy Chairman of the Supervisory Board from 23 December 2013 to 22 December 2014; as of 23 December 2014, Member of the Supervisory Board (representative of insured persons);
- **Branimir Štrukelj** (representative of insured persons), Member and, as of 23 December 2014, Chairman of the Supervisory Board;
- **Dario Radešič**, Member;
- **Goran Bizjak** (representative of insured persons), Member;
- **Marino Furlan**, Member.

## GENERAL MEETING OF SHAREHOLDERS

The voting rights at the 2014 General Meeting of Shareholders were exercised by Kapitalska družba 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 pokojiniskega 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 the period of 5 years:

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

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 December 2013 to 22 December 2014 with Bojan Zupančič acting as the Deputy Chairman, while from 23 December 2014 to 22 December 2015 the Supervisory Board was chaired by Braniir Štrukelj with Dr. Aleš Groznik acting as the Deputy Chairman.

Over the course of 2014 financial year, the Supervisory Board met at 13 meetings, 12 of them regular and 1 correspondence meeting. 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 pursuant to 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 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 the Modra Renta guarantee fund.

The management of the mentioned pension funds and the disbursement of pension annuities were transferred to Modra zavarovalnica d.d.

At its 47th meeting, held on 8 May 2014, the Supervisory Board confirmed the annual report of Modra zavarovalnica for the 2013 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. 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 2014 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 in 2013 and approved the payment of variable remuneration to Members of the Management Board. At its 54th correspondence session, the Supervisory Board adopted the Rules on variable remuneration to Members of the Company's Management Board.

In 2014, Members of the Supervisory Board adopted decisions regarding the award of consent to the Management Board for the sale of shares in Letrika d.d. and for the cooperation contract between Modra zavarovalnica and Abanka Vipava, pursuant to provisions of the Company's Articles of Association. They were regularly updated about the progress of the restructuring procedure at Cimos and the sales procedures in which the Company is involved. 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.

Based on the Supervisory Board Assessment Manual, the Supervisory Board carried out a procedure to assess the performance of the Supervisory Board. The procedure was carried out based on a matrix taking into account the particulars of Modra zavarovalnica and the industry in which it operates, and resulted in an action plan to improve its work.

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

At its 55th meeting, held on 21 November 2014, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2015 and to the work programme of the Internal Audit Department for 2015.

The remuneration received by Members of the Management Board comply with the decision adopted by the General Meeting and are accurately disclosed in the Company's annual report under disclosures in Chapter 3.11.3.5, 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 2014 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. Due to a conflict of interests, Mrs. Marjeta Končar resigned from its position on 31 December 2014. At the 58th Supervisory Board meeting, held on 11 March 2015, Mrs. Irena Vincek was appointed an independent external member. In 2014, the Audit Committee met 7 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 unaudited annual report of Modra zavarovalnica d.d. for 2014.

The Audit Committee examined the Company's annual report and the audit report provided by the external auditor, 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 for 2015, to which the Supervisory Board gave its consent. 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 2014 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 2014 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 2014, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed their duty in line with the law, rules on auditing, and International Standards on Auditing. The Supervisory Board has no objections to the auditor's report.

#### **c) Decision on the confirmation of the 2014 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 2014.

#### **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. to adopt the decision, based on the provisions of Article 294 of the Companies Act, to grant a discharge to the Company's Management and Supervisory Boards for the work performed in the 2014 financial year, namely:

to Members of the Management Board:

- Borut Jamnik for the period between 1 January 2014 and 31 December 2014;
- and Matija Debelak for the period between 1 January 2014 and 31 December 2014;

to the Supervisory Board for the period between 1 January 2014 and 31 December 2014 comprising:

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

Branimir Štrukelj

Chairman of the Supervisory Board  
Ljubljana, 14 May 2015





## ECONOMIC ENVIRONMENT IN SLOVENIA

In 2014, GDP growth reached the highest level since the beginning of the crisis and amounted to 2.6%. Export contributed the most to the growth of economic activity. Domestic consumption, backed predominantly by strengthened investment activity, also grew in 2014, as household consumption increased following the recovery of the labour market, which recorded major drops in the past two years. In its autumn forecast for 2015, IMAD announced a 1.6% growth in gross domestic product.

The annual and average growth rate of the consumer price index in Slovenia amounted to 0.2% in 2014. In 2013, the annual inflation rate was higher, i.e. 0.7%, while the average amounted to 1.8%.

In December 2014, the registered unemployment rate amounted to 13.0% and slightly decreased compared to the end of 2013. The average monthly net wage for December 2014 amounted to €1,021 and was about €15 higher than the average monthly net wage for 2014.



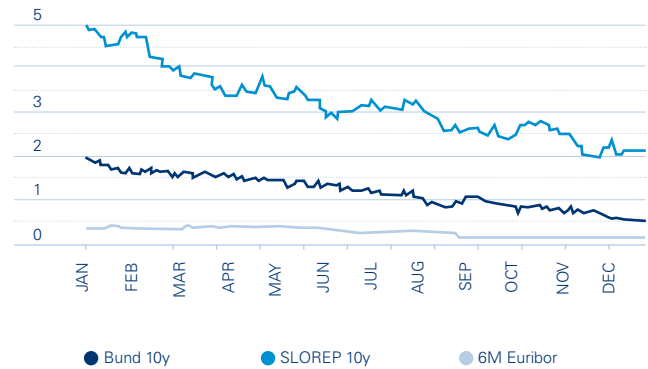
## TRENDS ON FINANCIAL MARKETS

### Money market

The interbank reference rate in the Eurozone, the 6-month EURIBOR, started 2014 at 0.39% and fell to 0.17% by the end of the year. The changes in the interbank interest rate were most significantly affected by the European Central Bank, which pursued an expansive monetary policy in 2014.

The yield of the German 10-year government bond decreased in 2014. The drop in the required yield was primarily the result of the fact that consumer prices in Europe grew only minimally, while ECB was taking measures of expansive monetary policy in order to prevent deflation. The required yield of the Slovenian government bond also decreased.

**Figure 1:** Changes in yield to maturity (YTM) of the 10-year German government bond, the Slovenian government bond and 6m EURIBOR in 2014 (in %) Source: Bloomberg



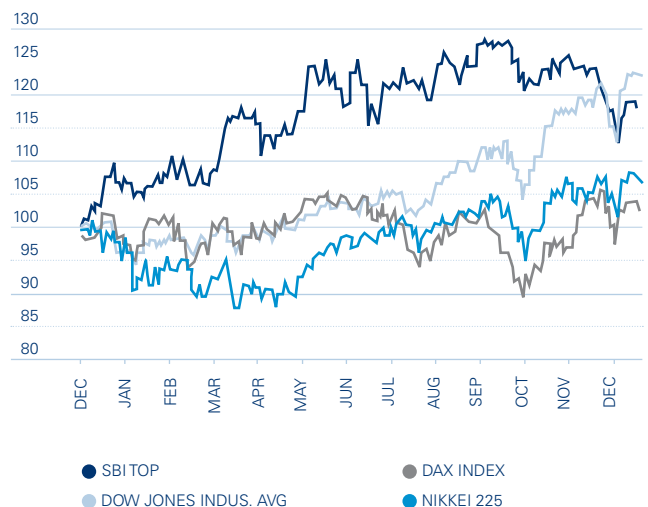
### Foreign exchange rate

In 2014, the value of the US dollar increased by 12% compared to the euro. At year-end, the rate was \$1.21 for €1. In the second half of 2014, the US dollar exchange rate rose steeply as a result of the differences between the monetary policies applied on both sides of the Atlantic; namely, the USA tightened its monetary policy, while Europe maintained it in a fairly lax manner.

### Equity market

In 2014, the value of the stock indices grew by 16% on average (assessed in €). On average, the Slovenian and American stocks gained the most. Slovenian stocks achieved a rate of return amounting to slightly under 20%, while American stocks achieved 23%. Japanese and European stocks achieved a rate of return of 7% and 3% respectively.

**Figure 2:** Changes in the Slovenian SBI TOP stock index and certain foreign stock indices in 2014, assessed in € (index: 31 Dec 2013 = 100) Source: Bloomberg



### Debt securities market

The European government bond index (IBOXX EUR Sovereigns TR index) gained 13% in 2014. Changes in the index were largely characterised by the reduction of credit spread resulting from the stabilisation of the financial crisis, its consequences and measures taken by central banks. The European corporate bond index (IBOXX EUR Corporates TR index) gained 8% in value.

In 2014, Slovenian government bonds did not fall behind the growth of European government bonds. On average, the Slovenian liquid eurobonds gained over 12% in value, while their required yield decreased by slightly less than 3 percentage points.



## FINANCIAL RESULT AND FINANCIAL POSITION

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

Item	in EUR	
	2014	2013
Income from premiums and other technical income	27,586,032	22,810,140
Expenses for claims and other technical charges	-15,389,475	-22,826,815
Change in mathematical provisions	-13,139,813	-6,838,890
Operating costs	-5,789,094	-5,437,753
Operating profit or loss	-6,732,349	-12,293,318
Profit or loss from investment activities recognised in the income statement	25,982,740	16,178,152
Other net income	12,666	36,361
Profit or loss before tax	19,263,058	3,921,195
Income tax	-1,815,804	149,268
Net profit or loss	17,447,255	4,070,463
Profit or loss recognised in equity	15,360,066	5,216,685
<b>Total comprehensive income</b>	<b>32,807,321</b>	<b>9,287,148</b>

In 2014, Modra zavarovalnica generated €27,586,032 in premium revenue and other technical income. Three quarters of this income is income from annuity insurance premiums, while the remainder is income from the management of mutual pension and guarantee funds. The premiums paid in mutual pension funds managed by Modra zavarovalnica reached €43.2 million in the same period.

In 2014, expenses for claims or, rather, expenses arising from the annuities paid reached €13,916,840, while other technical charges amounted to €1,472,634. Two thirds of the mentioned expenses are payments for failing to achieve the guaranteed rate of the PPS fund. Changes in mathematical provisions imply an expense due to increased mathematical provisions deriving from the pension annuities sold. Operating costs include the costs of labour, services, material, amortisation/depreciation and similar. Profit or loss from investments as recognised in the income statement reached €25,982,740 in 2014.

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

Item	in EUR	
	31/12/2014	31/12/2013
Financial assets	353,772,382	292,250,970
Other assets	1,631,505	20,973,009
Mathematical provisions	-127,262,628	-114,122,814
Other provisions	-10,731,079	-12,102,490
Other liabilities	-8,365,191	-8,923,058
Equity	209,044,990	178,075,616
Minimum capital requirement	43,459,910	40,684,393
Available capital	198,004,952	172,163,180

The largest share of the Company's assets are financial assets, which amounted to €353,772,382 at the end of 2014. Liabilities predominantly include mathematical provisions, followed by other provisions, most importantly provisions set aside for failing to achieve the guaranteed return rate of the PPS fund.



## MANAGEMENT OF GUARANTEE FUNDS

**Table 3:** Basic information on Modra zavarovalnica guarantee funds

Guarantee fund	Number of annuity recipients in 2014	Assets under management as at 31/12/2014 (in € million)	Value of net payments in 2014 (in € million)
KS PPS – The guarantee fund of the First Pension Fund	10,464	102	5.8
KS MR – the Modra renta guarantee fund	5,253	28	7.1
<b>Total</b>	<b>15,717</b>	<b>130</b>	<b>12.9</b>

By lowering pensions from compulsory insurance, the difference between one's income before retirement and after it is increasing. Supplementary pension in the form of a monthly pension annuity is becoming a more and more important source of one's income and alleviates one's entry into retirement. A supplementary pension in the form of a monthly pension annuity represents between 6 and 14% of the total income of a retired person, whereby for most recipients this only applies to the period of accelerated disbursement. An analysis of the data on retired insured persons/members reveals that the share of retired persons who decide to withdraw their funds in a single amount is decreasing, while the share of those who choose a pension annuity upon retirement is increasing. Following the implementation of the pension schemes harmonised with the Pension and Disability Insurance Act, a one-off payment will only be allowed to those insured persons/members of pension funds who will have less than €5,000 in their pension accounts, whereby the legal bases will be aimed at promoting targeted spending of the funds saved.

No official data is currently available on the number of recipients of supplementary pension in 2014. With respect to the data available, around 10,000 retired persons in Slovenia receive supplementary pensions. In addition to these supplementary pension recipients, supplementary pensions were also paid to some 10,000 people, former holders of pension vouchers who obtained the right to a supplementary pension at the age of 60 by exchanging the vouchers for a supplementary pension insurance policy.

Modra zavarovalnica is the largest payer of supplementary pensions in the Republic of Slovenia and manages two guarantee funds intended for the disbursement of supplementary pensions:

- the guarantee fund of the First Pension Fund, used to disburse supplementary pension annuities deriving from exchanged pension vouchers since August 2004;
- the Modra renta guarantee fund, which has offered a selection of competitive pension annuities deriving from supplementary pension insurance since December 2011.

In 2014, Modra zavarovalnica paid out €12.9 million worth of supplementary pensions to 15,717 insured persons. Pension annuity deriving from second pillar supplementary pension insurance (the "modra renta" annuity) was received by 5,253 insured persons, while 10,464 insured persons received annuities deriving from supplementary pension insurance in the First Pension Fund (exchange for pension vouchers).

### The guarantee fund of the First Pension Fund

KS PPS represents segregated assets formed on 13 July 2004 for all insured persons aged 60 or more, thereby obtaining the right to annuity. Upon being given the right, every person insured selects a corresponding form of pension annuity based on an indicative calculation provided by the Company. Insured persons having 2,000 points or less can have their pension annuity paid out in a one-off amount. Insured persons having 2,000 points on their insurance policy can choose between a lifetime pension annuity and a lifetime pension annuity with a guaranteed payment period. Insured persons having between 2,000 and 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 an insured person dies during the guaranteed disbursement period, the pension annuity is paid to that person's beneficiaries or heirs until the expiry of the guaranteed period.

By 31 December 2014, the right to a pension annuity was exercised by 24,525 insured persons, 14,295 of which opted for a one-off payment, 1,195 chose the annual pension annuity and 9,035 decided on a monthly pension annuity.

In 2014, the right to a pension annuity was acquired by 1,330 insured persons aged 60 who paid in a total of €3,975,546 in KS PPS for their supplementary pensions.

As at 31 December 2014, the fund's assets amounted to €101,773,263. The largest share of the assets are bonds and deposits.

**Table 4:** Structure of KS PPS assets

Asset	in EUR 31/12/2014
Shares	16,476,190
Bonds	56,703,604
Commercial papers	2,067,274
Loans and deposits	17,550,000
Investment certificates	7,961,790
Cash and cash equivalents	939,492
Other receivables	74,913
<b>Total</b>	<b>101,773,263</b>

As at 31 December 2014, 69% of KS PPS assets were invested at home and 31% in investments by foreign issuers. The largest share of foreign issuer investments is accounted for by foreign bonds.

**Table 5:** Geographic diversification of KS PPS investments

in EUR	
Area	31/12/2014
Domestic investments	69,732,813
Foreign investments	32,040,450
<b>Total</b>	<b>101,773,263</b>

## The Modra renta guarantee fund

Annuity pension insurance is intended for the payment of pension annuities deriving from supplementary pension insurance. Upon taking out annuity pension insurance, every person insured can select a form of lifetime annuities, thereby exercising their right to supplementary old-age pension. Insured persons may choose from a range of 24 forms of supplementary pension.

**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 from 1 to 10 years (accelerated monthly disbursements and guarantee in the event of death), followed by annual disbursement of annuity in an amount equalling the previous monthly amount.

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

Such insurance can only be taken out by persons insured under supplementary pension insurance schemes that meet the requirements for regular termination and exercise the right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute. By 31 December 2014, 5,759 insured persons/members exercised their right to supplementary old-age pension and opted to receive a chosen monthly pension annuity, 1,855 of which in 2014. Together, they paid €15,825,674 in the guarantee fund.

**Table 6:** Number of insured persons/members and amount of payments in KS MR in 2014

in EUR thousand		
Pension fund	No of members/ persons insured	Redemption value of asset
KVPS pension fund	331	3,430
ZVPSJU pension fund	1,346	8,386
Pension funds by other managers	178	4,010
<b>Total</b>	<b>1,855</b>	<b>15,826</b>

The amount of one's pension annuity depends on the supplementary pension insurance assets collected, the technical interest rate, life expectancy tables broken down by gender, date of birth, age upon the effective date of annuity insurance and the cost of annuity payments. The average age of annuity recipients is 61. 53% of all annuity recipients are male.

**Table 7:** Structure of KS MR supplementary pension annuities as at 31 December 2014

Type of annuity	Share of persons insured (in %)	Average annuity amount (in EUR)
Classic Modra renta	1%	50
Guaranteed Modra renta with guarantee	2%	61
Accelerated Modra renta with full guarantee	19%	105
Accelerated Modra renta with limited guarantee	78%	177
<b>Total</b>	<b>100%</b>	<b>159</b>

As at 31 December 2014, the fund's assets amounted to €28,300,812. The largest share of the assets are bonds and deposits.

**Table 8:** Structure of KS MR assets

in EUR	
Asset	31/12/2014
Bonds	15,065,244
Commercial paper	759,347
Loans and deposits	6,760,665
Investment certificates	5,165,014
Cash and cash equivalents	322,733
Other receivables	227,809
<b>Total</b>	<b>28,300,812</b>

**Table 9:** Geographic diversification of KS MR investments as at 31 December 2014

in EUR	
Area	Amount
Domestic investments	13,585,485
Foreign investments	14,715,327
<b>Total</b>	<b>28,300,812</b>

As at 31 December 2014, 48% of KS MR assets were invested at home and 52% in investments by foreign issuers.

## MANAGEMENT OF MUTUAL PENSION FUNDS

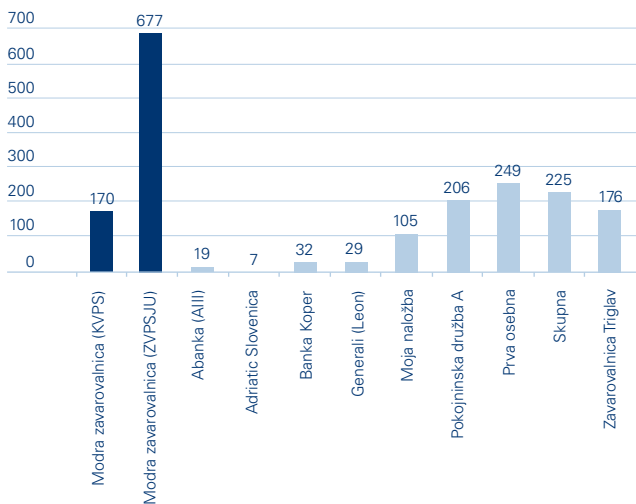
### Market and competition

At the end of 2014, supplementary pension insurance was offered by 10 providers on the Slovenian market. Four 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 2014, all providers managed a total of €1.9 billion in assets of members/persons insured under supplementary pension insurance. 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.

In 2014, Modra zavarovalnica maintained its market share of the supplementary pension insurance assets collected, which amounted to 45%, while the share of insured persons/members included increased to 48%.

The 2014 annual return rates of the pension funds increased substantially compared to 2013. All pension funds surpassed the guaranteed return rate. The return rates of KVPS and ZVPSJU, managed by Modra zavarovalnica, were consistently high and achieved 6.52% and 5.43% respectively in 2014. In the three-year period, both funds recorded a return rate of over 16% and 18% respectively, which, recalculated to an annual level, amounts to 5.1% for KVPS and 5.7% for ZVPSJU.

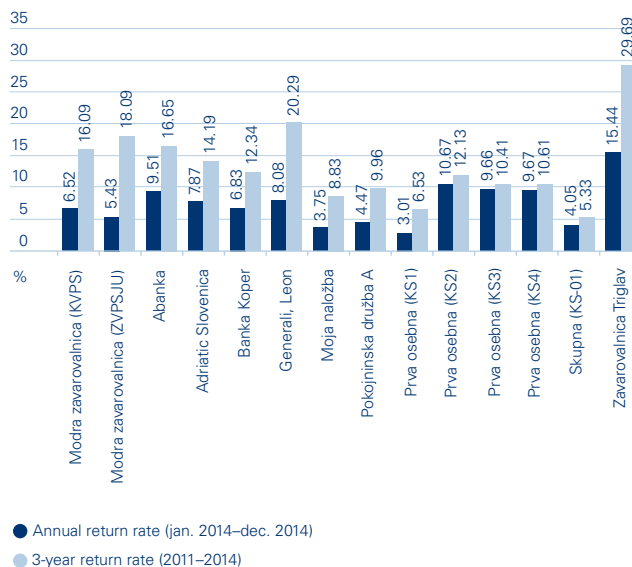
**Figure 3:** Pension funds/providers (net value of assets under management as at 31 December 2014; in € million) Source: Dnevnik, 19 February 2015



In 2014, the yields of pension funds differed substantially. The decrease in the required return rate, particularly of the bonds issued by the Republic of Slovenia, in the second half of 2013 and the beginning of 2014 resulted in a major growth of their market value. Some managers included Slovenian shares in pension fund portfolios, which achieved high return rates last year due to the announced privatisation. In some cases, the

market value strongly surpassed the redemption value, and some pension fund managers decided in the given situation to adjust the value of such bonds from redemption to market value. By changing the valuation, they achieved a higher return rate of pension funds.

**Figure 4:** Annual and 3-year return rates of pension insurance providersVir: Source: Dnevnik, 19 February 2015



In the pool of all specialised providers of supplementary pension insurance, Modra zavarovalnica d.d. has the highest level of capital adequacy and is the safest insurance company, which is the most important safety factor for the assets saved in this demanding economic situation. The capital of Modra zavarovalnica used to ensure the safety of the insured persons' assets is by far the largest compared to competitive specialised pension fund managers. The safety of the savings collected by the persons insured in Modra zavarovalnica has increased from year to year with respect to its capital growth. At the end of 2014, the capital of Modra zavarovalnica amounted to €209 million, which is €66 million more than at the end of 2011, when the Company started its operations.

### Mutual pension funds under management

Modra zavarovalnica 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 2014, there were slightly less than 260,000 individuals saving in its three mutual pension funds, while the assets collected amounted to €894 million. In 2014, the total supplementary pension insurance premium paid in amounted to €43 million.

Modra zavarovalnica manages three mutual pension funds that are run and disclosed as segregate assets owned by persons insured/members of a relevant fund:

- Closed Mutual Pension Fund for Public 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 10:** Data on mutual pension funds managed by Modra zavarovalnica as at 31 December 2014

Data for December 2014	No of members/ persons insured	No of employers/ premium payers	Amount of assets under management (in EUR million)
Capital Mutual Pension Fund (KVPS)	27,216	294	172
Closed Mutual Pension Fund for Public Servants (ZVPSJU)	207,345	1,926	692
First Pension Fund (PPS)	25,042	intended for natural persons only	30
<b>TOTAL</b>	<b>259,603</b>	<b>2,220</b>	<b>894</b>

Pursuant to Article 313 of ZPIZ-2, Modra zavarovalnica is, in the event the actual net value of pension fund assets in an accounting period falls below the guaranteed value of the fund's assets, obliged to form provisions for failing to achieve the guaranteed rate, which are debited to equity and equal the difference between the guaranteed and actual net value of assets. At the end of 2014, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed return rate of mutual pension funds amounting to €10,575,542, whereby €10,575,311 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 is the largest Slovenian pension fund, both as regards the number of persons insured as well as the volume of the assets collected. At the end of 2014, there were 207,345 members included in it, their assets amounting to €692 million. In 2014, ZVPSJU achieved a 5.43% return rate.

The ZVPSJU fund 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 as specified by the pension scheme. In addition to the premiums paid in the fund by employers, premiums can also be paid in by public servants themselves, thus ensuring a higher supplementary pension and benefiting from the income tax relief. As the manager of the fund, Modra zavarovalnica ensures the guaranteed rate of the funds saved, which in 2014 amounted to 1.94%. The methodology to calculate the minimum guaranteed rate is specified by the minister responsible for finance.

Based on ZKDPZJU and KPOPNU, the collective insurance under the PNJU K Pension Scheme included all persons holding public servant status on 1 August 2003 or who were subject to KPNG. Individuals who entered into an employment relationship with the Republic of Slovenia, a local community or a public law body as the employer 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.

Severe economic conditions resulted in a number of measures to balance public finance. The Government of the Republic of Slovenia and representative public sector trade unions adopted an agreement on further measures on salaries and other labour costs in the public sector aiming to balance public finance in the period between 1 July 2013 and 31 December 2014; this also affected the amount of collective supplementary pension insurance premiums for public servants. In the period between 1 January 2014 and 30 June 2014, public servants received 75% lower premiums and in the period between 1 July 2014 and 31 December 2014 70% lower premiums with respect to the total premium by premium class as applicable on 1 January 2013. The average monthly premium hence fell from €33.19 to €6.7 or €8.03 in the second half of the year. The result of the mentioned premium decrease is a smaller volume of the funds saved for supplementary pension, which has become a more and more important source of income alleviating one's transition into retirement age.

Supplementary pension insurance for public servants may 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 ZVPSJU exercises their right to supplementary old-age pension or the right to an early supplementary old-age pension. Extraordinary termination, on the other hand, may be enforced by a member through the termination of their public sector employment contract, provided that 120 months have passed since their inclusion in insurance, or by a beneficiary/heir in the event of a 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 10 years to meet the minimum requirements for acquiring the right to old-age pension. In this case, a member could, under the compulsory pension scheme, choose between the right to supplementary old-age pension or payment of a one-off redemption value upon retirement.

In 2014, insurance was terminated for 4,274 members, 1,348 of which were regular, while the redemption value paid out amounted to €21 million.

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

In 2014, the management of the ZVPSJU fund was geared towards safety, profitability, liquidity, diversification of investments and long-term growth of the value of ZVPSJU assets. The largest change in 2014 was the increase in the share of equity securities and the share of bank deposits made at Slovenian banks as the result of restored trust in the Slovenian banking system upon the simultaneous decrease in the share of treasury bills and commercial papers. The predominant share of the ZVPSJU fund assets are investments in bonds (44%), followed by investments in investment certificates (31%) and loans and bank deposits representing 21% of the fund's assets.

## Capital Mutual Pension Fund

KVPS is an open mutual pension fund intended for the implementation of voluntary supplementary pension insurance schemes. In 2014, KVPS achieved a 6.52% return rate, which was substantially higher than the 1.94% guaranteed rate. As at 31 December 2014, the fund's assets amounted to €172 million. The insured persons' assets increased in 2014, while the volume of withdrawals following the expiry of the 10-year savings period decreased substantially.

KVPS is open to all employed persons included in the compulsory pension insurance. Since 2002, there are two separate pension schemes for individual and collective voluntary pension insurance, designated PN1 P and PN1 K, within the scope of KVPS. Modra zavarovalnica, as the manager of the fund, ensures the minimum guaranteed rate of return on the assets saved, which amounted to 1.94% in 2014. The methodology to calculate the minimum guaranteed rate is specified by the minister responsible for finance.

Supplementary pension insurance may be terminated on a regular or extraordinary basis. Regular termination takes place when a person insured under this insurance obtains the right to pension deriving from compulsory insurance. Extraordinary termination, on the other hand, takes place when a member of the fund terminates insurance based on a written statement of withdrawal or upon a member's death. A special way to terminate insurance is to transfer assets to another provider. A member/person insured may enforce the right to the disbursement of assets collected with employer's payments made until 31 December 2012, when 10 years have passed since their inclusion in insurance.

In 2014, insurance was terminated for 1,180 members/persons insured, 340 of which were regular terminations. The disbursements amounted to €6.3 million. 717 members/persons insured opted for payments of the redemption value of asset units financed by employers by 31 December 2012, totalling at €5.1 million.

Pursuant to the PN1 P and PN1 K Pension Schemes and KVPS Rules, the manager of the fund is entitled to entry fees, exit fees and management fees. In 2014, the management fee amounted to 1% of the average net value of KVPS assets. Entry fees are calculated as the percentage of the paid-in premium upon its payment and reached 3% in 2014. Exit fees are calculated as the percentage of the paid-out redemption value of assets and amounted to 1% in 2014.

In 2014, the Company, as the manager of the KVPS pension fund, actively managed the fund's portfolio. The largest change in 2014 was the increase in the share of equity securities and the share of bank deposits made at Slovenian banks as a result of restored trust in the Slovenian banking system upon the simultaneous decrease in the share of treasury bills and commercial papers. The predominant share of the fund's assets are investments in bonds (40%), followed by investments in investment certificates (31%) and bank deposits representing 22% of the fund's assets.

## The First Pension Fund of the Republic of Slovenia

PPS is a closed mutual pension fund intended for the coverage of pension annuity disbursements. Its 2014, the return rate amounted to -1.04%. The negative return rate of the fund is the result of impairments made to the fund's investments in the shares of domestic companies that operated poorly. The assets of the PPS fund amounted to €30 million at the end of 2014.

PPS is a pension fund intended for the disbursement of pension annuities deriving 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 and further payments or inclusions in the fund have not been possible. Since August 2004, the assets collected by all persons insured/members aged 60 or over have been transferred to KS PPS, which is intended for the disbursement 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 redemption value of their policy is granted to their heirs.

Modra zavarovalnica is entitled to an annual fee for the management of PPS, which amounted to 1% of the average annual net value of assets in 2014, and to exit fees charged in the percentage of the redemption value of assets paid out to heirs.

The manager's primary objective in 2014 was to continue to restructure the PPS portfolio, i.e. by reducing the fund's exposure to non-marketable equity investments. On 17 February 2014, the Company received a decision by the Insurance Supervision Agency extending the deadline to harmonise the structure of the PPS fund investments with the legal requirements to 31 October 2016, except for the investments made in the Certa d.d. and Premogovnik Velenje d.d., where the deadline was extended to 31 May 2014; however, most investments in the business shares of private limited companies will have to be disposed of. An important share of the fund's investments was already harmonised with the legal requirements in 2014. At the end of 2014, the majority of PPS assets were shares (63%).

Provisions for failing to achieve the guaranteed return rate of the PPS fund decreased in 2014 by €337,122 and amounted to €10,575,311 at the end of 2014.

## FINANCIAL ASSETS OF MODRA ZAVAROVALNICA

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

**Table 11:** Financial assets of Modra zavarovalnica

	in EUR
<b>Financial asset</b>	<b>31/12/2014</b>
Own financial assets	224,001,030
KS PPS assets	101,698,350
KS MR assets	28,073,003
<b>Total</b>	<b>353,772,382</b>

## MANAGEMENT OF OWN FINANCIAL ASSETS

The Company's own financial assets amounted to €224,001,030 at the end of 2014. 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, followed by the debt investment portfolio.

**Table 12: Structure of own financial assets of Modra zavarovalnica**

in EUR	
Financial asset	31/12/2014
Portfolio investments in equity	108,392,183
Non-portfolio investments in equity	32,981,814
Portfolio of investments in debt securities	81,301,925
Cash and cash equivalents	1,325,108
<b>Total</b>	<b>224,001,030</b>

### Portfolio investments in equity

Portfolio financial investments in equity comprise foreign shares and investment fund certificates by domestic and foreign issuers. As at 31 December 2014, the value of the mentioned investments amounted to €108,392,183. The five largest investments in the portfolio of financial investments in equity as at 31 December 2014 are: the index fund representing the MSCI global index (XMWO GY), the index fund representing the European government bond index (XGLE GY), Coca-Cola Company shares, the index fund investing in shares on developing markets (MXFS LN) and the index fund investing in agriculture (MOO US).

**Table 13: Structure of portfolio financial investments in equity**

in EUR	
Investment	31/12/2014
Shares	29,335,332
• Domestic shares	0
• Foreign shares	29,335,332
Investment funds	79,056,851
• Domestic investment funds	487,424
• Foreign investment funds	78,569,427
<b>Total</b>	<b>108,392,183</b>

In 2014, the value of the stock indices grew by 16% on average (assessed in €). The highest return rate amounting to 23% was achieved by American shares, while Slovenian shares kept closely behind with a slightly less than 20% return rate. Japanese and European shares achieved a rate of return of 7% and 3% respectively.

As at 31 December 2014, the portfolio of the Company's investments in equity was most exposed to the finance industry, followed by non-cyclical consumer goods and information technology. As regards exposure to foreign exchange risk, the portfolio's greatest exposure at the end of 2014 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 investments in equity

At the end of 2014, the Company owned shares of three domestic issuers that require a different kind of approach to portfolio management due to the size of the equity stake: Cinkarna Celje d.d., Žito d.d. and Pozavarovalnica Sava d.d. The total value of these investments as at 31 December 2014 amounted to €32,981,814. The sale of the shares of Helios d.d. was completed on 3 April 2014 with the transfer of shares to the buyer's account and receipt of the purchase price.

On 20 June 2014, the consortium of sellers signed a contract of purchase and sale for the shares of Letrika d.d. with the company Mahle Holding Austria GmbH. The sales procedure was completed on 10 September 2014 with the transfer of the shares to the buyer's account and receipt of the purchase price. Together with the consortium of sellers, the Company started selling the non-portfolio investments in Cinkarna Celje d.d. and Žito d.d. in the third quarter of 2014. The sales procedures are expected to conclude in 2015.

### Financial investments in debt securities

At the end of 2014, the balance of financial investments in debt securities amounted to €81,301,925. The largest share of financial investments in debt securities was taken up by government bonds, followed by corporate bonds and deposits.

**Table 14: Structure of financial investments in debt securities**

in EUR	
Investment	31/12/2014
Bonds	48,854,517
• Government bonds	24,745,183
• Domestic government bonds	9.677.808
• Foreign government bonds	15.067.374
• Corporate bonds	24.109.334
• Domestic corporate bonds	4.621.708
• Foreign corporate bonds	19.487.626
Deposits	31.101.677
Commercial papers	1.345.731
<b>Total</b>	<b>81.301.925</b>

European government bonds achieved high yields in 2014 and gained over 13% in value, assessed under the iBoxx Sovereign TR index; similarly, the Slovenian government eurobonds gained over 12% in value. A slightly lower growth was recorded by the corporate bond indices. Investment-grade corporate bonds grew by 8%, assessed under the iBoxx Corporate TR index, in 2014, while subinvestment-grade corporate bonds gained 4% in value in the same period, assessed under the iBoxx Liquid High Yield index. In Slovenia, the prices of corporate bonds on the market are relatively stable.

The government bond portfolio primarily comprises Eurozone government bonds. At the end of 2014, the share of domestic issuers accounted for 40%, while the share of foreign issuers accounted for 60%. Over 90% of bonds are denominated in euro, while the remainder are in the US dollar and Norwegian krone.

The largest investments are in the bonds of the Republic of Slovenia, Austria and Poland and in the index funds of Eurozone government bonds. Around half of the bonds have maturity between 5 and 10 years. The majority of bonds have a fixed coupon interest rate.

The issuers of corporate bonds mainly derive from the Eurozone. At year-end, domestic corporate bonds accounted for 19% and foreign corporate bonds for 81% of the corporate bond portfolio. All corporate bonds and funds investing in corporate bonds are denominated in euro. The Company was most exposed to issuers from finance, energy and public services.

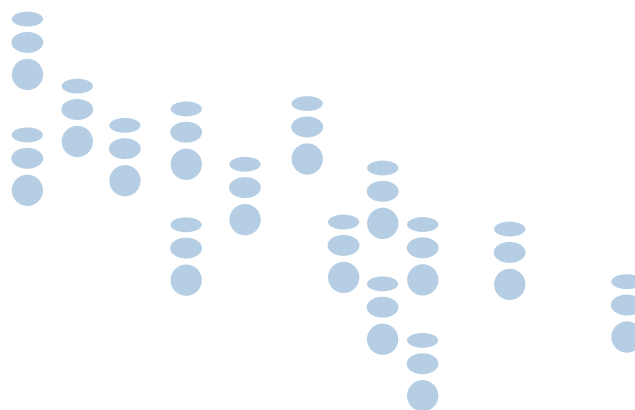
The largest five investments of the portfolio of investments in debt securities as at 31 December 2014 are: index funds representing European corporate bonds (EUN5 GY, ALLCBPI LX and ALEHYIT LX), bond SPPEUS 3 ¼ 07/20 and an index fund investing in bonds of global issuers (DWEMFCH LX).

### Investments in cash and cash equivalents

At the end of 2014, the Company disclosed €1,325,108 of own cash and cash equivalents. The majority of these assets are euro call deposits.

**Table 15:** Structure of cash and cash equivalents

	in EUR
Investment	31/12/2014
Bank balances and cash in hand	36,808
Euro call deposits	1,288,300
<b>Total</b>	<b>1,325,108</b>





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. The application of standard risk management methodologies enables the Company to make a quality assessment of all types of risk, 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 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 meeting all its obligations (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 2015, it will continue to develop and upgrade the overall risk management system in order to improve assets management in the long term. Particularly important is the Solvency II project, which is strategically aimed at protecting insured persons or, rather, their assets while meeting capital requirements, improving risk management, providing conditions for better capital allocation, increasing transparency and similar.

## CREDIT RISK

Last year, exposure to credit risk was particularly important due to a long-lasting debt crisis resulting in decreased credit ratings for countries, banks and companies. Credit risk implies a possibility that investments in debt securities are recouped only partially or not at all.

An important share of the Company's financial assets are investments in the securities of the Republic of Slovenia, debt securities issued by EU countries and foreign financial institutions, equity and debt securities by foreign non-financial companies, domestic equity shares and debt securities and in domestic banks.

Within the scope of the Company's internal rules, 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, whereby the second best rating is taken into account. The decision to approve an investment is adopted by the Management Board based on the proposals submitted by internal committees.

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, 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 nevertheless includes bonds of a credit rating below BBB-, however the Company has set the maximum exposure to these bonds.

Credit risk deriving from exposure to an individual bank is managed in line with internal regulations, i.e. monthly.

The total exposure to an individual issuer is determined daily 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 2015, 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 and 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 currency risk by balancing financial assets with liabilities in terms of currency pursuant to the Insurance Act. The amount of receivables exposed to currency risk is low. In 2014, the Company used no derivatives to hedge currency risk.

## INTEREST RATE RISK

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

The Company manages interest rate risk by changing the structure of investments, i.e. by adjusting the duration of a portfolio, restructuring fixed-rate investments into floating-rate investments or vice versa and by classifying investments as financial investments held to maturity, pursuant to IFRS. In 2014, the Company used no derivatives to hedge interest rate risk.

## LIQUIDITY RISK

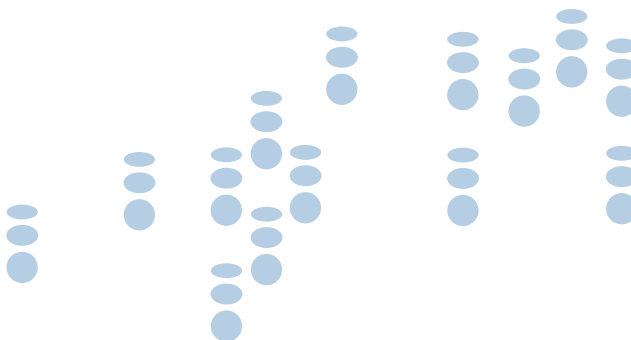
Modra zavarovalnica manages its resources and investments in a manner allowing it to settle all due liabilities at any moment. The Company forms and carries out the policy of regular liquidity management separately for the Company and guarantee funds, pursuant to the Insurance Act and statutory instruments.

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. The Company reduces its liquidity risk by allocating a portion of its 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 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 operational risk, the Company has established a system of recording loss events in order to minimise the Company's operational risk.

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





The development of IT services continues at an unchanged pace, thus providing users with new and innovative methods to use information tools. The Company successfully exploits such opportunities by applying modern information tools in marketing and sales. It achieves strategic IT goals by gradually implementing its business information projects. The key business information project in 2014 was the implementation of an integral business IT solution to support the management of pension funds, which also included the development of a portal for communication with employers.

The IT solution selected is in terms of development independent of Kapitalska družba, which owned the existing IT support, in line with ZPIZ-2 and replaces three existing business IT solutions. In 2014, stage 1 of the project plan was successfully completed, i.e. the migration of data pertaining to the KVPS fund investments into the new system was performed. Upon implementing the migration, the Company started using the new system in the production environment in October 2014. Upon obtaining a permission to manage the life-cycle investment policy fund, the Company already prepared all bases for the application of the new IT solution to pursue the Life-Cycle Pension Fund in December 2014.

The project to implement the integral solution also included the implementation of the new B2B portal for employers, which will support the existing electronic data exchange for the purposes of supplementary pension insurance, the implementation of random campaigns and comprehensive provision of information to employers. Furthermore, the B2B portal will enable employers to review their payments and register and deregister members from supplementary pension insurance. The portal is hence an important tool to keep in touch with employers and will be made on the same platform as Modri e-račun (electronic invoicing service) in order to make IT platforms uniform and provide a comprehensive review of communication with employers and members. By introducing the Modrinet service, the Company continues to pursue the strategy of uniform management of relationships with its customers and partners.

Slovenia will implement Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) in the national legislation with the enforcement of the Insurance Act (Zzavar-1) and statutory instruments. The Company is required to follow the changes of the mentioned legislation, the requirements of EIOPA and the local regulator, the Insurance Supervision Agency, within the scope of its organisation. At the end of 2014, the Company

prepared a tender dossier for an IT solution to calculate items within the frame of Solvency II, which will be aligned with Directive 2009/138/EC, pursuant to Commission Delegated Regulation of 10 October 2014 supplementing Directive 2009/138/EC (hereinafter Directive 1), and the Technical Specification for the Preparatory Phase (Part I) as of 30 April 2014 or any subsequent updates to these documents.

Operational risks related to the use of the IT system were successfully managed in 2014. There were no major incidents, the system's operation was stable and requirements regarding the availability and reliability of IT services for business processes were met pursuant to the service level agreements or the expectations of business users.

The IT function is faced with a number of IT management challenges that must be suitably analysed and dealt with in all important IT decisions. Such challenges are mostly related to a high level of ability to prioritise the provision of new services or new or modified business models. Modra zavarovalnica manages such challenges successfully and is ready for new challenges and opportunities brought about by information technology in commercial activities.

# ORGANISATION AND HUMAN RESOURCES

## INTERNAL ORGANISATION

The Company is organised in line with the needs of the work process and requirements regarding the efficiency and competitiveness of operations; it promotes the abilities of internal organisational units and their employees. The basic organisational units of the Company are a department and a division. The work of a department is managed by an executive director, while the work of a division is managed by a division manager. The department executive director and division manager answer to the Company's Management Board for the implementation of the Company's business policy and for the legitimate, timely and quality work of the relevant department or division as well as for providing information to employees in that department or division.

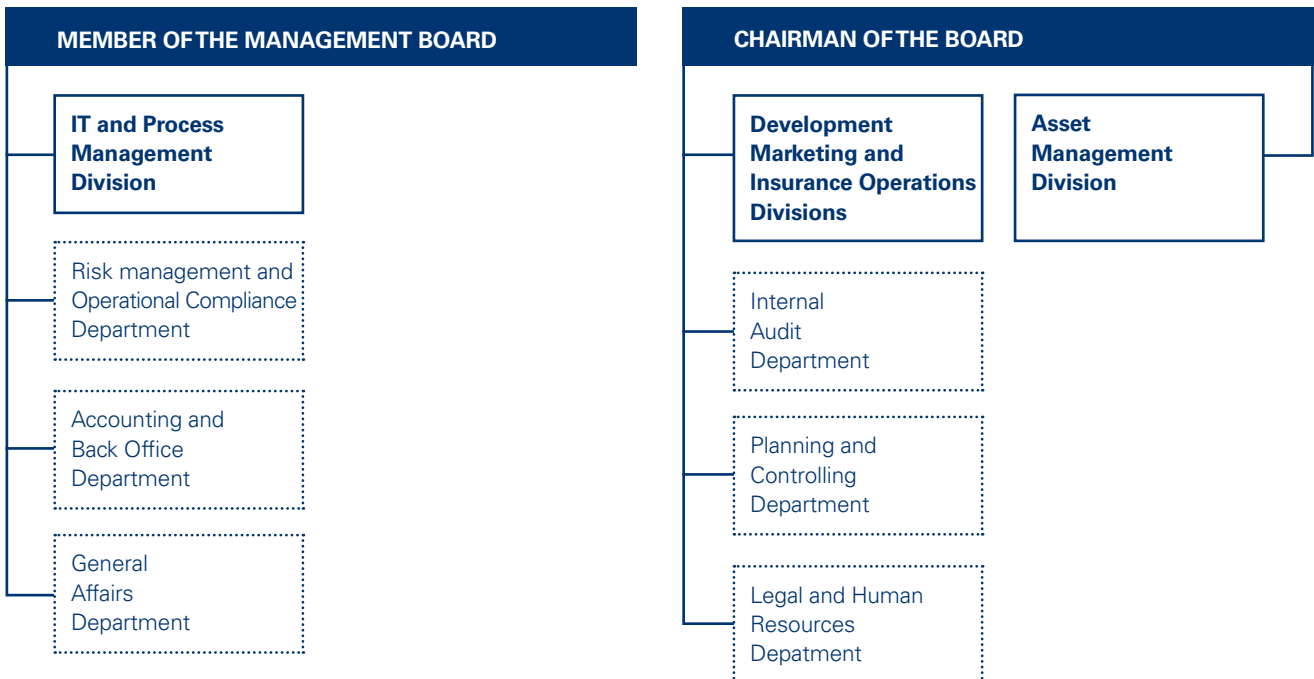
The key areas of work are carried out in three umbrella organisational units:

- Development, Marketing and Insurance Operations 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 Audit Department,
- Planning and Controlling Department,
- Legal and Human Resources Department,
- Risk Management and Operational Compliance Department,
- Accounting and Back Office Department,
- General Affairs Department.

Figure 5: Organisational chart of Modra zavarovalnica



## EMPLOYEES

HR management at the Company includes a well-thought recruitment policy, implementation of an efficient reward and advancement scheme, concern for the training and development of employees, monitoring their satisfaction and social climate, provision of health and safety at work and concern for a balanced professional and private life.

At the beginning of 2014, the Company employed 55 people together with Members of the Board, while the number fell to 54 persons by the end of 2014. One person was recruited in 2014, while two persons terminated their employment relationship.

The largest organisational unit at the Company is the Development, Marketing and Insurance Operations Division with 21 employees, followed by the Accounting and Back Office Department with 8 employees and the Asset Management Division with 7 employees.

Almost 80% of the Company's employees are female. The average age of employees is 41 years, while the average period of service is almost 19 years.

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

Organisational unit	Number as at 31/12/2014
Management Board	2
Development, Marketing and Insurance Operations Division	21
Asset Management Division	7
IT and Process Management Division	4
Accounting and Back Office Department	8
Planning and Controlling Department	2
Risk Management and Operational Compliance Department	1
General Affairs Department	4
Internal Audit Department	1
Legal and Human Resources Department	4
<b>Total</b>	<b>54</b>

### Employee training

The Company has a high educational structure of employees, with 65% of its employees having completed at least level 6 as at the end of 2014.

The Company is aware that only qualified employees are able to achieve the Company goals and contribute to even more successful operations. The Company encourages employees to train continuously at all levels, since the Company's performance depends on motivation, qualification and knowledge. Training provides the acquisition of strategically important knowledge, efficient work and successful realisation of goals, and in the long term influences the engagement of employees, increasing the sense of belonging to the Company, which results in a smaller or almost zero turnover rate.

In 2014, nearly 75% of employees took part in different forms of training; three employees are enrolled in undergraduate studies, one employee in specialisation and one in a doctoral study programme. The Company organises external and internal training courses for employees, the latter being implemented by the Company experts independently.

Employees attended seminars, consultations, conferences and workshops at external institutions, primarily to deepen their knowledge and obtain new skills. Training courses were tailored to the requirements of an individual workplace and special areas of the skills required for each employee and were harmonised with the Company's tasks relating to development. In particular, stress was placed on the development of leadership and sales skills, skills to enhance efficiency and raise awareness on exposure to operational risks and on training for the professional implementation of all Company activities providing compliance with the legislation and reducing all types of operational risks.





The Company's corporate social responsibility is revealed in its relationship to employees, employers and members/insured persons as well as to the wider community. Its actions are aimed at strengthening trust, which is particularly important at the time of unstable conditions on the financial services market.

## RESPONSIBILITY TOWARDS EMPLOYEES

The Company provides a safe working environment and stimulating conditions for work to its employees. It operates in line with the Safety statement with a risk assessment, which is primarily aimed at preventing work-related injuries, health disorders and occupational and work-related diseases. Employees regularly attend training in safety and health at work and fire protection and are also included in the programme of preventive medical check-ups.

The Company is well aware of the importance of concern for employee health. By implementing an action plan to promote health, employees are encouraged to lead a healthy lifestyle, thus reducing the risk of illness both on the job as well as in private life. Fresh seasonal fruit is available to employees twice a week, while the Company also organises vaccination against seasonal influenza and tick-borne encephalitis. Furthermore, the ModriNet intranet portal offers information regarding topical health issues and useful articles on exercise and a healthy diet.

The Company is a proud owner of the full Family Friendly Enterprise Certificate. Concern for the coordination of career and family life has become a part of the Company's organisational culture. We believe that satisfied employees perform better and have a greater sense of belonging to the Company, thus reducing stress and contributing to better results. The Company also keeps a good flow of information, customer satisfaction and a sound working climate. When measuring the organisational climate, all elements measured received high grades, some even higher than the year before.

The Company provides social security upon retirement to all employees under the same terms by paying the maximum tax-deductible premium in the collective voluntary pension insurance of the KVPS pension fund, managed by Modra zavarovalnica, which further strengthens the sense of belonging and visibility of the product.

## RESPONSIBILITY TO THE WIDER SOCIAL COMMUNITY

As a socially responsible company, Modra zavarovalnica responds to the needs of the environment. Children are our greatest asset, which is why the Company decided to donate to children in 2014. A portion of the funds was donated to the Viški Gaj kindergarten at the end of 2014, which was severely damaged during the autumn floods and needed new equipment. The other portion of the funds was donated to the Srečna hiša project in Lukovica, which is primarily aimed at offering children and youth a place to learn and play and offering assistance to socially threatened persons and children in foster care. The funds donated were spent on equipment for a unique playroom for toddlers and a state-of-the-art study room for youth and slightly older visitors.

In addition to donating funds, we also donated 17 computers that were replaced with new ones for the needs of work processes. The Srečna hiša facility received 6 computers for children coming from the Domžale area whose families could not afford to buy a computer. The other 11 computers were donated to the Pensioners' Organisation of Slovenia for the purposes of implementing computer training courses for the elderly.

Throughout the year, we responded to requests made by individual societies and organisations (sports clubs and associations, pensioners' organisations, fire departments) in which we helped implement raffles and prize events by providing promotional materials. By purchasing New Year's greeting cards, we contributed to the fund kept by the Mavrica kindergarten in Vojnik, which is used to finance other activities or provide assistance to families in financial difficulties.

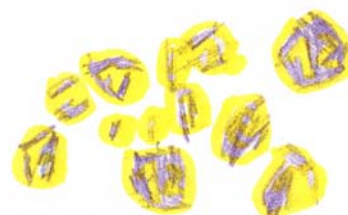
An important part of the Company's communication activities focus on raising awareness among savers regarding the importance of supplementary pension insurance. Supplementary pension insurance is still quite unknown among Slovenians. Even those who have insurance are not aware of it or do not know who their savings scheme provider is. The reason also lies in the fact that 95% of all members/persons insured are included in supplementary pension insurance through collective schemes and their premiums are therefore paid in by their employer. In order to understand supplementary pension insurance better, we organised a number of conferences, prepared information to be published on websites and internal company newsletters and provided professional assistance in the preparation of answers relating to supplementary pension

# MODRA ZAVAROVALNICA



POPLAVA

ALEX



KOPACKI

HVALA  
ZA  
POMOČ



Figure 6: Kindergarten Viški gaj, Kozarje

insurance posed by employees to employers and trade unions. The HR and accounting services of our clients were trained on the possibilities and advantages of disbursements in the form of a supplementary pension and were given the possibility to establish information offices at company headquarters. In the past year, we attended the annual conference of companies operating under the umbrella of the Family Friendly Enterprise Certificate association and the Unicredit Financial Days held in autumn.

The Company paid special attention to the Internet and social media (Facebook, Twitter, LinkedIn and Youtube), where it shares its experience, knowledge, ideas and all important information on supplementary pension insurance, the funds' operations, the pension system, FAQ and all required sample forms to exercise the rights deriving from supplementary pension insurance. The website provides an indicative calculation of supplementary pension, tax relief calculations and 24/7 access to one's personal account under the insurance policy to all members/persons insured. Using the free-of-charge web service Modri e-račun (electronic invoicing), savers can access the data related to their own monthly payments and their employers' payments as well as monitor the amount of the funds saved for supplementary pension at any time.

At the end of 2014, a new customer satisfaction research was conducted among our customers, the results of which have motivated us to continue to further improve our operations. 185 company representatives and 671 individuals responded to the invitation to cooperate, and their answers have confirmed that we are heading in the right direction. Namely, the results of the research have shown that the level of satisfaction has grown substantially since it was first measured. We are pleased that customers see us as a safe and trustworthy company.

## RESPONSIBILITY TOWARDS THE ENVIRONMENT

As a socially responsible company, we support environmentally targeted activities. We have been separating waste, minimising paper consumption, collecting worn-out printer cartridges and responding to charitable events. To this end, we also develop various web applications that reduce the need for printing and enable faster and more reliable communication procedures.

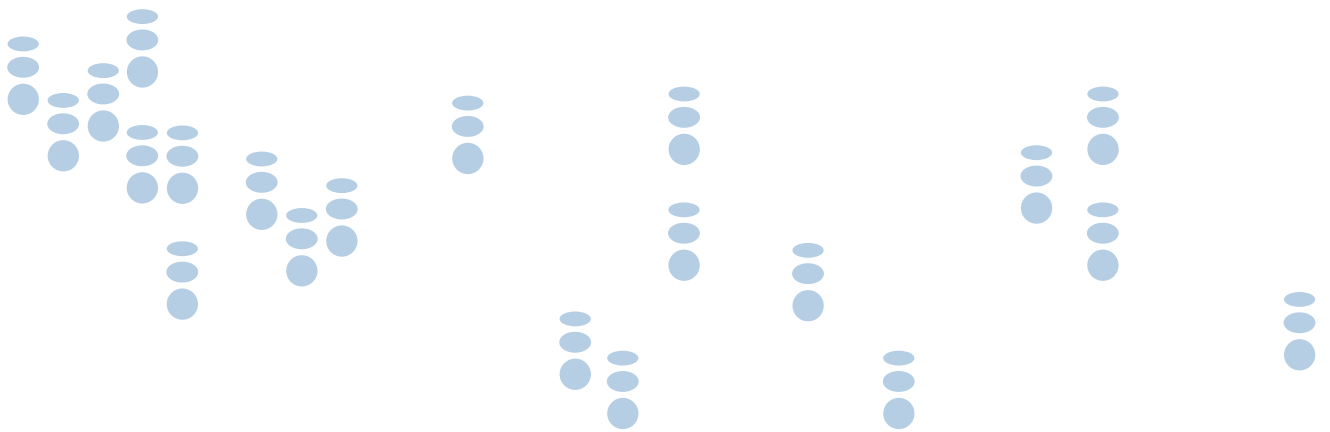
In 2014, we collected a large amount of plastic stoppers that we donated to a 5-year-old girl Linda who has cerebral palsy. Employees also responded to the "Santa for a day" project and joined numerous kind people who enabled over 1,000 children from Slovenia, Kosovo and Bosnia to open presents over the Christmas holidays. Furthermore, we were active in collecting aid for socially vulnerable families and did not forget our four-legged animal friends.





MAJOR BUSINESS  
EVENTS AFTER 2014

In November 2014, the Company obtained all permits required for the management of the MKPS guarantee fund and became the first manager to provide the possibility of supplementary pension saving in a life-cycle guarantee pension fund pursuant to the life-cycle investment policy. The first members/insured persons joined the MKPS fund on 1 January 2015.







## EXPECTED DEVELOPMENT OF MODRA ZAVAROVALNICA IN 2015

In 2015, the Company will continue to face one of the key challenges, i.e. how to efficiently attract, raise interest and motivate insured persons to make decisions on supplementary pension insurance and changes in the field more actively. In these terms, the key activities will be marketing activities that will enhance involvement, motivation and knowledge among insured persons. The ratio between the average net wage and the average old-age pension has decreased, whereby the pension deriving from compulsory insurance is expected to reach less than half of the net wage. Using suitable communication tools and web marketing elements, we will promote proactive behaviour and further raise awareness among existing and potential insured persons.

The goal for 2015 set by the Company is to increase its market share. This will be achieved through intensive marketing of the Life-Cycle Pension Fund, which provides a life-cycle investment policy. With the products and services provided by the life-cycle fund, a great deal of attention will have to be placed on B2C communication, since it requires active involvement of individuals in decision-making relating to their insurance. Namely, individuals will have several options when selecting the form of supplementary pension insurance (with a guaranteed rate and more risky forms with higher yields). Efforts will be made to attract as many people as possible who have had no interest in saving in pension funds due to a relatively low yield.

Furthermore, it is planned to transfer employers and members/ persons insured in the existing KVPS fund, meaning that the scope of KVPS will be reduced. It will be required to coordinate or sign new financing contracts with employers that did not decide to transfer to MKPS this year; these will have to be adjusted to the new pension scheme and the fund's rules. All mentioned procedures need to be carried out within 6 months of obtaining all permits required. In 2014, the Company prepared all necessary documents and duly submitted for confirmation the harmonisation of KVPS Rules with the new legislation, but it has not yet received the confirmation. The Ministry of Labour, Family, Social Affairs and Equal Opportunities approved the changes made to pension schemes, which form a component part of the application form to approve the Rules of the fund; however, the existing pension schemes are to be used until confirmation is received.

In 2015, marketing efforts will also focus on increasing individual premiums for the persons insured in the Closed Mutual Pension Fund for Civil Servants. In addition to the premiums paid by their employer, which have been reduced for the past three years due to austerity measures, employees may save for supplementary pension themselves, but only individually and no longer for

the account of reducing the gross wage. The payment of an individual premium by members of the ZVPSJU fund is subject to the same terms and conditions as payments by employers and provides the cheapest form of individual supplementary pension insurance to public servants.

The corporate image and reputation of Modra zavarovalnica as a safe and reliable financial institution is the basis for successful sales activities of all pension funds, which is why activities will also focus on systematic and proactive building of the Company's public image and all opportunities will be seized to build up reputation, identity and trust.

Pension annuity disbursement procedures at the Company have been well established for three years, which is a reflection of successful information provision and awareness raising among the target public. Increased awareness among insured persons and awareness of the importance of supplementary pension is also shown in the higher percentage of those who decide to have their savings paid out in the form of a supplementary pension. They largely decide on annuities with an accelerated period. The enforcement of new features in the assessment of supplementary pension has been postponed to the end of 2015, which is why we will continue to provide comprehensive information and present the advantages of supplementary pension so that more and more retired persons will choose their supplementary pension at Modra zavarovalnica.

In terms of management, the Company expects this year to be a demanding one, since the bank interest rates and return rates on bonds are currently at the lowest level ever, while more risky investment grades are assessed as relatively high. Therefore, the results from 2014 will be difficult to repeat.

Successful achievement of the set goals is also closely related to the management of business risks, whereby special attention will be placed on the careful planning of business processes and their financial implications. An upgrade of risk management is also foreseen within the scope of the implementation of Solvency II, which is one of the central projects in 2015. Furthermore, Modra zavarovalnica will continue the project to implement integral IT support for the pension funds managed. Special attention will also be placed on the professional and personal development of Company employees, who ensure its success, growth and development. We will continue to operate as a family-friendly company and, at the same time, demonstrate our social responsibility through a responsible relationship towards the environment, transparent and responsible operations and charity.



# REPORT ON RELATIONS WITH THE CONTROLLING COMPANY

The company controlling Modra zavarovalnica is Kapitalska družba, which holds a 100% share in the Company. In 2014, there were no transactions between Modra zavarovalnica and Kapitalska družba that were performed under unusual market terms and conditions. The Company incurred no damage in its operations with the controlling company.

## LEASE OF BUSINESS PREMISES

Modra zavarovalnica 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 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, which are borne by the owner (investment maintenance, insurance of premises and cost of electricity used in the business premises).

## USE OF SOFTWARE

A part of software used by the Company in its operations is owned by Kapitalska družba; this means that the latter is the sole holder of material rights or the holder of the rights to use the 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 uses system infrastructure (servers, communication equipment, multifunctional devices, system software, disk capacities, etc.) that is owned by Kapitalska družba. The lease of system infrastructure and the 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.





**2**  
FINANCIAL  
REPORT

<b>36</b>	<b>Statement on the Management's responsibility</b>
<b>37</b>	<b>Auditor's report</b>
<b>39</b>	<b>Statement of actuarial opinion</b>
<b>40</b>	<b>Income statement</b>
<b>41</b>	<b>Statement of other comprehensive income</b>
<b>42</b>	<b>Balance sheet</b>
<b>43</b>	<b>Cash flow statement</b>
<b>45</b>	<b>Statement of changes in equity 2014</b>
<b>46</b>	<b>Statement of changes in equity 2013</b>
<b>47</b>	<b>Profit or loss appropriation account</b>
<b>48</b>	<b>Disclosures and notes</b>
48	General disclosures
49	Accounting policies
57	Breakdown and disclosures to financial statements

Polona Stropnik  
Advisor in the Contact Center



1,574 SATISFIED  
VISITORS OF THE  
CONTACT CENTRE.



## STATEMENT ON THE MANAGEMENT'S RESPONSIBILITY

The Management Board of Modra zavarovalnica hereby confirms the financial statements of Modra zavarovalnica for the period between 1 January 2014 to 31 December 2014, 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 2014.

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 authorities have the right to audit the company's operations within 10 years after the year in which the tax has been levied, which can subsequently lead to additional tax charges, penalty interest charges and penalties arising from corporate income tax, value added tax and other taxes and duties. The Management Board is not aware of any circumstances that could give rise to possible material liability in this respect.

Ljubljana, 12 March 2015

Matija Debelak  
Member of the  
Management Board



Borut Jamnik  
Chairman of the  
Management Board



**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 31.12.2014, 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.

Ime Deloitte se nanaša na Deloitte Touche Tohmatsu Limited, pravno osebo, ustanovljeno v skladu z zakonodajo Združenega kraljestva Velike Britanije in Severne Irske (v izvirniku »UK private company limited by guarantee«), in mrežo njenih članic, od katerih je vsaka ločena in samostojna pravna oseba. Podroben opis pravne organiziranosti združenja Deloitte Touche Tohmatsu Limited in njenih družb članic je na voljo na [www.deloitte.com/si/nasa-druzba](http://www.deloitte.com/si/nasa-druzba).

Member of Deloitte Touche Tohmatsu Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Modra zavarovalnica d. d. as of 31.12.2014, 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.

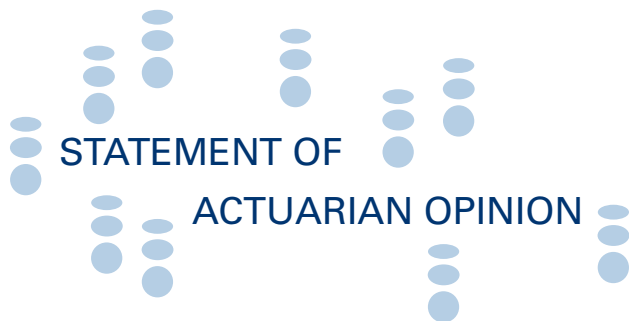
Bojan Bodnaruk  
Certified auditor

**Deloitte.** Yuri Sidorovich  
President of the Board  
DELOITTE REVIZIJA D.O.O.  
Ljubljana, Slovenija 3

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

Ljubljana, 15 April 2015

**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 2014. 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 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 2014 accounting year other financial resources of the insurance undertaking suffice in terms of reasonable actuarial expectations for the fulfilment of obligations arising from insurance contracts.

The total amount of insurance technical provisions as at 31 December 2014 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 2014.

Ljubljana, 10 April 2015

Matjaž Musil   
Appointed actuary of Modra zavarovalnica d. d.






# INCOME STATEMENT<sup>1</sup>

in EUR

Item	Note	2014	2013
<b>I. Net premium income</b>	<b>1.</b>	<b>20,725,700</b>	<b>16,592,991</b>
- gross written premiums		20,725,700	16,592,991
<b>III. Investment income</b>	<b>2.</b>	<b>28,154,485</b>	<b>19,409,752</b>
<b>IV. Other insurance income, of which</b>	<b>4.</b>	<b>6,860,332</b>	<b>6,217,149</b>
- income from fees and commissions		6,148,486	5,872,513
<b>V. Other income</b>	<b>5.</b>	<b>34,843</b>	<b>36,454</b>
<b>VI. Net claims incurred</b>	<b>6.</b>	<b>-13,916,840</b>	<b>-11,600,137</b>
- gross claims paid		-13,916,840	-11,600,137
<b>VII. Change in other technical provisions</b>	<b>7.</b>	<b>-13,139,813</b>	<b>-6,838,890</b>
<b>XI. Operating costs, of which</b>	<b>8.</b>	<b>-5,789,094</b>	<b>-5,437,753</b>
- costs of insurance contract acquisition		-5,227	-680
<b>XIII. Investment expenses, of which</b>	<b>3.</b>	<b>-2,171,745</b>	<b>-3,231,600</b>
- impairment of financial assets not measured at fair value through profit or loss		0	-721,300
<b>XIV. Other insurance expenses</b>	<b>9.</b>	<b>-1,472,634</b>	<b>-11,226,678</b>
<b>XV. Other expenses</b>	<b>10.</b>	<b>-22,176</b>	<b>-93</b>
<b>XVI. Profit or loss before tax</b>		<b>19,263,058</b>	<b>3,921,195</b>
<b>XVII. Income tax</b>	<b>11.</b>	<b>-1,815,803</b>	<b>149,268</b>
<b>XVIII. Net profit or loss for the period</b>		<b>17,447,255</b>	<b>4,070,463</b>
Net earnings per share		0.11	0.03
Diluted net earnings per share		0.11	0.03

<sup>1</sup> Disclosures and notes form an integral part of these financial statements.

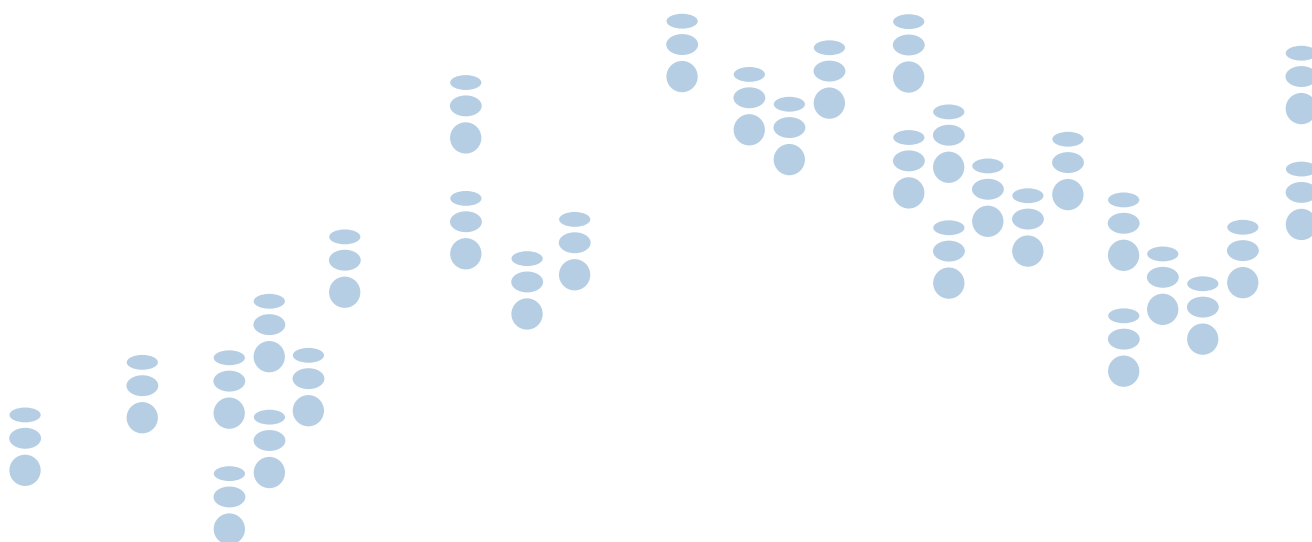


# STATEMENT OF OTHER COMPREHENSIVE INCOME<sup>2</sup>

in EUR

Item	2014	2013
<b>I. Net profit or loss for the financial year after tax</b>	<b>17,447,255</b>	<b>4,070,463</b>
<b>II. Other comprehensive income after tax (a + b)</b>	<b>15,360,066</b>	<b>5,216,685</b>
a. Items that may be reclassified subsequently to profit or loss	15,360,066	5,216,685
Net gains/losses from revaluation of available-for-sale financial assets	18,370,976	6,402,130
Tax on items that may be reclassified subsequently to profit or loss	-3,010,910	-1,185,445
<b>III. Comprehensive income for the financial year after tax (I + II)</b>	<b>32,807,321</b>	<b>9,287,148</b>
Comprehensive income per share	0.22	0.061
Diluted comprehensive income per share	0.22	0.061

<sup>2</sup> Disclosures and notes form an integral part of these financial statements.





**BALANCE  
SHEET<sup>3</sup>**

in EUR

Item	Note	31. 12. 2014	31. 12. 2013
<b>Assets</b>		<b>355,403,888</b>	<b>307,559,789</b>
<b>A. Intangible assets</b>	<b>13.</b>	<b>195,809</b>	<b>178,808</b>
<b>B. Property, plant and equipment</b>	<b>14.</b>	<b>32,796</b>	<b>39,203</b>
<b>C. Non-current assets held for sale</b>	<b>15.</b>	<b>14,666,670</b>	<b>14,666,670</b>
<b>D. Deferred tax assets</b>	<b>12.</b>	<b>0</b>	<b>581,309</b>
<b>G. Investments:</b>	<b>16.</b>	<b>336,518,379</b>	<b>271,402,068</b>
- in loans and deposits		55,412,342	30,796,550
- held to maturity		52,855,282	47,168,345
- available for sale		175,375,115	138,982,547
- at fair value		52,875,640	54,454,626
<b>K. Receivables</b>	<b>17.</b>	<b>1,177,478</b>	<b>14,286,071</b>
1. Receivables from direct insurance transactions		217,374	514,898
4. Other receivables		960,104	13,771,173
<b>L. Other assets</b>	<b>19.</b>	<b>225,423</b>	<b>223,429</b>
<b>M. Cash and cash equivalents</b>	<b>18.</b>	<b>2,587,333</b>	<b>6,182,231</b>
<b>Equity and liabilities</b>		<b>355,403,888</b>	<b>307,559,789</b>
<b>A. Equity</b>	<b>20.</b>	<b>209,044,990</b>	<b>178,075,616</b>
1. Share capital		152,200,000	152,200,000
3. Revenue reserves		17,145,938	7,578,619
4. Revaluation surplus		31,819,116	16,459,050
5. Retained earnings		7,879,936	1,837,947
<b>C. Technical provisions</b>	<b>21.</b>	<b>127,262,628</b>	<b>114,122,814</b>
2. Mathematical provisions		127,262,628	114,122,814
<b>E. Other provisions</b>	<b>22.</b>	<b>10,731,079</b>	<b>12,102,490</b>
<b>G. Deferred tax liabilities</b>		<b>3,339,955</b>	<b>0</b>
<b>J. Operating liabilities</b>	<b>23.</b>	<b>1,702,348</b>	<b>801,202</b>
1. Liabilities from direct insurance transactions		848,262	745,169
3. Current tax liabilities		854,086	56,033
<b>K. Other liabilities</b>	<b>24.</b>	<b>3,322,888</b>	<b>2,457,667</b>

<sup>3</sup> Disclosures and notes form an integral part of these financial statements.



# CASH FLOW STATEMENT<sup>4</sup>

in EUR

Item	2014	2013
<b>A. Cash flows from operating activities</b>		
<b>a) Income statement items</b>	<b>6,099,667</b>	<b>5,563,616</b>
1. Net written insurance premiums for the period	20,725,700	16,592,991
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	6,520,607	6,238,614
4. Net damages paid in the period	-13,916,840	-11,600,137
5. Bonuses and discounts paid	0	0
6. Net operating costs excluding depreciation charges and changes in accrued acquisition expenses	-5,649,770	-5,354,549
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)	-1,472,634	-313,303
9. Income taxes and other taxes not included in operating expenses	-107,396	0
<b>b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items</b>	<b>-809,086</b>	<b>-3,553,159</b>
1. Opening less closing receivables from direct insurance transactions	297,524	-219,023
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	-236,565	623,049
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	103,094	90,532
8. Closing less opening debts from reinsurance transactions	0	0
9. Closing less opening other operating debts	-973,139	-4,047,717
10. Closing less opening other liabilities (other than unearned premiums)	0	0
11. Closing less opening deferred tax liabilities	0	0
<b>c) Net cash flow from operating activities (a + b)</b>	<b>5,290,581</b>	<b>2,010,457</b>

<sup>4</sup>Disclosures and notes form an integral part of these financial statements.

Item		2014	2013
<b>B. Cash flows from investing activities</b>			
<b>a)</b>	<b>Receipts from investing activities</b>	<b>132,456,509</b>	<b>87,296,386</b>
1.	Receipts from interest earned from investing activities	7,426,336	6,194,183
	- investments financed from technical provisions	4,954,760	3,529,062
	- other investments	2,471,576	2,665,121
2.	Receipts from dividends received and profit participations pertaining to	4,656,187	3,673,986
	- investments financed from technical provisions	972,901	725,315
	- other investments	3,683,286	2,948,671
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:	67,541,242	35,888,881
	- technical provisions	18,124,778	13,075,809
	- other sources	49,416,464	22,813,072
6.	Receipts from disposal of short-term investments financed from:	52,832,744	41,539,336
	- technical provisions	32,676,156	20,412,950
	- other sources	20,156,588	21,126,386
<b>b)</b>	<b>Disbursements for investing activities</b>	<b>-139,504,041</b>	<b>-82,920,683</b>
1.	Disbursements for acquisition of intangible assets	-106,104	-107,014
2.	Disbursements for acquisition of property, plant and equipment financed from:	-12,879	-15,467
	- technical provisions	0	0
	- other sources	-12,879	-15,467
3.	Disbursements for acquisition of long-term investments financed from:	-122,262,904	-66,268,874
	- technical provisions	-50,113,550	-33,675,054
	- other sources	-72,149,354	-32,593,820
4.	Disbursements for acquisition of short-term investments financed from:	-17,122,154	-16,529,328
	- technical provisions	-11,668,534	-8,746,348
	- other sources	-5,453,620	-7,782,980
<b>c)</b>	<b>Net cash flow from investing activities (a + b)</b>	<b>-7,047,532</b>	<b>4,375,703</b>
<b>C. Cash flows from financing activities</b>			
<b>a)</b>	<b>Receipts from financing activities</b>	<b>0</b>	<b>0</b>
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>b)</b>	<b>Disbursements for financing activities</b>	<b>-1,837,947</b>	<b>-4,380,316</b>
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	-1,837,947	-4,380,316
<b>c)</b>	<b>Net cash flow from financing activities (a + b)</b>	<b>-1,837,947</b>	<b>-4,380,316</b>
<b>Č. Closing balance of cash and cash equivalents</b>			
x)	Net cash flow for the period (sum of items Ac, Bc and Cc)	-3,594,898	2,005,844
	+		
y)	Opening balance of cash and cash equivalents	6,182,231	4,176,387

<sup>4</sup> Razkritja in pojasnila so sestavni del računovodskih izkazov.



# STATEMENT OF CHANGES IN EQUITY 2014<sup>5</sup>

in EUR

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					
1. Balance as at the end of the previous financial year	152,200,000	0	1,346,415	6,232,204	16,459,050	1,837,947	0	0	178,075,616
2. Restatements (backdated)	0	0	0	0	0	0	0	0	0
3. Adjustments (backdated)	0	0	0	0	0	0	0	0	0
<b>4. Opening balance for the period</b>	<b>152,200,000</b>	<b>0</b>	<b>1,346,415</b>	<b>6,232,204</b>	<b>16,459,050</b>	<b>1,837,947</b>	<b>0</b>	<b>0</b>	<b>178,075,616</b>
5. Comprehensive income for the financial year after tax	0	0	0	0	15,360,066	0	17,447,255	0	32,807,321
5.a Net profit or loss	0	0	0	0	0	0	17,447,255	0	17,447,255
5.b Other comprehensive income	0	0	0	0	15,360,066	0	0	0	15,360,066
6. Subscription (or pay-up) of new capital	0	0	0	0	0	0	0	0	0
7. Repayment of capital	0	0	0	0	0	0	0	0	0
8. Net acquisition/disposal of treasury shares	0	0	0	0	0	0	0	0	0
9. Payment (account) of dividends/bonuses in the form of shares	0	0	0	0	0	0	0	0	0
10. Dividends paid (accounted for)	0	0	0	0	0	-1,837,947	0	0	0
11. Allocation of net profit to revenue reserves	0	0	1,699,888	7,867,431	0	0	-9,567,319	0	0
12. Settlement of loss from previous years	0	0	0	0	0	12,505	-12,505	0	0
13. Creation and use of provisions for credit risk and catastrophe claims	0	0	0	0	0	0	0	0	0
14. Other	0	0	0	0	0	7,867,431	-7,867,431	0	0
<b>15. Closing balance for the period</b>	<b>152,200,000</b>	<b>0</b>	<b>3,046,303</b>	<b>14,099,635</b>	<b>31,819,116</b>	<b>7,879,936</b>	<b>0</b>	<b>0</b>	<b>209,044,990</b>

<sup>5</sup> Disclosures and notes form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY 2013<sup>6</sup>

in EUR

Item	I. Share capital	II. Capital surplus	III. Revenue reserves		IV. Revaluation surplus	V. Retained earnings	VI. Net profit or loss	VII. Own interest (deductible item)	Total equity
			Legal and statutory reserves	Other revenue reserves					
1. Balance as at the end of the previous financial year	152,200,000	0	964,351	4,381,034	11,242,365	4,381,034	0	0	173,168,784
2. Restatements (backdated)	0	0	0	0	0	0	0	0	0
3. Adjustments (backdated)	0	0	0	0	0	0	0	0	0
<b>4. Opening balance for the period</b>	<b>152,200,000</b>	<b>0</b>	<b>964,351</b>	<b>4,381,034</b>	<b>11,242,365</b>	<b>4,381,034</b>	<b>0</b>	<b>0</b>	<b>173,168,784</b>
5. Comprehensive income for the financial year after tax	0	0	0	0	5,216,685	0	4,070,463	0	9,287,148
5.a Net profit or loss for the financial year	0	0	0	0	0	0	4,070,463	0	4,070,463
5.b Other comprehensive income	0	0	0	0	5,216,685	0	0	0	5,216,685
6. Subscription (or pay-up) of new capital	0	0	0	0	0	0	0	0	0
7. Repayment of capital	0	0	0	0	0	0	0	0	0
8. Net acquisition/disposal of treasury shares	0	0	0	0	0	0	0	0	0
9. Payment (account) of dividends/bonuses in the form of shares	0	0	0	0	0	0	0	0	0
10. Dividends paid (accounted for)	0	0	0	0	0	-4,380,316	0	0	-4,380,316
11. Allocation of net profit to revenue reserves	0	0	399,820	1,851,170	0	-718	-2,250,272	0	0
12. Settlement of loss from previous	0	0	0	0	0	0	0	0	0
13. Creation and use of provisions for credit risk and catastrophe claims	0	0	0	0	0	0	0	0	0
14. Other	0	0	-17,756	0	0	1,837,947	-1,820,191	0	0
<b>15. Closing balance for the period</b>	<b>152,200,000</b>	<b>0</b>	<b>1,346,415</b>	<b>6,232,204</b>	<b>16,459,050</b>	<b>1,837,947</b>	<b>0</b>	<b>0</b>	<b>178,075,616</b>

<sup>6</sup>Disclosures and notes form an integral part of these financial statements.

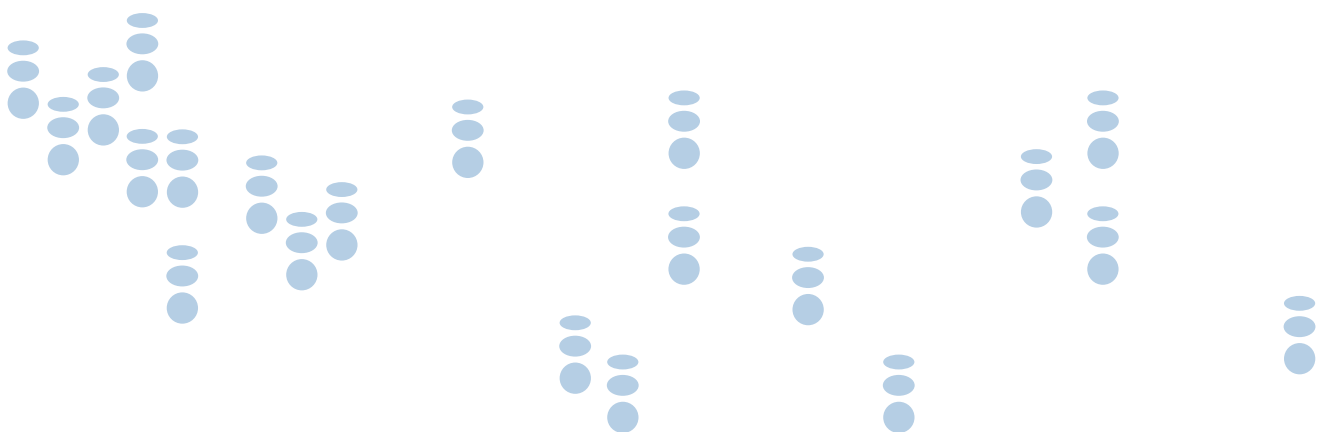


# PROFIT OR LOSS APPROPRIATION ACCOUNT<sup>7</sup>

in EUR

Item	31. 12. 2014	31. 12. 2013
<b>a) Net profit or loss for the financial year</b>	<b>17,447,255</b>	<b>4,070,463</b>
<b>b) Retained net profit or loss</b>	<b>-12,505</b>	<b>0</b>
- profit or loss for the year under the applicable standards	-12,505	0
- adjustment to new accounting standards	0	0
<b>c) Decrease in revenue reserves</b>	<b>0</b>	<b>17,756</b>
<b>č) Increase in revenue reserves in accordance with management decision</b>	<b>1,699,888</b>	<b>399,820</b>
- increase in contingency reserves	0	0
- increase in legal reserves	871,737	205,036
- increase in reserves for treasury shares and own interests	0	0
- increase in statutory reserves	828,151	194,784
<b>d) Increase of other reserves pursuant to the decision of the management</b>	<b>7,867,431</b>	<b>1,850,452</b>
<b>e) Accumulated profit or loss (a + b + c - č - d)</b>	<b>7,867,431</b>	<b>1,837,947</b>

<sup>7</sup> Disclosures and notes form an integral part of these financial statements.





## 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 company was entered in the Companies Register of the District Court of Ljubljana on 3 October 2011.

Modra zavarovalnica carries out 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 are laid down by the law and the company's Articles of Association. Modra zavarovalnica 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 financial statements of the company are integrated 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 [www.kapitalska-druzba.si/o\\_kapitalski\\_druzbi/letna\\_porocila](http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila).

### Funds managed

**Table 17:** Funds managed by Modra zavarovalnica as at 31 December 2014

Fund name	Fund registration no.
Prvi pokojninski sklad Republike Slovenije (First Pension Fund of the Republic of Slovenia)	6031226001
Zaprti vzajemni pokojninski sklad za javne uslužbence (Closed Mutual Pension Fund for Civil Servants)	6031226002
Kapitalski vzajemni pokojninski sklad (Capital Mutual Pension Fund)	6031226003
Guarantee Fund of the First Pension Fund	6031226004
Guarantee Fund Modra Renta	6031226005

### Employees

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

Level of education	31/ 12/ 2014	31/ 12/ 2013
Level 8 (8/1, 8/2)	6	6
Level 7	21	21
Level 6 (6/1, 6/2)	8	9
Level 5	18	18
Level 4	1	1
<b>Total</b>	<b>54</b>	<b>55</b>

### Subsidiaries

As at 31 December 2014, Modra zavarovalnica has no subsidiaries.

## ACCOUNTING POLICIES

### Bases for preparation

The financial statements of the company Modra zavarovalnica have been prepared on the basis of the accounting policies presented below. The financial statements for 2014 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 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 applied all IFRS and IFRIC interpretations applicable in 2014. Modra zavarovalnica did not apply any standard or interpretation not applicable in 2014.

### 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.

### 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 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

Initially, all the company's investments, except for investments allocated at fair value through profit or loss, are recognised at fair value, including the directly related costs of acquisition. 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 EUR 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.

#### **Investment in associate**

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.

The associated company is consolidated in the consolidated annual report of the controlling company.

## 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. 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.

### 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 152.2 million 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.

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 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 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 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 income is calculated and recognised upon its 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 2014 and 31 December 2013, the income statement data for 2014 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 10 - Consolidated financial statements, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);

IFRS 11 - Joint arrangements, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).

IFRS 12 - Disclosure of interests in other entities, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014).

IAS 27 (revised in 2011) - Separate financial statements, adopted by the EU on 11.12.12 (effective for annual periods beginning on or after 01.01.14).



IAS 28 (revised in 2011) - Investments in associates and joint ventures, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IFRS 10 - Consolidated financial statements, IFRS 11 - Joint arrangements and IFRS 12 - Disclosure of interests in other entities - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interests in other entities and IAS 27 (revised in 2011) - Separate financial statements - Investment entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),

Amendments to IAS 32 - Financial instruments: Presentation - Offsetting financial assets and financial liabilities, adopted by the EU on 13 December 2012 (effective for annual periods starting on or after 1 January 2014).

Amendments to IAS 36 - Impairment of assets - Recoverable amount disclosures for non-financial assets, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014),

Amendments to IAS 39 - Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting, adopted by the EU on 19 December 2013 (effective for annual periods starting on or after 1 January 2014),

The adoption of these amendments to the existing standards has not led to any changes in the company's accounting policies.

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

At the date of authorisation of these financial statements, the following standards, amendments of the existing standards and interpretations issued by IASB and adopted by the EU were published but not yet effective:

Amendments to various standards - Improvements to IFRSs (2010-2012), resulting from the annual project for improvement of IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 17 December 2014 (the amendments will need to be applied for annual periods beginning on or after 1 February 2015),

Amendments to various standards - Improvements to IFRSs (2011-2013), resulting from the annual project for improvement of IFRSs (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 18 December 2014 (the amendments will need to be applied for annual periods beginning on or after 1 January 2015),

Amendment to IAS 19 - Employee Benefits - Employee contributions to defined benefit plans, adopted by the EU on 17

December 2014 (effective for annual periods beginning on or after 1 February 2015),

IFRIC 21 - Levies, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The company does not use 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 2014:

IFRS 9 - Financial instruments (effective for annual periods beginning on or after 1 January 2018),

IFRS 14 - Regulatory deferral accounts (effective for annual periods beginning on or after 1 January 2016),

IFRS 15 - Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2017),

Amendments to IFRS 10 - Consolidated financial statements and IAS 28 - Investments in associates and joint ventures - Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016),

Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Disclosure of interests in other entities and IAS 28 - Investments in associates and joint ventures, – Investment entities: Applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016),

Amendments to IFRS 11 - Joint arrangements - Accounting for acquisitions of Interests in joint operations (effective for annual periods beginning on or after 1 January 2016),

Amendments to IAS 1 - Presentation of financial statements - Disclosure initiative (effective for annual periods beginning on or after 1 January 2016),

Amendments to IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets - Acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016),

Amendments to IAS 16 - Property, plant and equipment and IAS 41 - Agriculture: Bearer plants (effective for annual periods beginning on or after 1 January 2016),

Amendments to IAS 27 - Separate financial statements – Equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016),

Amendments to various standards - Improvements to IFRSs (2012-2014), resulting from the annual project for improvement of IFRSs (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to remove inconsistencies and to clarify wording, (the amendments will need to be applied for annual periods beginning on or after 1 January 2016),

The company 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 company will apply the new standards and interpretations in case they are adopted by the EU. Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: 'Financial Instruments: Recognition and measurement' would not significantly impact the financial statements, if applied as at the balance sheet date.

## BREAKDOWN AND DISCLOSURES TO FINANCIAL STATEMENTS

### 3.11.3.1 Notes on the income statement

#### Note No. 1:

Net premium income

in EUR		
Item	2014	2013
Gross life written premiums	20,719,734	16,586,969
Gross non-life written premiums	5,966	6,022
<b>Total</b>	<b>20,725,700</b>	<b>16,592,991</b>

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

#### Note No. 2:

Income from investments

in EUR		
Item	2014	2013
<b>Interest income from investments</b>	<b>5,586,364</b>	<b>6,140,072</b>
At fair value through profit or loss	900,932	970,428
Held-to-maturity	1,947,054	1,923,963
Available-for-sale	1,538,365	1,698,154
Loans and deposits	1,200,007	1,547,502
Cash and cash equivalents	6	26
<b>Dividends from investments</b>	<b>4,713,260</b>	<b>3,698,590</b>
At fair value through profit or loss	985,905	739,108
Available-for-sale	3,727,355	2,959,482
<b>Revaluation income</b>	<b>5,227,166</b>	<b>2,170,581</b>
Investment revaluation at fair value through profit or loss	5,227,166	2,170,581
<b>Income from foreign exchange differences</b>	<b>490,658</b>	<b>51,298</b>
<b>Gains on investment disposal</b>	<b>12,114,330</b>	<b>7,349,157</b>
Available-for-sale	12,097,207	7,348,652
At fair value through profit or loss	17,123	505
<b>Other financial income</b>	<b>22,707</b>	<b>53</b>
<b>Total</b>	<b>28,154,485</b>	<b>19,409,752</b>

In 2014, the total financial revenue amounted to EUR 28,154,485. The largest share is accounted for by income from the disposal of investments. The revenue realised through the sale of Letrika, d.d. shares amounted to EUR 10,756,651.

#### Note No. 3:

Expenses from investments

in EUR		
Item	2014	2013
<b>Interest expenses from investments</b>	<b>-3</b>	<b>-108,066</b>
Other interest expenses	-3	-108,066
<b>Revaluation expense</b>	<b>-1,827,736</b>	<b>-2,590,868</b>
Investment revaluation at fair value through profit or loss	-1,827,736	-1,869,568
Investment revaluation at fair value through equity	0	-721,300
<b>Foreign exchange losses</b>	<b>-37,225</b>	<b>-163,708</b>
<b>Loss on investment disposal</b>	<b>-292,375</b>	<b>-356,344</b>
At fair value through profit or loss	-17,604	-8,115
Held-to-maturity	-274,771	-297,999
Available-for-sale	0	-50,230
<b>Other financial expenses</b>	<b>-14,407</b>	<b>-12,614</b>
<b>Total</b>	<b>-2,171,745</b>	<b>-3,231,600</b>

#### Gains or losses from investments

in EUR		
Item	2014	2013
Income from investments	28,154,485	19,409,752
Expenses from investments	-2,171,745	-3,231,600
<b>Net gains or losses from investments</b>	<b>25,982,740</b>	<b>16,178,152</b>

#### Note No. 4:

Other insurance income

in EUR		
Item	2014	2013
<b>Other insurance income</b>	<b>6,860,332</b>	<b>6,217,149</b>

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

#### Note No. 5:

Other income

v EUR		
Item	2014	2013
<b>Other income</b>	<b>34,843</b>	<b>36,454</b>

Other income includes the revenue arising from unutilised annual leave, rents and other minor items.

**Note No. 6:**

Net claims incurred

in EUR		
Item	2014	2013
Gross claims paid from life insurance	-13,916,840	-11,600,137
Gross claims paid from non-life insurance	0	0
<b>Total</b>	<b>-13,916,840</b>	<b>-11,600,137</b>

Gross claims paid represent the pension annuities paid.

**Note No. 7:**

Change in technical provisions

in EUR		
Item	2014	2013
Change in KS PPS technical provisions	-3,861,268	-205,825
Change in KS MR technical provisions	-9,278,545	-6,633,065
<b>Total</b>	<b>-13,139,813</b>	<b>-6,838,890</b>

**Note No. 8:**

Operating costs

in EUR		
Item	2014	2013
Cost of insurance contract acquisition	-5,227	-680
Cost of material	-99,556	-150,818
Cost of services	-2,845,212	-2,525,620
Write-downs	-108,746	-75,560
Cost of provisions	-26,261	-7,644
Labour costs	-2,643,508	-2,616,747
Other operating costs	-60,583	-60,683
<b>Total</b>	<b>-5,789,094</b>	<b>-5,437,753</b>

In 2014, costs of materials amounted to EUR -99,556 and mostly comprised the costs of printing.

Costs of services totalled EUR -2,845,212. The largest share of the mentioned costs were the costs of intellectual and personal services amounting to EUR -560,819, incurred mostly in relation to disposal procedures for domestic equity investments. Also material are the costs of leasing IT assets and software maintenance amounting to EUR -524,246, the costs of custodian bank amounting to EUR -278,997 and the costs of business premises rent amounting to EUR -333,325.

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

The cost of provisions amounting to EUR -26,261 relate to creation of provisions for jubilee awards and severance pay upon retirement.

Labour costs totalled EUR -2,643,508. EUR -1,936,196 of the mentioned amount is accounted for by the cost of gross salaries and allowances, while the remainder are the cost of contributions on salaries and wages paid, the cost of meal and transport

allowances, the cost of supplementary pension insurance, etc. Other operating costs are the costs of memberships in associations the costs of promotion of occupational safety and health, donations and contribution for promoting employment of disabled persons.

In 2014, the costs of audit totalled EUR -17,690.

**Note No. 9:**

Other insurance expenses

in EUR		
Item	2014	2013
<b>Other insurance expenses</b>	<b>-1,472,634</b>	<b>-11,226,678</b>

In 2014, other insurance expenses include payments effected by the manager to settle the difference to the guaranteed rate of return of mutual pension funds and the management fee for the Modra renta guarantee fund. 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 EUR -10,912,933.

**Note No. 10:**

Other expenses

in EUR		
Item	2014	2013
<b>Other expenses</b>	<b>-22,176</b>	<b>-93</b>

Other expenses in 2014 refer to write-off of operating receivables due to the debtor's insolvency.

**Note No. 11:**

Corporate income tax

in EUR		
Item	2014	2013
Profit or loss for the period before tax	19,263,058	3,921,195
Non-deductible expenses	688,597	1,180,832
Value adjustments of inventories and receivables	0	0
Provisioning	0	0
Non-taxable income	-8,994,153	-4,049,608
Tax allowance	-152,574	-224,473
Tax loss	-5,478,751	-498,342
<b>Total (tax base)</b>	<b>5,326,177</b>	<b>329,604</b>
Income tax (17 %)	905,450	56,033
Tax on dividends from abroad	0	0

The effective interest rate amounts to 4.7% % (the ratio between the accounted for income tax and the profit or loss of the period before tax).

**Note No. 12:**

Deferred tax

in EUR

Item	Balance sheet as at 31/12/2014	Balance sheet as at 31/12/2013	2014 income statement	2013 income statement
Deferred income tax – liabilities, of which:	8,655,348	5,664,189	19,752	357,609
Revaluation of AFS financial assets to fair value	5,823,462	2,812,551	0	0
Liabilities from investments carried forward	2,831,886	2,851,638	19,752	357,609
Total deferred income tax liabilities	8,655,348	5,664,189	19,752	357,609
Deferred income tax – receivables, of which:	5,315,393	6,245,498	-930,105	-152,308
Retained loss that can be used for tax allowances	2,964,293	3,895,681	-931,387	-84,718
Value adjustments of investments	2,337,879	2,338,653	-774	-69,291
Provisions	13,221	11,164	2,056	1,701
Total deferred income tax assets	5,315,393	6,245,498	-930,105	-152,308
<b>Netting of deferred income tax assets and liabilities</b>	<b>-3,339,955</b>	<b>581,309</b>	<b>-910,353</b>	<b>205,301</b>

**Changes in deferred tax recognised directly in equity**

in EUR

Changes in deferred tax	2014	2013
Balance as at 1 January	5,664,189	4,836,352
Changes during the year	2,991,159	827,837
<b>Balance as at 31 December 2014</b>	<b>8,655,348</b>	<b>5,664,189</b>

## Notes to the balance sheet

**Note No. 13:**

Changes in intangible assets and long-term accrued revenue and deferred costs

in EUR

2014	Software	Intangible assets in acquisition	Total
Cost as at 1 January 2014	257,383	5,871	263,255
New acquisitions	38,326	68,134	106,460
Disposals	0	0	0
Cost as at 31 December 2014	295,709	74,005	369,714
Value adjustment as at 1 January 2014	-84,446	0	-84,446
Increases	0	0	0
Transfers	0	0	0
Decreases	0	0	0
Write-downs	0	0	0
Amortisation	-89,459	0	-89,459
Value adjustment as at 31 December 2014	-173,905	0	-173,905
Carrying amount as at 1 January 2014	172,937	5,871	178,808
<b>Carrying amount as at 31 December 2014</b>	<b>121,804</b>	<b>74,005</b>	<b>195,809</b>

in EUR

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
<b>Carrying amount as at 31 December 2013</b>	<b>172,937</b>	<b>5,871</b>	<b>178,808</b>

**Note No. 14:**

Changes in property, plant and equipment

in EUR			
2014	Equipment	Company	Total
Cost as at 1 January 2014	41,113	25,280	66,393
New acquisitions	12,880	0	12,880
Disposals	0	0	0
Cost as at 31 December 2014	53,993	25,280	79,273
Value adjustment as at 1 January 2014	-16,235	-10,955	-27,190
Increases	0	0	0
Transfers	0	0	0
Decreases	0	0	0
Write-downs	0	0	0
Depreciation	-14,231	-5,056	-19,287
Value adjustment as at 31 December 2014	-30,466	-16,011	-46,477
Carrying amount as at 1 January 2014	24,878	14,325	39,203
<b>Carrying amount as at 31 December 2014</b>	<b>23,527</b>	<b>9,269</b>	<b>32,796</b>

in EUR			
2013	Equipment	Company	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
<b>Carrying amount as at 31 December 2013</b>	<b>24,878</b>	<b>14,325</b>	<b>39,203</b>

**Note No. 15:**

Non-current assets held for sale

As at 31 December 2014, the company Modra zavarovalnica discloses the investment in its associated undertaking Cinkarna Celje d.d. amounting to EUR 14,666,670 under its non-current assets held for sale. As at the end of 2014, market value of the investment amounted to EUR 28,844,451.

**Note No. 16:**

Investments

in EUR			
Item	Own investments	Investments by guarantee funds	Total 31/12/2014
Loans and deposits	31,101,677	24,310,665	55,412,342
Held-to-maturity investments	1,532,460	51,322,822	52,855,282
Available-for-sale financial assets	175,375,115	0	175,375,115
Investments at fair value through profit or loss	0	52,875,640	52,875,640
<b>Total</b>	<b>208,009,252</b>	<b>128,509,128</b>	<b>336,518,379</b>

in EUR			
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
<b>Total</b>	<b>156,902,546</b>	<b>114,499,521</b>	<b>271,402,068</b>

**Investments in loans and deposits**

in EUR		
Item	31/ 12/ 2014	31/ 12/ 2013
Long-term investment in loans and deposits	9,380,000	3,850,000
Short-term investment in loans and deposits	46,032,342	26,946,550
<b>Total</b>	<b>55,412,342</b>	<b>30,796,550</b>

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

**Investments in securities**

in EUR		
Item	31/ 12/ 2014	31/ 12/ 2013
Financial assets at fair value through profit or loss	52,875,640	54,454,626
Investment at fair value through profit or loss	29,602,994	26,319,540
Equity securities	23,272,646	28,135,086
Debt securities	175,375,115	138,982,546
Available-for-sale financial assets	126,707,327	90,705,039
Equity securities	48,667,788	48,277,508
Debt securities	52,855,282	47,168,346
<b>Total</b>	<b>281,106,037</b>	<b>240,605,518</b>

## Changes in investments in securities

in EUR

Modra zavarovalnica	Held to maturity	Available for sale	At fair value	Total
Balance as at 1 January 2014	47,168,346	138,982,546	54,454,626	240,605,518
Acquisitions	14,337,646	49,566,106	23,966,957	87,870,709
Revaluation/impairments/revalorisation	1,947,053	31,974,318	4,482,338	38,403,709
Sales	0	-29,075,498	-19,710,899	-48,786,397
Maturity	-10,597,763	-16,072,357	-10,317,382	-36,987,502
<b>Balance as at 31 December 2014</b>	<b>52,855,282</b>	<b>175,375,115</b>	<b>52,875,640</b>	<b>281,106,037</b>

in EUR

Guarantee funds	Held to maturity	Available for sale	At fair value	Total
Balance as at 1 January 2014	47,168,346	0	54,454,626	101,622,972
Acquisitions	12,810,426	0	23,966,957	36,777,383
Revaluation/impairments/revalorisation	1,941,813	0	4,482,338	6,424,151
Sales	0	0	-19,710,899	-19,710,899
Maturity	-10,597,763	0	-10,317,382	-20,915,145
<b>Balance as at 31 December 2014</b>	<b>51,322,822</b>	<b>0</b>	<b>52,875,640</b>	<b>104,198,462</b>

in EUR

Own assets	Held to maturity	Available for sale	At fair value	Total
Balance as at 1 January 2014	0	138,982,546	0	138,982,546
Acquisitions	1,527,220	49,566,106	0	51,093,326
Revaluation/impairments/revalorisation	5,240	31,974,318	0	31,979,558
Sales	0	-29,075,498	0	-29,075,498
Maturity	0	-16,072,357	0	-16,072,357
<b>Balance as at 31 December 2014</b>	<b>1,532,460</b>	<b>175,375,115</b>	<b>0</b>	<b>176,907,575</b>

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

in EUR

Investment	31/ 12/ 2014	31/ 12/ 2013
Debt instruments	124,795,717	123,580,939
Fixed interest rate	121,710,534	120,378,565
Variable interest rate	3,085,183	3,202,374
Loans and deposits	55,412,342	30,796,550
Fixed interest rate	55,412,342	30,796,550
Variable interest rate	0	0
<b>Total</b>	<b>180,208,059</b>	<b>154,377,489</b>

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 changes in interest rates

in EUR

Investments as at 31 December 2014	Up to one year	From 1 to 5 years	Over 5 years	Total
Investment at fair value through profit or loss	6,408,887	12,700,705	4,163,054	23,272,646
Held-to-maturity investments	5,005,995	19,027,641	28,821,646	52,855,283
Available-for-sale financial assets	7,121,996	20,726,056	20,819,735	48,667,788
Loans and deposits given	46,032,342	9,380,000	0	55,412,342
Cash and cash equivalents	2,587,333	0	0	2,587,333
<b>Total</b>	<b>67,156,553</b>	<b>61,834,402</b>	<b>53,804,436</b>	<b>182,795,392</b>

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

### Note No. 17:

#### Receivables

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013
Receivables from direct insurance transactions	217,374	514,898
Other receivables	960,103	13,771,173
<b>Total</b>	<b>1,177,478</b>	<b>14,286,071</b>

Other receivables consist of short-term receivables from the fee arising from the management of the Modra renta guarantee fund, of mutual pension funds, short-term interest receivables and minor items.

In 2013, the largest item of other receivables were short-term receivables from debt security buyers amounting to EUR 12,025,520.

### Note No. 18:

#### Cash and cash equivalents

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013
Cash on bank accounts and cash on hand	1,299,033	531,232
Deposits redeemable at notice	1,288,300	5,651,000
<b>Total</b>	<b>2,587,333</b>	<b>6,182,232</b>

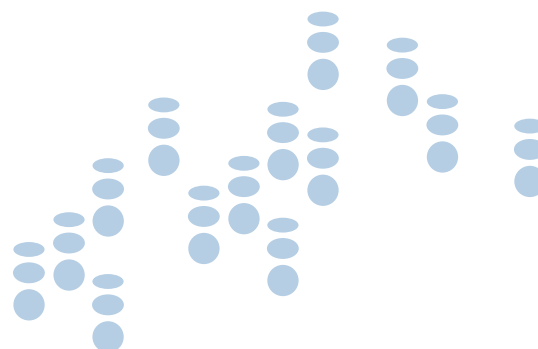
### Note No. 19:

#### Other assets

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013
Other assets	225,423	223,429

Other assets amounting to EUR 225,423 comprise short-term accrued revenue and deferred costs.



**Note No. 20:**

Equity

**Share capital**

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013
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 nominal capital totals EUR 152,200,000. The share capital is divided into 152,200,000 ordinary registered no par value shares. Each share has the same interest and the attributed 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 shares as at 31 December 2014 was EUR 1.37 per share. Modra zavarovalnica d.d. is fully owned by Kapitalaska družba d.d.

**Changes in individual equity components**

in EUR

Item	Share capital	Capital surplus	Revenue reserves	Revaluation surplus	Retained earnings	Net profit or loss for the financial year	Total
1 January 2014	152,200,000	0	7,578,619	16,459,050	1,837,947	0	178,075,616
Change	0	0	9,567,319	15,360,066	6,041,989	0	30,969,374
<b>31/ 12/ 2014</b>	<b>152,200,000</b>	<b>0</b>	<b>17,145,938</b>	<b>31,819,116</b>	<b>7,879,936</b>	<b>0</b>	<b>209,044,990</b>

Revenue reserves represent legal and statutory reserves in the amount of EUR 3,046,303 and other revenue reserves amounting to EUR 14,099,635.

**Note No.21:**

Technical provisions

**Technical provisions**

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013
KS PPS technical provisions	100,032,164	96,170,896
KS MR technical provisions	27,230,464	17,951,918
<b>Total</b>	<b>127,262,628</b>	<b>114,122,815</b>

Technical provisions are mathematical provisions of the life insurance guarantee funds and are presented in the chapter 'Disclosures of insurance contracts'.

**Changes in technical provisions**

in EUR

Item	2014 mathematical provisions	2013 mathematical provisions
Opening balance	114,122,815	107,283,925
Newly formed during the year	15,948,374	7,480,110
Drawing of provisions during the year	-2,808,561	-641,220
<b>Closing balance</b>	<b>127,262,628</b>	<b>114,122,815</b>



**Note No. 22:**

Other provisions

**Other provisions**

in EUR

Other provisions	31/ 12/ 2014	31/ 12/ 2013
Provisions for not achieving the guaranteed return rate	10,575,542	10,942,982
Provisions for the deficit of KS PPS assets	0	1,028,165
Provisions for pensions, jubilee awards and severance pay upon retirement	155,537	131,344
<b>Total</b>	<b>10,731,079</b>	<b>12,102,491</b>

**Changes in other provisions**

in EUR

Item	Provisions for not achieving the guaranteed return rate	Provisions for the deficit of KS PPS assets	Other provisions	Total
1 January 2014	10,942,982	1,028,165	131,344	12,102,491
Newly formed during the year	0	0	26,261	26,261
Drawing of provisions	0	0	-2,068	-2,068
Reversal of provisions	-367,440	-1,028,165	0	-1,395,605
<b>31 December 2014</b>	<b>10,575,542</b>	<b>0</b>	<b>155,537</b>	<b>10,731,079</b>

At the end of 2013, provisions for severance pay upon retirement and jubilee awards amounting to EUR 26,261 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. 23:**

Operating liabilities

in EUR

Item	31 December 2014	31 December 2013
Liabilities from direct insurance transactions	848,262	745,168
Liabilities from reinsurance and co-insurance transactions	0	0
Current tax liabilities	854,086	56,033
<b>Total</b>	<b>1,702,349</b>	<b>801,201</b>

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. 24:**

Other liabilities

in EUR

Item	31 December 2014	31 December 2013
Short-term liabilities to employees	239,472	220,747
Short-term liabilities for shares in claims incurred	0	0
Other short-term liabilities from insurance transactions	397,060	163,401
Short-term financing liabilities	0	0
Short-term trade liabilities	1,954,818	166,699
Other short-term liabilities	82,349	120,665
Accrued costs	185,851	198,676
Short-term deferred revenue	447,809	1,545,652
Fund manager's liability to pay the difference up to the guaranteed return rate of mutual pension fund (VPS)	3,633	0
Long-term liabilities	11,896	41,829
<b>Total</b>	<b>3,322,888</b>	<b>2,457,669</b>

Short-term liabilities to employees relate to liabilities arising from salaries and wages for December 2014.

Short-term trade liabilities are the liabilities to securities dealers.

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 2015 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

### Structure of long-term insurance contracts

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

in EUR		
Types of disbursements	31/ 12/ 2014	31/ 12/ 2013
KS PPS	95,601,895	96,170,896
KS MR	27,230,464	17,951,918
<b>Total</b>	<b>122,832,359</b>	<b>114,122,814</b>

The total current gross value of future disbursements of all types of KS PPS differs from technical provisions KS PPS, which amount to EUR 100,032,164 by the amount of equalisation provisions for PPS yield experience amounting to EUR 4,430,269.

The total current gross value of future disbursements of all types of KS PPS pension annuities as at 31 December 2014 amounts to EUR 95,601,895. 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 rights. 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 EUR 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 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;
- 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 s at 31 December 2014

in EUR		
Change in return	Increase in return by 0.25 p.p.	Decrease in return by 0.25 p.p.
Change in liabilities (provisions)	-227,298	233,326

**Table 21:** Changes in interest rates/return for KS MR as at 31 December 2013

in EUR		
Change in return	Increase in return by 0.25 p.p.	Decrease in return by 0.25 p.p.
Change in liabilities (provisions)	-139,901	145,427

## Change in mortality

**Table 22:** Change in mortality as at 31 December 2014 for KS PPS

in EUR		
Change in mortality	Increase in mortality variable by 10%	Decrease in mortality variable by 10%
Change in liabilities (provisions)	-3,092,664	3,508,971

Increase in mortality variable by 10% would result in a decrease of liabilities by EUR 3,092,664. The calculation of changes in liabilities due to changes in mortality applied DAV2004R annuity tables.

**Table 23:** Change in mortality as at 31 December 2013 for KS PPS

in EUR		
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 EUR 3,044,522. The calculation of changes in liabilities due to changes in mortality applied DAV2004R annuity tables.

**Table 24:** Change in mortality as at 31 December 2014 for KS MR

in EUR		
Change in mortality	Increase in mortality variable by 10%	Decrease in mortality variable by 10%
Change in liabilities (provisions)	-125,780	137,238

Increase in mortality variable by 10% would result in a decrease of liabilities by EUR 125,780. The calculation of changes in liabilities due to changes in mortality applied DAV1994R annuity tables.

**Table 25:** Change in mortality as at 31 December 2013 for KS MR

in EUR		
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 EUR 77,403. The calculation of changes in liabilities due to changes in mortality applied DAV1994R annuity tables.

## Risk management

Modra zavarovalnica 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 EUR		
Item	31/ 12/ 2014	31/ 12/ 2013
Minimum capital requirement	43,459,910	40,684,393
Minimum capital requirement for life insurance	40,959,910	38,184,393
Minimum capital requirement for non-life insurance	2,500,000	2,500,000
Surplus of available capital	154,545,042	131,478,787
Surplus of available capital for life insurance products	152,025,561	128,969,226
Surplus of available capital for non-life insurance products	2,519,481	2,509,561

## 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 in place processes for monitoring credit risk exposure to financial institutions, in the instruments of which the company invests its assets, and thresholds for major exposure to debt securities failing to achieve investment grade. Within the scope of the company's internal acts, credit ratings of business partners are determined using internal model and taking into account credit ratings by Standard & Poor's, Fitch in Moody's, where second best credit rating is considered. The Management

Board has the responsibility to decide on approval of investments based on internal committees' proposals.

Credit risk is managed through dispersion of investments by issuers, industries and geographical areas. The credit risk arising from foreign debt securities is normally managed through investing in the foreign debt securities that are given a credit rating BBB- or more by renowned credit rating agencies, as well as through adjustment of the credit rating structure of the portfolio to the adopted internal limitations.

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

**Table 27:** Exposure of financial assets to credit risk, not taking into account any collateral, as at 31 December 2014

in EUR

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	542,298	11,626,189	4,558,504	6,545,655	0	23,272,646
Held-to-maturity investments	13,417,001	39,236,818	0	201,464	0	52,855,283
Available-for-sale financial assets	13,885,616	28,400,233	1,956,984	4,424,954	0	48,667,788
Loans and deposits given	0	19,830,000	0	35,582,342	0	55,412,342
Cash and cash equivalents	16,094	2,539,600	0	31,639	0	2,587,333
<b>Total</b>	<b>27,861,009</b>	<b>101,632,840</b>	<b>6,515,488</b>	<b>46,786,054</b>	<b>0</b>	<b>182,795,392</b>

**Table 28:** Exposure of financial assets to credit risk, not taking into account any collateral, as at 31 December 2013

in EUR

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
<b>Total</b>	<b>28,920,247</b>	<b>101,920,805</b>	<b>3,348,533</b>	<b>26,370,136</b>	<b>0</b>	<b>160,559,721</b>

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.

## Currency risk

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

in EUR		
Currency	31/ 12/ 2014	31/ 12/ 2013
Assets denominated in Euro	297,268,300	248,795,800
Assets denominated in US dollar	53,181,808	40,365,550
Assets denominated in other currencies	3,322,275	3,089,620
<b>Total</b>	<b>353,772,382</b>	<b>292,250,970</b>

As at 31 December 2014, 84% of the company's financial assets were denominated in EUR currency, 15% in US dollar and the remainder was in other currencies.

## 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. Due to decreasing interest rates, the assets were exposed to the risk of reinvestment.

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

Region	31/ 12/ 2014	31/ 12/ 2013
Slovenia	114,651,824	102,304,275
Other countries	68,143,568	58,255,446
<b>Total</b>	<b>182,795,392</b>	<b>160,559,721</b>

**Table 31:** Currency risk of financial assets as at 31 December 2014

in EUR		
Changes of USD exchange rate in %	Effect on profit or loss	Effect on equity
+/- 10	+/- 159,230	+/- 5,158,951

**Table 32:** Currency risk of financial assets as at 31 December 2013

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

Interest rate risk is managed predominantly through adjustment of structure of investments with which the duration of portfolio is adapted, through restructuring of investment with fixed interest rate to investment with variable interest rate, or vice versa, and with allocation of investment into the category of investment held to maturity and through using derivatives for hedging against interest rate risk, which were not used in the previous period.

**Table 33:** Sensitivity analysis of investments with respect to changes in market interest rates as at 31 December 2014 – change of interest rate by 50 basis points  
in EUR

Item	Change of interest rate	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/- 0.5 %	+/- 434	-/+ 101,797	-/+ 101,363
Held-to-maturity investments	+/- 0.5 %	0	0	0
Available-for-sale financial assets		+/- 14,992	-/+ 221,618	-/+ 206,626
Loans and deposits	+/- 0.5 %	+/- 0	-/+ 0	+/- 0
<b>Total</b>		<b>+/- 15,426</b>	<b>-/+ 323,414</b>	<b>-/+ 307,989</b>

Calculation of sensitivity of the interest income is based on the investments with variable interest rate, while in calculating the effect on fair value the investment with fixed interest rate are taken into account.

**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 EUR

Item	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		+/- 132,71	+/- 195,704	+/- 182,433
Loans and deposits	+/- 0.5 %	+/- 0	+/- 0	+/- 0
<b>Total</b>		<b>+/- 14,039</b>	<b>+/- 292,245</b>	<b>+/- 278,206</b>

## 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 equity securities portfolio as at 31 December 2014  
in EUR

Change of index	Effect on profit or loss	Effect on equity
+/- 10 %	+/- 2,960,299	+/- 14,137,400

**Table 36:** Market risk of the equity securities portfolio as at 31 December 2013  
in EUR

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

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

Financial instrument	31/ 12/ 2014	31/ 12/ 2013
Securities traded on organised market	288,191,350	249,006,341
Investment at fair value through profit or loss	46,640,014	49,495,313
Held-to-maturity investments	52,855,283	47,168,346
Available-for-sale financial assets	188,696,053	152,342,683
Securities not traded on organised market	7,581,358	6,265,846
Investment at fair value through profit or loss	6,235,626	4,959,313
Held-to-maturity investments	0	0
Available-for-sale financial assets	1,345,731	1,306,533
<b>Total</b>	<b>295,772,707</b>	<b>255,272,188</b>

At the end of 2014, the investments traded on organised securities markets accounted for 97% of assets.

Investments measured at fair value through profit or loss and not traded on organised market are shares amounting to EUR 3,409,005; the remainder are commercial notes.

**Table 38:** Overview of financial assets by book and fair value as at 31 December 2014

in EUR		
Financial asset	Book value	Fair value
Investment at fair value through profit or loss	52,875,640	52,875,640
Held-to-maturity investments	52,855,283	58,784,379
Available-for-sale financial assets	190,041,785	190,041,785
Investments in loans and deposits	55,412,342	55,412,342
Cash and cash equivalents	2,587,333	2,587,333
<b>Total</b>	<b>353,772,382</b>	<b>359,701,479</b>

**Table 39:** Overview of financial assets by book and fair value as at 31 December 2013

in EUR		
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
<b>Total</b>	<b>292,250,970</b>	<b>293,843,053</b>

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 2014

in EUR				
Item	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	40,395,159	10,176,329	2,304,152	52,875,640
Available-for-sale financial assets	176,992,136	6,024,578	7,025,071	190,041,785
<b>Total</b>	<b>217,387,295</b>	<b>16,200,907</b>	<b>9,329,223</b>	<b>242,917,425</b>

**Level 1**

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. This group includes also the assets that are measured based on the prices obtained in the Bloomberg system, provided that the market values verification model showed that model prices are based on market data.

Bloomberg system prices are not directly the prices at which the company could sell its securities as at the valuation date, however their use ensures an objective evaluation, while the price reflects real market transactions and is a proper indicator of the price that the company would achieve upon securities disposal on the market. Namely, bidders' prices do not differ materially from the applied price. Assets are categorised at level 1, if the price has been created entirely on market data and if more than 50% of it is, at the same time, based on directly exercisable listings.

**Level 2**

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. Moreover, level 2 includes also debt investments measured on the basis of Bloomberg

system data, for which the above market value verification model showed that the price was mostly created on the basis of market data and that, at the same time, less than 50% of it is based on directly exercisable listings.

Debt investment are allocated to level 2 based on the market value verification model amount to EUR 8,118,341. These investments were allocated from level 1 as at 31 December 2014. This allocation had no effect on the fund profit or loss.

Based on comparable market data, value of the BCE 14 security is assessed to EUR 2,053,337. The BCE14 security price is calculated on the basis of discount rate for comparable industry securities, credit rating and currency. Discount rate is calculated using average credit spreads for comparable securities and from comparable Euro Swap curve in relation to modified duration for security BCE14.

Level 2 includes also the investments in shares of the companies Elektro Gorenjska Kranj, Elektro Maribor, Elektro Celje and Elektro Primorska, totalling EUR 1,856,877. The value of investments is determined using market data of comparable listed companies. Value assessment was based on the procedure of total equity and multiple EV/EBITDA. The discussed investments were transferred from level 3 to level 2 as at 31 December 2014. This allocation had no effect on the fund profit or loss.

Level 2 includes also all commercial notes GEN02 and IML01 in total amount of EUR 4,172,352. Their prices are calculated on the basis of theoretical (amortised) value of commercial notes, which are calculated based on the interest rate arising from an individual acquisition.

### Level 3

Level 3 includes investments where fair value is determined based on own valuation models that take into account the subjective variables not publicly available on markets and the debt investments valued on the basis of the Bloomberg system data, for which the above model of market value verification showed that the prices are based on non-observed data.

Using the market value verification model, securities of some Slovenian banks and illiquid Slovenian government bonds in total value of EUR 7,777,094 were allocated to level 3. These securities were allocated to level 3 from level 1 as at 31 December 2014. This allocation had no effect on the fund profit or loss.

Level 3 comprises also shares of certain Slovenian companies in total amount of EUR 1,552,128, the majority of which are the shares of Hit, d. d., Elektro Ljubljana, d. d., and Certa, d. d. Value of these investment was determined primarily using the method of present value of future cash flows. As at 31 December 2014, fair value of the investment in the company Hit, d.d. amounted to EUR 780,656. Discount rate of 7.8% was used in valuation. As at 31 December 2014, fair value of the investment in the company Certa, d.d. amounted to EUR 280,566; long-term growth of 2% and discount rate of 15% were taken into

account. Fair value of the investment in the company Elektro Ljubljana, d. d., amounted to EUR 260,126 as at 31 December 2014; valuation was done taking into account discount rate of 8.56% and long-term growth of 2.5%.

**Table 41:** Changes in level 3 investment

in EUR	
Item	31/12/2014
Initial amount	3,872,525
Allocation to level 3	7,777,094
Allocation from level 3	-1,856,877
Acquiring	835,842
Disposal	0
Revaluation through profit or loss	-1,299,362
<b>Total</b>	<b>9,329,223</b>

Using the market value verification model, securities of some Slovenian banks and illiquid Slovenian government bonds in total value of EUR 7,777,094 were allocated to level 3. Reallocation of EUR 1,856,877 from level 3 refers to the above mentioned investments in shares of the companies Elektro Gorenjska Kranj, Elektro Maribor, Elektro Celje and Elektro Primorska. Acquisitions refer entirely to the transfer of investments from PPS to KS PPS. Revaluation through profit or loss in the amount of EUR -1,299,362 includes negative revaluation of shares of the companies Premogovnik Velenje, d. d., Certa, d. d., and Slovenian companies dealing with electricity distribution.

### Liquidity risk

Liquidity risk is a possibility that the company's liabilities will not be settled by the due date. As at 31 December 2014, Modra zavarovalnica disclosed a total surplus of EUR 241,313,674 in expected non-discounted cash inflows over outflows.

**Table 42:** Expected actual non-discounted cash flows as at 31 December 2014

in EUR					
Item	Up to 1 year	From 1 to 5 years	Over 5 years	With no maturity	Total
Investments in securities	33,038,775	63,813,116	54,911,824	170,976,991	322,740,705
- at fair value through profit or loss	7,208,984	13,973,521	4,216,223	29,602,994	55,001,722
- held to maturity	6,719,350	24,545,474	31,514,184	0	62,779,008
- available for sale	19,110,441	25,294,121	19,181,416	141,373,997	204,959,975
Loans and deposits given	48,089,331	9,742,983	0	0	57,832,313
Cash and cash equivalents	2,587,333	0	0	0	2,587,333
Receivables	1,177,478	0	0	0	1,177,478
<b>Total assets</b>	<b>84,892,916</b>	<b>73,556,099</b>	<b>54,911,824</b>	<b>170,976,991</b>	<b>384,337,829</b>
Operating liabilities as at 31 December 2014	1,702,349	0	0	0	1,702,349
Other liabilities as at 31 December 2013	3,310,992	11,896	0	0	3,322,888
Liabilities of PPS and MR Guarantee Funds as at 31 December 2014	12,550,305	32,543,185	92,905,428	0	137,998,918
<b>Total liabilities</b>	<b>17,563,645</b>	<b>32,555,081</b>	<b>92,905,428</b>	<b>0</b>	<b>143,024,155</b>
<b>Difference</b>	<b>67,329,271</b>	<b>41,001,017</b>	<b>-37,993,605</b>	<b>170,976,991</b>	<b>241,313,674</b>

Shares and other equity instruments are disclosed under no-maturity item.



**Tabela 43:** Expected actual non-discounted cash flows as at 31 December 2013

in EUR

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
<b>Total assets</b>	<b>77,004,404</b>	<b>64,905,136</b>	<b>50,131,878</b>	<b>131,691,249</b>	<b>323,732,667</b>
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
<b>Total liabilities</b>	<b>13,984,477</b>	<b>27,416,602</b>	<b>94,364,990</b>	<b>0</b>	<b>135,766,069</b>
<b>Difference</b>	<b>63,019,927</b>	<b>37,488,534</b>	<b>-44,233,112</b>	<b>131,691,249</b>	<b>187,966,598</b>

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

**Table 44:** Effective interest rates by investment groups

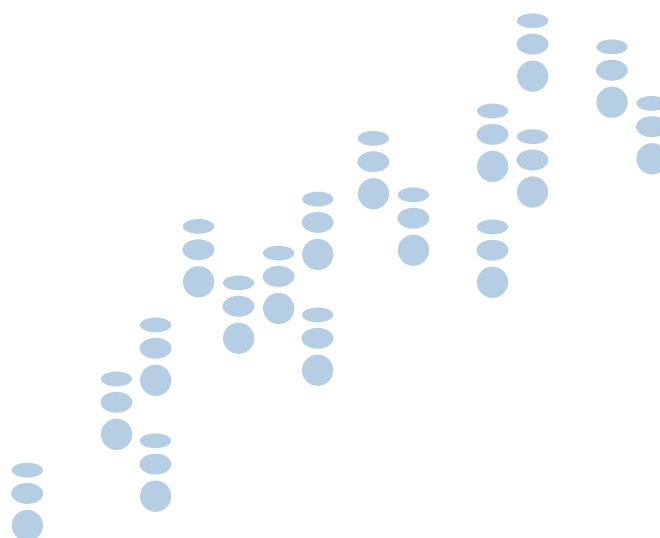
Item	2014	2013
Held-to-maturity investments	4.05 %	4.08 %
Investments in loans and deposits	2.21 %	2.97 %

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

**Table 45:** Return by investment groups

Item	2014	2013
Financial at fair value through profit or loss	10.69 %	3.55 %
Held-to-maturity investments	3.89 %	4.22 %
Available-for-sale investments	31.12 %	11.42 %
Investments in loans and deposits	2.65 %	3.76 %

In calculation of return, the investment in Cinkarna Celje, d.d. shares is also taken into account in terms of available-for-sale investments. This investment was otherwise allocated under non-current assets held for sale as at 31 December 2014, in line with IFRS 5, and is measured considering the price as at the allocation date.

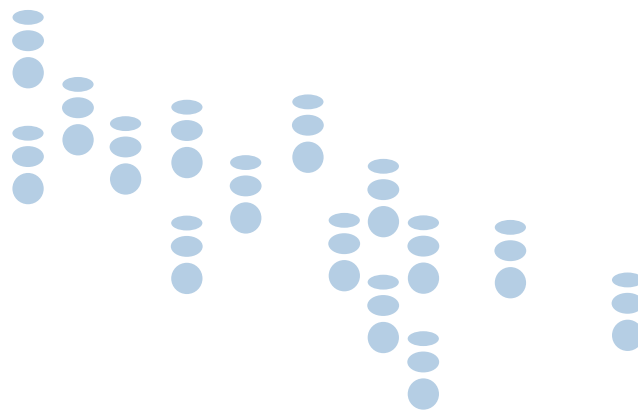


## Other disclosures

### 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 EUR 483,809.

In 2014, Modra zavarovalnica granted no prepayments or loans to Members of the Management and Supervisory Boards nor did it assume any liabilities on their behalf.



**Table 46:** Gross remuneration in 2014 by recipient category

in EUR	
Category of recipients	Value
Members of the Management Board	233,111
Members of the Supervisory Board	79,363
Employees with manager contracts	171,335
<b>Total</b>	<b>483,809</b>

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

**Tabela 47:** Remuneration of Members of the Management Board in 2014

in EUR								
Name and surname	Fixed remuneration	Outstanding payments	Fringe benefits	Holiday allowance	Reimbursement of costs	Insurance premiums (PDPZ)	Jubilee benefit	Total
Borut Jamnik	106,845	5,393	2,333	789	4,413	2,819	689	<b>123,281</b>
Matija Debelak	98,938	4,854	97	789	2,333	2,819	0	<b>109,830</b>

Fixed remuneration includes gross salaries. Outstanding payments include part 1 of the variable remuneration for 2013. 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 48:** Remuneration of Members of the Supervisory Board in 2014

in EUR				
Name and surname	Fixed remuneration	Monthly allowance	Reimbursement of costs	Total
Branimir Štrukelj	2,420	0	0	<b>2,420</b>
Aleš Groznik	3,520	15,675	277	<b>19,472</b>
Bojan Zupančič	2,970	11,369	0	<b>14,339</b>
Dario Radešič	3,520	10,450	1,066	<b>15,036</b>
Goran Bizjak	3,520	10,450	302	<b>14,272</b>
Marino Furlan	2,695	10,450	679	<b>13,824</b>

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 2014, there were no transactions between Modra zavarovalnica and its controlling company Kapitalska družba d.d. that were carried out under unusual market terms and conditions. Modra zavarovalnica incurred a total of EUR 675,984 of costs from operations with the controlling company. The company leased business premises from Kapitalska družba d.d. and used its IT services.

As at 31 December 2014, Modra zavarovalnica disclosed operating liabilities to the controlling company amounting to EUR 43,208.

In 2014, the company paid dividends amounting to 1,837,947 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**

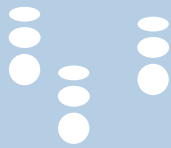
At the beginning of 2015, the quantitative easing programme, i.e. comprehensive buying of government bonds by ECB, resulted in decreased yield for those bonds. A lower of risk-free interest rates in 2015 could result in additional provisioning, if required so by liability adequacy test.





# 3

APPENDIX



78	<b>Selected operating performance ratios</b>
80	<b>Financial statements pursuant to the decision of the Insurance Supervision Agency</b>
99	<b>Index of tables</b>
100	<b>Index of figures</b>
101	<b>List of abbreviations used</b>

Nataša Hočevar  
HR Advisor

A portrait of a woman with vibrant red hair and bangs, wearing a dark blue top and a necklace with a red rose and beads. The background is a solid blue-grey color.

18,593 CALLS MADE  
TO THE TOLL-FREE  
TELEPHONE NUMBER.



## SELECTED OPERATING PERFORMANCE RATIOS

Ratio		2014	2013
<b>1. Total</b>	<b>Increase in gross written premium (index)</b>	<b>125%</b>	<b>94%</b>
	Life insurance	125%	94%
	Non-life insurance	99%	559%
<b>2. Total</b>	<b>Net written premium as % of gross written premium</b>	<b>100%</b>	<b>100%</b>
	Life insurance	100%	100%
	Non-life insurance	100%	100%
<b>3. Total</b>	<b>Changes in gross claims paid (index)</b>	<b>120%</b>	<b>151%</b>
	Life insurance	120%	151%
	Non-life insurance	-	-
<b>4. Total</b>	<b>Average claim</b>	<b>84 EUR</b>	<b>80 EUR</b>
	Life insurance	84 EUR	80 EUR
	Non-life insurance	-	-
<b>5. Total</b>	<b>Loss ratio</b>	<b>67%</b>	<b>70%</b>
	Life insurance	67%	70%
	Non-life insurance	-	-
<b>6. Total</b>	<b>Operating costs as % of gross written premium</b>	<b>28%</b>	<b>33%</b>
	Life insurance	27%	32%
	Non-life insurance	1,878%	3,502%
<b>7. Total</b>	<b>Cost of acquisition as % of gross written premium</b>	<b>0%</b>	<b>0%</b>
	Life insurance	0%	0%
	Non-life insurance	2%	0%
<b>8. Total</b>	<b>Investment performance as % of the average balance of investments</b>	<b>9%</b>	<b>6%</b>
	Life insurance	9%	6%
	Guarantee funds	8%	4%
	Non-life insurance	3%	3%
<b>9. Total</b>	<b>Net claims provisions as % of net premium income</b>	<b>0</b>	<b>0</b>
	Life insurance	0	0
	Non-life insurance	0	0
<b>10. Total</b>	<b>Gross profit or loss for the year as % of net written premium</b>	<b>93%</b>	<b>24%</b>
	Life insurance	93%	24%
	Non-life insurance	557%	-582%
<b>11. Total</b>	<b>Gross profit or loss for the year as % of average equity</b>	<b>10%</b>	<b>2%</b>
	Life insurance	10%	2%
	Non-life insurance	1%	-1%
<b>12. Total</b>	<b>Gross profit or loss for the year as % of average assets</b>	<b>6%</b>	<b>1%</b>
	Life insurance	6%	1%
	Non-life insurance	1%	-1%

Ratio		2014	2013
<b>13. Total</b>	<b>Gross profit or loss for the year per share</b>	<b>0,13 EUR</b>	<b>0,03 EUR</b>
Life insurance	Gross profit or loss for the year per share	-	-
Non-life insurance	Gross profit or loss for the year per share	-	-
<b>14. Total</b>	<b>Net profit or loss as % of average equity</b>	<b>9%</b>	<b>2%</b>
Life insurance	Net profit or loss as % of average equity	9%	2%
Non-life insurance	Net profit or loss as % of average equity	1%	-1%
<b>15. Total</b>	<b>The company's available capital as % of net insurance premium</b>	<b>955%</b>	<b>1.038%</b>
Life insurance	The company's available capital as % of net insurance premium	931%	1.008%
Non-life insurance	The company's available capital as % of net insurance premium	84,135%	83,189%
<b>16. Skupaj</b>	<b>The company's available capital as % of minimum capital</b>	<b>456%</b>	<b>423%</b>
Life insurance	The company's available capital as % of minimum capital	471%	438%
Non-life insurance	The company's available capital as % of minimum capital	201%	200%
<b>17. Total</b>	<b>The company's available capital as % of technical provisions</b>	<b>156%</b>	<b>151%</b>
Life insurance	The company's available capital as % of technical provisions	152%	146%
Non-life insurance	The Company's available capital as % of technical provisions	-	-
<b>18. Total</b>	<b>The company's available capital as % of reinsurance receivables and the reinsurer's share of technical provisions</b>	<b>-</b>	<b>-</b>
<b>19. Total</b>	<b>Net written premium as % of the average balance of equity and technical provisions</b>	<b>7%</b>	<b>6%</b>
Life insurance	Net written premium as % of the average balance of equity and technical provisions	7%	6%
Non-life insurance	Net written premium as % of the average balance of equity and technical provisions	0%	0%
<b>20. Total</b>	<b>Net written premium as % of the average balance of equity</b>	<b>11%</b>	<b>9%</b>
Life insurance	Net written premium as % of the average balance of equity	11%	10%
Non-life insurance	Net written premium as % of the average balance of equity	0%	0%
<b>21. Total</b>	<b>Average balance of net technical provisions as % of net premium income</b>	<b>614%</b>	<b>667%</b>
Life insurance	Average balance of net technical provisions as % of net premium income	614%	667%
Non-life insurance	Average balance of net technical provisions as % of net premium income	-	-
<b>22. Total</b>	<b>Equity as % of net unearned premium</b>	<b>-</b>	<b>-</b>
Life insurance	Equity as % of net unearned premium	-	-
Non-life insurance	Equity as % of net unearned premium	-	-
<b>23. Total</b>	<b>Equity as % of liabilities</b>	<b>59%</b>	<b>57%</b>
Life insurance	Equity as % of liabilities	58%	56%
Non-life insurance	Equity as % of liabilities	100%	99%
<b>24. Total</b>	<b>Net technical provisions as % of liabilities</b>	<b>36%</b>	<b>36%</b>
Life insurance	Net technical provisions as % of liabilities	36%	37%
Non-life insurance	Net technical provisions as % of liabilities	0%	0%
<b>25. Total</b>	<b>Net mathematical provisions to net technical provisions</b>	<b>100%</b>	<b>100%</b>
<b>26. Total</b>	<b>Gross written premium to the number of full-time employees</b>	<b>383,809 EUR</b>	<b>301,691 EUR</b>



# 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 2014 by segment

		in EUR		
Item		Life	Non-life	Total
<b>ASSETS</b>		<b>350,354,188</b>	<b>5,049,700</b>	<b>355,403,888</b>
A.	Intangible assets	195,809	0	195,809
B.	Property, plant and equipment	32,796	0	32,796
C.	Non-current assets held for sale	14,666,670	0	14,666,670
D.	Deferred tax assets	0	0	0
E.	Investment property	0	0	0
F.	Investments in group companies and associates	0	0	0
G.	Investments:	331,576,940	4,941,439	336,518,379
	- loans and deposits	51,962,342	3,450,000	55,412,342
	- held to maturity	52,070,624	784,658	52,855,282
	- available for sale	174,668,334	706,781	175,375,115
	- at fair value	52,875,640	0	52,875,640
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	1,170,372	7,106	1,177,478
1.	Receivables from direct insurance transactions	216,749	625	217,374
2.	Receivables from reinsurance and co-insurance transactions	0	0	0
3.	Current tax assets	0	0	0
4.	Other receivables	953,623	6,481	960,104
L.	Other assets	225,423	0	225,423
M.	Cash and cash equivalents	2,486,178	101,155	2,587,333

in EUR

Item	Life	Non-life	Total
<b>EQUITY AND LIABILITIES</b>	<b>350,354,188</b>	<b>5,049,700</b>	<b>355,403,888</b>
A. Equity	204,018,847	5,026,143	209,044,990
1. Share capital	147,200,000	5,000,000	152,200,000
2. Capital surplus	0	0	0
3. Revenue reserves	17,137,837	8,101	17,145,938
4. Revaluation surplus	31,807,736	11,380	31,819,116
5. Retained earnings	7,873,274	6,662	7,879,936
6. Net profit or loss for the financial year	0	0	0
B. Subordinated liabilities	0	0	0
C. Technical provisions	127,262,628	0	127,262,628
1. Unearned premiums	0	0	0
2. Mathematical provisions	127,262,628	0	127,262,628
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	10,728,636	2,443	10,731,079
F. Liabilities associated with non-current assets held for sale	0	0	0
G. Deferred tax liabilities	3,333,974	5,981	3,339,955
H. Liabilities from financial contracts	0	0	0
I. Other financial liabilities	0	0	0
J. Operating liabilities	1,699,581	2,767	1,702,348
1. Liabilities from direct insurance transactions	848,262	0	848,262
2. Liabilities from reinsurance and co-insurance transactions	0	0	0
3. Current tax liabilities	851,319	2,767	854,086
K. Other liabilities	3,310,522	12,366	3,322,888

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

in EUR

Item	Life	Non-life	Total
<b>ASSETS</b>	<b>302,536,714</b>	<b>5,025,371</b>	<b>307,559,789</b>
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
<b>EQUITY AND LIABILITIES</b>	<b>302,536,714</b>	<b>5,025,371</b>	<b>307,559,789</b>
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

Income statement items for the period between 1 January and 31 December 2014 by segment

in EUR

Items	Life	Non-life	Total
I. NET PREMIUM INCOME	20,719,734	5,966	20,725,700
- Gross written premiums	20,719,734	5,966	20,725,700
- Ceded reinsurance and co-insurance written premium	0	0	0
- Change in unearned premiums	0	0	0
II. INCOME FROM INVESTING IN RELATED PARTIES, 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	28,015,412	139,073	28,154,485
IV. OTHER INSURANCE INCOME, of which	6,860,332	0	6,860,332
- fee and commission income	6,148,486	0	6,148,486
V. OTHER INCOME	34,637	206	34,843
VI. NET CLAIMS INCURRED	13,916,840	0	13,916,840
- Gross claims paid	13,916,840	0	13,916,840
- Reinsurer and co-insurer's shares	0	0	0
- Change in claims provisions	0	0	0
VII. CHANGE IN OTHER TECHNICAL PROVISIONS	-13,139,813	0	-13,139,813
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	5,677,070	112,024	5,789,094
- costs of insurance contract acquisition	5,127	100	5,227
XII. EXPENSES FROM INVESTING IN RELATED PARTIES, 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	2,171,745	0	2,171,745
- impairment of financial assets that are not measured at fair value through profit or loss	0	0	0
XIV. OTHER INSURANCE EXPENSES	1,472,634	0	1,472,634
XV. OTHER EXPENSES	22,176	0	22,176
XVI. PROFIT OR LOSS BEFORE TAX	19,229,837	33,221	19,263,058
XVII. INCOME TAX	-1,809,849	-5,954	-1,815,803
<b>XVIII. NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>17,419,988</b>	<b>27,267</b>	<b>17,447,255</b>

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

in EUR

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 INVESTING IN RELATED PARTIES, 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 INSURANCE INCOME, 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 INVESTING IN RELATED PARTIES, 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 of financial assets that are not measured at fair value through profit or loss	721,300	0	721,300
XIV. - impairment loss of financial assets not measured at fair value through profit or loss	11,226,678	0	11,226,678
XV. OTHER INSURANCE EXPENSES	93	0	93
XVI. OTHER EXPENSES	3,956,220	-35,025	3,921,195
XVII. PROFIT OR LOSS BEFORE TAX	144,504	4,764	149,268
<b>XVIII. INCOME TAX</b>	<b>4,100,724</b>	<b>-30,261</b>	<b>4,070,463</b>

## Statement of comprehensive income items for the period between 1 January to 31 December 2014 by segment

in EUR

Item	Life	Non-life	Total
I. NET PROFIT FOR THE FINANCIAL YEAR AFTER TAX	17,419,988	27,267	17,447,255
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a+b)	15,357,630	2,436	15,360,066
a. Items that will not be reclassified subsequently to profit or loss (1+2+3+4+5+6)	0	0	0
1. Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	0
2. Net gains/losses recognised in the surplus from revaluation of intangible assets property, plant and equipment	0	0	0
3. Net actuarial gains/losses for pension schemes	0	0	0
4. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
5. Items that will not be reclassified subsequently to profit or loss	0	0	0
6. Tax on items subsequently not reclassified to profit or loss	0	0	0
b. Items that may be reclassified subsequently to profit or loss (1+2+3+4+5)	15,357,630	2,436	15,360,066
1. Net gains/losses from the revaluation of available-for-sale financial assets	18,368,041	2,935	18,370,976
1.1. Gains/losses recognised in revaluation surplus	30,178,976	14,436	30,193,412
1.2. Transfer of gains/losses from revaluation surplus to profit or loss	-11,810,935	-11,501	-11,822,436
1.3. Other reclassifications	0	0	0
2. Net gains/losses from cash flows hedge (successful hedging)	0	0	0
2.1. Net gains/losses recognised in revaluation surplus	0	0	0
2.2. Transfer of gains/losses from revaluation surplus to profit or loss	0	0	0
2.3. Transfer of gains/losses revaluation surplus to the carrying amount of a hedged item	0	0	0
3. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
4. Other items that may be reclassified subsequently to profit or loss	0	0	0
5. Tax on items that may be reclassified subsequently to profit or loss	-3,010,411	-499	-3,010,910
<b>III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)</b>	<b>32,777,618</b>	<b>29,703</b>	<b>32,807,321</b>

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

in EUR

Items	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 (a+b)	5,207,740	8,945	5,216,685
a. Items that will not be reclassified subsequently to profit or loss (1+2+3+4+5+6)	0	0	0
1. Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	0
2. Net gains/losses recognised in the surplus from revaluation of property, plant and equipment	0	0	0
3. Net actuarial gains/losses for pension schemes	0	0	0
4. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
5. Items that will not be reclassified subsequently to profit or loss	0	0	0
6. Tax on items subsequently not reclassified to profit or loss	0	0	0
b. Items that may be reclassified subsequently to profit or loss (1+2+3+4+5)	5,207,740	8,945	5,216,685
1. Net gains/losses from revaluation of available-for-sale financial assets	6,391,354	10,776	6,402,130
1.1. Gains/losses recognised in revaluation surplus	13,689,776	10,776	13,700,552
1.2. Transfer of gains/losses from revaluation surplus to profit or loss	-7,298,422	0	-7,298,422
1.3. Other reclassification	0	0	0
2. Net gains/losses from cash flows hedge (successful hedging)	0	0	0
2.1. Gains/losses recognised in revaluation surplus	0	0	0
2.2. Transfer of gains/losses from revaluation surplus to profit or loss	0	0	0
2.3. Transfer of gains/losses revaluation surplus to the carrying amount of a hedged item	0	0	0
3. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
4. Other items that may be reclassified subsequently to profit or loss	0	0	0
5. Tax on items that may be reclassified subsequently to profit or loss	-1,183,614	-1,831	-1,185,445
<b>III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)</b>	<b>9,308,464</b>	<b>-21,316</b>	<b>9,287,148</b>

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 EUR

Items	31/ 12/ 2014			31/ 12/ 2013			Index
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	7 = 3/6*100
<b>A. ASSETS</b>	<b>350,354,188</b>	<b>5,049,700</b>	<b>355,403,888</b>	<b>302,536,714</b>	<b>5,025,371</b>	<b>307,562,085</b>	<b>116</b>
<b>A. INTANGIBLE FIXED ASSETS</b>	<b>195,809</b>	<b>0</b>	<b>195,809</b>	<b>178,808</b>	<b>0</b>	<b>178,808</b>	<b>110</b>
1. Intangible fixed assets	195,809	0	195,809	178,808	0	178,808	110
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>B. INVESTMENTS IN LAND AND BUILDINGS AND FINANCIAL INVESTMENTS</b>	<b>346,243,610</b>	<b>4,941,439</b>	<b>351,185,049</b>	<b>281,137,745</b>	<b>4,930,993</b>	<b>286,068,738</b>	<b>123</b>
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	14,666,670	0	14,666,670	100
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	14,666,670	0	14,666,670	100
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	331,576,940	4,941,439	336,518,379	266,471,075	4,930,993	271,402,068	124
1. Long-term investments	257,806,632	1,449,854	259,256,486	204,981,713	1,597,847	206,579,560	125
1.1. Shares and other securities with variable yield and mutual fund coupons	147,072,906	0	147,072,906	108,840,555	0	108,840,555	135
1.2. Debt securities and other securities with fixed yield	101,353,726	1,449,854	102,803,580	93,291,158	597,847	93,889,005	109
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/ 12/ 2014			31/ 12/ 2013			Index
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	7 = 3/6*100
1.6. Bank deposits	9,380,000	0	9,380,000	2,850,000	1,000,000	3,850,000	244
1.7. Other investments	0	0	0	0	0	0	0
2. Short-term investments	73,770,308	3,491,585	77,261,893	61,489,362	3,333,146	64,822,508	119
2.1. Shares and interests acquired for sale	9,094,662	0	9,094,662	8,081,776	0	8,081,776	113
2.2. Securities acquired for sale or with remaining maturity of up to 1 year	21,950,551	41,585	21,992,136	28,408,788	1,283,146	29,691,934	74
2.3. Short-term loans given	0	0	0	0	0	0	0
2.4. Short-term bank deposits	42,582,342	3,450,000	46,032,342	24,896,550	2,050,000	26,946,550	171
2.5. Other short-term investments	142,753	0	142,753	102,248	0	102,248	140
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
<b>C. INVESTMENTS FOR THE BENEFIT OF UNIT-LINKED INSURANCE CONTRACTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D. RECEIVABLES</b>	<b>1,170,372</b>	<b>7,106</b>	<b>1,177,478</b>	<b>14,863,277</b>	<b>6,399</b>	<b>14,869,676</b>	<b>8</b>
I. RECEIVABLES FROM DIRECT INSURANCE TRANSACTIONS	216,749	625	217,374	514,357	541	514,898	42
1. Receivables from policyholders	216,749	625	217,374	514,357	541	514,898	42
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	953,623	6,481	960,104	14,348,920	5,858	14,354,778	7
1. Receivables for advances for intangible assets	0	0	0	0	0	0	0



Items	31/ 12/ 2014			31/ 12/ 2013			Index
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	7 = 3/6*100
2. Other short-term receivables from insurance transactions	1,087	0	1,087	3,801	0	3,801	29
3. Short-term receivables from financing activities	275,124	6,481	281,605	274,293	5,858	280,151	101
4. Other short-term receivables	677,412	0	677,412	13,487,221	0	13,487,221	5
5. Other short-term receivables due from group companies	0	0	0	0	0	0	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	0	0	0	583,605	0	583,605	0
IV. UNPAID CALLED-UP CAPITAL	0	0	0	0	0	0	0
<b>E. MISCELLANEOUS ASSETS</b>	<b>2,518,974</b>	<b>101,155</b>	<b>2,620,129</b>	<b>6,133,455</b>	<b>87,979</b>	<b>6,221,434</b>	<b>42</b>
I. PROPERTY, PLANT AND EQUIPMENT OTHER THAN LAND AND BUILDINGS	32,796	0	32,796	39,203	0	39,203	84
1. Equipment	32,035	0	32,035	39,203	0	39,203	82
2. Other property, plant and equipment	761	0	761	0	0	0	0
II. CASH AND CASH EQUIVALENTS	2,486,178	101,155	2,587,333	6,094,252	87,979	6,182,231	42
III. INVENTORIES AND OTHER ASSETS	0	0	0	0	0	0	0
1. Inventories	0	0	0	0	0	0	0
2. Other assets	0	0	0	0	0	0	0
<b>F. SHORT-TERM ACCRUED REVENUE AND DEFERRED COSTS</b>	<b>225,423</b>	<b>0</b>	<b>225,423</b>	<b>223,429</b>	<b>0</b>	<b>223,429</b>	<b>101</b>
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	225,423	0	225,423	223,429	0	223,429	101
<b>G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>H. OFF-BALANCE SHEET RECORDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B LIABILITIES</b>	<b>350,354,188</b>	<b>5,049,700</b>	<b>355,403,888</b>	<b>302,536,714</b>	<b>5,025,371</b>	<b>307,562,085</b>	<b>116</b>
<b>A. EQUITY</b>	<b>204,018,847</b>	<b>5,026,143</b>	<b>209,044,990</b>	<b>173,079,177</b>	<b>4,996,439</b>	<b>178,075,616</b>	<b>117</b>
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	17,137,837	8,101	17,145,938	7,578,619	0	7,578,619	226
1. Safety reserve	0	0	0	0	0	0	0
2. Legal and statutory reserves	3,044,864	1,439	3,046,303	1,346,415	0	1,346,415	226
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	14,092,973	6,662	14,099,635	6,232,204	0	6,232,204	226

Items	31/ 12/ 2014			31/ 12/ 2013			Index
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	7 = 3/6*100
IV. REVALUATION SURPLUS	31,807,736	11,380	31,819,116	16,450,106	8,944	16,459,050	193
1. Property, plant and equipment revaluation surplus	0	0	0	0	0	0	0
2. Revaluation surplus from long-term investments	31,807,736	11,380	31,819,116	16,450,106	8,944	16,459,050	193
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	7,873,274	6,662	7,879,936	1,850,452	-12,505	1,837,947	429
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	0	0	0	0	0	0	0
<b>B. SUBORDINATED LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>C. GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUM INCOME</b>	<b>127,262,628</b>	<b>0</b>	<b>127,262,628</b>	<b>114,122,814</b>	<b>0</b>	<b>114,122,814</b>	<b>112</b>
I. Gross unearned premium	0	0	0	0	0	0	0
II. Gross mathematical provisions	127,262,628	0	127,262,628	114,122,814	0	114,122,814	112
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
<b>D. GROSS TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>E. PROVISIONS FOR OTHER RISKS AND COSTS</b>	<b>10,728,636</b>	<b>2,443</b>	<b>10,731,079</b>	<b>12,100,692</b>	<b>1,798</b>	<b>12,102,490</b>	<b>89</b>
1. Provisions for pensions	153,094	2,443	155,537	129,545	1,798	131,343	118
2. Other provisions	10,575,542	0	10,575,542	11,971,147	0	11,971,147	88
<b>F. LIABILITIES FOR REINSURERS' INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>G. OTHER LIABILITIES</b>	<b>7,711,006</b>	<b>20,525</b>	<b>7,731,531</b>	<b>1,490,233</b>	<b>26,605</b>	<b>1,516,838</b>	<b>510</b>
I. LIABILITIES FROM DIRECT INSURANCE TRANSACTIONS	848,262	0	848,262	745,169	0	745,169	114
1. Liabilities to policyholders	848,262	0	848,262	745,169	0	745,169	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/ 12/ 2014			31/ 12/ 2013			Index
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	7 = 3/6*100
VI. OTHER LIABILITIES	6,862,744	20,525	6,883,269	745,064	26,605	771,669	892
a) Other long-term liabilities	3,345,870	5,981	3,351,851	41,829	2,296	44,125	7,596
1. Long-term liabilities from finance lease	0	0	0	0	0	0	0
2. Other long-term liabilities	11,896	0	11,896	41,829	0	41,829	28
3. Deferred tax liabilities	3,333,974	5,981	3,339,955	0	2,296	2,296	145,468
b) Other short-term liabilities	3,516,874	14,544	3,531,418	703,235	24,309	727,544	485
1. Short-term liabilities to employees	213,112	0	213,112	191,275	0	191,275	111
2. Other short-term liabilities from insurance transactions	397,011	49	397,060	163,368	33	163,401	243
3. Short-term financial liabilities	0	0	0	0	0	0	0
4. Corporate income tax liabilities	851,319	2,767	854,086	56,033	0	56,033	1,524
5. Other short-term liabilities	2,012,223	11,728	2,023,951	223,104	24,276	247,380	818
6. Other short-term liabilities to group companies	43,209	0	43,209	69,455	0	69,455	62
<b>H. ACCRUED COSTS AND DEFERRED REVENUE</b>	<b>633,071</b>	<b>589</b>	<b>633,660</b>	<b>1,743,798</b>	<b>529</b>	<b>1,744,327</b>	<b>36</b>
1. Accrued costs and expenses	185,839	12	185,851	198,654	21	198,675	94
2. Other accrued costs and deferred revenue	447,232	577	447,809	1,545,144	508	1,545,652	29
<b>I. NON-CURRENT LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>J. OFF-BALANCE SHEET RECORDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Statement of total comprehensive income

in EUR

Item	2014	2013	Index (in %)
<b>A. Technical account for non-life insurance other than health insurance</b>			
I. Net premium income	5,966	6,022	99
1. Gross written premiums	5,966	6,022	99
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	112,024	210,899	53
1. Cost of insurance contract acquisition	100	0	0
2. Change in deferred insurance acquisition costs (+/-)	0	0	0
3. Other operating expenses	111,924	210,899	53
3.1. Depreciation of assets required for operation	2,525	3,306	76
3.2. Labour costs	71,623	122,512	58
3.2.1. Employee salaries and wages	53,067	93,773	57
3.2.2. Social security and pension insurance costs	11,368	19,771	57
3.2.3. Other labour costs	7,188	8,968	80
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	2,435	2,688	91
3.4. Other operating costs	35,341	82,393	43
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. Other net insurance expenses	0	0	0
2. Other net insurance expenses	0	0	0
3. Other net insurance expenses	0	0	0
<b>IX. Profit or loss from non-life insurance other than health insurance (I+II+III-IV+V-VI-VII-VIII)</b>	<b>-106,058</b>	<b>-204,877</b>	<b>52</b>
<b>B. Technical account for life insurance</b>			
I. Net premium income	20,719,734	16,586,969	125
1. Gross written premiums	20,719,734	16,586,969	125
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	2014	2013	Index
II. Investment income	28,015,412	19,227,898	146
1. Income from dividends and profit participation	4,713,260	3,698,590	127
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	1,787,704	1,059,260	169
1.3. Income from dividends and other profit participation in other companies	2,925,556	2,639,330	111
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)	23,302,152	15,529,308	150
2.1. Income from land and buildings	0	0	0
2.2. Interest income	5,463,077	5,958,218	92
2.3. Other investment income	17,839,075	9,571,090	186
2.3.1. Financial income from revaluation	17,329,995	9,519,738	182
2.3.2. Other financial income	509,080	51,352	991
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	6,860,332	6,217,149	110
V. Net claims incurred	13,916,840	11,600,137	120
1. Gross claims paid	13,916,840	11,600,137	120
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 (+/-)	-13,139,813	-6,838,890	192
1. Change in mathematical provisions	-13,139,813	-6,838,890	192
1.1. Change in gross mathematical provisions	-13,139,813	-6,838,890	192
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	5,677,070	5,226,854	109
1. Cost of insurance contract acquisition	5,127	680	754
2. Change in deferred insurance acquisition costs (+/-)	0	0	0
3. Other operating costs	5,671,943	5,226,174	109
3.1. Employee salaries and wages	106,221	72,254	147
3.2. Labour costs	2,571,884	2,494,235	103
3.2.1. Plače zaposlenih	1,922,098	1,896,907	101
3.2.2. Social security and pension insurance costs	410,213	405,902	101
3.2.3. Other labour costs	239,573	191,426	125
3.3. Stroški storitev fizičnih oseb, ki ne opravljajo dejavnosti (stroški po pogodbah o delu, pogodbah o avtorskem delu in v zvezi z drugimi pravnimi razmerji), skupaj z dajatvami, ki bremenijo podjetje	122,211	88,042	139
3.4. Ostali obratovalni stroški	2,871,627	2,571,643	112
4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	0
IX. Investment expenses	2,171,745	3,218,566	67
1. Investment expenses	0	0	0
2. Investment expenses	51,634	992,654	5
3. Investment expenses	1,845,340	1,877,683	98
4. Investment expenses	274,771	348,229	79

Item	2014	2013	Index
X. Net unrealised losses on unit-linked life insurance contracts	0	0	0
XI. Other net technical expenses	1,472,634	11,226,678	13
1. Expenses for prevention activities	0	0	0
2. Other net insurance expenses	1,472,634	11,226,678	13
XII. Allocated ROI transferred to net profit or loss (-)	17,980,056	11,890,199	151
<b>XIII. Profit or loss from life insurance (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)</b>	<b>1,237,320</b>	<b>-7,969,308</b>	<b>-16</b>
<b>D. Net profit or loss of the company</b>			
I. Profit or loss from non-life insurance other than health insurance (A.IX)	-106,058	-204,877	52
II. Profit or loss from life insurance (B.XIII)	1,237,320	-7,969,308	-16
III. Profit or loss from health insurance (C.XIII)	0	0	0
IV. Investment income	139,073	181,854	76
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. in 2.3)	139,073	181,854	76
2.1. Income from land and buildings	0	0	0
2.2. Interest income	123,286	181,854	68
2.3. Other investment income	15,787	0	0
2.3.1. Financial income from revaluation	11,501	0	0
2.3.2. Other financial income	4,286	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)	17,980,056	11,890,199	151
VI. Allocated ROI transferred from the technical account for health insurance (C.X)	0	0	0
VII. Investment expenses	0	13,034	0
1. Depreciation of assets not required for operation	0	0	0
2. Expenses for asset management, interest expenses and other financial expenses	0	13,034	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	34,843	36,454	96
1. Other income from non-life insurance other than health insurance	206	1,032	20
2. Other income from life insurance	34,637	35,422	98
3. Other income from health insurance	0	0	0

Item	2014	2013	Index
XII. Other expenses	22,176	93	23,845
1. Other expenses from non-life insurance other than health insurance	0	0	0
2. Other expenses from life insurance	22,176	93	23,845
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)	19,263,058	3,921,195	491
1. Profit or loss for the period before tax	33,221	-35,025	-95
2. Profit or loss for the period before tax	19,229,837	3,956,220	486
3. Profit or loss for the period before tax	0	0	0
XIV. Income tax	905,450	56,033	1,616
XV. Deferred taxes	-910,353	205,301	-443
XVI. Net profit or loss for the period (XIII-XIV+XV)	17,447,255	4,070,463	429
<b>E. Comprehensive income calculation</b>			
I. NET PROFIT OR LOSS FOR THE PERIOD AFTER TAX	17,447,255	4,070,463	429
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)	15,360,066	5,216,685	294
a. Items that will not be reclassified subsequently to profit or loss (1+2+3+4+5+6)	0	0	0
1. Net gains/losses recognised in the surplus from revaluation of intangible assets	0	0	0
2. Net gains/losses recognised in the surplus from revaluation of property, plant and equipment	0	0	0
3. Net actuarial gains/losses for pension schemes	0	0	0
4. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
5. Items that will not be reclassified subsequently to profit or loss	0	0	0
6. Tax on items subsequently not reclassified to profit or loss	0	0	0
b. Items that may be reclassified subsequently to profit or loss (1+2+3+4+5)	15,360,066	5,216,685	294
1. Net gains/losses from the re-assessment of available-for-sale financial assets	18,370,976	6,402,130	287
2. Net gains/losses from cash flows hedge (successful hedging)	0	0	0
3. Pertaining net profit/loss from equity investments in associates and joint ventures accounted using the equity method	0	0	0
4. Other items that may be reclassified subsequently to profit or loss	0	0	0
5. Tax on items that may be reclassified subsequently to profit or loss	-3,010,910	-1,185,445	254
III. COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX (I + II)	32,807,321	9,287,148	353

## Assets and liabilities of guarantee funds

### Assets and liabilities of the PPS Guarantee Fund

in EUR

Item	31/ 12/ 2014	31/ 12/ 2013	Index
<b>ASSETS</b>	<b>101,773,263</b>	<b>96,929,404</b>	<b>105</b>
<b>A. Investments in real estate and financial investments</b>	<b>100,758,857</b>	<b>95,574,686</b>	<b>105</b>
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	100,758,857	95,574,686	105
1. Shares and other securities with variable yield and mutual fund coupons	24,295,227	22,860,667	106
2. Debt securities with fixed yield	58,770,877	61,105,367	96
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	17,550,000	11,506,404	153
7. Other investments	142,753	102,248	140
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>B. Receivables</b>	<b>74,913</b>	<b>1,108,704</b>	<b>7</b>
I. Receivables from direct insurance transactions	15,436	18,285	84
1. Receivables from policyholders	15,436	18,285	84
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	59,477	1,090,419	5
<b>C. Miscellaneous assets</b>	<b>939,493</b>	<b>246,014</b>	<b>382</b>
I. Cash and cash equivalents	939,493	246,014	382
II. Other assets	0	0	-
<b>D. Short-term accrued revenue and deferred costs</b>	<b>0</b>	<b>0</b>	<b>-</b>
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	-
<b>LIABILITIES</b>	<b>101,773,263</b>	<b>96,929,404</b>	<b>100</b>
<b>A. Revaluation surplus</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>B. Gross technical provisions</b>	<b>100,032,164</b>	<b>96,170,896</b>	<b>104</b>
I. Gross unearned premium	0	0	-
II. Gross mathematical provisions	100,032,164	96,170,896	104
III. Gross claims provisions	0	0	-
IV. Gross provisions for bonuses and discounts	0	0	-
<b>C. Gross technical provisions for unit-linked life insurance contracts</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>D. Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>E. Other liabilities</b>	<b>1,741,099</b>	<b>758,508</b>	<b>230</b>
I. Liabilities from direct insurance transactions	847,115	745,169	114
1. Liabilities to policyholders	847,115	745,169	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	893,984	13,339	6,702
<b>F. Accrued costs and deferred revenue</b>	<b>0</b>	<b>0</b>	<b>-</b>



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

in EUR

Postavka	31. 12. 2014	31. 12. 2013	Index
<b>ASSETS</b>	<b>28,300,812</b>	<b>19,658,649</b>	<b>144</b>
<b>A. Investments in real estate and financial investments</b>	<b>27,750,270</b>	<b>18,924,835</b>	<b>147</b>
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	27,750,270	18,924,835	147
1. Shares and other securities with variable yield and mutual fund coupons	5,165,014	3,356,626	154
2. Debt securities with fixed yield	15,824,591	14,198,063	111
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	6,760,665	1,370,146	493
7. Other investments	0	0	-
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>B. Receivables</b>	<b>227,809</b>	<b>508,109</b>	<b>45</b>
I. Receivables from direct insurance transactions	201,313	496,072	41
1. Receivables from policyholders	201,313	496,072	41
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	26,496	12,037	220
<b>C. Miscellaneous assets</b>	<b>322,733</b>	<b>225,705</b>	<b>143</b>
I. Cash and cash equivalents	322,733	225,705	143
II. Other assets	0	0	-
<b>D. Short-term accrued revenue and deferred costs</b>	<b>0</b>	<b>0</b>	<b>-</b>
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	-
<b>LIABILITIES</b>	<b>28,300,812</b>	<b>19,658,649</b>	<b>144</b>
<b>A. Revaluation surplus</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>B. Gross technical provisions</b>	<b>27,230,464</b>	<b>17,951,918</b>	<b>152</b>
I. Gross unearned premium	0	0	-
II. Gross mathematical provisions	27,230,464	17,951,918	152
III. Gross claims provisions	0	0	-
IV. Gross provisions for bonuses and discounts	0	0	-
<b>C. Gross technical provisions for unit-linked life insurance contracts</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>D. Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings</b>	<b>0</b>	<b>0</b>	<b>-</b>
<b>E. Other liabilities</b>	<b>623,116</b>	<b>161,587</b>	<b>386</b>
I. Liabilities from direct insurance transactions	1,147	0	-
1. Liabilities to policyholders	1,147	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	621,969	161,587	385
<b>F. Accrued costs and deferred revenue</b>	<b>447,232</b>	<b>1,545,144</b>	<b>29</b>

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

### Technical account of the PPS Guarantee Fund

in EUR

Item	2014	2013	Index
I. TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME	3,974,967	4,635,473	86
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	3,974,967	4,635,473	86
II. INVESTMENT INCOME	8,652,460	5,731,943	151
1. Income from dividends and profit participation	938,688	692,706	136
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	938,688	692,706	136
2. Other investment income	7,713,772	5,039,237	153
2.1. Income from land and buildings	0	0	-
2.2. Interest income	2,686,686	3,032,911	89
2.3. Other investments income	5,027,086	2,006,326	251
Financial income from revaluation	4,828,014	2,005,840	241
Other financial income	199,072	486	41.000
3. Income from value adjustments in investments	0	0	-
4. Gains on investment disposal	0	0	-
III. CLAIMS INCURRED	6,054,804	5,983,681	101
1. Claims paid	6,054,804	5,983,681	101
2. Change in claims provisions	0	0	-
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-3,861,268	-205,825	1.876
1. Change in mathematical provisions (+/-)	-3,861,268	-205,825	1.876
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	-
Employee salaries and wages	0	0	-
Social security and pension insurance costs	0	0	-
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	2,711,355	4,177,910	65
1. Depreciation of assets not required for operation	0	0	-
2. Expenses for asset management, interest expenses and other financial expenses	1,042,850	2,186,853	48
3. Financial expenses from revaluation	1,668,505	1,693,058	99
4. Loss on investment disposal	0	297,999	0
VII Profit or loss of the guarantee fund (I + II - III + IV - V - VI)	0	0	-
<b>VII. a Profit or loss of the guarantee fund (I + II - III + IV - V.a - VI)</b>	<b>0</b>	<b>0</b>	<b>-</b>

**Technical account of the MR Guarantee Fund**

in EUR

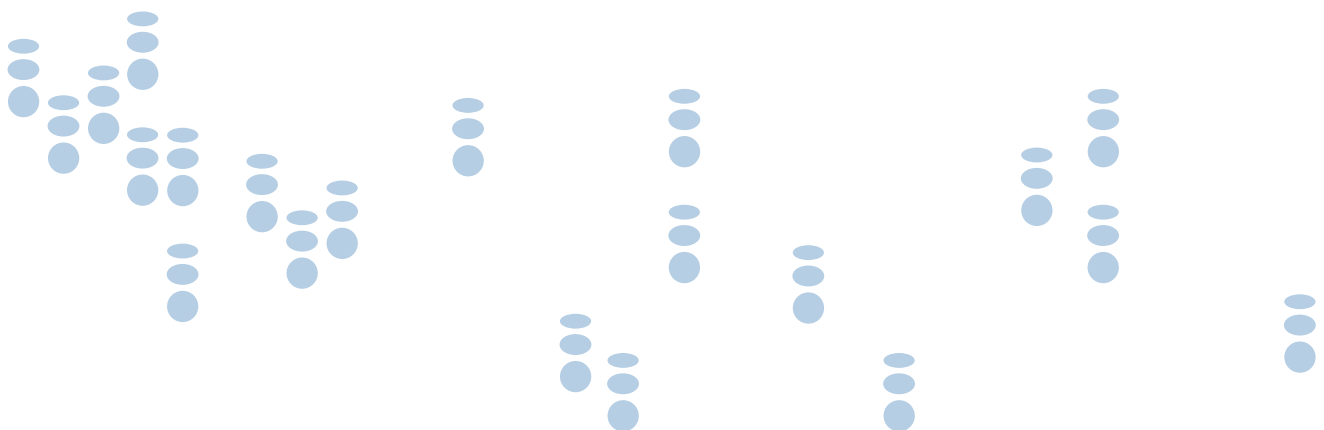
Item	2014	2013	Index
I. TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME	16,744,767	11,951,496	140
1. of the legal entity	0	0	-
2. of other insurance company	257,919	45,341	569
3. of other pension company	62,734	33,021	190
4. of mutual pension fund	16,424,114	11,873,134	138
II. INVESTMENT INCOME	1,081,344	766,361	141
1. Income from dividends and profit participation	47,217	46,401	102
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	47,217	46,401	102
2. Other investment income	1,034,127	719,960	144
2.1. Income from land and buildings	0	0	-
2.2. Interest income	615,101	497,842	124
2.3. Other investment income	419,026	222,118	189
Financial income from revaluation	416,276	165,247	252
Other financial income	2,750	56,871	4
3. Income from value adjustments in investments	0	0	-
4. Gains on investment disposal	0	0	-
III. CLAIMS INCURRED	7,862,036	5,616,456	140
1. Claims paid	7,862,036	5,616,456	140
2. Change in claims provisions	0	0	-
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-9,278,545	-6,633,065	140
1. Change in mathematical provisions (+/-)	-9,278,545	-6,633,065	140
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	-
Employee salaries and wages	0	0	-
Social security and pension insurance costs	0	0	-
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	685,530	468,336	146
1. Depreciation of assets not required for operation	0	0	-
2. Expenses for asset management, interest expenses and other financial expenses	508,695	283,710	179
3. Financial expenses from revaluation	176,835	184,626	96
4. Loss on investment disposal	0	0	-
VII. Profit or loss of the guarantee fund (I + II - III + IV - V - VI )	0	0	-
<b>VII. a Profit or loss of the guarantee fund (I + II - III + IV - V.a - VI)</b>	<b>0</b>	<b>0</b>	<b>-</b>

## INDEX OF TABLES

15	<b>Table 1:</b> Financial result of Modra zavarovalnica
15	<b>Table 2:</b> Financial position of Modra zavarovalnica
16	<b>Table 3:</b> Basic information on Modra zavarovalnica guarantee funds
16	<b>Table 4:</b> Structure of KS PPS assets
16	<b>Table 5:</b> Geographic diversification of KS PPS investments
17	<b>Table 6:</b> Number of insured persons/members and amount of payments in KS MR in 2014
17	<b>Table 7:</b> Structure of KS MR supplementary pension annuities as at 31 December 2014
17	<b>Table 8:</b> Structure of KS MR assets
17	<b>Table 9:</b> Geographic diversification of KS MR investments as at 31 December 2014
19	<b>Table 10:</b> Data on mutual pension funds managed by Modra zavarovalnica as at 31 December 2014
20	<b>Table 11:</b> Financial assets of Modra zavarovalnica
21	<b>Table 12:</b> Structure of own financial assets of Modra zavarovalnica
21	<b>Table 13:</b> Structure of portfolio financial investments in equity
21	<b>Table 14:</b> Structure of financial investments in debt securities
22	<b>Table 15:</b> Structure of cash and cash equivalents
27	<b>Table 16:</b> Number of employees by organisational unit
46	<b>Table 17:</b> Funds managed by Modra zavarovalnica as at 31 December 2014
46	<b>Table 18:</b> Number of employees by level of education
63	<b>Table 19:</b> Current gross value of future KS PPS and KS MR disbursements
64	<b>Table 20:</b> Changes in interest rates/return for KS MR as at 31 December 2014
64	<b>Table 21:</b> Changes in interest rates/return for KS MR as at 31 December 2013
64	<b>Table 22:</b> Change in mortality as at 31 December 2014 for KS PPS
64	<b>Table 23:</b> Change in mortality as at 31 December 2013 for KS PPS
64	<b>Table 24:</b> Change in mortality as at 31 December 2014 for KS MR
64	<b>Table 25:</b> Change in mortality as at 31 December 2013 for KS MR
64	<b>Table 26:</b> Capital adequacy
65	<b>Table 27:</b> Exposure of financial assets to credit risk not taking into account any collateral as at 31 December 2014
65	<b>Table 28:</b> Exposure of financial assets to credit risk not taking into account any collateral as at 31 December 2013
66	<b>Table 29:</b> Geographical concentration of credit risk exposure of financial assets
66	<b>Table 30:</b> Currency structure of financial assets
66	<b>Table 31:</b> Foreign exchange risk of financial assets as at 31 December 2014
66	<b>Table 32:</b> Foreign exchange risk of financial assets as at 31 December 2013
66	<b>Table 33:</b> Sensitivity analysis of investments with respect to changes in market interest rates as at 31 December 2014 – change of interest rate by 50 basis points
67	<b>Table 34:</b> 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
67	<b>Table 35:</b> Market risk of equities portfolio as at 31 December 2014
67	<b>Table 36:</b> Market risk of equities portfolio as at 31 December 2013
67	<b>Table 37:</b> Overview of financial instruments by marketability
68	<b>Table 38:</b> Overview of financial assets by book and fair value as at 31 December 2014
68	<b>Table 39:</b> Overview of financial assets by book and fair value as at 31 December 2013
68	<b>Table 40:</b> Hierarchy of financial asset fair value as at 31 December 2014
69	<b>Table 41:</b> Changes in level 3 investments
69	<b>Table 42:</b> Expected actual non-discounted cash flows as at 31 December 2014
70	<b>Table 43:</b> Expected actual non-discounted cash flows as at 31 December 2013
70	<b>Table 44:</b> Effective interest rates by investment group
70	<b>Table 45:</b> Yields by investment group
71	<b>Table 46:</b> Gross remuneration in 2014 by recipient category
71	<b>Table 47:</b> Remuneration of Members of the Management Board in 2014
71	<b>Table 48:</b> Remuneration of Members of the Supervisory Board in 2014

## INDEX OF FIGURES

- 14 **Figure 1:** Changes in yield to maturity (YTM) of the 10-year German government bond, the Slovenian government bond and 6m EURIBOR in 2014 (in %)
- 14 **Figure 2:** Changes in the Slovenian SBITOP stock index and certain foreign stock indices in 2014, assessed in € (index: 31 Dec 2013 = 100)
- 18 **Figure 3:** Pension funds/providers (net value of assets under management as at 31 December 2014; in € million)
- 18 **Figure 4:** Annual and 3-year return rates of pension insurance providers
- 26 **Figure 5:** Organisational chart of Modra zavarovalnica



## LIST OF ABBREVIATIONS USED

<b>B2B</b>	Business-to-business	<b>PNJU K</b>	Pension scheme for collective supplementary pension insurance for public servants
<b>B2C</b>	Business-to-customer	<b>PPS</b>	Pension scheme for collective supplementary pension insurance for public servants
<b>BDP</b>	Gross domestic product	<b>RS</b>	Republic of Slovenia
<b>EIOPA</b>	The European Insurance and Occupational Pensions Authority	<b>SBITOP</b>	The central Slovenian stock market index
<b>EU</b>	European Union	<b>IMAD</b>	Institute of Macroeconomic Analysis and Development
<b>EUR</b>	Euro – the currency of the European Union	<b>USD</b>	US dollar
<b>EURIBOR</b>	The Euro Interbank Offered Rate	<b>USA</b>	United States of America
<b>iBoxx</b>	The reference index of liquid investment grade bond issues	<b>ZKDPZJU</b>	Collective Supplementary Pension Insurance for Public Servants Act
<b>KPNG</b>	Collective agreement for the non-economic sector of the Republic of Slovenia	<b>ZPIZ-1</b>	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)
<b>KPOPNU</b>	Collective agreement on the establishing of the civil servants pension scheme	<b>ZPIZ-2</b>	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012)
<b>KS MR</b>	The Modra renta guarantee fund	<b>ZPKDPIZ</b>	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)
<b>KS PPS</b>	The guarantee fund for the First Pension Fund of the Republic of Slovenia	<b>ZVPSJU</b>	Closed Mutual Pension Fund for Public Servants
<b>KVPS</b>	Capital Mutual Pension Fund	<b>ZZavar</b>	Insurance Act (official consolidated text, ZZavar, UPB7, Official Gazette of the Republic of Slovenia, No. 99/2010)
<b>MKPS</b>	Life-Cycle Pension Fund		
<b>IFRS</b>	International Financial Reporting Standards		
<b>IFRIC</b>	International Financial Reporting Interpretations Committee		
<b>PDPZ</b>	Voluntary supplementary pension insurance		
<b>PN1 K</b>	Pension scheme for collective voluntary supplementary pension insurance		
<b>PN1 P</b>	Pension scheme for individual voluntary supplementary pension insurance		

Annual Report of Modra zavarovalnica for the year 2014

Concept and design: arnoldvuga+

Photography: Borut Peterlin

Translation: Prevajalska agencija Julija

Print: Tiskarna knjigoveznica Radovljica

July 2015

