



2015 ANNUAL REPORT


modra
zavarovalnica

For Your additional pension.



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For Your additional pension.

The worst thing you can do is put off your decisions for too long. It is much better to begin sooner, as small and safe steps always lead to the desired goal.



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It is worth investing in yourself and your future. When we invest in ourselves, we make our current wishes come true. By investing in the future, we make the wishes we might have in old age come true.



ADDRESS BY THE MANAGEMENT BOARD



Borut Jamnik
Chairman of the Board

Matija Debelak
Member of the Board

In 2015, Modra zavarovalnica was the first on the Slovenian market to offer saving in life-cycle funds. By introducing the Life-Cycle Pension Fund (MKPS), it gained an important competitive advantage on the supplementary pension insurance market. MKPS comprises three sub-funds with different investment policies with respect to the age of members; it is available to all employers and their employees who are aware of the advantages of saving by selecting an investment policy tailored to an individual. The operations of the Life-Cycle Pension Fund surpassed our expectations; namely, at the end of December, the fund had almost 9,000 members and the funds collected reached EUR 23 million.

In 2015, Modra zavarovalnica generated a net operating profit of EUR 4.7 million. It achieved net technical income of EUR 31.0 million, comprising premium income and other income from insurance operations. Technical expenses, which include the annuities written, operating costs and other technical expenses, reached EUR 28.9 million, while mathematical provisions increased by EUR 11.4 million. The profit was the result of financial income amounting to EUR 19.5 million, while expenses for investments reached EUR 5.8 million.

The capital of Modra zavarovalnica, used to provide security for the insured persons' assets, reached EUR 201 million at the end of 2015, which is EUR 58 million more than 4 years ago, when the insurance company started its operations. The security of the insured persons' funds and a high level of quality of services will continue to be the fundamental policies of Modra zavarovalnica. The value of assets under management increased and reached EUR 1.3 billion at the end of 2015, i.e. EUR 914 million was collected in mutual pension funds and EUR 140 million in guarantee funds, along with EUR 223 million in own assets.

2015 was characterised by uncertainty on capital markets and large fluctuations in the prices of financial instruments. European government bonds slightly gained in value, while corporate bonds on average lost some of their value. The stock indices of developed stock markets increased by 6.6% on average. On average, the Japanese and German stocks gained the most. Unfortunately, Slovenian stocks lost on average 11.2% of their value in that period, which had an important impact on the operations of the First Pension Fund, which holds 58% of domestic equity investments in its portfolio. The insurance company made provisions amounting to EUR 4.8 million for failing to achieve the guaranteed return rate of the mentioned fund.

The return rates of other pension funds managed by Modra zavarovalnica were also lower than the year before, but comparable to the return rates of competitive Slovenian pension funds. Many Slovenian pension funds failed to achieve the guaranteed return rate on one hand as a result of demanding market conditions, and on the other hand as a result of a guaranteed return rate that is set relatively high, i.e. at 1.94% per annum, for the funds managed by Modra zavarovalnica. ZVPSJU achieved a 3.68% return rate, while KVPS achieved a return rate of 1.39%. The 11-month return rate of the sub-funds comprising the Life-Cycle Pension Fund ranged from -1.97% in the Guaranteed Sub-Fund to 3.59% in the Dynamic Sub-Fund.

In 2015, one of the priority marketing goals of Modra zavarovalnica was to raise the identity and improve the position of the insurance company as the largest and leading provider of supplementary pension insurance products on the Slovenian market. Three large advertising campaigns were carried out, comprising TV ads accompanied by online and printed ads with the aim to show the mission of Modra

zavarovalnica and the need for supplementary pension saving. The Company thanked the persons currently insured for their trust and invited others to make a timely and wise decision even though they may still be a long way from retirement. The annual measurement of the Modra zavarovalnica public profile showed that the marketing activities set were the right ones, as they considerably raised the identity of the insurance company.

In 2016, Modra zavarovalnica will continue to realise its strategy focused on the safety of persons insured under supplementary pension insurance, ensuring it with sufficient capital, prudent management and increased value of supplementary pension savings. The major business objectives for 2016 are to increase the market share in supplementary pension savings and in the disbursement of supplementary pension annuities. Increased marketing activities, planned for the second half of the year, will also focus on the planned reorganisation of ZVPSJU into a sub-fund with a guaranteed return rate and on the establishment of a life-cycle guarantee fund, whereby the actual establishment of both sub-funds with a more risky investment policy may be expected in 2017.

By developing and renewing supplementary pensions in line with the new features of ZPIZ-2 and regulations of the Ministry of Finance, the Company will in 2016 provide a selection of pension annuities by taking into account the expectations of insured persons and the prescribed limitations with respect to the amount and type of the assets collected. Pursuant to the policies adopted, the Company will continue to focus on clients, thus providing personalised treatment, suitable advice and monitoring the clients' needs.

In investment management, 2016 is expected to be a challenging year as a result of extremely low interest rates, low return rates on bonds and relatively highly evaluated risky investment grades. In 2016, the guaranteed return rate fell from 1.94 to 1.08% per annum; however, it is estimated that its achievement will pose quite a challenge.

In 2016, the communication concept will continue to focus on linking supplementary pension insurance with Modra zavarovalnica and strengthening the latter's position as the leading and safest manager of pension savings and payer of supplementary pension annuities. The key messages will highlight Modra zavarovalnica as a trustworthy long-term partner that places the security of savings and concern for its members as the highest priorities. We will continue to act as a family-friendly company and demonstrate our corporate social responsibility through a responsible attitude towards the environment and transparent and responsible operations as well as by raising awareness among the general public that supplementary pension saving is wise, as it provides better life in retirement.



Matija Debelak
Member of the
Management Board

Borut Jamnik
Chairman of the
Management Board

COMPANY PROFILE

General information

Company name: Modra zavarovalnica d.d.

Registered office: Dunajska cesta 119, Ljubljana

Registration number: 6031226

VAT ID No.: SI21026912

Number of employees: 56 persons

Share capital: EUR 152.2 million

Assets under management: EUR 1.3 billion

Number of persons insured in the mutual pension fund (VPS): 270.483

Number of pension annuity recipients: 17.335

Mission

The mission of the insurance company is to provide a selection of products that provide increased social security to individuals and their families in all stages of life as well as preservation of their lifestyle after retirement. We build long-term partnerships with all those who share the mission of the insurance company.

Vision

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

Ownership structure and information about capital

As at 31 December 2015, the sole shareholder of Modra zavarovalnica d.d. was Kapitalska družba d.d.

The share capital of the insurance company amounts to EUR 152,200,000 and is divided into 152,200,000 ordinary no par value shares. Each share represents an equal stake and associated amount in the share capital. The share of an

individual no par value share in the share capital is determined according to the number of no par 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 ZZavar,
- **life insurance** – point 19 of paragraph 2 of Article 2 of ZZavar.

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

Company bodies

Management Board

Pursuant to the Company's Articles of Association, the Management Board comprises two members. Members of the Board are appointed by the Supervisory Board for the term of 5 years. In 2015, Modra zavarovalnica was run by the Management Board composed of:

Borut Jamnik, Chairman of the Board, 5-year term of office starting on 29 August 2011, second 5-year term starting on 29 August 2016;

Matija Debelak, Member of the Board, 5-year term of office starting on 14 September 2011, second 5-year term starting on 14 September 2016.

The Management Board runs the Company for the good of the Company, independently and at its own responsibility.

The Management Board represents the Company without limitations. In legal transactions, the Company is always represented by the Chairman and Member of the Board together. The Company's Articles of Association lay down the transactions and decisions that are subject to approval by the Supervisory Board.

In 2015, the Management Board executed its competences in line with the Management Board Rules of Procedure, made regular reports to the Supervisory Board and, in line with the Articles of Association, fulfilled its obligations to the shareholder as laid down by the Companies Act.

Supervisory Board

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

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

The Supervisory Board comprises the following Members:

- Branimir Štrukelj, Chairman of the Supervisory Board from 1 January 2015 to 22 December 2015 and from 23 December 2015 Deputy Chairman;
- Dr Aleš Groznik, Deputy Chairman from 1 January 2015 to 22 December 2015 and from 23 December 2015 Chairman of the Supervisory Board;
- Dario Radešič, Member;
- Goran Bizjak, Member;
- Bojan Zupančič, Member;
- Marino Furlan, Member.

The competences of the Supervisory Board are laid down in the Company's Articles of Association, while the method of its work is governed by the Supervisory Board Rules of Procedure. A detailed description of the activities and method of Supervisory Board operations in 2015 is provided in the Report of the Supervisory Board.

In 2015, two Supervisory Board committees operated (Audit Committee and HR Committee), the composition and work of which are presented in the Report of the Supervisory Board.

General Meeting

The voting rights at the 2015 General Meeting of Shareholders were exercised by Kapitalska družba as the sole shareholder.

Statement on compliance

Based on the provision of paragraph 5 of Article 70 of the Companies Act, Modra zavarovalnica hereby provides a statement on the Company management for the period between 1 January 2015 and 31 December 2015.

Reference to the applicable governance code

The Management and Supervisory Boards of Modra zavarovalnica, which is fully owned by Kapitalska družba d.d., hereby declare that they voluntarily observe the Corporate Governance Code for Companies with Capital Assets of the State, as adopted by the Slovenian Sovereign Holding on 19 December 2014 and supplemented on 2 March 2016, in their work and operations. The Corporate Governance Code for Companies with Capital Assets of the State recommends principles, procedures and criteria for the conduct of members of governing bodies in companies with capital assets of the State and all subsidiaries in the group in which a company with capital assets of the State holds the position of the parent company. The Code is available on the website of the Slovenian Sovereign Holding <http://www.sdh.si/sl-si/upravljanje-nalozb/kodeks-upravljanja-kapitalskih-nalozb-republike-slovenije>.

At its session held on 29 December 2015, the Management Board of Modra zavarovalnica adopted a Policy on the Governance System of Modra zavarovalnica d.d., which entered into force on 12 February 2016, by obtaining the consent of the Supervisory Board.

The statement on compliance with the Corporate Governance Code for Companies with Capital Assets of the State is available on the Company's website <http://www.modra-zavarovalnica.si>.

Deviations from the recommendations of the Corporate Governance Code for Companies with Capital Assets of the State are indicated and explained below:

Supervisory Board

6.11. The Supervisory Boards of companies with capital assets of the State should perform a procedure every year to assess the performance of the Supervisory Board. Within the scope of the procedure, the Supervisory Board is to assess its composition, operations, potential and actual conflicts of interest of individual members and the work performed by individual members and the Supervisory Board as a whole as well as its cooperation with the Management Board. During the self-evaluation, the Supervisory Board should also assess the work performed by any of its committees. The supervisory bodies of companies with capital assets of the State should assess the performance of the supervisory body pursuant to the Supervisory Board Assessment Manual as adopted by the Slovenian Directors' Association.

Explanation: The Supervisory Board of Modra zavarovalnica carried out a self-assessment procedure in 2014, based on which it adopted an action plan in September 2014. The next assessment of the performance of the Supervisory Board will be carried out in 2016.

Management Board or management

7.3. The Supervisory Board of a company with capital assets of the State that is organised as a public limited company or a large or medium private limited company should prepare a proposal of the remuneration policy for the managing body pursuant to the Code and submit it to the General Meeting for adoption. The preparation of the proposal falls within the responsibility of the Chairman of the Supervisory Board and the Appointment Committee if established. At the

General Meeting, the Chairman of the Supervisory Board should present the current remuneration policy and its implementation to the shareholders or company members and assess the function and role of the remuneration policy. The Supervisory Board is to ensure that the remuneration of Management Board Members is in line with the policy adopted at the General Meeting pursuant to the law.

Explanation: The Chairman and Member of the Board receive a basic payment and variable remuneration, both in line with the provisions of the Act governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities (Official Gazette of the Republic of Slovenia, No. 21/2010, 8/2011, 23/2014; hereinafter "ZPPOGD") and the Regulation on setting the highest correlation of basic payments and the rate of variable remuneration of directors (Official Gazette of the Republic of Slovenia, No. 34/2010 and 52/2011, hereinafter "Regulation"), the Articles of Association, internal acts, other regulations and the decision adopted by the Supervisory Board regarding variable remuneration of the Management Board of Modra zavarovalnica d.d. as of 5 November 2014.

The Chairman and Member of the Board of Modra zavarovalnica have other rights deriving from the employment relationship as per the Rules laying down the rights of management board members arising from employment relationship regulated in their employment contracts, along with the basic payment and variable remuneration as per the provisions of ZPPOGD and the Regulation.

The remuneration policy is under preparation and will be adopted at the annual General Meeting of Shareholders in 2016.

Description of the main features of the internal control and risk management systems at the Company in relation to the financial reporting procedure

Explanation: Modra zavarovalnica manages risks and carries out internal control procedures at all levels. The purpose of internal control is to provide the accuracy, reliability and transparency of all processes as well as the management of risks that are related with financial reporting.

The controls carried out in the Accounting and Back Office Division, which is in charge of keeping books of account and compiling financial statements pursuant to the applicable accounting, tax and other regulations, include procedures ensuring that:

- business events are recorded on the basis of authentic accounting documents, based on which business events are recorded accurately and honestly, and which provide a guarantee that the Company honestly disposes with its assets;
- business events are recorded and financial statements compiled pursuant to the applicable legislation.

The financial statements of Modra zavarovalnica for each financial year are also examined and audited by an external audit. Based on a decision adopted by the General Meeting on 15 June 2015, the Company's financial statements for 2015 are to be audited by Deloitte revizija d.o.o., Ljubljana.

The internal audit service is an independent organisational unit within the Company and is directly subordinate to the Management Board. This provides the independence of its operations and separation from executive functions that are the subject of audit. The fundamental focus of internal auditing is to examine and provide assurance on the operations of the Company's internal control systems. An internal auditor assesses the efficiency of internal controls in terms of the management of risks that the Company is exposed to. Pursuant to its annual plan of work, adopted by the Company's Management and Supervisory Boards, the internal audit conducts audits for individual areas of the Company's operations. With proposals for improvements to the business processes and procedures employed at the Company, the internal audit contributes to increased performance of the Company.

Important direct and indirect ownership of the Company's securities in terms of achieving a qualifying holding as laid down by the act regulating acquisitions

Explanation: The sole shareholder of Modra zavarovalnica is Kapitalska družba d.d., which is the holder of all 152,200,000 ordinary registered no par value shares (100% holding in the share capital).

Holders of securities providing special control rights

Explanation: The Company has no securities providing special control rights.

Restrictions on voting rights

Explanation: The sole shareholder of Modra zavarovalnica is Kapitalska družba d.d., which is the holder of all 152,200,000 ordinary registered no par value shares and has no restrictions on voting rights.

Company Rules on the appointment and dismissal of governing body members and amendments to the Articles of Association

Explanation: Company Rules on the appointment and dismissal of governing body members are laid down in the Company's Articles of Association.

The Supervisory Board of Modra zavarovalnica is appointed by the General Meeting. Pursuant to paragraph 2 of Article 2 of the Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) and Article 10 of the Company's Articles of Association, the Supervisory Board comprises 6 members.

Three members of the Supervisory Board are appointed at the proposal of Kapitalska družba d.d. and three members at the proposal of the 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 member is proposed by other persons insured (in the Capital Mutual Pension Fund, First Pension Fund and other insured persons). The ZVPSJU Board proposes two members of the Supervisory Board after a proposal is formed and confirmed by members of the Board who represent insured persons and are themselves insured at the insurance company. The proposal for a member of the

Supervisory Board who is proposed by other insured persons is formed on the basis of a public call to all persons insured by the Company outside the ZVPSJU scheme, which is published in the Official Gazette of the Republic of Slovenia and on the Company's website. Based on the proposals received, the KVPS Board forms a proposal for a member of the Supervisory Board, which is confirmed by members of the Board who are themselves insured at the Company.

Pursuant to the decision adopted by the Supervisory Board of Kapitalska družba d.d., No. 90.10.1., as of 26 May 2015, the Management Board of Kapitalska družba d.d. is required to obtain the approval of the Supervisory Board for voting at the General Meeting of Modra zavarovalnica. When appointing members of the Supervisory Board of Modra zavarovalnica at the proposal of the sole shareholder, their suitability is to be assessed by the Accreditation Committee of the Supervisory Board of Kapitalska družba d.d. The term of office for Members of the Supervisory Board of Modra zavarovalnica lasts 5 years, after which they may be reappointed.

Modra zavarovalnica is owned by Kapitalska družba d.d. or, rather, indirectly by the Republic of Slovenia and is defined as a strategic investment. Both companies form a vital part of the Slovenian pension system and contribute to the long-term financial sustainability of the pension system in Slovenia in line with their mission. When appointing the supervisory body of both companies, an important role is not only held by the owner but also by other stakeholders co-forming the pension system together with the Republic of Slovenia as well as by social partners representing the interests of employed nationals. The composition and appointment of the supervisory boards of both companies are laid down by the law and allow all interested parties to co-develop the Company's business policy. The act also lays down disposal with the shares of Modra zavarovalnica in the form of a public offering, whereby the shareholdings of the Republic of Slovenia and Kapitalska družba d.d. must together account for the majority of all shares of Modra zavarovalnica. The preemptive right to obtain shares in a public offering is granted to the insured persons and employers financing the pension schemes in the funds managed by Modra zavarovalnica as well as to trade unions representing public servants.

Members of the Management Board are appointed by the Supervisory Board. One of the Members is appointed Chairman of the Board. The term of office for Members of the Board is 5 years, after which they may be reappointed. The Management Board or one of its Members may be dismissed early solely for the reasons laid down in paragraph 2 of Article 268 of the Companies Act. At least one Member of the Board must have the relevant expertise and experience required to perform the tasks of managing the First Pension Fund and pension funds.

The Articles of Association and their amendments and supplements are adopted by the General Meeting of the Company at the proposal of the Management and Supervisory Boards.

Powers held by members of management, particularly powers to issue or purchase own shares

Explanation: The powers held by members of management are laid down in the Company's Articles of Association. The

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

Information on the operations and key competences of the Company's General Meeting and a description of the shareholders' rights and method of their enforcement

Explanation: The sole shareholder of the Company, i.e. Kapitalska družba d.d., exercises its rights deriving from the ownership of shares at the Company's General Meeting. The General Meeting is the highest body of the Company and acts pursuant to the provisions of the Companies Act and the Company's Articles of Association. The General Meeting is convened by the Management Board, as laid down by the law and Articles of Association, and when in the interest of the Company. The General Meeting may also be convened by the Supervisory Board. The General Meeting must also be convened by the Management Board at the request of the shareholder. The shareholder is required to enclose with its written request for the convocation of the General Meeting an agenda and a proposal for a resolution under each proposed item on the agenda to be adopted by the General Meeting or, if the General Meeting fails to adopt the resolution under a particular item on the agenda, an explanation of the item on the agenda. The convocation of the General Meeting is published on the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) website and the Modra zavarovalnica website. The published convocation of the General Meeting must also contain proposals for resolutions and an indication of the place where the entire material to be submitted for decision-making at the General Meeting must be made available at the same time the convocation is published. The right to attend the General Meeting and exercise voting rights is granted to any shareholder entered in the central registry of book-entry securities as the holder of shares as at the end of the 4th day preceding the General Meeting.

The General Meeting adopts resolutions on the fundamental matters of Modra zavarovalnica and, in particular: adopts the Company's Articles of Association and their amendments; adopts the annual report in the event the Supervisory Board has failed to confirm it or if the Management and Supervisory Boards leave the decision on the adoption of the annual report to the General Meeting; makes decisions regarding the use of distributable profit at the proposal of the Management and Supervisory Boards; makes decisions on discharging members of the Management and Supervisory Boards; appoints and dismisses members of the Company's Supervisory Board; appoints the Company's auditor; makes decisions regarding measures to increase or decrease share capital, unless laid down otherwise by the Articles of Association or the law; makes decisions on the dissolution of Modra zavarovalnica and status changes as well as on other matters in line with the law and Articles of Association.

Information about the composition and operations of the governing bodies and their committees

Explanation: The governance of Modra zavarovalnica is based on legal provisions and the provisions of the Articles of Association. The Company has a two-tier governance system, with the Management Board managing the Company and the Supervisory Board supervising its operations. The composition of the Management and Supervisory Boards is described in point 1.2.6 Company bodies.

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 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 the Conversion of the Pension Fund Management and Investment Policy of the Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (hereinafter "ZPKDPIZ") and the Company's Articles of Association, Modra zavarovalnica has a Supervisory Board comprising six members who are appointed by the Company's General Meeting. Three Supervisory Board Members are proposed by insured persons at the Company. The other three Supervisory Board Members represent the interests of the sole shareholder, i.e. Kapitalska družba pokojninskega in invalidskega zavarovanja d.d.

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

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

Based on the decision adopted at the 10th constitutive meeting of the Company's Supervisory Board, Branimir Štrukelj chaired the Supervisory Board from 23 December 2014 to 22 December 2015, while the Deputy Chairman was Dr Aleš Groznik, and from 23 December 2015 to 22 December 2016, the Chairman of the Supervisory Board is Dr Aleš Groznik with Branimir Štrukelj as the Deputy Chairman.

Over the course of the 2015 financial year, the Supervisory Board met at 15 meetings, 11 of them regular and 4 correspondence meetings. Members of the Supervisory Board acted independently when adopting decisions. Members attended meetings well-prepared regarding 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 conduct in case of conflict of interests. Control over the Company's operations was carried out pursuant to the powers and competences laid down by the Companies Act and further specified by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board.

Monitoring covered the management of the Company's underlying assets and the management and provision of supplementary pension insurance provided by the pension funds managed by Modra zavarovalnica as of 3 October 2011 (First Pension Fund of the Republic of Slovenia – PPS, Guarantee Fund of the First Pension Fund – KS PPS, Capital Mutual Pension Fund – KVPS and the Closed Mutual Pension Fund for Civil Servants – ZVPSJU), which were transferred to the management of Modra zavarovalnica on the day the Company was entered in the Court Register (3 October 2011) and the Modra renta I and II guarantee funds.

The management of these pension funds and the disbursement of pension annuities was transferred to Modra zavarovalnica. In 2015, Modra zavarovalnica started managing the Life-cycle Pension Fund (MKPS) comprising 3 sub-funds: the Dynamic, Prudent and Guaranteed.

At its 64th meeting, held on 14 May 2015, the Supervisory Board confirmed the annual report of Modra zavarovalnica for the 2014 financial year, including the audit report and the report of the Supervisory Board regarding the review of the Company's annual report, and

familiarised themselves with the Company's annual internal audit report for 2014, the report made by a certified actuary and the annual reports of the mutual pension funds managed by Modra zavarovalnica. It also agreed with the proposal of the Management Board regarding distributable profit. Based on the proposal put forth by the Audit Committee, the Supervisory Board proposed that the auditor for 2015 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 2014 and approved the payment of variable remuneration to the Members of the Management Board.

In 2015, the Members of the Supervisory Board decided to grant consent to the Management Board to sell the shares of Žito d.d., to the Annex to the Cooperation Contract between Modra zavarovalnica and Abanka Vipava d.d., to the strategic business plan for the 2016-2018 period, to the Management Board's authorisation for the holders of key functions and to the implementation and volume of the estimated costs of advertising campaigns until the end of 2015, pursuant to the provisions of the Company's Articles of Association. They were kept informed of the sales procedures in which the Company is involved and of the implementation of integral IT support for Modra zavarovalnica. The Supervisory Board kept track of the Company's operations and dealt with quarterly reports on Company operations.

Based on the Pension and Disability Insurance Act (ZPIZ-2), the Rules of the Capital Mutual Pension Fund (KVPS) and the Rules of the Life-Cycle Pension Fund (MKPS), Members of the Supervisory Board appointed the members of the KVPS and MKPS Boards.

At its 68th meeting, held on 29 October 2015, the Supervisory Board reappointed Borut Jamnik as Chairman of the Board and Matija Debelak, MSc, as Member of the Board for a 5-year term.

At its 70th meeting, held on 27 November 2015, the Supervisory Board gave its consent to the Business and Financial Plan of Modra zavarovalnica d.d. for 2016 and to the work programme of the Internal Audit Department for 2016.

The remunerations received by Members of the Management Board comply with the decision adopted by the General Meeting and are accurately disclosed in the annual report by Modra zavarovalnica d. d., in chapter 3.11.3.6., Other disclosures.

The Work of the Supervisory Board Audit Committee

The 3-member Audit Committee comprising Goran Bizjak (Chairman), Dario Radešič (Member) and Irena Vincek (independent external member) and, since 6 October 2015, Dragan Martinović (independent external auditor), was a permanent operative body of the Supervisory Board in 2015 and monitored the Company's operations and the work performed by the Management Board in the course of the financial year to aid the Supervisory Board in its decision-making process. In 2015, the Audit Committee met 5 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 Audit Committee Rules of Procedure as adopted by the Supervisory Board. The Audit Committee conducted a preliminary interview with the selected independent auditor and cooperated in the discussion of the unaudited annual report of Modra zavarovalnica d.d. for 2015.

Furthermore, it reviewed the Company's annual report and the audit report provided by the external independent 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 d.d. for 2016, to which the Supervisory Board gave its consent.

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

The Work of the Supervisory Board HR Committee

The 3-member HR Committee comprising Dr. Aleš Groznik (Chairman), Branimir Štrukelj (Member) and Bojan Zupančič (Member) was established in 2015 to implement the procedure to appoint the Chairman and Member of the Company's Management Board. In 2015, the HR Committee met 2 times. It applied the practical instructions of the Slovenian Directors' Association for supervisory boards selecting and appointing management boards and the Supervisory Board Rules of Procedure.

The Committee examined in detail compliance with the general and special requirements for the performance of the Chairman's and Member's functions in the Company, as well as with other conditions laid down by the Company's Articles of Association. It analysed the fulfilment of the criteria for the Chairman and Member of the Board as laid down in the Benchmarks for variable remuneration of Members of the Management Boards of Modra zavarovalnica for 2011, 2012, 2013 and 2014, and reviewed the employment contracts and General Meeting decision referring to awarding a discharge to the Management Board Based on an analysis and reviews performed, the HR Committee held an interview with the Chairman and Member of the Board, got acquainted with the Company's development vision and provided an assessment of the work performed by the Chairman and Member of the Board of Modra zavarovalnica. Based on the activities performed, it formed a proposal for the re-appointment of the Chairman and Member of the Board for a 5-year term and aligned everything concerning the contents of the employment contract. It made regular reports of its work to the Supervisory Board 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 the disclosures contained therein are a true and fair representation of the actual state of affairs and position of Modra zavarovalnica. The Supervisory Board estimates that the Company's Management Board managed the Company's operations in 2015 successfully and properly and, under the given aggravated 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 2015 allowed the latter to perform its function of control appropriately.

b) The 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 2015, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board finds that the auditor has performed its duty in line with the law, the rules on auditing and the International Standards on Auditing. The Supervisory Board has no objections to the auditor's report.

c) Decision on the Confirmation of the 2015 Annual Report

Based on the provisions of Article 282 of the Companies Act, the Supervisory Board confirms the annual report of Modra zavarovalnica for 2015.

d) Position of the Supervisory Board Regarding the Audit Report

Based on paragraph 3 of Article 546a. of the Companies Act, the Supervisory Board reviewed and discussed the auditor's report regarding the audit of the report on related party transactions, which was performed by Deloitte revizija d.o.o. from Ljubljana. The Supervisory Board has no objections to the auditor's report.

e) Decision on the Review of the Report on Related Party Transactions for 2015

Based on the provisions of Article 546a. of the Companies Act, the Supervisory Board reviewed the report on related party transactions for 2015 and has no objections to the statement made by the management in the report on related party transactions for 2015.

f) 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 that the General Meeting of Modra zavarovalnica, based on the provisions of Article 294 of the Companies Act, adopts the decision to grant a discharge to the Management and Supervisory Boards of Modra zavarovalnica for the work performed in the 2015 financial year, namely:

to Members of the Management Board:

- Borut Jamnik for the period between 1 January 2015 and 31 December 2015,
- mag. Matija Debelak, MSc, for the period between 1 January 2015 and 31 December 2015.

to the Supervisory Board for the period between 1 January 2015 and 31 December 2015 comprising:

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



Dr. Aleš Groznik
Chairman of the Supervisory Board

Ljubljana, 12 May 2016.



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They say that patience is the companion of wisdom. I would like to add that a guarantee for a quiet retirement without financial worries is also a companion of wisdom.



BUSINESS ENVIRONMENT

Economic environment in Slovenia

In 2015, GDP growth reached the highest level since the onset of crisis in 2008 and amounted to 2.9%. Foreign demand contributed the most to the growth of economic activity. Exports grew by 5.2% in 2015. In addition to foreign demand, domestic demand also increased considerably in 2015, i.e. by 2.1%. Private consumption, as part of domestic demand, increased by 1.7%. In its 2015 autumn forecast for 2016, IMAD announced a 2.3% growth of gross domestic product.

The annual and average growth rates of the consumer price index in Slovenia amounted to -0.5% in 2015. In 2014, the annual inflation rate increased, i.e. by 0.2%, and the average rate also stood at 0.2%.

The rate of registered unemployment amounted to 12.3% in December 2015. The number of unemployed persons decreased by 5.3% with respect to the end of 2014. The average monthly net wage for December 2015 amounted to EUR 1,036 and increased by 1.3% compared to the average monthly net wage for December 2014.

Trends on financial markets

Money market

The interbank reference rate in the euro area, the 6-month EURIBOR, started 2015 at 0.171% and fell to -0.04% by the end of the year. The changes in interbank interest rate were predominantly affected by the European Central Bank, which introduced a quantitative easing programme at the beginning of the year, thus introducing an expansive monetary policy.

Figure 1: Changes in yield to maturity (YTM) of the 10-year German government bond, the Slovenian government bond and 6m EURIBOR in 2015 (in %)



Source: Bloomberg

The yield of the German 10-year government bond somewhat decreased in 2015. At the beginning of the year, it amounted to 0.54%, and it reached 0.63% at the end of the year. The required yield of the 10-year German government bond fluctuated during the year between 0 and 1%. The changes in the required yield of German government bonds were largely related with the measures taken by ECB. As a result of ECB's expansive monetary policy, the yield of the Slovenian 10-year government bond also decreased heavily in 2015.

Foreign exchange rate

In 2015, the value of the US dollar increased by 10.2% compared to the Euro. At the end of 2014, the rate was US dollar 1.21 for EUR 1 and, at the end of 2015, it stood at US dollar 1.0862. The US dollar exchange rate mostly grew in the first quarter, after quantitative easing was introduced by ECB. In that time, the US Federal Reserve already ended quantitative easing and started preparing the market for a potential first interest rate increase after the crisis.

Equity market

In 2015, the values of the stock indices grew by 6.6% on average (assessed in EUR). On average, the Japanese and

German stocks gained the most. Japanese stocks achieved a return rate of 20.4%, German stocks 9.5% and American stocks 8.8%. Slovenian stocks lost 11.2% of value in 2015.

Debt securities market

The European government bond index (IBOXX EUR Sovereigns TR index) gained 1.6% in 2015. Changes in the index were largely characterised by further reduction of credit spread resulting from the stabilisation of the financial crisis, its consequences and the measures taken by central banks. The European corporate bond index (IBOXX EUR Corporates TR index) lost 0.6% in value.

The growth of Slovenian government bonds did not fall behind the growth of bonds of other peripheral European countries in 2015. On average, the Slovenian liquid Eurobonds gained 3.6% in value, while their required yield decreased by slightly more than 0.5 percentage points.

Figure 2: Changes in the Slovenian SBI TOP stock index and certain foreign stock indices in 2015, assessed in EUR (index: 31/ 12/ 2014 = 100)



Source: Bloomberg

OPERATIONS IN 2015

Financial result and financial position

In 2015, Modra zavarovalnica generated EUR 31,014,733 in premium income and other technical income. Almost 80% of this is income from annuity insurance premiums, while the remaining share is income from the management of mutual pension and guarantee funds. The premiums paid in the mutual pension funds managed by Modra zavarovalnica reached EUR 46 million in the discussed period.

In 2015, expenses for claims or, rather, expenses arising from the annuities paid reached EUR 15,175,922, while other technical charges amounted to EUR 7,316,534. EUR 6,028,217 of the latter are expenses related with the operations of the First Pension Fund; namely, more than three quarters of the mentioned amount are provisions for failing to achieve the guaranteed return rate. Changes in mathematical provisions imply an expense due to increased mathematical provisions deriving from the pension annuity insurance sold in 2015. 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 EUR 13,698,930 in 2015. Profit or loss from investments as recognised in equity was negative in 2015 due to unfavourable changes in security prices.

The largest share of the Company's assets are financial assets, which amounted to EUR 358,578,933 at the end of 2015. Liabilities predominantly include mathematical provisions, followed by other provisions, where the largest share is accounted for by provisions set aside for failing to achieve the guaranteed return rate of the PPS fund.

Table 1: Financial result of Modra zavarovalnica

Item	2015	2014
Income from premiums and other technical income	31,014,733	27,586,032
Expenses for claims and other technical charges	-22,492,455	-15,389,475
Change in mathematical provisions	-11,392,868	-13,139,813
Operating costs	-6,456,538	-5,789,094
Operating profit or loss	-9,327,128	-6,732,349
Profit or loss from investment activities recognised in the income statement	13,698,930	25,982,740
Other net income	452,688	12,666
Profit or loss before tax	4,824,490	19,263,058
Income tax	-99,958	-1,815,804
Net profit or loss	4,724,532	17,447,255
Profit or loss recognised in equity	-4,578,228	15,360,066
Total comprehensive income	146,304	32,807,321

Table 2: Financial position of Modra zavarovalnica

in EUR

Item	2015	2014
Financial assets	358,578,933	353,772,382
Other assets	4,451,141	1,631,505
Mathematical provisions	-139,499,563	-127,262,628
Other provisions	-18,048,513	-10,731,079
Other liabilities	-4,158,135	-8,365,191
Equity	201,323,863	209,044,990
Minimum capital requirement	45,082,202	43,459,910
Available capital	195,840,940	198,004,952

Management of guarantee funds

Modra zavarovalnica is the largest payer of supplementary pensions in the Republic of Slovenia and in 2015 managed two guarantee funds intended for the disbursement of supplementary pensions:

- the guarantee fund of the First Pension Fund, which has been used since August 2004 to pay supplementary pension annuities deriving from the exchanged pension vouchers to all persons who have reached the age of 60, and
- the Modra renta guarantee fund, which has offered a selection of competitive pension annuities deriving from supplementary pension insurance under ZPIZ-2 since December 2011.

In 2015, Modra zavarovalnica paid a sum of EUR 15.2 million for supplementary pensions to 17,335 insured persons. Pension annuity deriving from supplementary pension insurance ("Modra renta" annuity) was received by 7,345 insured persons, while 9,990 insured persons received annuities deriving from supplementary pension insurance in the First Pension Fund (exchange for pension vouchers).

in EUR

Table 3: Basic information on Modra zavarovalnica guarantee funds

Guarantee fund	No. of annuity recipients in 2015	Assets under management in EUR million	Expenses for annuities in 2015 in EUR million
KS PPS – The guarantee fund of the First Pension Fund	9,990	100	6.2
KS MR – the Modra renta guarantee fund	7,345	40	9
Total	17,335	140	15.2

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 obtaining the right to annuity, each person insured selects the corresponding form of pension annuity based on an indicative calculation provided by the Company. Insured persons having 2,000 points or less can receive their pension annuity in a single 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 disbursement period. Insured persons having between 2,000 and 5,000 points can also receive their pension annuity 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.

Insured persons receiving the PPS pension annuity are entitled to the surplus return rate of the guarantee fund over the guaranteed return rate pursuant to the general terms and conditions of supplementary pension insurance in the First Pension Fund of the Republic of Slovenia – exchange for pension vouchers (PPS-SPO1). The share of the surplus intended for a permanent annuity increase is identified once a year by the manager's Management Board. In 2015, half of the surplus return from 2014 in the amount of EUR 2,215,135 was allocated to a permanent annuity increase. All insured persons or, rather, recipients of PPS pension annuities who took out insurance in the form of a monthly or annual annuity until December 2014 received 2.3% higher annuities on average in July. Annuities increased for 9,691 insured persons or their beneficiaries. The disbursement of increased annuities made in June also included a settlement for the period between January and May 2015.

In 2015, the right to a pension annuity was acquired by 1,308 insured persons who had reached the age of 60 who paid in a total of EUR 3,627,705 in KS PPS for their supplementary pensions.

As at 31 December 2015, the fund's assets amounted to EUR 99,592,964. The largest share of the assets, i.e. 65%, is accounted for by bonds, followed by shares and deposits.

Table 4: Structure of assets in KS PPS as at 31 December 2015

Asset	Amount
Shares	13,435,322
Bonds	64,450,838
Commercial papers	1,722,904
Treasury bills	310,062
Loans and deposits	10,800,000
Investment certificates	6,188,060
Cash and cash equivalents	550,665
Other receivables	2,135,113
Total	99,592,964

As at 31 December 2015, 65% of KS PPS assets were invested in investments in the Republic of Slovenia, while 35% of all assets were invested in investments of foreign issuers. The largest share of foreign issuer investments are foreign bonds.

Table 5: Geographic diversification of KS PPS investments as at 31 December 2015

Area	Amount
Domestic investments	64,387,717
Foreign investments	35,205,247
Total	99,592,964

The Modra renta guarantee fund

Annuity pension insurance is intended for the payment of pension annuities to insured persons/members of supplementary pension insurance schemes who have exercised their right to a pension deriving from compulsory insurance at the Pension and Disability Insurance Institute.

Upon taking out annuity pension insurance, each person insured may select one of the forms of lifetime annuities, thereby exercising their right to a supplementary old age pension. In 2015, insured persons could 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 payments and guarantee in the event of death), followed by annual payments of the 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 payments and guarantee in the event of death from 1 to 9 years), followed by annual payments of the annuity amounting to EUR 12.

By 31 December 2015, the right to a supplementary old-age pension was exercised by 7,902 insured persons/members who decided to receive the selected monthly pension annuity. 2,143 insured persons who exercised the right to old-age pension in 2015 paid a total of EUR 20,469,989 into the guarantee fund.

Table 6: Number of insured persons/members and amount of payments in KS MR in 2015

Pension fund	Number of members/persons insured	Redemption value of assets (in EUR thousand)
KVPS pension fund	295	3,267
ZVPSJU pension fund	1,539	10,175
MKPS pension fund	13	48
Pension funds by other managers	296	6,979
Total	2,143	20,469

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 years, and 53% of all annuity recipients are male.

Table 7: Structure of KS MR supplementary pension annuities as at 31 December 2015

Type of annuity	Share of insured persons	Average amount of annuity (in EUR)
Classic Modra renta	1%	52
Guaranteed Modra renta with guarantee	2%	70
Accelerated Modra renta with full guarantee	20%	117
Accelerated Modra renta with limited guarantee	77%	173
Total	100%	159

As at 31 December 2015, the fund's assets amounted to EUR 39,975,698. The largest share of the assets is accounted for by bonds, investment certificates and investment grade deposits.

Table 8: Structure of assets in KS MR as at 31 December 2015

in EUR

Asset	Amount
Bonds	23,945,053
Loans and deposits	5,730,005
Commercial paper	1,287,019
Treasury bills	2,440,394
Investment certificates	5,907,476
Cash and cash equivalents	403,765
Other receivables	261,986
Total	39,975,698

As at 31 December 2015, 40% of KS MR assets were invested in investments in the Republic of Slovenia, while 60% of all assets were invested in investments by foreign issuers.

Table 9: Geographic diversification of KS MR investments as at 31 December 2015

in EUR

Area	Amount
Domestic investments	15,977,248
Foreign investments	23,998,450
Total	39,975,698

Management of mutual pension funds

Market and competition

In 2015, supplementary pension insurance was offered by 10 providers on the Slovenian market. Four providers (Abanka, Banka Koper, Zavarovalnica Generali and Modra zavarovalnica) managed 5 mutual pension funds, while Modra zavarovalnica also managed the first pension fund pursuing a life-cycle investment policy. Three providers (Pokojninska družba A, Skupna pokojninska družba and Moja naložba) and three insurance companies (Prva osebna zavarovalnica, Zavarovalnica Triglav and Adriatic Slovenia) provided pension insurance in the form of guarantee funds. In April 2015, the Delta mutual pension fund managed by Probanka was acquired by or, rather, transferred to a new manager, i.e. Banka Koper. Furthermore, it is expected that the transfer procedure for members of the AIII fund managed by Abanka to other providers will be completed in the first quarter of 2016, since the mentioned bank is withdrawing from the supplementary pension insurance market. Within the framework of the takeover bid, Zavarovalnica Triglav became the majority owner of Skupna pokojninska družba.

In 2015, the mentioned providers of supplementary pension insurance invested the savings of their members/insured persons in pension funds with a guaranteed return rate, except for Modra zavarovalnica, which obtained all necessary permits in 2014 and established the Life-Cycle Pension Fund (MKPS). The first members were included in January 2015 and could choose from three sub-funds pursuing different investment policies tailored to an individual's age group, i.e.

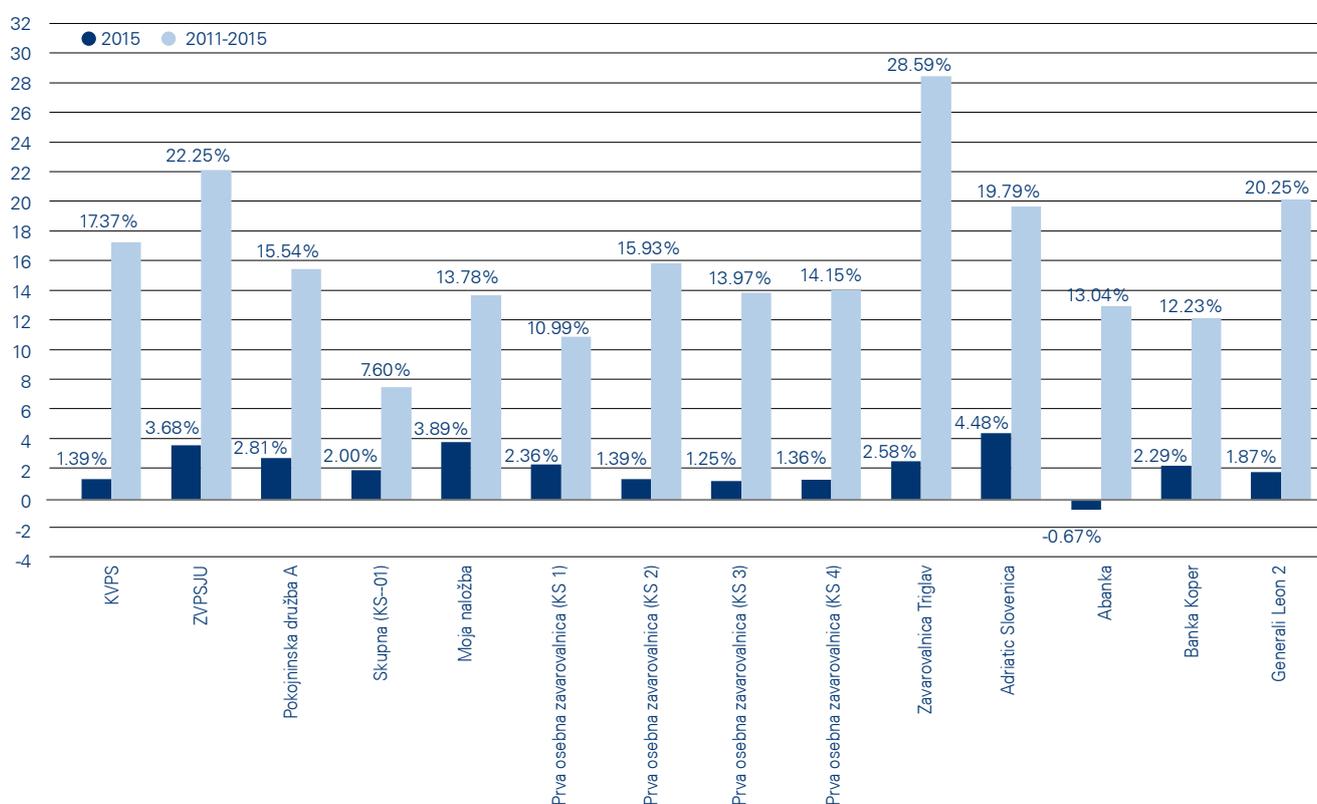
from a riskier and potentially more profitable when young to a more conservative and less risky in old age. In 2016, saving in life-cycle pension funds was also provided by other providers, with the exception of Banka Koper, which will continue to provide a pension fund with a guaranteed return rate.

The achieved return rates of supplementary pension insurance fund managers were substantially lower in 2015 than the achieved return rates in 2014. The cause for this is the unstable macroeconomic environment in combination with geopolitical risks, which caused large fluctuations and uncertainties on capital markets. The achieved return rates were negatively affected primarily by negotiations between Greece and the European Union and other international institutions regarding its debt resolution as well as deteriorated macroeconomic conditions in China with the devaluation of the Chinese

currency. Due to large fluctuations in the prices of financial instruments, improved results were in 2015 mostly disclosed by managers that measure the majority of their investments at "yield-to-maturity". Many pension funds failed to achieve the guaranteed return rate in 2015 due to market conditions and the fact that the guaranteed return rate was set relatively high. The KVPS pension fund of Modra zavarovalnica also failed to achieve the guaranteed return rate, while the ZVPSJU fund exceeded the guaranteed return rate. A comparison of the 12-month return rate is not a true performance indicator for asset management in pension funds, because pension saving is a distinctly long-term product, which is why the table also shows 5-year return rates of Slovenian pension funds.

The average annual return rate in the past 5 years in the KVPS fund amounts to 3.3% and in the ZVPSJU 4.1%.

Figure 3: Annual and 5-year return rate of pension insurance providers



Source: Publicly available data by providers

Table 10: Data on mutual pension funds managed by Modra zavarovalnica as at 31 December 2015

Fund	No. of members/ persons insured	No of employers/ premium payers	Amount of assets under management in EUR million
Capital Mutual Pension Fund (KVPS)	27,085	230	174
Closed Mutual Pension Fund for Public Servants (ZVPSJU)	210,908	1,920	696
Life-Cycle Pension Fund (MKPS)	8,839	96	23
First Pension Fund (PPS)	23,651	intended for natural persons only	22
Total	270,483	2,246	914

Mutual pension funds under management

Modra zavarovalnica is the largest provider of supplementary pension insurance in Slovenia and the main provider of old-age saving schemes within the scope of the second pension pillar. In December 2015, there were more than 270,000 individuals saving in its mutual pension funds and the assets collected amounted to EUR 914 million. In 2015, the total supplementary pension insurance premium paid in, not taking into account the transfer of assets between the KVPS and MKPS funds, reached EUR 46 million and increased by 7% with respect to 2014.

Modra zavarovalnica manages four mutual pension funds that are run and disclosed as separate assets owned by persons insured/members of a particular fund:

- Closed Mutual Pension Fund for Public Servants (ZVPSJU),
- Capital Mutual Pension Fund (KVPS),
- Life-Cycle Pension Fund (MKPS) and
- First Pension Fund of the Republic of Slovenia (PPS).

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 that are debited to equity and are equal to the sum total of all deficits in the value of a member's assets up to the guaranteed value of a member's assets. At the end of 2015, Modra zavarovalnica disclosed provisions for failing to achieve the guaranteed return rate of mutual pension funds amounting to EUR 15,555,528, whereby the amount of EUR 15,342,367 refers to the PPS fund.

Closed Mutual Pension Fund for Public Servants

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 rights 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 fund manager, Modra zavarovalnica ensures at least the guaranteed return rate of the assets saved.

Based on ZKDPZJU and KPONJU, 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 concluded an employment contract with the Republic of Slovenia, local community or an entity governed by public law as the employer after 1 August 2003 were included in the PNJU K Pension Scheme as at the date on which the employment contract was concluded or as at the day they obtained the status of a public servant.

A part of the agreement on measures to reduce the volume of funds for salaries, wages and other labour costs in the public sector for 2015 was also the extension of decreased supplementary pension insurance premiums for public servants. In December 2014, the Government and representative public sector trade unions signed an Annex to the Collective agreement for the non-economic sector

of the Republic of Slovenia and set the employer's premium for 2015. Premiums between 1 January 2015 and 30 June 2015 amounted to 10% of the premium applicable as at 1 January 2013 (the monthly premium for premium class 1 amounted to EUR 2.68). Premiums between 1 July 2015 and 31 October 2015 amounted to 15% of the premium applicable as at 1 January 2013 (the monthly premium for premium class 1 amounted to EUR 4.02). Premiums between 1 November 2015 and 31 December 2015 amounted to 30% of the premium applicable as at 1 January 2013 (the monthly premium for premium class 1 amounted to EUR 8.03).

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 as a percentage of the paid-in premium upon its payment and are remitted to the manager's account; in 2015, they amounted to 0.5%. The annual fee for the management of the ZVPSJU fund amounts to 0.5% of the average net value of ZVPSJU assets. All other operating costs of the fund are charged to the Company.

ZVPSJU 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 2015, 210,908 members were included in it, their assets amounting to EUR 696 million. In 2015, the return rate of the ZVPSJU fund amounting to 3.68% considerably exceeded the guaranteed return rate of 1.94%; the achieved return rate places the fund at the top of return rates achieved by Slovenian pension funds.

In 2015, 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 2015 was an increase in the share of bonds and treasury bills and a decrease in the share of equity securities and deposits. Hence, at the end of 2015, the predominant share of the assets included investments in bonds (55%), followed by investments in investment certificates (26%), investments in treasury bills (9%), bank deposits and certificates of deposits.

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. By 1 August 2013, a special regulation applied to all members of ZVPSJU 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 old-age pension or payment of a one-off redemption value upon retirement.

In 2015, insurance was terminated for 3,764 members, while the redemption value amounted to EUR 21 million.

Capital Mutual Pension Fund

KVPS is an open mutual pension fund intended for the implementation of voluntary supplementary pension insurance schemes. 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.

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 a management fee. In 2015, the management fee amounted to 1% of the average net value of KVPS assets. Entry fees are calculated in the percentage of the paid-in premium upon its payment and amounted up to 3% in 2015. Exit fees are calculated in the percentage of the paid-out redemption value of assets and amounted to 1% in 2015.

In 2015, KVPS achieved a 1.39% return rate and thus fell behind the guaranteed return rate, which stood at 1.94% in the mentioned year; the achieved return rate was comparable to other Slovenian pension funds. As at 31 December 2015, the fund's assets amounted to EUR 174 million.

In 2015, the management of the KVPS fund was geared towards safety, profitability, liquidity, diversification of investments and long-term growth of the value of KVPS assets. The largest change in 2015 was an increase in the share of treasury bills and bonds and a decrease in the share of deposits and equity securities. At the end of 2015, the predominant share of the assets included investments in bonds (49%), followed by investments in investment certificates (24%), investments in treasury bills (12%), bank deposits and certificates of deposit.

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 up to 31 December 2012 when 10 years have passed since their inclusion in insurance.

In 2015, insurance was terminated for 1,711 members/insured persons, while the redemption value amounted to EUR 15 million. 342 members/persons insured opted for payments of the redemption value of the asset units financed by employers up to 31 December 2012 in the total amount of EUR 2.5 million.

The First Pension Fund of the Republic of Slovenia

PPS is a pension fund intended for the disbursement of pension annuities deriving from supplementary pension insurance policies that were formed with the exchange for pension vouchers. Since 1 January 2003, PPS has been a closed mutual pension fund and further payments or inclusion in the fund have not been possible. Since August 2004, the assets collected by all persons insured/members aged 60 or more 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 2015, and to exit fees charged as a percentage of the redemption value of assets paid out to heirs.

The return rate of the PPS fund amounted to -20.0%, while the guaranteed annual return rate amounted to 1.0%. The negative return rate is the result of a drop in the indices of Slovenian equity investments, primarily the drop in the stock index of Telekom Slovenije d.d. due to an unsuccessful sales procedure. The assets of the PPS fund amounted to EUR 22 million at the end of 2015.

The primary goal of the manager in 2015 was to restructure the PPS portfolio in order to diversify investments and their liquidity even further, in particular to reduce exposure to non-marketable equity investments, as required in the decision issued by the Insurance Supervision Agency in April 2014; the latter imposes that Modra zavarovalnica harmonise the investment structure of the PPS fund with legal requirements by 31 October 2016 and dispose of investments in the shares of private limited companies. Within that scope, Modra zavarovalnica initiated a sales procedure to sell the share in Geoplin d.o.o., which represents the largest investment in a private limited company; the sales procedure is currently suspended due to the harmonisation of activities with other company owners. In 2015, the share in Elan d.o.o. was sold, while the shares in other private limited companies were kept in the portfolio due to a lack of interest on the market and relatively low values.

In the same year, sales activities for the joint sale of a majority block of shares of Telekom Slovenije d.d. continued. The sales procedure was completed in August 2015 without the sale of the majority block of shares. In 2015, the Company managed to reduce, partially or fully, exposure to 4 non-marketable equity investments.

At the end of 2015, the manager made provisions amounting to EUR 15,342,367 for failing to achieve the fund's guaranteed return rate. A significant share of that amount refers to the provisions set aside in 2013 and 2014 for the impairment of an investment in Cimos d.d. In 2015, provisions increased by EUR 4,767,056 due a drop in the prices of Slovenian equity investments.

In the same year, the right to a pension annuity was obtained by 1,308 members and a proportionate share of the PPS fund assets amounting to EUR 3,627,705 was transferred

to the PPS guarantee fund. There were 25 disbursements of redemption value recorded in the total amount of EUR 85,514 due to the death of insured persons/members.

Life-Cycle Pension Fund

The Life-Cycle Pension Fund (MKPS) is an open fund intended for the implementation of voluntary supplementary pension insurance schemes. MKPS is open to all employed persons included in compulsory pension insurance. In 2015, the PNMZ K Pension Scheme for collective supplementary insurance was established, which is open to insured persons via their employer, and the individual PNMZ P Pension Scheme, which is intended for insured individuals.

MKPS comprises three sub-funds that are established as separate assets, whereby each sub-fund is characterised by its own investment goal and investment policy and is intended for a target age group of members. The Dynamic Sub-Fund is intended for young members aged up to 50 and pursues a more risky investment policy, the Prudent Sub-Fund is intended for members aged between 50 and 60 and the Guaranteed Sub-Fund for members aged over 60. As the manager of the Guaranteed Sub-Fund, Modra zavarovalnica ensures at least the guaranteed return rate on the assets saved.

As the MKPS manager, Modra zavarovalnica is entitled to an entry fee and management fee, which are paid from the fund's assets, based on the detailed MKPS Rules. Entry fees are calculated in the percentage of the paid-in premium upon its payment and are remitted to the manager's account; in 2015, they amounted up to 3%. The annual fee for the management of MKPS amounts to 1% of the average net value of assets of an individual sub-fund.

In 2015, the 11-month return rate of the Guaranteed Sub-Fund amounted to -1.97%, while the guaranteed return rate amounted to 1.77% in the same period. Between February and December 2015, the Prudent Sub-Fund achieved a return rate of 2.61%, while the Dynamic achieved a return rate of 3.59%. The return rates of the Prudent and Dynamic Sub-Funds were among the top in 2015 compared to other Slovenian providers of supplementary pension insurance.

As the manager of the Guaranteed Sub-Fund, Modra zavarovalnica applies active asset management, aiming to achieve the operative management objectives, i.e. achieving and exceeding the average return rate of competitive pension funds while maintaining the actual value of the fund's assets above the guaranteed value. When managing the Prudent and Dynamic Sub-Funds, it pursues the operative management objectives, i.e. to achieve and exceed the average return rate of competitive pension funds. This means that the manager actively deviates from the asset structure of competitive funds and the long-term asset allocation and thus each time invests in investment grades or individual investments that it assesses as underrated with respect to various investment criteria.

At the end of 2015, the assets of the Guaranteed Sub-Fund reached EUR 15,377,563. The largest share of the sub-fund's assets is accounted for by bonds (44%), followed by bank deposits (16%), investments in investment funds investing in bonds (13%) and additional liquid cash and cash equivalents (11%). A minor share of the fund is accounted for by

investments in investment funds investing in shares as well as treasury bills and commercial papers.

At the end of 2015, the assets of the Prudent Sub-Fund reached EUR 3,274,704. The largest share of the sub-fund's assets is accounted for by investments in investment funds investing in shares (40%), followed by investments in investment funds investing in bonds (22%), bank deposits (14%) and additional liquid cash and cash equivalents (13%). A minor share of the fund is accounted for by investments in bonds and commercial papers.

At the end of 2015, the assets of the Dynamic Sub-Fund reached EUR 3,792,615. The largest share of the sub-fund's assets is accounted for by investments in investment funds investing in shares (62%), followed by investments in investment funds investing in bonds (12%), while additional liquid cash and cash equivalents and deposits each account for 9% of the assets. A minor share of the fund is accounted for by investments in bonds and commercial papers.

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 up to 31 December 2012, when 10 years have passed since their inclusion in insurance.

In 2015, insurance was terminated for 17 members/insured persons, while the total redemption value amounted to EUR 57 thousand. 342 members/persons insured opted for payments of the redemption value of the asset units financed by employers up to 31 December 2012 in the total amount of EUR 106 thousand.

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: The Company's financial assets as at 31 December 2015

in EUR	
Financial assets	Amount
Own financial assets	221,407,370
KS PPS assets	97,457,851
KS MR assets	39,713,712
Total	358,578,933

Management of own financial assets

The Company's own financial assets amounted to EUR 221,407,370 at the end of 2015. The Company breaks them down pursuant to the items indicated in the table below. The largest share is accounted for by portfolio investments in equity, followed by the debt investment portfolio.

Table 12: The structure of own financial assets of Modra zavarovalnica as at 31 December 2015

in EUR	
Financial asset	Amount
Portfolio investments in equity	117,310,385
Non-portfolio investments in equity	21,635,178
Portfolio of investments in debt securities	77,872,248
Cash and cash equivalents	4,589,559
Total	221,407,370

Portfolio investments in equity

Portfolio investments in equity comprise foreign shares and investments in investment funds of domestic and foreign issuers. As at 31 December 2015, the value of the mentioned investments reached EUR 117,310,385. The five largest investments in the portfolio of financial investments in equity as at 31 December 2015 are: an index fund representing the MSCI global index (XMWO GY), Coca-Cola Company shares, an index fund representing the MSCI global index (SMSWLD GY), an investment fund investing in agriculture (MOO US) and an index fund investing in shares on developing markets (MXFS LN).

Table 13: Composition of portfolio investments in equity as at 31 December 2015

in EUR	
Investment	Amount
Shares	31,428,130
• Domestic shares	0
• Foreign shares	31,428,130
Investment funds	85,882,255
• Domestic investment funds	412,436
• Foreign investment funds	85,469,819
Total	117,310,385

In 2015, stock indices increased on average by 6.6%, assessed in EUR. At the end of 2015, the portfolio's greatest exposure in terms of industry was to finance, followed by non-cyclical consumer goods and IT. As regards exposure to foreign exchange risk, the portfolio's greatest exposure at the end of 2015 was to the US dollar and euro. More than half of the mentioned portfolio is invested in equity investments by North American issuers and around a third in investments by European issuers. The remainder are investments in issuers from developed Asian countries and issuers from developing economies.

Non-portfolio financial investments in equity

As at 31 December 2015, Modra zavarovalnica owned 2 investments in equity by domestic issuers that require a management method different to that of the portfolio, primarily due to the size of the ownership share; namely, investments in the shares of Cinkarna Celje d.d. and Pozavarovalnica Sava d.d. At the end of 2015, the value of these investments reached EUR 21,635,178.

The sale of the shares of Žito d.d. was completed with the transfer of shares and receipt of the purchase price on 5 October 2015. The sales procedure for the shares of Cinkarna Celje d.d. ended unsuccessfully in August.

Financial investments in debt securities

At the end of 2015, the balance of investments in debt securities amounted to EUR 77,872,247. The largest share of investments in debt securities was taken up by corporate bonds, followed by government bonds and deposits.

Table 14: Composition of investments in debt securities as at 31 December 2015

in EUR	
Investment	Amount
Bonds	57,568,109
Government bonds	24,479,329
• Domestic government bonds	11,003,216
• Foreign government bonds	13,476,113
Corporate bonds	33,088,780
• Domestic corporate bonds	5,319,845
• Foreign corporate bonds	27,768,935
Deposits	17,500,008
Commercial papers	433,545
Treasury bills	2,370,585
Total	77,872,247

The value of the government bond portfolio of Modra zavarovalnica amounted to EUR 24,479,329 as at 31 December 2015. The portfolio comprises mostly government bonds of countries within the euro area. At the end of 2015, the share of domestic issuers accounted for 45%, while the share of foreign issuers accounted for 55%. 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 and the index funds of euro area government bonds. Almost half of the bonds have maturity between 5 and 10 years. The majority of bonds have a fixed coupon interest rate.

Modra zavarovalnica owns predominantly corporate bonds from countries within the euro area. As at 31 December 2015, domestic corporate bonds accounted for 16% and foreign corporate bonds for 84%. All corporate bonds and funds investing in corporate bonds are denominated in euro. As at 31 December 2015, the largest investments were funds representing European corporate bonds. Bonds were the most exposed to issuers from finance, telecommunications and public services.

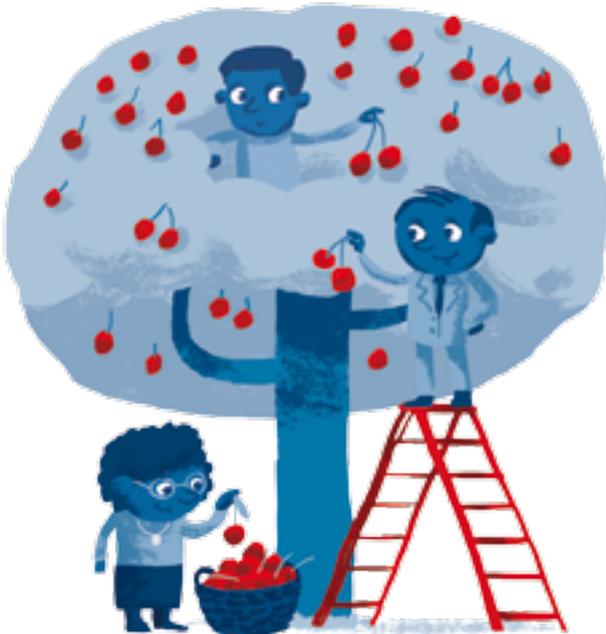
Investments in cash and cash equivalents

At the end of 2015, the Company disclosed EUR 4,589,559 of own cash and cash equivalents.

Table 15: Composition of cash and cash equivalents as at 31 December 2015

in EUR	
Investment	Amount
Cash in bank and on hand	4,589,559
Total	4,589,559

MARKETING



Marketing and communication goals for 2015 were based on raising the public profile of the insurance company as the largest and leading provider of supplementary pension insurance on the Slovenian market, building a relationship with its clients through the transparency of its operations and open communication and introducing a new pension fund pursuing a life-cycle investment policy. In January 2015, Modra zavarovalnica was the first on the market to offer the possibility of supplementary pension saving in the Life-Cycle Pension Fund, which comprises three sub-funds pursuing a life-cycle investment policy tailored to the age of members. Marketing and communication activities were reasonably integrated in terms of time, upgraded one another, supported the key messages and focused on achieving the sales objectives outlined.

The new form of saving has upgraded the current provision of supplementary pension insurance and provides an investment policy suitable for one's age and risk appetite that is used to increase the value of one's supplementary pension funds. Assets move from a more risky to a less risky sub-fund in line with the savers' age and are allocated to the sub-fund most suitable for a member at a given moment. The already achieved share of risk-free investments securing the return rates increases as one approaches retirement. The fact is that young persons may risk more, in terms of finance, than old persons, thus achieving a higher rate of return in the long term. On the other hand, savers approaching retirement who will need the saved funds in a relatively short time cannot take on major risks. This legality dictates saving in life-cycle funds, which provide members with potentially higher return rates in a period when they are still a long way from retirement and high security for their savings in the period preceding retirement.

To raise the identity of Modra zavarovalnica and awareness on the urgency of saving for a supplementary pension, 3 large advertising campaigns were carried out in 2015. TV ads accompanied by online and printed ads showed the mission of Modra zavarovalnica and the need for supplementary pension saving. The first campaign, which took place in spring, focused on creating an awareness of Modra zavarovalnica while letting the public know that the Company is grateful to all for their care (police, fire fighters, medical staff, educators, cooks, carpenters, etc.), assuring them that they will be taken care of by Modra zavarovalnica when they retire. The follow-up campaigns, carried out in early summer and autumn, focused on supplementary pension insurance and promotion of a timely decision to save for a supplementary pension – wise decisions are made by those who are still a long way from retirement but are already saving and can save up for a decent supplementary pension by paying in small monthly amounts. The results of the annual measurement of the public profile of Modra zavarovalnica revealed that the goals set were successfully pursued in 2015. The identity of Modra zavarovalnica as the provider of supplementary pension insurance increased substantially. Despite an enhanced public profile, there are still many people who do not exactly know what the Company offers (it is related with insurance, but not specifically with supplementary pension insurance), which is why further attention will be placed on positioning the Company in the category of supplementary pension insurance providers.

A considerable volume of marketing activities was also intended to harmonise supplementary pension insurance with amendments to the Pension and Disability Insurance Act (ZPIZ-2) and all required adjustments of existing contractual relationships. Modra zavarovalnica is the only one on the market that has fully kept the old form, i.e. the provision of supplementary pension insurance under the existing pension scheme rendered by the KVPS mutual pension fund. All existing employers and members are provided with unchanged financing of supplementary pension insurance, can choose from several options and are not forced to convert supplementary pension saving of their employees.

In order to increase the knowledge of all forms of supplementary pension insurance, we organised a number of conferences, prepared information for publication on websites and in internal company newsletters and provided professional assistance in the preparation of replies to the questions posed by employees to employers and trade unions. We trained the HR and accounting services of our clients about the potentials and advantages of disbursements in the form of a supplementary pension and established information offices at company headquarters. The opportunity to save under a life-cycle investment policy requires new sales approaches and the role of marketing officers has become more and more focused on advisory services. In the Dynamic and Prudent Sub-Funds, the insured person assumes the investment risk, unlike in funds with a guaranteed return rate. In 2015, special attention was, therefore, placed on training, awareness raising and providing

RISK MANAGEMENT

advice to clients. At mid-year, the fund surpassed the legally prescribed limits of successful establishment of operations. By the end of 2015, 100 employers and almost 9,000 members/insured persons joined the MKPS fund, while the assets collected reached EUR 23 million.

In 2015, the collective supplementary pension insurance premium in the public sector remained heavily reduced due to extended austerity measures. Since less than 10% of public servants make additional payments to save for pension, the 2015 marketing activities also focused on increasing additional payments by individuals. Info points and presentations to employees were organised and carried out, and regular communication was provided via the Modri e-račun application and the contact centre, based on which the volume of individual payments made by public servants and the number of savers increased. In parallel with other marketing activities, all members/insured persons are actively encouraged to use Modri e-račun, which has grown to be an important communication channel. On one hand, it provides personalised treatment of members/insured persons as well as faster and more effective communication and, on the other hand, savings on postal costs.

Special attention was also placed on the Internet and social networks, where activities focused on content marketing, sharing experience, knowledge, ideas and all important information on saving for supplementary pension and operating results and publishing frequently asked questions and answers. Individuals were being encouraged to have their indicative supplementary pension calculations made and exercise the tax relief, stressing the value of assets provided by supplementary pension insurance and the capital strength of Modra zavarovalnica.

Modra zavarovalnica will continue to be the safest, most competitive and trustworthy manager of funds for supplementary pension. This is confirmed by the growth of capital with which the Company guarantees the fulfilment of all obligations to its members/insured persons, stable long-term return rates of the pension funds and a wide range of supplementary pension insurance products and supplementary pension annuities.



Swift adjustment to market conditions brings about a need to 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 liquidity 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 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 2016, it will continue to develop and upgrade the overall risk management system in order to improve asset management in the long term. It will be vital to meet the requirements under the new Solvency II regulation (ZZavar-1), where investments and liabilities are assessed in terms of capital, i.e. by applying a risk-based approach. The strategic goal of the Solvency II project is to protect 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

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 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.

Modra zavarovalnica manages credit risk by selecting its partners with due care (analyses of opposing parties before assuming a credit risk), checking their credit rating and dispersing investments in terms of issuer, sector and geographical area. 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 does include bonds of a credit rating below BBB-, but it has specified 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 2016, 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 2015, the Company used no derivatives to protect itself against 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. In 2015, the Company used no derivatives for protection against credit risk.

Liquidity risk

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

INFORMATION TECHNOLOGY

New business models and state-of-the-art capabilities of IT services tend to dictate two different speeds of the development of the IT function: on one hand, the development and maintenance of a traditional IT system serving in particular to support classic business processes and, on the other hand, the development of innovative and advanced IT tools that importantly shape particularly marketing and sales processes. Modra zavarovalnica is faced with the development and maintenance of IT services that require availability, reliability and security, while a great deal of stress must be placed on the development of services with the key requirement being rapid response and high flexibility, and recently also system intelligence.

In the development of IT support for classic business processes, the Company in 2015 successfully carried out the key part of the project to implement an integral business IT solution to support pension fund management. The new IT solution was successfully put in place for support to the implementation of management processes for the MKPS fund pursuing a life-cycle investment policy and, by the end of the year, it was gradually applied to all asset management and insurance processes, other than insurance in the ZVPSJU fund. Major progress was made in business document management. A software selection procedure was performed to support the management of business documents and business processes. Foundations were laid for the digitalisation of incoming-outgoing mail and storage of electronic copies of documents pursuant to the classification plan of the Company's business documents. Incoming mail in digitalised form is available to business processes upon its entry in the mail registry. With this solution, the business documents generated by business processes gain a single storage channel.

In the development of innovative and advanced solutions, the Company was in 2015 acquainted with the use of intelligent systems. To carry out a marketing campaign, the Company used a predictive analytics system that was based on an analysis of samples of our members' past responses and, based on statistical processing, identified the samples with the highest probability of positive response repetition. The Company will continue to place a great deal of attention on such systems, as it expects that sales processes will be heavily affected by the ability of systems to lead us to efficient sales along statistically the most plausible channels.

The Company made major improvements to customer services last year. An upgrade to the employer portal will support the existing electronic exchange of data for supplementary pension insurance as well as the implementation of random campaigns and provision of comprehensive information to employers. The B2B web portal allows employers to review their payments for supplementary pension insurance and register or deregister members. The uniform CRM strategy was upgraded with a virtual agent service that provides improved communication and comprehensive consideration of visitors to our websites. Namely, the Company introduced

the Modri Miha virtual agent, who helps visitors in their search for certain contents on the web or specific answers relating to supplementary pension insurance. Furthermore, to improve communication, identify the clients' needs or obtain feedback, the back-office IT system for customer management was connected with mass emailing systems.

The implementation of the Solvency II Directive in relation to the fulfilment of first-pillar quantitative requirements has established processes in the Company's operations to provide quality data. These processes may only be established with adequate IT support. In light of that, a procedure was carried out last year to select the supplier of a software solution for the calculation of items within the scope of the Solvency II regime. A business cooperation contract was concluded with the selected supplier. The software solution was set up and used for the preparation of the Q3 2015 report for the Insurance Supervision Agency. The key challenge in the new financial year will be to automate the procedures to transfer data from back-office systems and put the IT solution in regular service.

The main challenge in the provision of IT services for business processes last year was to stabilise and achieve the reliability of the new IT solution, since the dynamics of the changes implemented was extremely high. Despite that, operational risks relating to IT support for business processes were successfully managed. There were no major security 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 expectations of the users of business IT solutions. In IT management, the requirements of the international ISO/IEC 27001:2005 standard and ISO/IEC 27002:2007 information security code or the ISO/IEC 27001:2013 standard and ISO/IEC 27002:2013 information security code were met in every relevant detail.

As already mentioned, the IT function at Modra zavarovalnica is faced with a digital gap or management of two very different areas. On one hand, the Company must see to the highest possible level of business process automation and provision of reliable and safe IT services used for operations while on the other hand taking the role of the developer and introducer of cutting-edge business solutions that require a considerable level of innovation and will in future importantly co-shape particularly marketing and sales processes. Modra zavarovalnica keeps track of changes and trends and is ready to introduce new IT challenges and opportunities prudently in its operations.

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, division and key function, unless organised within the scope of an independent organisational unit. The implementation of the key functions of internal audit and risk management are formed within the scope of independent organisational units reporting directly to the Management Board. The function of compliance is organised through the holder of the key function who reports directly to the Management Board. The actuarial function is organised in the strategic communication and insurance development department, and the holder of the actuarial function is an external associate by the authority of the Management Board. Every key function holds its tasks, responsibilities, processes and reporting obligations detailed in its operations policy.

The work of a division is run by the executive director, while the holders of key functions are persons who are responsible for the key functions of Modra zavarovalnica. The division executive director, department manager and holders of key functions 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, division and insurance company as well as for providing information to employees in the department, division or insurance company.

The main areas of work are carried out at 4 umbrella organisational units, while support business processes are carried out within the departments established directly under the Management Board.

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 personal life.

At the beginning of 2015, the Company employed 54 people together with the Members of the Board, while the number increased to 56 persons by the end of 2015. In 2015, two persons were recruited and no employment relationship was terminated.

The largest organisational unit at the Company is the Accounting and Back Office Division with 20 employees, followed by the Insurance Sales Department and Asset Management Division, both with 7 employees.

Figure 4: Organisational chart of Modra zavarovalnica

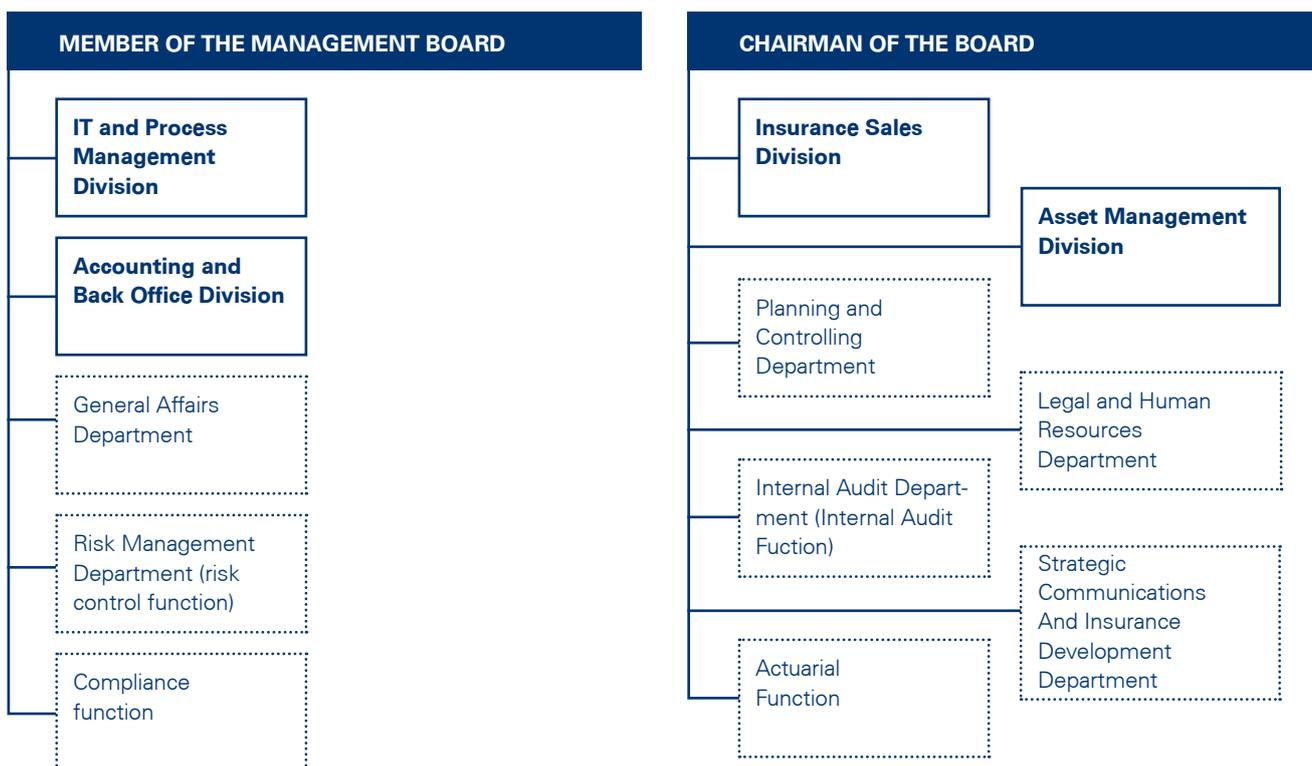


Table 16: Number of employees by organisational unit

Organisational unit	Balance as at 31 December 2015
Management Board	2
Insurance Sales Division	7
Asset Management Division	7
IT and Process Management Division	4
Accounting and Back Office Division	20
Planning and Controlling Department	2
Risk Management Department	1
General Affairs Department	4
Internal Audit Department	1
Legal and Human Resources Department	4
Strategic Communications and Insurance Development Department	4
Total	56

79% of the Company's employees are female. The average age of employees is 42 years, while the average period of service is almost 20 years. The Company has a high educational structure of employees, with over 69% of its employees having completed at least level 6 education as at the end of 2015.

Employee training

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 on 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 2015, almost 92% of employees took part in different forms of training, three employees were 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 in 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 development-oriented tasks. 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.

CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility of Modra zavarovalnica is revealed in its attitude towards employees, employers, members/insured persons and the wider community. Its actions are aimed at strengthening trust, which is particularly important at a 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 the 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. Furthermore, the ModriNet intranet portal offers a great deal of information regarding topical health issues and useful articles on exercise and a healthy diet. Fresh seasonal fruit is available to employees twice a week, while the Company also organises vaccination against seasonal influenza and tick-borne encephalitis. In 2016, the Company introduced a 30-minute morning exercise, carried out once a week, with focus on stretching the neck, shoulders and back, which carry the most load in office work.

The Company is a proud holder of the full Family-Friendly Company 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 maintains a good flow of information, customer satisfaction and a sound working climate.

The Company provides social security upon retirement to all employees under the same terms by paying in the maximum tax-deductible premium in the collective supplementary pension insurance of the MKPS pension fund managed by Modra zavarovalnica.

Responsibility to the wider social community

As a socially responsible company, Modra zavarovalnica responds to needs of the environment. The Company has developed a donorship culture that has become a part of its corporate social responsibility. It supports socially useful projects that educational establishments cannot afford on their own and responds to applications for funds made by educational institutions in the event of a natural disaster. In 2015, the Company provided funds to support the Balkan Express 2015 Summer School, organised by the Faculty of Economics in Ljubljana and intended for Slovenian and foreign undergraduate and postgraduate students of economics or business.

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 gift-giving events by providing promotional materials.

An important part of the Company's communication activities focus on raising awareness among the population regarding the importance of saving for old age. In order to increase the knowledge of supplementary pension insurance, we organised a number of conferences, prepared information for publication on websites and internal company newsletters and provided professional assistance in the preparation of replies to the questions posed by employees to employers and trade unions in relation to supplementary pension insurance. We trained the HR and accounting services of our clients about the potentials and advantages of disbursements in the form of a supplementary pension and established information offices at company headquarters. In the past year, we presented supplementary pension insurance at the annual conference of companies operating under the umbrella of the Family-Friendly Company association and at Unicredit Financial Days held in autumn.

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.

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, while the Company saves paper due to the introduction of electronic notification channels and thus contributes to the preservation of nature.

In 2015, a large amount of plastic stoppers was collected and donated to the "Vesele nogice" society, which helps children with various development impairments. The founders of the society are the parents of children with cerebral paralysis or other development handicaps. Our employees also responded to projects such as "Santa for a day" and joined numerous kind people who enabled over 8,500 children from Slovenia and Bosnia to open presents during the Christmas holidays. Furthermore, we were active in collecting aid for socially vulnerable families and did not forget our four-legged animal friends.

In 2015, we also supported the "Jaz, ti, mi za Slovenijo" project, aimed at raising awareness among young people on the importance of a healthy environment and attitude to nature and recycling of waste materials that can also represent raw materials for further processing. At the same time, the project holds a charity note, as the funds collected will be intended for the purchase of an incubator or reanimation bed for one of the Slovenian maternity hospitals.

MAJOR BUSINESS EVENTS AFTER 2015

Solvency II

On 1 January 2016, a new Insurance Act (ZZavar-1) came into effect, introducing the European Solvency II Directive and laying down the frame for an audited regulation regime for the insurance sector as well as a reform of capital requirements and risk management of insurers and reinsurers in the EU.

The main solutions of the Act relate to solutions in the Solvency II Directive, which includes 14 already existing (re)insurance directives and the addition of new rules regarding solvency. The main changes to the content with respect to the previous regulation were made in quantitative requirements, quality requirements and rules for control, supervisory reporting and public disclosure of information and in group supervision. The Solvency II Directive, as implemented in ZZavar-1, requires insurance companies to take into account all risks they are exposed to when calculating capital. In addition to insurance risks, it will also have to take into account market, credit and operational risks.

The Act places major stress on sound risk management at insurance companies and strong internal control, thereby increasing the level of the insured persons' security. Moreover, it sets new requirements regarding the capital adequacy of insurance companies, where the level of capital requirements will depend on the insurance company itself and its risk management. The final objective of Solvency II is to increase the security or safety of insured persons.

Transfer to the new regulation was a demanding process requiring considerable HR resources and IT modifications that were carried out successfully by the Company. Hence, the organisational structure was adjusted, the holders of key functions at the insurance company were appointed and all necessary internal acts were adopted or harmonised. Therefore, the Company entered 2016 prepared for the implementation of Solvency II.

New pension annuity forms

In January 2016, the Company offered renewed forms of pension annuities based on a new pension scheme that was approved by the Ministry of Labour, Family and Equal Opportunities in October 2015 and has already been entered in the special pension scheme registry kept by the Financial Administration of the Republic of Slovenia. Namely, ZPIZ-2 lays down that supplementary pensions in the form of a pension annuity may be disbursed on the basis of a special pension scheme approved by the minister responsible for labour. Detailed rules for the calculation and disbursement of pension annuities are laid down by the minister responsible for finance in cooperation with the minister responsible for labour. In 2015, the Rules detailing rules and minimum requirements were published, which an insurance or pension company is to take into account in the pension annuity calculation and applies as of 1 January 2016. To this end, a new guarantee fund was established in January 2016

for the disbursement of supplementary pension annuities, with the insured persons' profit participation.

On 19 March 2016, amendments to the mentioned rules entered into force which somewhat expanded the selection of supplementary pensions that providers may offer to insured persons. The limit of accelerated disbursement in the saved amounts exceeding EUR 20,000 now applies only to the assets saved collectively after 1 January 2013 (hence under ZPIZ-2) and in such cases the monthly supplementary pension during accelerated disbursement cannot exceed twice the amount of the monthly lifetime pension annuity (2 to 1 form). The mentioned limit does not apply to all the supplementary pension insurance assets collected with employers' payments up to 31 December 2012 and with individual payments. Individuals may thus choose the accelerated form of a monthly pension annuity in the period of 1 to 20 years and then receive EUR 30 of supplementary pension every 3 months until the end of their life.

EXPECTED DEVELOPMENT OF MODRA ZAVAROVALNICA IN 2016

In 2016, Modra zavarovalnica will continue to realise its strategy focused on the safety of persons insured under supplementary pension insurance, ensuring it with sufficient capital, prudent management and increased value of supplementary pension savings. The most exposed problems of supplementary pension insurance are the share of employees not yet included, premiums that are absolutely too low and will in most cases fail to cover the difference in low pension deriving from compulsory insurance and accelerated drawing of the funds saved, although the optimum choice after retirement is an equally dispersed annuity until the end of one's life. To change this unfavourable trend, it is vital to take measures to promote the development of supplementary pension insurance that would, in addition to active awareness raising and promotion, also include efforts to include collective supplementary pension insurance in negotiations to harmonise collective agreements in the economic sector, raise the amount of tax relief and abolish the absolute amount of the tax relief limit for supplementary pension insurance as well as fully relieve a pension annuity of income tax.

The research conducted in 2015 revealed that the key factor in the selection of a supplementary pension insurance provider remains safety or, rather, reliability and trust, economic stability and security, long-lasting experience and recommendations. Security has become increasingly important due to a generally low trust in financial institutions, which is still present and considerably affects developments on the market.

Our development will be focused on alternative sales channels for supplementary pension insurance that include online and other forms of new market approaches. The Company's position on the market will be developed to provide customers with a distinguishing experience compared to competitive products and offer them a unique service in data preparation and exchange as well as up-to-date and competitive indicative proposals.

The major business objectives for 2016 are to increase the market share in supplementary pension savings and in the disbursement of supplementary pension annuities. A potential for premium growth also lies in increasing the individual premiums of persons insured under ZVPSJU. In addition to the premiums paid by their employer, which have been cut down for the past four years due to austerity measures, employees may save for supplementary pension themselves, but only individually and no longer to reduce their 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 provide the cheapest form of individual supplementary pension insurance to public servants. Increased marketing activities, planned for the second half of the year, will also focus on the planned reorganisation of ZVPSJU into a sub-fund with a guaranteed return rate and on the establishment of a life-cycle guarantee fund, whereby the actual establishment of both sub-funds with a more risky investment policy may be expected in 2017.

By developing and renewing supplementary pensions in line with the new features of ZPIZ-2 and regulations of the Ministry of Finance, the Company will in 2016 provide a selection of

pension annuities by taking into account the expectations of insured persons and the prescribed limitations with respect to the amount and type of the assets collected. Pursuant to the policies adopted, the Company will continue to focus on clients, thus providing personalised treatment, suitable advice and monitoring of the clients' needs.

The identity measurement conducted in 2015 revealed that Modra zavarovalnica is relatively well known among insurance companies, while reference to it as a provider of supplementary pension insurance is poorer (consumers know of it, but do not relate it to its key product). The communication concept in 2016 will hence continue to focus on linking supplementary pension insurance with Modra zavarovalnica and strengthening the latter's position as the leading and safest manager of pension savings and payer of supplementary pension annuities. The key messages will highlight Modra zavarovalnica as a trustworthy long-term partner that places the safety of savings and concern for members as the highest priorities.

To achieve all these goals, certain changes to business processes will be made in order to achieve operational excellence and create an environment to promote innovations and employee creativity.

In 2016, integral IT support for the managed pension funds and the standardisation of all asset and liability management processes for mutual pension funds and guarantee funds for supplementary pension disbursement will be completed. Development activities will be focused on upgrading IT services for marketing and sales (Modri e-račun, Modrinet, CRM) in order to keep a comprehensive overview of customers.

In investment management, 2016 is expected to be a challenging year as a result of record-breaking low interest rates, return rates on bonds and relatively highly evaluated risky investment grades. In 2016, the guaranteed return rate fell from 1.94 to 1.08%; however, it is estimated that its achievement will pose quite a challenge. Opportunities will have to be sought in new investment grades. It is planned to achieve at least the return rate at the level of the return rate of selected criteria indices by individual investment grade and to exceed the average return rate of competitive pension funds. In the management of the First Pension Fund of the Republic of Slovenia, the Company will pursue the objective to reduce the negative difference between the guaranteed and actual value of assets, thus reducing the volume of necessary provisions for failing to achieve the guaranteed return rate, which will have a positive impact on the operating result achieved in 2016.

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 act as a family friendly company and demonstrate our corporate social responsibility through a responsible attitude towards the environment and transparent and responsible operations as well as by raising awareness among the general public that supplementary pension saving is unavoidable and a vital source of income that will provide a decent life to individuals in retirement.

REPORT ON RELATIONS WITH THE CONTROLLING COMPANY

In the 2015 financial year, the Company took no action in relation to the parent company and its related companies deriving from contractual and business relationships at the initiative or in the interest of the parent company or its related companies that would result in its disadvantage or detriment.



FINANCIAL REPORT

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A good plan is the basis of happiness.
It serves as a reference point
and a confirmation that we
are doing the right thing.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Modra zavarovalnica hereby confirms the financial statements of Modra zavarovalnica for the period between 1 January 2015 to 31 December 2015, 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 2015.

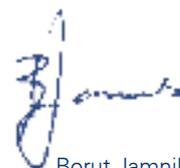
The Management Board is also responsible for an appropriate accounting system and adoption of suitable measures to secure assets and other funds and hereby confirms that financial statements and therewith related notes have been compiled under the assumption of going concern and in accordance with the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

The tax authorities have the right to audit the insurance company's operations within 10 years after the year in which the tax has been levied, which can subsequently lead to additional tax charges, default 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 April 2016



Matija Debelak
Member of the Board



Borut Jamnik
President of the Board



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INDEPENDENT AUDITOR'S 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 December 2015, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements give, in all material respects, a true and fair view of the financial position of Modra zavarovalnica, d.d. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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). Management of the Company is responsible for the 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.

Barbara Žibret Kralj
Certified Auditor

Deloitte.

DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija

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

Ljubljana, 12 April 2016

TRANSLATION ONLY – SLOVENIAN 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 2015. 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.

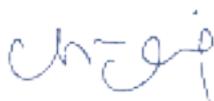
I believe that the examination performed provides a reasonable basis for the issue of the opinion of the appointed actuary.

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 2015 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 2015 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 2015.



Ljubljana, 7 April 2016

Matjaž Musil
Appointed actuary of Modra zavarovalnica d. d.

INCOME STATEMENT¹

in EUR

Item	Note	2015	2014
I. Net premium income	1.	24,551,616	20,725,700
- gross written premiums		24,551,616	20,725,700
III. Investment income	2.	19,481,997	28,154,485
IV. Other insurance income, of which	4.	6,463,117	6,860,332
- income from fees and commissions		6,084,158	6,148,486
V. Other income	5.	484,664	34,843
VI. Net claims incurred	6.	-15,175,922	-13,916,840
- gross claims paid		-15,108,171	-13,916,840
- change in provisions for claims outstanding (+/-)		-67,751	0
VII. Changes in other technical provisions	7.	-11,392,868	-13,139,813
XI. Operating expenses, of which	8.	-6,456,538	-5,789,094
- costs of insurance contract acquisition		-464,011	-5,227
XIII. Investment expenses, of which	3.	-5,783,067	-2,171,745
- impairment of financial assets not measured at fair value through profit or loss		0	0
XIV. Other insurance expenses	9.	-7,316,533	-1,472,634
XV. Other expenses	10.	-31,976	-22,176
XVI. Profit (loss) before tax		4,824,490	19,263,058
XVII. Income tax	11.	-99,958	-1,815,803
XVIII. Net profit or loss for the period		4,724,532	17,447,255
Net earnings per share		0.03	0.11
Diluted earnings per share		0.03	0.11

¹ Disclosures and notes form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME²

in EUR

Item	Note	2015	2014
I. Net profit/loss for the year, after tax		4,724,532	17,447,255
II. Other comprehensive income, after tax (a + b)	13.	-4,578,228	15,360,066
b. Items that may be reclassified subsequently to profit or loss		-4,578,228	15,360,066
1. Net gains/losses from revaluation of available-for-sale financial assets		-5,105,075	18,370,976
1.1. Gains/losses recognised in revaluation surplus		1,570,072	30,193,412
1.2. Gains/losses transferred from revaluation surplus to the income statement		-6,675,147	-11,822,436
Tax on items that may be reclassified subsequently to profit or loss		526,847	-3,010,910
III. Comprehensive income for the year, after tax (I + II)		146,304	32,807,321
Comprehensive income per share		0.00	0.22
Diluted comprehensive income per share		0,00	0,22

² Disclosures and notes form an integral part of these financial statements.

BALANCE SHEET³

in EUR

Item	Note	31. 12. 2015	31. 12. 2014
Assets		363,030,074	355,403,888
A. Intangible assets	14.	493,085	195,809
B. Property, plant and equipment	15.	21,653	32,796
C. Non-current assets held for sale	16.	0	14,666,670
D. Deferred tax assets	12.	0	0
F. Investments in group companies and associated companies	17.	12,385,188	0
G. Investments:	18.	340,649,756	336,518,379
- in loans and deposits		34,030,013	55,412,342
- held to maturity		80,586,755	52,855,282
- available for sale		167,739,560	175,375,115
- at fair value		58,293,428	52,875,640
K. Receivables	19.	3,281,878	1,177,478
1. Receivables from direct insurance transactions		154,620	217,374
4. Other receivables		3,127,258	960,104
L. Other assets	20.	654,525	225,423
M. Cash and cash equivalents	21.	5,543,989	2,587,333
Equity and liabilities		363,030,074	355,403,888
A. Equity	22.	201,323,863	209,044,990
1. Share capital		152,200,000	152,200,000
3. Revenue reserves		19,738,525	17,145,938
4. Revaluation surplus		27,240,888	31,819,116
5. Retained earnings		2,144,450	7,879,936
C. Technical provisions	23.	139,499,563	127,262,628
2. Mathematical provisions		138,655,496	127,262,628
3. Provisions for claims outstanding		844,067	0
E. Other provisions	24.	18,048,513	10,731,079
G. Deferred tax liabilities	12.	2,913,066	3,339,955
J. Operating liabilities	25.	75,454	1,702,348
1. Liabilities from direct insurance transactions		0	848,262
3. Current tax liabilities		75,454	854,086
K. Other liabilities	26.	1,169,615	3,322,888

³ Disclosures and notes form an integral part of these financial statements.

CASH FLOW STATEMENT⁴

in EUR

Item	2015	2014
A. Cash flows from operating activities		
a) Income statement items	7,440,255	6,099,667
1. Net written insurance premiums for the period	24,551,616	20,725,700
3. Other operating income (excluding revaluation and decrease in provisions) and financial income from operating receivables	6,989,831	6,520,607
4. Net damages paid in the period	-15,175,922	-13,916,840
6. Net operating costs excluding depreciation charges and changes in accrued acquisition expenses	-6,333,309	-5,649,770
8. Other operating expenses excluding amortisation and depreciation charges (other than revaluation and increase in provisions)	-1,813,328	-1,472,634
9. Income taxes and other taxes not included in operating expenses	-778,633	-107,396
b) Changes in net current assets (insurance claims, other receivables, other assets, deferred tax assets and liabilities) in operating balance sheet items	-1,676,550	-809,086
1. Opening less closing receivables from direct insurance transactions	62,754	297,524
4. Opening less closing other receivables and assets	-993,305	-236,565
7. Closing less opening debts from direct insurance transactions	-4,195	103,094
9. Closing less opening other operating debts	-314,915	-973,139
11. Closing less opening deferred tax liabilities	-426,889	0
c) Net cash flows from operating activities (a+b)	5,763,705	5,290,581
B. Cash flows from investing activities		
a) Receipts from investing activities	126,172,458	132,456,509
1. Receipts from interest earned from investing activities	7,207,080	7,426,336
- investments financed from technical provisions	3,287,105	4,954,760
- other investments	3,919,975	2,471,576
2. Receipts from dividends and profit participations pertaining to:	4,290,763	4,656,187
- investments financed from technical provisions	908,113	972,901
- other investments	3,382,650	3,683,286
5. Receipts from disposal of long-term investments financed from:	58,058,715	67,541,242
- technical provisions	11,986,732	18,124,778
- other sources	46,071,983	49,416,464
6. Receipts from disposal of short-term investments financed from:	56,615,900	52,832,744
- technical provisions	35,051,265	32,676,156
- other sources	21,564,635	20,156,588
b) Disbursements for investing activities	-121,112,076	-139,504,041

⁴ Disclosures and notes form an integral part of these financial statements.

in EUR

Item	2015	2014
1. Disbursements for acquisition of intangible assets	-319,954	-106,104
2. Disbursements for acquisition of property, plant and equipment financed from:	-7,345	-12,879
- technical provisions	0	0
- other sources	-7,345	-12,879
3. Disbursements for acquisition of long-term investments financed from:	-106,476,129	-122,262,904
- technical provisions	-48,190,726	-50,113,550
- other sources	-58,285,403	-72,149,354
4. Disbursements for acquisition of short-term investments financed from:	-14,308,648	-17,122,154
- technical provisions	-11,511,652	-11,668,534
- other sources	-2,796,996	-5,453,620
c) Net cash flow from investing activities (a+b)	5,060,382	-7,047,532
C. Cash flows from financing activities		
a) Receipts from financing activities	0	0
b) Receipts from financing activities	-7,867,431	-1,837,947
5. Disbursements for dividends and other profit distributions	-7,867,431	-1,837,947
c) Net cash flows from financing activities (a + b)	-7,867,431	-1,837,947
Č. Closing balance of cash and cash equivalents	5,543,989	2,587,333
x) Net cash flow for the period (sum of items Ac, Bc and Cc)	2,956,656	-3,594,898
+		
y) Opening balance of cash and cash equivalents	2,587,333	6,182,231

STATEMENT OF CHANGES IN EQUITY 2015⁵

in EUR

Item	I. Share capital	III. Revenue reserves		IV. Revaluation surplus	V. Retained earnings	VI. Net profit or loss	Total equity
		Legal and statutory reserves	Other revenue reserves				
1. Balance as at the end of the previous financial year	152,200,000	3,046,303	14,099,635	31,819,116	7,879,936	0	209,044,990
4. Opening balance for the period	152,200,000	3,046,303	14,099,635	31,819,116	7,879,936	0	209,044,990
5. Comprehensive income for the financial year after tax	0	0	0	-4,578,228	0	4,724,532	146,304
5.a Net profit or loss	0	0	0	0	0	4,724,532	4,724,532
5.b Other comprehensive income	0	0	0	-4,578,228	0	0	-4,578,228
10. Dividends paid (accounted for)	0	0	0	0	-7,867,431	0	-7,867,431
11. Allocation of net profit to revenue reserves	0	460,642	2,131,945	0	0	-2,592,587	0
14. Other	0	0	0	0	2,131,945	-2,131,945	0
15. Closing balance for the period	152,200,000	3,506,945	16,231,580	27,240,888	2,144,450	0	201,323,863

⁵ Disclosures and notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY 2014⁶

in EUR

Item	I. Share capital	III. Revenue reserves		IV. Revaluation surplus	V. Retained earnings	VI. Net profit or loss	Total equity
		Legal and statutory reserves	Other revenue reserves				
1. Balance as at the end of the previous financial year	152,200,000	1,346,415	6,232,204	16,459,050	1,837,947	0	178,075,616
4. Opening balance for the period	152,200,000	1,346,415	6,232,204	16,459,050	1,837,947	0	178,075,616
5. Comprehensive income for the financial year after tax	0	0	0	15,360,066	0	17,447,255	32,807,321
5.a Net profit or loss	0	0	0	0	0	17,447,255	17,447,255
5.b Other comprehensive income	0	0	0	15,360,066	0	0	15,360,066
10. Dividends paid (accounted for)	0	0	0	0	-1,837,947	0	0
11. Allocation of net profit to revenue reserves	0	1,699,888	7,867,431	0	0	-9,567,319	0
12. Settlement of loss from previous years	0	0	0	0	12,505	-12,505	0
14. Other	0	0	0	0	7,867,431	-7,867,431	0
15. Closing balance for the period	152,200,000	3,046,303	14,099,635	31,819,116	7,879,936	0	209,044,990

⁶ Disclosures and notes form an integral part of these financial statements.

PROFIT OR LOSS APPROPRIATION ACCOUNT⁷

in EUR

Item	31/12/2015	31/12/2014
a) Net profit or loss for the financial year	4,724,532	17,447,255
b) Retained net profit or loss	0	-12,505
- profit or loss for the year under the applicable standards	0	-12,505
- adjustment to new accounting standards	0	0
c) Decrease in revenue reserves	0	0
ö) Increase in revenue reserves in accordance with management decision	460,642	1,699,888
- increase in contingency reserves	0	0
- increase in legal reserves	236,227	871,737
- increase in reserves for treasury shares and own interests	0	0
- increase in statutory reserves	224,415	828,151
d) Increase of other reserves pursuant to the decision of the management	2,131,945	7,867,431
e) Accumulated profit or loss (a + b + c – ö – d)	2,131,945	7,867,431

⁷ Disclosures and notes form an integral part of these financial statements.

DISCLOSURES AND NOTES

General disclosures

Company profile

Modra zavarovalnica d.d. is organised as a public limited company. Its registered office is at Dunajska cesta 119, Ljubljana. The 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 management of pension and financial funds.

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 http://www.kapitalska-druzba.si/o_kapitalski_druzbi/letna_porocila.

Funds managed

Table 17: Funds managed by Modra zavarovalnica as at 31 December 2015

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
Modri krovni pokojninski sklad (Modri Umbrella Pension Fund)	6031226007
Modri dinamični podsklad (Modri Dynamic Sub-Fund)	6031226006
Modri preudarni podsklad (Modri Prudent Sub-Fund)	6031226008
Modri zajamčeni podsklad (Modri Guaranteed Sub-Fund)	6031226009
Kapitalski vzajemni pokojninski sklad (Capital Mutual Pension Fund)	6031226003
Kritni sklad Prvega pokojninskega sklada (Guarantee Fund of the First Pension Fund)	6031226004
Kritni sklad Modra renta (Guarantee Fund Modra Renta)	6031226005

Employees

Table 18: Number of employees by level of education

Level of education	31/ 12/ 2015	31/ 12/ 2014
Level 8 (8/1, 8/2)	6	6
Level 7	23	21
Level 6 (6/1, 6/2)	10	8
Level 5	16	18
Level 4	1	1
Total	56	54

Subsidiaries

As at 31 December 2015, Modra zavarovalnica had 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 2015 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 2015. Modra zavarovalnica did not apply any standard or interpretation not applicable in 2015.

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 (EUR), which is the functional and reporting currency of the company. All figures are rounded to EUR 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.

Foreign currency translation

The financial statements are presented in Euro currency (EUR), 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.

Adoption procedure for 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 any indications of impairment of property, plant and equipment exist. 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 EUR 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 EUR 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:

- financial assets measured at fair value through profit or loss,
- held-to-maturity investments,
- investments in loans and deposits,
- 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

Price source

Modra zavarovalnica applied pricing source CBBT(Composite Bloomberg Bond Trader) for the first time as at 31 December 2015 for valuation of debt instruments with OTC market defined as their principal market. Differences in value of investments using pricing sources BGN and CBBT were low and immaterial from the company's portfolio value perspective (CBBT-BGN difference amounted to EUR – 135,793).

Determining fair value of investments

Pursuant to IFRS 13, the company determines fair value of investments as if it were the amount received from disposal of an asset or paid for transfer of liabilities in regular transaction between market participants on the measurement day. The measurement date is defined as the day on which the company calculates net asset value (NAV) per subfund unit(calculation date). In case of such a transaction, fair value is measured based on the assumption that the transaction is taking place on the principal market or, if principal market does not exist, on the most advantageous market. If upon fair value measurement the principal market (or the most advantageous market) does not exist, fair value is determined using the valuation technique. Fair value of investments is determined taking into account one of the above conditions.

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

- stock exchange market (for equity and debt instruments), or
- off-exchange or OTC market (for debt investments).

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

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

In case of exchange trading, the assumption of active market is fulfilled if the average amount of individual investment traded in a day over the last 180 days from the date of fair value measurement exceeds EUR 0.5 million by taking into account the number of trading days. In the event of an active exchange, fair value is measured using the most recent quoted price of not more than 15 days. In the event of an inactive exchange, fair value is measured using the most recent quoted price of not more than 90 days. In other cases, fair value of the investment is measured on the basis of the valuation technique.

In the event of off-exchange trading, i.e. OTC market, the assumption of active market is fulfilled if the CBBT price is quoted for at least a half of trading days in the last 30 days from the measurement date. If the OTC market is active, fair value is measured using the most recent CBBT price of not more than 15 days. If the OTC market is not active, fair value is measured using the most recent CBBT price of not more than 90 days. In the event that the most recent CBBT price is older than the last transaction price of the financial instrument, or the CBBT price is not available, fair value is measured based on the most recent transaction price of not more than 90 days, whereas the active market assumption is fulfilled only if the transaction price is not more than 15 days old. If neither of the above applies, fair value of the investment is measured on the basis of the valuation technique.

In line with IFRS 13.69, the company measures fair value applying unadjusted, quoted prices in active markets.

For valuation, the company uses as unadjusted, quoted price exclusively the closing quote on exchange or closing BID CBBT price or transaction price.

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

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

Level 1 inputs are (unadjusted) quoted prices in active markets for identical investments that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Based to IFRS 13.82, level 2 input include:
 - quoted prices for similar investments in active markets,
 - quoted prices for identical or similar assets in markets that are not active,
 - inputs other than quoted prices that are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals (implied volatiles, credit spreads, etc.),
 - inputs corroborated by market;
- Level 3 inputs are unobservable inputs.
- Pursuant to IFRS 13.74, in measuring fair value the company favours the inputs used in valuation techniques rather than valuation techniques.

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

The company classifies investments into levels based on the characteristics of the input used to determine fair value of investments and to assess whether the principal market is active.

Classification of equity investments

Table 19: Equity investment classification in case of exchange as the principal market (quoted equity investments)

Level	Type of investment
1	Equity investments with fair value measured on the basis of quoted prices in active markets
2	Equity investments with fair value measured on the basis of quoted prices in markets that are not active Equity investments for which quoted prices are not available and their fair value is measured using the valuation technique (taking into account level 2 inputs)
3	Equity investments for which quoted prices are not available and their fair value is measured using the valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 20: Classification of unquoted equity investments

Level	Type of investment
1	-
2	Equity instruments with fair value measured using the valuation technique (taking into account level 2 inputs)
3	Equity instruments with fair value measured using the valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 21: Classification of mutual funds coupons

Level	Type of investment
1	Mutual fund units with fair value measured on the basis of quoted value of subfund unit
2	-
3	-

Classification of debt investments

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

Table 22: Classification of debt investments with exchange as the principal market

Level	Type of investment
1	Debt investments with fair value measured on the basis of quoted prices in active markets
2	Debt investments with fair value measured on the basis of quoted prices in markets that are not active Debt securities measured using the valuation technique (taking into account level 2 inputs)
3	Debt securities measured using the valuation technique (taking into account level 3 inputs) or prices provided by third parties

Table 23: Classification of debt investments with OTC market as the principal market

Level	Type of investment
1	Debt investments with fair value measured using CBBT price in active markets
	Debt investments with fair value measured on the basis of transaction prices in active markets
2	Debt investments with fair value measured using CBBT price in markets that are not active
	Debt investments with fair value measured on the basis of transaction prices in markets that are not active
	Debt securities without CBBT price in (in)active markets and fair value measured using the valuation technique (taking into account level 2 inputs)
3	Debt securities without CBBT price in (in)active markets and fair value measured using the valuation technique (taking into account level 3 inputs) or prices provided by third parties

Classification of loans and deposits

The Company discloses deposits in banks at amortised cost in the statement of financial position. As there is no market for deposit interest rates with directly observable prices, the company measures deposits for the fair value disclosure purposes using the initial or contractual interest rate, which are categorised within level 3 as unobservable inputs.

Financial assets at fair value through profit and loss

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

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

Financial assets with fixed or determinable payments and determined maturity, other than derivative financial instruments, are recognised as held-to-maturity financial assets if the Company has a positive intention and the ability to hold the investment to maturity. Investments held for an indefinite period of time are not classified into this group.

Investments which are recognised as held-to-maturity are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by deferring the premium or the discount on acquisition over the period until the maturity of the investment. All gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount/premium amortisation). Investments allocated as held-to-maturity are recognised on the trading date.

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

If there is objective evidence that an impairment loss on loans or held-to-maturity investments carried at amortised cost has been incurred, this amount is measured as the difference between carrying amount of the financial asset and present value of expected future cash flows discounted at the original effective interest rate of the financial asset. The asset's carrying amount needs to be decreased through restatement in the allowance account. Impairment loss is recognised in profit or loss as a revaluation finance expense.

In case of subsequent decrease in impairment loss, provided that the decrease can be objectively attributed to an event occurring after the impairment recognition (such as an improvement in credit rating), the impairment loss previously recognised must be reversed in the value adjustment account. The reversal of an impairment loss shall not result in a carrying amount exceeding what the amortised would have been had the impairment loss not been recognised as at the date on which the impairment loss is reversed. Reversal of impairment loss is to be recognised in profit or loss as a revaluation financial revenue.

Investments in loans and deposits

Loans are financial assets with fixed or determinable payments that are not traded on regulated market. The Company measures them based on the initial or contractual interest rates.

Available-for-sale financial assets

After the initial recognition, all investments designated by the Company as available for sale are measured at fair value. Gains and losses of available-for-sale investments are recognised under equity as net unrealised capital gains from available-for-sale financial investments, until the investment is sold or otherwise derecognised. If an investment is impaired, the impairment loss is recognised in the profit or loss.

Acquisition and sale of investments allocated in the group of available-for-sale financial assets are recognised on the trading day, i.e. on the day of commitment to purchase or to sell a financial asset.

Impairment of available-for-sale financial assets

The Company regularly reviews the requirement for impairment of financial assets allocated as available for sale. Investments whose value has significantly declined in the reporting period and/or such a decline is prolonged are impaired. The company estimates that the assumption of significant reduction in the value of equity investments is normally met when the negative revaluation in equity, including any exchange rate differences, exceeds 40% of the cost of the relevant equity investment. In this case such equity investments are impaired in the total amount of the cumulative unrealised net loss and potential exchange rate differences. The Company estimates that the decrease in value is prolonged when the value of an investment is

in continuous decline over a period of 9 to 12 months. The Company checks investments for impairment when necessary or at least on the balance sheet date.

The Company only impairs debt instruments classified as available-for-sale whose principal amounts will not be recovered or will not be recovered in full on maturity according to the estimate made by the Company as a prudent manager. In the first case, such debt investments are as a rule impaired to EUR 0, while in the second case such debt investments are normally impaired to the percentage of principal amount estimated to be repaid with certainty upon maturity. In the latter case, debt instruments with no material effect on financial statements are not carried at amortised cost but rather at estimated realisable value. The Company checks these investments for impairment when necessary or at least on the balance sheet date.

Derecognition of financial instruments

Financial assets are derecognised when the related risks, benefits and control over contractual rights are transferred. Financial liabilities are derecognised when settled, cancelled or expired.

Investment in associate

The Company records and presents investments in associates based on the above accounting policies applying to investments classified as available-for-sale assets.

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

Receivables

Operating receivables

Operating receivables are recognised in the amount of issued invoices decreased by potential value adjustments. The allowance assessments are based on the Company's reasonable expectations that a payment is no longer likely in full and/or in a specific amount.

Short-term receivables from direct insurance transactions

Short-term receivables from direct insurance transactions are receivables arising from the premiums paid in the mutual pension funds, which are created upon the transfer of insured persons from mutual pension funds to guarantee funds. 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 the mutual pension funds equals the sum total of the redemption value per subfund unit in policies held by insured persons. The liability is determined daily.

The redemption value per subfund units is the product of the number of units held by an insured person who has

obtained the right to a pension annuity and value per subfund unit as at the date on which the right to pension annuity was obtained (the last known subfund unit value). If the guaranteed value per subfund unit exceeds the actual unit value, the guaranteed value per subfund unit 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 on securities are recognised as at the date of interest maturity, 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.

Allowances for receivables are made on the basis of 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 liabilities as at the reporting date exceed its assets, the difference is recognised as a KS PPS receivable for the deficit due from Modra zavarovalnica as the manager. Modra zavarovalnica creates 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 dated 20 December 2010.

Cash and cash equivalents

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

Equity

Ordinary shares are classified in equity. The direct additional costs of new shares issuance, decreased by tax effects, are debited to equity.

The share capital is divided into 152.2 million 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.

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 insured event will take place, when the insured event will take place and what the compensation amount will 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 created pursuant to 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 are based on actuarial assumptions, legislative provisions and all contractual obligations towards persons insured pursuant to the contents of the underlying 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 KS Modra Renta policies concluded after retirement of the insured that exercised regular termination of additional pension insurance. Mathematical provisions are calculated in accordance with the Insurance Act, technical bases for pension insurance annuities by Modra zavarovalnica and technical standards, prospectively for each insurance policy. The calculation was made on the basis of German tables for annuities DAV1994R. The imputed interest rate, mortality tables and costs equal those used in the calculation of additional pension.

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

The imputed interest rate and 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 calculation of annuities.

Equalisation provisions for PPS mortality experience

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

Equalisation provisions for mortality experience are calculated by individual policy upon the transfer, increase the balance of provisions set aside for the equalisation of PPS 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 created 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 return over guaranteed return,
- surplus of assets as a result of mortality within the population with annuity insurance policies;
- however, if mathematical provisions comply with the most recent annuity tables, the surplus of assets as a result of over-mortality within the population with annuity insurance is allocated to provisions.
- Equalisation provisions for 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, which a result of surplus return of KS PPS over the guaranteed return, can be allocated to permanent annuity increases or is used, partially or entirely, to create equalisation provisions for yield experience. The share of surplus earmarked for annuity increase is specified by the management of the fund manager.

Provisions for claims outstanding

Provisions for claims outstanding within the guarantee funds are created in the amount of liabilities to the insured that the guarantee fund is obliged to pay pursuant to the underlying insurance contracts where the insured event occurred before the end of the accounting period.

Provisions for failure to achieve guaranteed return

Pursuant Article 313 of ZPIZ-2, in the event the actual net value of KVPS, ZVPSJU and MZP funds' assets in the accounting period falls below their guaranteed value, the insurance company Modra zavarovalnica has to create provisions for failure to achieve the guaranteed return, which are debited to equity and correspond the difference between the guaranteed and actual net value of assets. The actual or guaranteed net value of the funds' assets 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 is based on 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 arise from the Company's regular operations and unutilised annual leave.

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

Operating liabilities

Operating liabilities comprise current tax liabilities of guarantee.

Other liabilities

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

Revenues

Revenue is recognised if an increase in economic benefits in the accounting period is associated with an increase in assets or decrease in liabilities and if such increase or decrease can be reliably measured. Revenue and increases in assets or decreases in debt are therefore recognised simultaneously. The following types of revenue are recognised:

Premiums revenue

Net revenue from insurance premium equals the gross premium written. Gross premiums written are recognised in the accounting records on the day they are accounted for rather than on the payment date.

Revenue from fees and commissions

Modra zavarovalnica is entitled to the reimbursement of entry and exit fees and the annual fee for the management of pension funds' assets. Entry fees are charged as a percentage of the premium paid, the exit fees represent a percentage of redemption value, whereas the management fee is calculated as a percentage of total average net asset value of an individual fund during the saving period.

a. Entry fee

The Company charges entry fees for the performance of its activities in accordance with the pension scheme, which means that the assets collected and transferred to an individual pension fund are reduced by the amount entry fee, while the fund manages the assets attributable to the net premium. The entry fee is calculated as a percentage of the premium at the time of the payment.

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, determined as the arithmetic mean of the net value of the fund's assets on conversion dates in the current year.

c. Exit fee

In accordance with the pension scheme, the Company is entitled to an exit fee, meaning that the redemption value is decreased by exit charges and such a net value is then paid to an individual who terminated the insurance scheme. Exit fees are calculated in 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 cost

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 income tax assets and liabilities are accounted for using the liability method in the balance sheet. Only deferred assets and liabilities arising 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 2015 and 31 December 2014, the income statement data for 2015 and other additional data required to adjust cash flows and adequately break down major items.

Amendments of standards and interpretations

Standards and interpretations effective for the reporting period

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

- Amendments to various standards – ‘Improvements to IFRSs (2011-2013)’, resulting from the annual project for improvement of IFRSs (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),
- IFRIC 21 ‘Levies’, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards had no effect on the financial statements of Modra zavarovalnica.

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

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

- Amendments to IFRS 11 ‘Joint arrangements’, – Accounting for acquisitions of Interests in joint operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 ‘Presentation of financial statements’ – Disclosure initiative, adopted by the EU on 18 December 2015 (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, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 41 ‘Agriculture’ – Agriculture: Bearer plants, as adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- Amendments 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),
- Amendments to IAS 27 ‘Separate financial statements’ – Equity method in separate financial statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- 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 (2012-2014)’, resulting from the annual project for improvement of IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34 and) primarily with a view to remove inconsistencies and to clarify wording, adopted by the EU on 15 December 2015 (the amendments will need to be applied for annual periods beginning on or after 1 January 2016).

Modra zavarovalnica 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 IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards which were not endorsed for use in the EU as at the end of 2015.

- 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) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 ‘Revenue from contracts with customers’ and subsequent amendments (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 ‘Leases’ (effective for annual periods beginning on or after 1 January 2019),
- 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 10 ‘Consolidated financial statements’ and IAS 28 ‘Investments in associates and joint ventures’ – Sale or contribution of assets between an investor and its associate or joint venture, and subsequent amendments (the effective date has been postponed to a later date until the research project on capital method is concluded),
- Amendments to IAS 12 ‘Income taxes’ – Recognition of deferred tax assets for unrealised losses (effective for annual periods starting on or after 1 January 2017).

The Company examines 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 date of the statement of financial position.

Breakdown and notes to the financial statements

Notes to the income statement

Note No. 1:

Net premium income

in EUR

Item	2015	2014
Gross life written premiums	24,544,467	20,719,734
Gross non-life written premiums	7,150	5,966
Total	24,551,616	20,725,700

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

Note No. 2:

Income from investments

in EUR

Item	2015	2014
Interest income from investments	6,718,435	5,586,364
At fair value through profit or loss	930,959	900,932
• Held to maturity	1,910,729	1,947,054
• Available for sale	2,949,479	1,538,365
• Loans and deposits	927,017	1,200,007
• Cash and cash equivalents	251	6
Dividend from investments	4,256,888	4,713,260
At fair value through profit or loss	878,744	985,905
• Available for sale	3,378,144	3,727,355
Revaluation income	694,703	5,227,166
• Investment revaluation at fair value through profit or loss	694,703	5,227,166
Exchange rate gains	464,515	490,658
Gains on investment disposals	7,344,451	12,114,330
• Available for sale	7,030,774	12,097,207
At fair value through profit or loss	313,677	17,123
Other financial revenue	3,003	22,707
Total	19,481,997	28,154,485

In 2015, the total financial revenue amounted to EUR 19,481,997. The largest share is accounted for by income from the disposal of investments. In 2015, income from revaluation of investments and fair value through profit or loss was significantly lower than in 2014 due to unfavourable trends in securities prices. Gains on disposals of investments available for sale were in 2015 lower because a smaller volume of investment sales, sales conditions and market situation.

Note No. 3:

Expenses from investments

in EUR

Item	2015	2014
Interest expenses from investments	-241	-3
Other interest expenses	-241	-3
Revaluation expense	-5,104,671	-1,827,736
Investment revaluation at fair value through profit or loss	-5,104,671	-1,827,736
Exchange rate losses	-118,277	-37,225
Losses on investment disposal	-545,077	-292,375
At fair value through profit or loss	-189,450	-17,604
• Available for sale	-355,627	0
Other financial expenses	-14,801	-14,407
Total	-5,783,067	-2,171,745

In 2015, expenses from revaluation of investments and fair value through profit or loss were significantly higher than in 2014 due to unfavourable trends in securities prices. Modra zavarovalnica recorded a loss on disposal of investments available for sale in 2015 as a result of unfavourable market situation.

Gains or losses from investments

in EUR

Item	2015	2014
Income from investments	19,481,997	28,154,485
Expenses from investments	-5,783,067	-2,171,745
Net gains or losses from investments	13,698,929	25,982,740

Note No. 4:

Other insurance income

in EUR

Item	2015	2014
Income from management of guarantee funds	537,125	842,642
Income from management of mutual pension funds	5,925,992	6,017,690
Total other insurance income	6,463,117	6,860,332

Income from management of guarantee funds which Modra zavarovalnica discloses within its statement of financial position includes income from annuity payments and management fee. Income from management of mutual pension funds comprises management fee, income from entry fee and exit fee, and in 2014 also income from reversal of provisions established for not achieving the guaranteed rate of return. The funds of mutual pension funds are not disclosed in the statement of financial position of the insurance company.

The value of mutual pension funds under management

in EUR

Fund	31/12/2015	31/12/2014
MZP	15,377,563	-
MPP	3,274,704	-
MDP	3,792,615	-
KVPS	174,049,258	172,130,283
ZVPSJU	695,720,689	692,010,856
PPS	21,888,882	30,042,939
Total value of funds	914,103,711	894,184,078

Note No. 5:

Other income

in EUR

Item	2015	2014
Other income	484,664	34,843

In 2015, most of other income refers to payment of the deficit in KS MR (on the other hand, this payment was recognised also under other insurance expenses). In 2014, other income includes the revenue arising from unutilised annual leave, rents and other minor items.

Note No. 6:

Net claims incurred

in EUR

Item	2015	2014
Gross claims paid from life insurance	-15,175,922	-13,916,840
Total	-15,175,922	-13,916,840

Gross claims paid represent the pension annuities paid.

Note No. 7:

Change in technical provisions

in EUR

Item	2015	2014
Change in KS PPS technical provisions	1,296,607	-3,861,268
Change in KS MR technical provisions	-12,689,475	-9,278,545
Total	-11,392,868	-13,139,813

Change in KS PPS technical provisions is the result of inflows from new insured persons into the guarantee fund, outflows resulting from rent and potential increase in surplus due to excess return resulting from over-mortality within the population with annuity insurance. The KS PPS portfolio is in mature phase and records surplus of outflows over inflows due to new insured persons. In 2014, KS PPS technical provisions rose because of surplus return. In 2015, KS PPS technical provisions dropped because annuities paid out exceeded the income from new premium.

The rise in KS MR technical provisions in 2015 was the consequence of higher net premium income.

Note No. 8:

Operating costs

in EUR

Item	2015	2014
Cost of insurance contract acquisition	-464,011	-5,227
Costs of materials	-127,792	-99,556
Costs of services	-2,839,972	-2,845,212
Write-downs	-105,740	-108,746
Costs of provisions	-17,489	-26,261
Labour costs	-2,840,282	-2,643,508
Other operating costs	-61,251	-60,583
Total	-6,456,538	-5,789,094

In 2015, Modra zavarovalnica actively started attracting new insured persons, as a result of which the costs of underwriting greatly rose in 2015; these costs mainly refer to gaining new members of MKPS.

In 2015, the costs of material totalled EUR 127,792.

The highest portion was that of printing.

In 2015, the costs of services reached EUR 2,839,972. The largest share of these costs is the costs of rent, including the rent of business premises, equipment, information equipment and information assets in the amount of EUR -689,911. Significant amounts are the costs of intellectual and personal services totalling EUR -499,533, incurred mostly in relation to disposal procedures for domestic equity investments and the costs of information services. Also material are the costs of payment transactions leasing and banking services, which include the custodian fee, totalling EUR -479,487.

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

The cost of provisions amounting to EUR -17,489 relate to creation of provisions for jubilee awards and severance pay upon retirement.

In 2015, labour costs totalled EUR -2,840,282. EUR -2,118,971 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 commuting 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 2015, the costs of audit totalled EUR -14,823.

Note No. 9:

Other insurance expenses

in EUR

Item	2015	2014
Other insurance expenses	-7,316,533	-1,472,634

In 2015, other insurance expenses mainly include provisions created for failing to achieve the guaranteed rate of return of the PPS fund amounting to EUR -4,767,056. The rest is payments by the manager to cover the difference up to the guaranteed return of mutual pension funds and the management fee of Modra renta Guarantee Fund.

Note No. 10:

Other expenses

in EUR

Item	2015	2014
Other expenses	-31,976	-22,176

Other expenses in 2015 chiefly refer to write-off of operating receivables due to the debtor's insolvency.

Note No. 11:

Corporate income tax

in EUR

Item	2015	2014
Profit or loss before tax	4,824,490	19,263,058
Tax on dividends from abroad	225,353	0
Non-deductible expenses	449,017	688,597
Non-taxable income	-4,247,097	-8,994,153
Tax relief	-109,139	-152,574
Tax loss	-625,882	-5,478,751
Total (tax base)	516,742	5,326,177
Corporate income tax (17%)	0	905,450
Tax on dividends from abroad	87,846	0

Note No. 12:

Deferred tax

in EUR

Item	Statement of financial position 31/12/2015	Statement of financial position 31/12/2014	Income statement 2015	Income statement 2014
Deferred income tax – liabilities; of which:	7,815,801	8,655,348	312,700	19,752
Revaluation of AFS financial assets to fair value	5,296,615	5,823,462	0	0
Liabilities from investments carried forward	2,519,186	2,831,886	312,700	19,752
Total deferred income tax liabilities	7,815,801	8,655,348	312,700	19,752
Deferred income tax – receivables; of which:	4,902,735	5,315,393	-412,658	-930,105
Retained loss that can be used for tax allowances	2,857,893	2,964,293	-106,400	-931,387
Value adjustment of investments	2,030,389	2,337,879	-307,490	-774
Provisions	14,453	13,221	1,232	2,056
Total deferred income tax assets	4,902,735	5,315,393	-412,658	-930,105
Netting of deferred income tax assets and liabilities	-2,913,066	-3,339,955	-99,958	-910,353

12.1 Changes in deferred tax recognised directly in equity

in EUR

Changes in deferred tax	2015	2014
Balance as at 1 Jan.	8,655,348	5,664,189
Changes during the year	-839,548	2,991,159
Balance as at 31 Dec.	7,815,800	8,655,348

Notes to the statement of other comprehensive income

Note No. 13:

Other comprehensive income after tax

in EUR

Item	2015	2014
Other comprehensive income after tax	-4,578,228	15,360,066

Other comprehensive income after tax refers to net gains or losses from revaluation of available-for-sale financial assets. Owing to unfavourable trends in securities prices in 2015, other comprehensive income was significantly lower than in 2014, and negative.

Notes to the statement of financial position

Note No. 14:

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

in EUR

2015	Software	Intangible assets being acquired	Total
Cost as at 1 Jan. 2015	295,354	74,005	369,359
Additions	48,158	335,951	384,109
Disposals	-64,155	0	-64,155
Cost as at 31 Dec. 2015	279,357	409,956	689,313
Value adjustment as at 1 Jan. 2015	-173,550	0	-173,550
Write-downs	64,155	0	64,155
Amortisation	-86,540	0	-86,540
Value adjustment as at 31 Dec. 2015	-196,228	0	-196,228
Carrying amount as at 1 Jan. 2015	121,804	74,005	195,809
Carrying amount as at 31 Dec. 2015	83,129	409,956	493,085

in EUR

2014	Software	Intangible assets being acquired	Total
Cost as at 1 Jan. 2014	257,383	5,871	263,255
Additions	38,326	68,134	106,460
Disposals	-356	0	-356
Cost as at 31 Dec. 2014	295,354	74,005	369,359
Value adjustment as at 1 Jan. 2014	-84,447	0	-84,447
Write-downs	356	0	356
Amortisation	-89,459	0	-89,459
Value adjustment as at 31 Dec. 2014	-173,550	0	-173,550
Carrying amount as at 1 Jan. 2014	172,937	5,871	178,808
Carrying amount as at 31 Dec. 2014	121,804	74,005	195,809

Note No. 15:**Changes in property, plant and equipment**

in EUR

2015	Equipment and small tools	Company cars	Total
Cost as at 1 Jan. 2015	53,993	25,280	79,273
Additions	8,294	0	8,294
Disposals	-949	0	-949
Cost as at 31 Dec. 2015	61,338	25,280	86,618
Value adjustment as at 1 Jan. 2015	-30,466	-16,011	-46,477
Write-downs	949	0	949
Depreciation	-14,381	-5,056	-19,437
Value adjustment as at 31 Dec. 2015	-43,897	-21,067	-64,965
Carrying amount as at 1 Jan. 2015	23,527	9,269	32,796
Carrying amount as at 31 Dec. 2015	17,441	4,213	21,653

in EUR

2014	Equipment and small tools	Company cars	Total
Cost as at 1 Jan. 2014	41,113	25,280	66,393
Additions	12,880	0	12,880
Cost as at 31 Dec. 2014	53,993	25,280	79,273
Value adjustment as at 1 Jan. 2014	-16,235	-10,955	-27,190
Depreciation	-14,231	-5,056	-19,287
Value adjustment as at 31 Dec. 2014	-30,466	-16,011	-46,477
Carrying amount as at 1 Jan. 2014	24,878	14,325	39,203
Residual value as at 31. Dec. 2014	23,527	9,269	32,796

Note No. 16:**Non-current assets available for sale**

As at 31 December 2014, the company Modra zavarovalnica disclosed the investment in its associated undertaking Cinkarna Celje d.d. amounting to under its non-current assets held for sale. Due to the suspension of sales procedure, the said asset was on 19 August 2015 transferred to financial investments in Group companies and associated companies.

Note No. 17:**Investments in Group companies and associates****17.1 Financial investments in associates**

As at 31 December 2015, Modra zavarovalnica disclosed the investment in Cinkarna Celje, d. d., among financial investments in associated companies in the amount of EUR 12,385,188. The financial investment in the associate is classified under available-for-sale assets.

in EUR

Associate	Registered office	Equity stake	Equity as at 31 Dec. 2015 (unaudited data)	Net profit of the company in 2015 (unaudited data)
Cinkarna Celje, d. d.	Kidričeva ulica 26, Celje	20.00 %	140,245,486	6,823,544

17.2 Changes in investments in associates

in EUR

Item	Financial investments in associates
Balance as at 1 Jan. 2015	0
Reclassification 19 Aug. 2015	14,666,670
Change in revaluation surplus	-2,281,482
Balance as at 31 Dec. 2015	12,385,188

The fair value of the investment in Cinkarna Celje, d. d., still exceeds its cost in spite of the negative change in the revaluation surplus in 2015 as at 31 December 2015.

Note No. 18: Investments

in EUR

Item	Short-term investments	Investments by guarantee funds	Total 31 Dec. 2015
Loans and deposits	17,500,008	16,530,005	34,030,013
Held-to-maturity investments	10,443,812	70,142,943	80,586,755
Available-for-sale investments	167,739,559	0	167,739,559
Investments at fair value through profit or loss	8,749,245	49,544,184	58,293,428
Total	204,432,623	136,217,133	340,649,756

in EUR

Item	Short-term investments	Investments by guarantee funds	Total 31 Dec. 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 investments	175,375,115	0	175,375,115
Investments at fair value through profit or loss	0	52,875,640	52,875,640
Total	208,009,252	128,509,128	336,518,379

18.1 Investments in loans and deposits

in EUR

Item	31 Dec. 2015	31 Dec. 2014
Long-term investment in loans and deposits	20,550,000	9,380,000
Short-term investment in loans and deposits	13,480,013	46,032,342
Total	34,030,013	55,412,342

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

18.2 Investments in securities

in EUR

Item	31 Dec. 2015	31 Dec. 2014
Investments at fair value through profit or loss	58,293,428	52,875,640
Equity securities	31,909,518	29,602,994
Debt securities	26,383,910	23,272,646
Available-for-sale investments	167,739,560	175,375,115
Equity securities	120,181,716	126,707,327
Debt securities	47,557,844	48,667,788
Held-to-maturity investments	80,586,755	52,855,282
Total	306,619,743	281,106,037

18.3 Changes in investments in securities

in EUR

Modra zavarovalnica	Held-to-maturity	Available for sale	At fair value	Total
Balance as at 1 Jan. 2015	52,855,282	175,375,115	52,875,640	281,106,037
Acquisitions	33,083,664	25,043,598	34,308,457	92,435,719
Revaluation/impairments/revalorisation	1,910,729	6,990,099	-3,174,902	5,725,926
Sales/Maturity	-7,262,920	-39,669,252	-25,715,766	-72,647,938
Balance as at 31 Dec. 2015	80,586,755	167,739,560	58,293,429	306,619,743

in EUR

Own funds	Held-to-maturity	Available for sale	At fair value	Total
Balance as at 1 Jan. 2015	1,532,460	175,375,115	0	176,907,575
Acquisitions	8,917,226	25,043,598	8,811,482	42,772,306
Revaluation/impairments/revalorisation	62,932	6,990,099	-62,237	6,990,794
Sales/Maturity	-68,806	-39,669,252	0	-39,738,058
Balance as at 31 Dec. 2015	10,443,812	167,739,560	8,749,245	186,932,617

in EUR

Guarantee funds	Held-to-maturity	Available for sale	At fair value	Total
Balance as at 1 Jan. 2015	51,322,822	0	52,875,640	104,198,462
Acquisitions	24,166,438	0	25,496,975	49,663,413
Revaluation/impairments/revalorisation	1,847,797	0	-3,112,665	-1,264,868
Sales/Maturity	-7,194,114	0	-25,715,766	-32,909,880
Balance as at 31 Dec. 2015	70,142,943	0	49,544,184	119,687,127

18.4 Structure of financial assets with respect to the interest rate type

in EUR

Asset	31/12/2015	31/12/2014
Investments in debt instruments	154,528,509	124,795,717
Fixed interest rate	150,693,052	121,710,534
Variable interest rate	3,835,457	3,085,183
Loans and deposits	34,030,013	55,412,342
Fixed interest rate	34,030,013	55,412,342
Variable interest rate	0	0
Total	188,558,522	180,208,059

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.

18.5 Risk of changes in interest rates

in EUR

As at 31 Dec. 2015	Less than 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets at fair value through profit or loss	7,935,338	14,745,247	3,703,325	26,383,910
Held-to-maturity investments	16,230,439	20,258,119	44,098,196	80,586,755
Available-for-sale investments	1,790,660	25,709,990	20,057,194	47,557,844
Loans and deposits given	15,130,000	18,200,013	700,000	34,030,013
Cash and cash equivalents	5,543,989	0	0	5,543,989
Total	46,630,427	78,913,368	68,558,716	194,102,511

Note No. 19:
Receivables

in EUR		
Item	31/12/2015	31/12/2014
Receivables from direct insurance business	154,620	217,374
Other receivables	3,127,258	960,103
Total	3,281,879	1,177,478

In 2015, the highest item of other receivables was accounted for by the deficit of assets for covering the liabilities to the insured persons of KS PPS in the amount of EUR 1,798,948 and other short-term receivables due from national and other institutions equalling EUR 913,542. The remainder is represented by short-term receivables from management fee of mutual pension funds, short-term receivables for interest and other minor items.

Note No. 20:
Other assets

in EUR		
Item	31/12/2015	31/12/2014
Other assets	654,525	225,423

Other assets amounting to EUR 654,525 comprise short-term accrued revenue and deferred costs.

22.2 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 Jan. 2015	152,200,000	0	17,145,938	31,819,116	7,879,936	0	209,044,990
Change	0	0	2,592,587	-4,578,228	-5,735,486	0	-7,721,127
31 Dec. 2015	152,200,000	0	19,738,525	27,240,888	2,144,450	0	201,323,863

Revenue reserves represent legal and statutory reserves in the amount of EUR 3,506,945 and other revenue reserves amounting to EUR 16,231,580.

Note No. 23:
Technical provisions

23.1 Technical provisions

in EUR		
Item	31/12/2015	31/12/2014
KS PPS technical provisions	99,579,045	100,032,164
KS MR technical provisions	39,920,518	27,230,464
Total	139,499,563	127,262,628

Technical provisions are mathematical provisions of the life insurance guarantee funds and provision for claims outstanding; they are presented in the chapter 'Disclosures of insurance contracts'.

Note No. 21:
Cash and cash equivalents

in EUR		
Item	31/12/2015	31/12/2014
Funds in transaction accounts with banks and cash in hand	5,543,988	1,299,033
Deposits redeemable at notice	0	1,288,300
Total	5,543,988	2,587,333

Note No. 22:
Equity

22.1. Share capital

in EUR		
Item	31/12/2015	31/12/2014
Share capital (in EUR)	152,200,000	152,200,000
Ordinary shares (number)	152,200,000	152,200,000

The share capital of the company amounts to 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 corresponding 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.

Share book value as at 31 December 12. 2015 was EUR 1.32. Modra zavarovalnica d.d. is fully owned by Kapitalska družba.

23.2 Changes in technical provisions

in EUR		
Technical provisions	2015	2014
Opening balance	127,262,628	114,122,815
Change through profit or loss	11,392,868	13,139,813
Other changes	844,067	0
Closing balance	139,499,563	127,262,628

Other changes refer to provisions for claims outstanding, which were for the first time established in 2015 and in terms of substance represented accounted annuities that have not yet been paid for various reasons; they were established by transfer of liabilities from direct insurance business.

Note No. 24:**Other provisions****24.1. Other provisions**

in EUR

Other provisions	31/12/2015	31/12/2014
Provisions for not achieving the guaranteed return rate	15,555,528	10,575,542
Provisions for the deficit of KS PPS assets	1,798,948	0
Provisions for pensions, jubilee awards and severance pay upon retirement	170,039	155,537
Provisions for testing the adequacy of provisions	523,998	0
Total	18,048,513	10,731,079

24.2 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	Provisions for testing the adequacy of provisions	Total
1 Jan. 2015	10,575,542	0	155,537	0	10,731,079
Changes during the year	4,979,987	1,798,948	17,489	523,998	7,320,421
Drawing of provisions	0	0	-2,987	0	-2,987
Reversal of provisions	0	0	0	0	0
31 Dec. 2015	15,555,529	1,798,948	170,039	523,998	18,048,513

At the end of 2015, provisions for severance pay upon retirement and jubilee awards amounting to EUR 17,489 were created anew. Provisions for termination benefits and jubilee awards are calculated on the basis of expected employee fluctuation, years of service and expected years until retirement, taking into account individual and collective employment contracts as well as the company's internal 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. 25:**Operating liabilities**

in EUR

Item	31/12/2015	31/12/2014
Liabilities from direct insurance business	0	848,262
Current tax liabilities	75,454	854,086
Total	75,454	1,702,349

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. 26: Other liabilities

in EUR

Item	31/12/2015	31/12/2014
Short-term liabilities to employees	221,344	239,472
Other short-term liabilities from insurance business	20,340	397,060
Short-term accounts payable	321,941	1,954,818
Other short-term liabilities	96,612	82,349
Accrued costs	330,810	185,851
Short-term deferred revenue	15,325	447,809
Fund manager's liability to pay the difference up to the guaranteed return rate	127,407	3,633
Long-term liabilities	35,837	11,896
Total	1,169,615	3,322,888

Short-term liabilities to employees relate to liabilities arising from salaries and wages for December 2015. Short-term accounts payable are the liabilities to securities dealers and to the controlling company.

Short-term accounts payable refer to the liabilities to securities dealers; their amount depends on the dynamics of purchase of securities.

Short-term deferred revenue is deferred revenue arising from the pension insurance annuity premiums received from persons insured who expressed their intention to take out insurance as at in 2015 based on an indicative calculation. Since it was not possible to join the existing KS MR after 31 December 2015, the amount of deferred revenue at the end of 2015 was negligible.

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

Disclosures of insurance contracts

Structure of long-term insurance contracts

Table 24: Present gross value of future KS PPS and KS MR disbursements in EUR

Types of disbursements	31/12/2015	31/12/2014
KS PPS	96,520,224	95,601,895
KS MR	39,919,939	27,230,464
Total	136,440,163	122,832,359

The total present gross value of future disbursements of all types of pension annuities of KS PPS differs from technical provisions for KS PPS, which amount to EUR 98,735,557 by the amount of equalisation provisions for yield experience amounting to EUR 2,215,333.

The total present gross value of future disbursements of all types of KS PPS pension annuities stood at EUR 96,520,224 as at 31 December 2015. 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 provisions for the annuity insurance product are calculated prospectively for each insurance contract separately. German annuity tables DAV1994R were applied in the calculation.

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. The classic Modra renta with guarantee is paid out monthly from the beginning of the validity of annuity to the end of life. 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 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, 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 beginning of the validity of annuity to the end of life. The

annuity is higher during monthly payment, after which it converts to annual payments 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 the sum total of the present 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 as at 31 December 2015 showed that mathematical provisions for KS PPS are adequate, whereas a deficit of EUR 523,998 was determined for KS MR.

Change in interest rates/return

Table 25: Change in interest rates/return for KS PPS as at 31 December 2015 in EUR

Change in return	Increase in return by 0.25 percentage point	Decrease in return by 0.25 percentage point
Change in liabilities (provisions)	-2,928,152	3,084,297

Table 26: Change in interest rates/return for KS PPS as at 31 December 2014 in EUR

Change in return	Increase in return by 0.25 percentage point	Decrease in return by 0.25 percentage point
Change in liabilities (provisions)	-2,940,340	3,098,752

Table 27: Change in interest rates/return for the KS MR as at 31 December 2015 in EUR

Change in return	Increase in return by 0.25 percentage point	Decrease in return by 0.25 percentage point
Change in liabilities (provisions)	-518,642	539,275

Table 28: Change in interest rates/return for the KS MR as at 31 December 2014 in EUR

Change in return	Increase in return by 0.25 percentage point	Decrease in return by 0.25 percentage point
Change in liabilities (provisions)	-227,298	233,326

Change in mortality

Table 29: Change in mortality as at 31 December 2015 for KS PPS

in EUR

Change in mortality	Increase in mortality probability by 10%	Decrease in mortality probability by 10%
Change in liabilities (provisions)	-3,194,295	3,625,886

A 10% increase in mortality probability would result in a decrease in liabilities by EUR 3,194,295. The change in the amount of liabilities due to the change in mortality was calculated based on the DAV2004R annuity tables.

Table 30: Change in mortality as at 31 December 2014 for KS PPS

in EUR

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

A 10% increase in mortality probability would result in a decrease in liabilities by EUR 3,092,664. The change in the amount of liabilities due to the change in mortality was calculated based on the DAV2004R annuity tables.

Table 31: Change in mortality as at 31 December 2015 for KS MR

in EUR

Change in mortality	Increase in mortality probability by 10%	Decrease in mortality probability by 10%
Change in liabilities (provisions)	-244,284	271,896

A 10% increase in mortality probability would result in a decrease in liabilities by EUR 244,284. The change in the amount of liabilities due to the change in mortality was calculated based on the DAV1994R annuity tables.

Table 32: Change in mortality as at 31 December 2014 for KS MR

in EUR

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

A 10% increase in mortality probability would result in a decrease in liabilities by EUR 125,780. The change in the amount of liabilities due to the change in mortality was calculated based on the 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

In line with the Insurance Act, the insurance company is required to fulfil minimum capital requirements set in 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 33: Capital adequacy

in EUR

Item	31/12/2015	31/12/2014
Required solvency margin	45,082,202	43,459,910
Required solvency margin for life insurance	42,582,202	40,959,910
Required solvency margin for non-life insurance	2,500,000	2,500,000
Surplus of available capital	150,758,738	154,545,042
Surplus of available capital for life insurance products	148,234,092	152,025,561
Surplus of available capital for non-life insurance products	2,524,646	2,519,481

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 exempt from the analysis, because they do not entail 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 maximum 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 and 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 by careful selection of partners (analysis of counter parties before assuming credit risk), checking their rating and 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 34: Exposure of financial assets to credit risk, excluding any collaterals, as at 31 December 2015

in EUR

Financial asset group	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	778,300	12,908,703	3,009,923	9,686,985	0	26,383,910
Held-to-maturity investments	20,154,768	58,769,610	0	1,662,377	0	80,586,755
Available-for-sale investments	10,223,835	27,201,969	433,546	9,698,495	0	47,557,844
Loans and deposits given	0	800,013	0	33,230,000	0	34,030,013
Cash and cash equivalents	0	0	0	5,543,989	0	5,543,989
Total	31,156,902	99,680,294	3,443,468	59,821,846	0	194,102,511

Table 35: Exposure of financial assets to credit risk, excluding any collaterals as at 31 December 2014

in EUR

Financial asset group	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 investments	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
Total	27,861,009	101,632,840	6,515,488	46,786,054	0	182,795,392

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

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

Table 36: Geographical concentration of credit exposure of financial assets
in EUR

Region	31/12/2015	31/12/2014
Slovenia	103,822,837	114,651,824
Other countries	90,279,674	68,143,568
Total	194,102,511	182,795,392

Currency risk

Table 37: Currency structure of financial assets
in EUR

Currency	31/12/2015	31/12/2014
Assets denominated in EUR	297,753,977	297,268,300
Assets denominated in USD	57,843,386	53,181,808
Assets denominated in other currencies	2,981,569	3,322,275
Total	358,578,933	353,772,382

As at 31 December 2015, 83% of the company's financial assets were denominated in EUR currency, 16% 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. Owing to the decrease in interest rates the assets were exposed to reinvestment risk.

Table 38: Currency risk of financial assets as at 31 December 2015
in EUR

Changes of USD exchange rate in %	Effect on profit or loss	Effect on equity
+/-10	+/- 427,501	+/- 5,356,838

Table 39: 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

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 40: Sensitivity analysis of investments with respect to changes in market interest rates as at 31 December 2015 – change of interest rate by 50 basis points
in EUR

Item	Change in interest rate	Sensitivity of interest income	Effect on fair value	Total
Investments at fair value through profit or loss	+/- 0.5 %	+/- 11,082	-/+ 80,183	-/+ 69,101
Held-to-maturity investments	+/- 0.5 %	0	0	0
Available-for-sale investments	+/- 0.5 %	+/- 8,095	-/+ 227,526	-/+ 219,431
Loans and deposits	+/- 0.5 %	+/- 0	-/+ 0	+/- 0
Total		+/- 19,177	-/+ 307,709	-/+ 288,532

Table 41: 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 in 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 investments	+/- 0.5 %	+/- 14,992	-/221,618	-/206,626
Loans and deposits	+/- 0.5 %	+/- 0	-/0	+/- 0
Total		+/-15,426	-/+323,414	-/307,989

The calculation of the sensitivity of interest income was made by taking into account the investments subject to variable interest rate, whereas the impact on fair value was calculated by talking into account the investments subject to fixed interest rate.

Market risk

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

Table 42: Market risk of the equity securities portfolio as at 31 December 2015
in EUR

Change of index (in %)	Effect on profit or loss	Effect on equity
+/- 10%	+/- 3,190,952	+/- 13,256,690

Table 43: 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

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 44: Financial instruments in terms of marketability

Financial instrument	in EUR	
	31/12/2015	31/12/2014
Securities traded on the regulated market	312,803,239	288,191,350
Investments at fair value through profit or loss	52,525,282	46,640,014
Held-to-maturity investments	80,586,755	52,855,283
Available-for-sale investments	179,691,202	188,696,053
Securities not traded on the regulated market	6,201,692	7,581,358
Investments at fair value through profit or loss	5,768,146	6,235,626
Held-to-maturity investments	0	0
Available-for-sale investments	433,546	1,345,731
Total	319,004,931	295,772,707

At the end of 2015, the investments traded on organised securities markets accounted for 98% of assets.

Table 45: Overview of financial assets by book and fair value as at 31 December 2015

Financial asset	in EUR	
	Book value	Fair value
Investments at fair value through profit or loss	58,293,428	58,293,428
Held to maturity	80,586,755	86,424,591
Available-for-sale investments	180,124,747	180,124,747
Loans and deposits	34,030,013	34,030,013
Total	353,034,944	358,872,780

Table 46: Overview of financial assets by book and fair value as at 31 December 2014

in EUR

Financial asset	Book value	Fair value
Investments 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 investments	190,041,785	190,041,785
Financial investments in loans and deposits	55,412,342	55,412,342
Cash and cash equivalents	2,587,333	2,587,333
Total	353,772,382	359,701,479

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 47: Fair value hierarchy of financial assets as at 31 December 2015

in EUR

Item	L1	L2	L3	Total
Investments at fair value	186,267,021	47,022,578	5,128,577	238,418,176
Investments at fair value through profit or loss	36,593,703	17,004,694	4,695,032	58,293,429
Available-for-sale investments	149,673,318	30,017,884	433,546	180,124,747
Investments with disclosed fair value	79,986,191	6,438,400	34,030,013	120,454,604
Held to maturity	79,986,191	6,438,400	0	86,424,591
Loans and deposits	0	0	34,030,013	34,030,013
Total	266,253,212	53,460,978	39,158,590	358,872,780

Level 1

Level 1 comprises investments (financial assets) whose fair value is determined based on quoted prices on an active market. An active market is either the stock exchange (in case of equity and debt financial assets) or traders' market or OTC (in case of debt financial assets). In this sense, level 1 comprises investments whose main market is the stock exchange and whose average daily trading in the 180 days prior to fair value measurement exceeded EUR 0.5 million, taking into account the number of trading days. Level 1 also includes investments whose main market is the traders' market or OTC, if the CBBT price was published for at least half of trading days in the 30 days preceding the valuation.

Level 2

Level 2 comprises investments to which the assumption on an active market does not apply, meaning the investments whose average daily trading on the stock exchange in the 180 days prior to fair value measurement was below EUR 0.5 million, taking into account the number of trading days, and the investments in the OTC market whose CBBT price was published less than half of trading days in the 30 days preceding the valuation.

Level 2 also includes investments measured using benchmark market data; the value of financial assets measured at fair value is EUR 9,232,322, and they include the bonds of SID banka, d. d., and SIJ, d. d., and treasury bills of the Republic of Slovenia as well as the RS 33 government bond.

The price of SID banka bond was calculated based on Slovenian government bond SLOVEN 4 03/22/18.

The value of the RS 33 bond was calculated based on yield to maturity of a comparable liquid Slovenian government bond SLOREP2 1/4 03/22.

The prices of bonds of SIJ, d. d., and treasury bills of the Republic of Slovenia were calculated on the basis of the average yield to maturity of comparable liquid bonds and treasury bills respectively. The valuation model applied to the bonds of SIJ, d. d., includes the bonds of ThyssenKrupp AG, ArcelorMittal S.A. and Smurfit Kappa Group PLC, and the model applied to the treasury bill of the Republic of Slovenia includes the treasury bills of the Republic of Italy, Portugal and the Kingdom of Spain.

Level 2 includes investments in the shares of the companies Elektro Gorenjska Kranj, Elektro Maribor, Elektro Celje and Elektro Primorska totalling EUR 2,228,571. They are valued based on the market data of comparable companies listed on the stock market. The total capital approach and the EV/EBITDA multiplier were applied in the valuation.

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 securities investments, the prices of which are provided by third parties.

Level 3 comprises also shares of certain Slovenian companies in the total amount of EUR 1,685,109. The major of these

are investments in Hit, d. d., Elektro Ljubljana, d. d., and Certa, d. d. The value of the said investments was primarily set by the present value of expected free cash flow model. The fair value of the investment in Hit, d. d., was EUR 780,656 as at 31 December 2015. The valuation was made based on a 7.8% discount rate. The fair value of the shares of Certa, d. d., was EUR 280,566 as at 31 December 2015; the valuation was made by taking into account a 2% long-term growth rate and a 15% discount rate. The fair value of the investment in Elektro Ljubljana, d. d., as at 31 December 2015 totalled EUR 260,126; the valuation was made by taking into account a 2.5 long-term growth rate and an 8.56% discount rate.

Level 3 also includes deposits in the amount of EUR 34,030,013 and commercial papers MEL08 and MEL09 totalling EUR 3,443,468. The prices are calculated based on the theoretical (amortised) value of commercial papers in view of the interest rate applicable to the relevant purchase.

Table 48: Changes in level 3 investments

in EUR	
Item	2015
Opening balance	9,329,223
Allocation to level 3	37,473,481
Allocation from level 3	-4,710,288
Acquisitions	132,980
Disposals/Maturity	-3,066,806
Revaluation through profit or loss	0
Total	39,158,591

In 2015, deposits and commercial papers were reclassified to level 3, but this had no effect on the fund's operating result. The investment in Slovenian government bonds RS 33 was reclassified from level 3 to level 2, while the bonds of Banka Celje (BCE 13) and Nova Ljubljanska banka (NLB 18) matured in 2015. Acquisitions refer entirely to transfer of investments from PPS to KS PPS.

Liquidity risk

Liquidity risk is a possibility that the company's liabilities will not be settled by the due date. As at 31 December 2015, Modra zavarovalnica disclosed a total surplus of EUR 233,407,739 in expected non-discounted cash inflows over outflows.

Table 49: Expected actual non-discounted cash flows as at 31 December 2015

in EUR					
Item	Less than 1 year	More than 1 to 5 years	More than 5 years	No maturity	Total
Investments in securities	21,556,120	82,081,118	72,840,185	152,091,234	328,568,658
- at fair value through profit or loss	7,795,883	14,893,050	3,744,587	31,909,518	58,343,038
- held-to-maturity	9,523,004	32,351,925	53,729,254	0	95,604,182
- available-for-sale	4,237,234	34,836,144	15,366,344	120,181,716	174,621,438
Loans and deposits given	15,461,408	18,978,520	0	0	34,439,928
Cash and cash equivalents	5,543,989	0	0	0	5,543,989
Receivables	1,328,311	0	0	1,798,948	3,127,258
Total assets	43,889,828	101,059,638	72,840,185	153,890,182	371,679,833
Operating liabilities	75,454	0	0	0	75,454
Other liabilities	1,133,778	35,837			1,169,615
Liabilities of PPS and MR Guarantee Funds	14,157,238	38,990,775	83,879,012	0	137,027,025
Total liabilities	15,366,470	39,026,612	83,879,012	0	138,272,094
Difference	28,523,358	62,033,026	-11,038,827	153,890,182	233,407,739

Table 50: Expected actual non-discounted cash flows as at 31 December 2014

in EUR

Item	Less than 1 year	More than 1 to 5 years	More than 5 years	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
Total assets	84,892,916	73,556,099	54,911,824	170,976,991	384,337,829
Operating liabilities	1,702,349	0	0	0	1,702,349
Other liabilities	3,310,992	11,896	0	0	3,322,888
Liabilities of PPS and MR Guarantee Funds	12,550,305	32,543,185	92,905,428	0	137,998,918
Total liabilities	17,563,645	32,555,081	92,905,428	0	143,024,155
Difference (assets – liabilities)	67,329,271	41,001,017	-37,993,605	170,976,991	241,313,674

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

Overview of effective interest rates and return by investment groups

Table 51: Effective interest rates by investment groups

Item	2015	2014
Held-to-maturity investments	2.75%	4.05%
Available-for-sale investments	4.26%	3.82%

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

Other disclosures

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

In 2015, the remuneration received by the 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 652,016.

In 2015, Modra zavarovalnica granted no prepayments or loans to the members of the Management and Supervisory Boards nor did it assume any liabilities on their behalf.

Table 52: Gross remuneration in 2015 by recipient category

in EUR

Category of recipients	Amount
Members of the Management Board	314,982
Members of the Supervisory Board	76,663
Employees with management contract	260,371
Total	652,016

Remuneration of the members of the Management Board and Supervisory Board

Table 53: Remuneration of the members of the Management Board in 2015

in EUR

Name and surname	Fixed remuneration	Outstanding payments	Bonuses	Holiday allowance	Cost reimbursement	Insurance premiums (PDPZ)	Total
Borut Jamnik	118,858	34,989	1,871	791	4,833	2,819	164,161
Matija Debelak	112,915	31,907	99	791	2,290	2,819	150,821

Fixed remuneration includes gross salaries. Outstanding payments include part 2 of the variable remuneration for 2011 and 2012 and part 1 of the variable remuneration for 2014- 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 54: Remuneration of the members of the Supervisory Board in 2015

in EUR

Name and surname	Fixed remuneration	Monthly allowance	Cost reimbursement	Total
Branimir Štrukelj	3,905	0	0	3,905
Aleš Groznik	3,630	11,495	466	15,591
Bojan Zupančič	2,805	10,450	0	13,255
Dario Radešič	3,905	10,450	1,066	15,421
Goran Bizjak	3,630	10,450	277	14,357
Marino Furlan	3,080	10,450	604	14,134

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 2015, 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 671,311 of costs from operations with the controlling company. The company leased business premises and IT equipment from Kapitalska družba d.d. and used its IT services.

As at 31 December 2015, Modra zavarovalnica disclosed operating liabilities to the controlling company amounting to EUR 39,667.

In 2015, the company paid dividends amounting to 7,867,431 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, of whom one is appointed as the Chair of the Board. The term of office of the Chair and member is five 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 six members who are appointed or dismissed by the company's General Meeting pursuant to Article 2 of ZPKDPIZ. Half of the 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 of the members of the Supervisory Board is five years, after which they may be re-elected.

Significant events after the balance sheet date

Since the end of 2015 until the preparation of the Annual Report, Modra zavarovalnica recorded no significant events that could influence its financial statements for 2015.

ATTACHMENT

Selected performance indicators

Indicator			2015	2014
1.	Total	Increase in gross premium written (index)	118	125
	Life insurance	Increase in gross written premium	118	125
	Non-life insurance	Increase in gross written premium	120	99
2.	Total	Net written premium as % of gross written premium	100%	100%
	Life insurance	Net written premium as % of gross written premium	100%	100%
	Non-life insurance	Net written premium as % of gross written premium	100%	100%
3.	Total	Changes in gross claims paid (index)	109	120
	Life insurance	Changes in gross claims paid	109	120
	Non-life insurance	Changes in gross claims paid	-	-
4.	Total	Average claim	EUR 85	EUR 84
	Life insurance	Average claim	EUR 85	EUR 84
	Non-life insurance	Average claim	-	-
5.	Total	Loss ratio	62%	67%
	Life insurance	Loss ratio	62%	67%
	Non-life insurance	Loss ratio	-	-
6.	Total	Operating costs as % of gross written premium	26%	28%
	Life insurance	Operating costs as % of gross written premium	26%	27%
	Non-life insurance	Operating costs as % of gross written premium	1,247%	1,878%
7.	Total	Cost of acquisition as % of gross written premium	2%	0%
	Life insurance	Cost of acquisition as % of gross written premium	2%	0%
	Non-life insurance	Cost of acquisition as % of gross written premium	4%	2%
8.	Total	Return on investments as % of the average balance of investments	5%	9%
	Life insurance	Return on investments as % of the average balance of investments	9%	9%
	Long-term business funds	Return on investments as % of the average balance of investments	0%	8%
	Non-life insurance	Return on investments as % of the average balance of investments	2%	3%
9.	Total	Net claims provisions as % of net premium income	3%	0
	Life insurance	Net claims provisions as % of net premium income	3%	0
	Non-life insurance	Net claims provisions as % of net premium income	0	0
10.	Total	Gross profit or loss for the year as % of net written premium	20%	93%
	Life insurance	Gross profit or loss for the year as % of net written premium	20%	93%
	Non-life insurance	Gross profit or loss for the year as % of net written premium	15%	557%
11.	Total	Gross profit or loss for the year as % of average equity	2%	10%
	Life insurance	Gross profit or loss for the year as % of average equity	2%	10%
	Non-life insurance	Gross profit or loss for the year as % of average equity	0%	1%
12.	Total	Gross profit or loss for the year as % of average assets	1%	6%
	Life insurance	Gross profit or loss for the year as % of average assets	1%	6%
	Non-life insurance	Gross profit or loss for the year as % of average assets	0%	1%
13.	Total	Gross profit or loss for the year per share	EUR 0.03	EUR 0.13
	Life insurance	Gross profit or loss for the year per share	-	-
	Non-life insurance	Gross profit or loss for the year per share	-	-
14.	Total	Net profit or loss as % of average equity	2%	9%
	Life insurance	Net profit or loss as % of average equity	2%	9%
	Non-life insurance	Net profit or loss as % of average equity	0%	1%
15.	Total	The company's available capital as % of net insurance premium	798%	955%
	Life insurance	The company's available capital as % of net insurance premium	777%	931%
	Non-life insurance	The company's available capital as % of net insurance premium	70,275%	84,135%
16.	Total	The company's available capital as % of solvency margin	434%	456%
	Life insurance	The company's available capital as % of solvency margin	448%	471%

Indicator			2015	2014
	Non-life insurance	The company's available capital as % of solvency margin	201%	201%
17.	Total	The company's available capital as % of technical provisions	140%	156%
	Life insurance	The company's available capital as % of technical provisions	137%	152%
	Non-life insurance	The company's available capital as % of technical provisions	-	-
18.	Total	The company's available capital as % of reinsurance receivables and the reinsurer's share of technical provisions	-	-
19.	Total	Net written premium as % of the average balance of equity and technical provisions	7%	7%
	Life insurance	Net written premium as % of the average balance of equity and technical provisions	7%	7%
	Non-life insurance	Net written premium as % of the average balance of equity and technical provisions	0%	0%
20.	Total	Net written premium as % of the average balance of equity	12%	11%
	Life insurance	Net written premium as % of the average balance of equity	12%	11%
	Non-life insurance	Net written premium as % of the average balance of equity	0%	0%
21.	Total	Average balance of net technical provisions as % of net premium income	543%	614%
	Life insurance	Average balance of net technical provisions as % of net premium income	543%	614%
	Non-life insurance	Average balance of net technical provisions as % of net premium income	-	-
22.	Total	Equity as % of net unearned premium	-	-
	Life insurance	Equity as % of net unearned premium	-	-
	Non-life insurance	Equity as % of net unearned premium	-	-
23.	Total	Equity as % of liabilities	55%	59%
	Life insurance	Equity as % of liabilities	55%	58%
	Non-life insurance	Equity as % of liabilities	100%	100%
24.	Total	Net technical provisions as % of liabilities	38%	36%
	Life insurance	Net technical provisions as % of liabilities	39%	36%
	Non-life insurance	Net technical provisions as % of liabilities	0%	0%
25.	Total	Net mathematical provisions to net technical provisions	99%	100%
26.	Total	Gross written premium to the number of full-time employees	EUR 438,422	EUR 383,809

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) –
ATTACHMENT 1

Segment reporting on balance sheet items as at 31 Dec. 2015

in EUR

Item	Life	Non-life	Total
ASSETS	357,989,171	5,040,903	363,030,074
A. Intangible assets	493,085	0	493,085
B. Property, plant and equipment:	21,653	0	21,653
C. Non-current assets held for sale	0	0	0
D. Deferred tax assets	0	0	0
E. Investment property	0	0	0
F. Investments in Group companies and associates	12,385,188	0	12,385,188
G. Investments:	335,703,548	4,946,208	340,649,756
- loans and deposits	31,030,013	3,000,000	34,030,013
- held-to-maturity	79,819,143	767,612	80,586,755
- available-for-sale	166,560,964	1,178,596	167,739,560
- at fair value	58,293,428	0	58,293,428
I. 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	3,277,519	4,359	3,281,878
1. Receivables from direct insurance business	153,919	701	154,620
2. Receivables from coinsurance and reinsurance	0	0	0
3. Current tax assets	0	0	0
4. Other receivables	3,123,600	3,658	3,127,258
L. Other assets	654,525	0	654,525
M. Cash and cash equivalents	5,453,653	90,336	5,543,989
EQUITY AND LIABILITIES	357,989,171	5,040,903	363,030,074
A. Equity	196,298,912	5,024,951	201,323,863
1. Share capital	147,200,000	5,000,000	152,200,000
2. Capital surplus	0	0	0
3. Revenue reserves	19,730,054	8,471	19,738,525
4. Revaluation surplus	27,224,713	16,175	27,240,888
5. Retained earnings	2,144,145	305	2,144,450
6. Net profit or loss for the financial year	0	0	0
B. Subordinated liabilities	0	0	0
C. Technical provisions	139,499,563	0	139,499,563
1. Prepayments of insurance premiums	0	0	0
2. Mathematical provisions	138,655,496	0	138,655,496
3. Claims provisions	844,067	0	844,067
4. Other technical provisions	0	0	0
D. Technical provisions for unit-linked insurance contracts	0	0	0
E. Other provisions	18,045,866	2,647	18,048,513
F. Liabilities associated with non-current assets held for sale	0	0	0
G. Deferred tax liabilities	2,905,735	7,331	2,913,066
I. Liabilities from financial contracts	0	0	0
I. Other financial liabilities	0	0	0
J. Operating liabilities	75,454	0	75,454
1. Liabilities from direct insurance business	0	0	0
2. Liabilities arising from coinsurance and reinsurance	0	0	0
3. Current tax liabilities	75,454	0	75,454
K. Other liabilities	1,163,641	5,974	1,169,615

Segment reporting on balance sheet items as at 31 Dec. 2014

in EURO

Item	Life	Non-life	Total
ASSETS	350,354,188	5,049,700	355,403,888
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
I. 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 business	216,749	625	217,374
2. Receivables from coinsurance and reinsurance	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
EQUITY AND LIABILITIES	350,354,188	5,049,700	355,403,888
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. Prepayments of insurance 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
I. 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 business	848,262	0	848,262
2. Liabilities arising from coinsurance and reinsurance	0	0	0
3. Current tax liabilities	851,319	2,767	854,086
K. Other liabilities	3,310,522	12,366	3,322,888

Segment reporting on income statement items for the period from 1 Jan. –31 Dec. 2015

in EUR

Items	Life	Non-life	Total
I. NET PREMIUM INCOME	24,544,466	7,150	24,551,616
- gross premium written	24,544,466	7,150	24,551,616
- 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	19,399,049	82,948	19,481,997
IV. OTHER INSURANCE INCOME, of which	6,463,117	0	6,463,117
- fee and commission income	6,084,158	0	6,084,158
V. OTHER INCOME	484,563	101	484,664
VI. NET CLAIMS INCURRED	15,175,922	0	15,175,922
- gross claims paid	15,108,171	0	15,108,171
- reinsurer and co-insurer's shares	0	0	0
- change in claims provisions	67,751	0	67,751
VII. CHANGE IN OTHER TECHNICAL PROVISIONS	-11,392,868	0	-11,392,868
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	6,367,381	89,157	6,456,538
- costs of insurance contract acquisition	463,734	277	464,011
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	5,783,067	0	5,783,067
- impairment of financial assets that are not measured at fair value through profit or loss	0	0	0
XIV. OTHER INSURANCE EXPENSES	7,316,533	0	7,316,533
XV. OTHER EXPENSES	31,976	0	31,976
XVI. PROFIT OR LOSS BEFORE TAX	4,823,448	1,042	4,824,490
XVII. INCOME TAX	-99,591	-367	-99,958
XVIII. NET PROFIT OR LOSS FOR THE PERIOD	4,723,857	675	4,724,532

Segment reporting on income statement items for the period from 1 Jan. –31 Dec. 2014

in EUR

Items	Life	Non-life	Total
I. NET PREMIUM INCOME	20,719,734	5,966	20,725,700
- gross premium written	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
XVIII. NET PROFIT OR LOSS FOR THE PERIOD	17,419,988	27,267	17,447,255

Segment reporting on comprehensive income statement items for the period from 1 Jan. –31 Dec. 2015

in EUR

Items	Life	Non-life	Total
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	4,723,857	675	4,724,532
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)	-4,583,023	4,795	-4,578,228
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)	-4,583,023	4,795	-4,578,228
1. Net gains/losses from the revaluation of available-for-sale financial assets	-5,110,852	5,777	-5,105,075
1.1. Net gains/losses recognised in revaluation surplus	1,564,295	5,777	1,570,072
1.2. Transfer of gains/losses from revaluation surplus to profit or loss	-6,675,147	0	-6,675,147
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	527,829	-982	526,847
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	140,834	5,470	146,304

Segment reporting on comprehensive income statement items for the period from 1 Jan. –31 Dec. 2014

in EUR

Items	Life	Non-life	Total
I. NET PROFIT/LOSS FOR THE 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 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. Net 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
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	32,777,618	29,703	32,807,321

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

Balance sheet

in EUR

Items	31 Dec. 2015			31 Dec. 2014			Index 7 = 3 / 6 * 100
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	
A. ASSETS	357,989,171	5,040,903	363,030,074	350,354,188	5,049,700	355,403,888	102
A. INTANGIBLE FIXED ASSETS	493,085	0	493,085	195,809	0	195,809	252
1. Intangible fixed assets	493,085	0	493,085	195,809	0	195,809	252
2. Goodwill	0	0	0	0	0	0	0
3. Long-term deferred costs of insurance contract acquisition	0	0	0	0	0	0	0
4. Other long-term deferred costs and accrued income	0	0	0	0	0	0	0
B. INVESTMENTS IN LAND AND BUILDINGS AND FINANCIAL INVESTMENTS	348,088,736	4,946,208	353,034,944	346,243,610	4,941,439	351,185,049	101
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	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	12,385,188	0	12,385,188	14,666,670	0	14,666,670	84
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	12,385,188	0	12,385,188	14,666,670	0	14,666,670	84
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	335,703,548	4,946,208	340,649,756	331,576,940	4,941,439	336,518,379	101
1. Long-term investments	304,147,465	3,776,546	307,924,011	257,806,632	1,449,854	259,256,486	119
1.1. Shares and other securities with variable yield and mutual fund coupons	152,091,234	0	152,091,234	147,072,906	0	147,072,906	103
1.2. Debt securities and other securities with fixed yield	133,356,231	1,926,546	135,282,777	101,353,726	1,449,854	102,803,580	132
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
1.6. Bank deposits	18,700,000	1,850,000	20,550,000	9,380,000	0	9,380,000	219
1.7. Other investments	0	0	0	0	0	0	0
2. Short-term investments	31,556,083	1,169,662	32,725,745	73,770,308	3,491,585	77,261,893	42
2.1. Shares and interests acquired for sale	0	0	0	9,094,662	0	9,094,662	0
2.2. Securities acquired for sale or with remaining maturity of up to one year	19,226,070	19,662	19,245,732	21,950,551	41,585	21,992,136	88

Items	31 Dec. 2015			31 Dec. 2014			Index 7 = 3 / 6 * 100
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	
2.3. Short-term loans given	0	0	0	0	0	0	0
2.4. Short-term bank deposits	12,330,013	1,150,000	13,480,013	42,582,342	3,450,000	46,032,342	29
2.5. Other short-term investments	0	0	0	142,753	0	142,753	0
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
f) from other technical provisions	0	0	0	0	0	0	0
g) from technical provisions for unit-linked insurance contracts	0	0	0	0	0	0	0
C. INVESTMENTS FOR THE BENEFIT OF UNIT-LINKED INSURANCE CONTRACTS	0	0	0	0	0	0	0
D. RECEIVABLES	3,277,519	4,359	3,281,878	1,170,372	7,106	1,177,478	279
I. RECEIVABLES FROM DIRECT INSURANCE BUSINESS	153,919	701	154,620	216,749	625	217,374	71
1. Receivables from policyholders	153,919	701	154,620	216,749	625	217,374	71
2. Receivables from insurance brokers	0	0	0	0	0	0	0
3. Other receivables from direct insurance business	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	3,123,600	3,658	3,127,258	953,623	6,481	960,104	326
1. Receivables for advances for intangible assets	0	0	0	0	0	0	0
2. Other short-term receivables from insurance business	1,546	0	1,546	1,087	0	1,087	142
3. Short-term receivables from financing activities	95,782	3,658	99,440	275,124	6,481	281,605	35
4. Other short-term receivables	3,026,272	0	3,026,272	677,412	0	677,412	447
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	0	0	0	0
IV. UNPAID CALLED-UP CAPITAL	0	0	0	0	0	0	0
E. MISCELLANEOUS ASSETS	5,475,306	90,336	5,565,642	2,518,974	101,155	2,620,129	212
I. PROPERTY, PLANT AND EQUIPMENT OTHER THAN LAND AND BUILDINGS	21,653	0	21,653	32,796	0	32,796	66
1. Equipment	21,207	0	21,207	32,035	0	32,035	66

Items	31 Dec. 2015			31 Dec. 2014			Index 7 = 3 / 6 * 100
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	
2. Other property, plant and equipment	446	0	446	761	0	761	59
II. CASH AND CASH EQUIVALENTS	5,453,653	90,336	5,543,989	2,486,178	101,155	2,587,333	214
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
F. SHORT-TERM ACCRUED REVENUE AND DEFERRED COSTS	654,525	0	654,525	225,423	0	225,423	290
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	654,525	0	654,525	225,423	0	225,423	290
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0	0	0	0	0
H. OFF-BALANCE SHEET RECORDS	0	0	0	0	0	0	0
B. LIABILITIES	357,989,171	5,040,903	363,030,074	350,354,188	5,049,700	355,403,888	102
A. EQUITY	196,298,912	5,024,951	201,323,863	204,018,847	5,026,143	209,044,990	96
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	19,730,054	8,471	19,738,525	17,137,837	8,101	17,145,938	115
1. Contingency reserves	0	0	0	0	0	0	0
2. Legal and statutory reserves	3,505,440	1,505	3,506,945	3,044,864	1,439	3,046,303	115
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	16,224,614	6,966	16,231,580	14,092,973	6,662	14,099,635	115
IV. REVALUATION SURPLUS	27,224,713	16,175	27,240,888	31,807,736	11,380	31,819,116	86
1. Property, plant and equipment revaluation surplus	0	0	0	0	0	0	0
2. Revaluation surplus from long-term investments	27,224,713	16,175	27,240,888	31,807,736	11,380	31,819,116	86
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	2,144,145	305	2,144,450	7,873,274	6,662	7,879,936	27
VI. NET PROFIT OR LOSS FOR THE FINANCIAL YEAR	0	0	0	0	0	0	0
B. SUBORDINATED LIABILITIES	0	0	0	0	0	0	0
C. GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUM INCOME	139,499,563	0	139,499,563	127,262,628	0	127,262,628	110
I. Gross unearned premium	0	0	0	0	0	0	0
II. Gross mathematical provisions	138,655,496	0	138,655,496	127,262,628	0	127,262,628	109
III. Gross claims provisions	844,067	0	844,067	0	0	0	0
IV. Gross provisions for bonuses and discounts	0	0	0	0	0	0	0
V. Other gross technical provisions	0	0	0	0	0	0	0
D. GROSS TECHNICAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE CONTRACTS	0	0	0	0	0	0	0
E. PROVISIONS FOR OTHER RISKS AND COSTS	18,045,866	2,647	18,048,513	10,728,636	2,443	10,731,079	168
1. Provisions for pensions	167,392	2,647	170,039	153,094	2,443	155,537	109
2. Other provisions	17,878,474	0	17,878,474	10,575,542	0	10,575,542	169

Items	31 Dec. 2015			31 Dec. 2014			Index 7 = 3 / 6 * 100
	Life	Non-life	TOTAL	Life	Non-life	TOTAL	
	1	2	3	4	5	6	
F. LIABILITIES FOR REINSURERS' INVESTMENTS ARISING FROM REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	0	0	0	0	0
G. OTHER LIABILITIES	3,799,341	12,659	3,812,000	7,711,006	20,525	7,731,531	49
I. LIABILITIES FROM DIRECT INSURANCE TRANSACTIONS	0	0	0	848,262	0	848,262	0
1. Liabilities to policyholders	0	0	0	848,262	0	848,262	0
2. Liabilities to insurance brokers	0	0	0	0	0	0	0
3. Other liabilities from direct insurance business	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
VI. OTHER LIABILITIES	3,799,341	12,659	3,812,000	6,862,744	20,525	6,883,269	55
a) Other long-term liabilities	2,941,572	7,331	2,948,903	3,345,870	5,981	3,351,851	88
1. Long-term liabilities from finance lease	0	0	0	0	0	0	0
2. Other long-term liabilities	35,837	0	35,837	11,896	0	11,896	301
3. Deferred tax liabilities	2,905,735	7,331	2,913,066	3,333,974	5,981	3,339,955	87
b) Other short-term liabilities	857,769	5,328	863,097	3,516,874	14,544	3,531,418	24
1. Short-term liabilities to employees	193,518	0	193,518	213,112	0	213,112	91
2. Other short-term liabilities from insurance business	20,231	109	20,340	397,011	49	397,060	5
3. Short-term financial liabilities	0	0	0	0	0	0	0
4. Corporate income tax liabilities	75,454	0	75,454	851,319	2,767	854,086	9
5. Other short-term liabilities	528,899	5,219	534,118	2,012,223	11,728	2,023,951	26
6. Other short-term liabilities to Group companies	39,667	0	39,667	43,209	0	43,209	92
H. ACCRUED COSTS AND DEFERRED REVENUE	345,489	646	346,135	633,071	589	633,660	55
1. Accrued costs and expenses	330,810	0	330,810	185,839	12	185,851	178
2. Other accrued costs and deferred revenue	14,679	646	15,325	447,232	577	447,809	3
I. NON-CURRENT LIABILITIES LINKED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	0	0	0	0	0
J. OFF-BALANCE SHEET RECORDS	0	0	0	0	0	0	0

Statement of total comprehensive income

in EUR

Items	31/12/2015	31/12/2014	Index
A. Technical account for non-life insurance, other than health insurance			
I. Net premium income	7,150	5,966	120
1. Gross written premiums	7,150	5,966	120
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 costs	89,157	112,024	80
1. Cost of insurance contract acquisition	277	100	277
2. Change in deferred insurance acquisition costs (+/-)	0	0	0
3. Other operating costs	88,880	111,924	79
3.1. Depreciation of assets required for operation	2,011	2,525	80
3.2. Labour costs	55,635	71,623	78
3.2.1. Wages and salaries	42,024	53,067	79
3.2.2. Social security and pension insurance costs	8,840	11,368	78
3.2.3. Other labour costs	4,771	7,188	66
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	1,835	2,435	75
3.4. Other operating costs	29,399	35,341	83
4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	0
VIII. Other net technical expenses	0	0	0
1. Expenses for prevention	0	0	0
2. Contribution margin for uninsured and unknown vehicles	0	0	0
3. Other net insurance expenses	0	0	0
IX. Balance on the technical account for non-life insurance, other than health insurance (I+II+III-IV+/-V-VI-VII-VIII+/-IX)	-82,007	-106,058	77
B. Technical account for life insurance			
I. Net premium income	24,544,466	20,719,734	118
1. Gross written premiums	24,544,466	20,719,734	118
2. Assumed co-insurance written premium (+)	0	0	0
3. Ceded co-insurance written premium (-)	0	0	0
4. Outward reinsurance premiums	0	0	0
5. Change in gross unearned premiums (+/-)	0	0	0
6. Change in unearned premiums, reinsurers' share (+/-)	0	0	0
II. Investment income	19,399,049	28,015,412	69
1. Income from dividends and profit participation	4,256,889	4,713,260	90
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	1,396,593	1,787,704	78

Items	31/12/2015	31/12/2014	Index
1.3. Income from dividends and other profit participation in other companies	2,860,296	2,925,556	98
2. Income from other investments (in items 2.1, 2.2 and 2.3, details are to be disclosed separately for investments in associates and in Group companies)	15,142,160	23,302,152	65
2.1. Income from land and buildings	0	0	0
2.2. Interest income	6,635,487	5,463,077	121
2.3. Other investment income	8,506,673	17,839,075	48
2.3.1. Financial income from revaluation	8,039,154	17,329,995	46
2.3.2. Other financial revenue	467,519	509,080	92
3. Income from value adjustments in investments	0	0	0
4. Gains on investment disposals	0	0	0
III. Net unrealised gains on investments for life-insurance policies where the investment risk is borne by the policyholders	0	0	0
IV. Other net technical income	6,463,117	6,860,332	94
V. Net claims incurred	15,175,922	13,916,840	109
1. Gross claims paid	15,108,171	13,916,840	109
2. Income from subrogated gross receivables (-)	0	0	0
3. Reinsurer shares (-)	0	0	0
4. Change in gross claims provisions (+/-)	67,751	0	0
5. Change in provisions for outstanding claims – reinsurers' shares (+/-)	0	0	0
VI. Change in net other technical provisions (+/-)	-11,392,868	-13,139,813	87
1. Change in mathematical provisions	-11,392,868	-13,139,813	87
1.1. Gross amount	-11,392,868	-13,139,813	87
1.2. Reinsurer's share (+/-)	0	0	0
2. Change in other net technical provisions (+/-)	0	0	0
2.1. Gross amount	0	0	0
2.2. Reinsurer's share (+/-)	0	0	0
VII. Net expenses for bonuses and discounts	0	0	0
VIII. Net operating costs	6,367,381	5,677,070	112
1. Cost of insurance contract acquisition	463,734	5,127	9,045
2. Change in deferred insurance acquisition costs (+/-)	0	0	0
3. Other operating costs	5,903,647	5,671,943	104
3.1. Depreciation of assets required for operation	103,729	106,221	98
3.2. Labour costs	2,784,647	2,571,884	108
3.2.1. Wages and salaries	2,076,947	1,922,098	108
3.2.2. Social security and pension insurance costs	437,580	410,213	107
3.2.3. Other labour costs	270,120	239,573	113
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	119,098	122,211	97
3.4. Other operating costs	2,896,173	2,871,627	101
4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	0
IX. Investment expenses	5,783,067	2,171,745	266
1. Depreciation of assets not required for operation	0	0	0
2. Expenses for asset management, interest expenses and other financial expenses	133,319	51,634	258
3. Financial expenses from revaluation	5,294,121	1,845,340	287
4. Losses on investment disposal	355,627	274,771	129
X. Net unrealised losses on investments for life-insurance policies where the investment risk is borne by the policyholders	0	0	0
XI. Other net technical expenses	7,316,533	1,472,634	497
1. Expenses for prevention	0	0	0
2. Other net insurance charges	7,316,533	1,472,634	497
XII. Allocated investment return transferred from the non-technical account (B.IV)	13,544,222	17,980,056	75
XIII. Balance on the technical account for life insurance (I+II+III+IV+/-VI-VII-VIII-IX-X-XI-XII)	-9,173,361	1,237,320	-741

Items	31/12/2015	31/12/2014	Index
D. Non-technical account			
I. Balance on the technical account for non-life insurance, other than health insurance (A.X)	-82,007	-106,058	77
II. Balance on the technical account for life insurance (B.XIII)	-9,173,361	1,237,320	-741
III. Profit or loss from health insurance (XI-XII)	0	0	0
IV. Investment income	82,948	139,073	60
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 (in items 2.1, 2.2 and 2.3, details are to be disclosed separately for investments in associates and in Group companies)	82,948	139,073	60
2.1. Income from land and buildings	0	0	0
2.2. Interest income	82,948	123,286	67
2.3. Other investment income	0	15,787	0
2.3.1. Financial income from revaluation	0	11,501	0
2.3.2. Other financial revenue	0	4,286	0
3. Income from value adjustments in investments	0	0	0
4. Gains on investment disposals	0	0	0
V. Allocated investment return transferred from the technical account for life insurance (B.XII)	13,544,222	17,980,056	75
VI. Allocated investment return transferred from the technical account for health insurance (C.X)	0	0	0
VII. Investment expenses	0	0	0
1. Depreciation of assets not required for operation	0	0	0
2. Expenses for asset management, interest expenses and other financial expenses	0	0	0
3. Financial expenses from revaluation	0	0	0
4. Losses 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	484,664	34,843	1,391
1. Other income from non-life insurance, other than health insurance	101	206	49
2. Other income from life insurance	484,563	34,637	1,399
3. Other income from health insurance	0	0	0
XII. Other expenses	31,976	22,176	144
1. Other expenses from non-life insurance other than health insurance	0	0	0
2. Other expenses from life insurance	31,976	22,176	144
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)	4,824,490	19,263,058	25
1. Profit or loss for the period from non-life insurance other than health insurance	1,042	33,221	3
2. Profit or loss for the period from life insurance	4,823,448	19,229,837	25
3. Profit or loss for the period from health insurance	0	0	0
XIV. Income tax	0	905,450	0
XV. Deferred taxes	-99,958	-910,353	11
XVI. Net profit or loss for the period (XIII-XIV+XV)	4,724,532	17,447,255	27

Items	31/12/2015	31/12/2014	Index
E. Calculation of comprehensive income			
I. NET PROFIT OR LOSS FOR THE PERIOD AFTER TAX	4,724,532	17,447,255	27
II. OTHER COMPREHENSIVE INCOME AFTER TAX (a + b)	-4,578,228	15,360,066	-30
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)	-4,578,228	15,360,066	-30
1. Net gains/losses from the revaluation of available-for-sale financial assets	-5,105,075	18,370,976	-28
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	526,847	-3,010,910	-17
III. TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR AFTER TAX (I+II)	146,304	32,807,321	0

Assets and liabilities of guarantee funds

Assets and liabilities of the PPS Guarantee Fund

in EUR

Item	31/12/2015	31/12/2014	Index
ASSETS	99,592,964	101,773,263	98
A. Investments in real estate and financial investments	96,907,185	100,758,857	96
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	96,907,185	100,758,857	96
1. Shares and other securities with variable yield and mutual fund coupons	19,623,382	24,295,227	81
2. Debt securities with fixed yield	66,483,803	58,770,877	113
3. Stakes in investment funds	0	0	-
4. Given loans collateralised with a lien	0	0	-
5. Other loans given	0	0	-
6. Bank deposits	10,800,000	17,550,000	62
7. Other investments	0	142,753	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. Receivables	1,814,534	74,913	2,422
I. Receivables from direct insurance business	0	15,436	0
1. Receivables from policyholders	0	15,436	0
2. Receivables from insurance brokers	0	0	-
3. Other receivables from direct insurance business	0	0	-
II. Receivables from reinsurance operations	0	0	-

Item	31/12/2015	31/12/2014	Index
III. Other receivables	1,814,534	59,477	3,051
C. Miscellaneous assets	550,665	939,493	59
I. Cash and cash equivalents	550,665	939,493	59
II. Other assets	0	0	-
D. Short-term accrued revenue and deferred costs	320,580	0	-
1. Accrued interest and rental income	0	0	-
2. Short-term deferred costs of insurance contract acquisition	0	0	-
3. Other short-term accrued revenue and deferred costs	320,580	0	-
LIABILITIES	99,592,964	101,773,263	98
A. Revaluation surplus	0	0	-
B. Gross technical provisions	99,579,045	100,032,164	100
I. Gross unearned premium	0	0	-
II. Gross mathematical provisions	98,735,557	100,032,164	99
III. Gross claims provisions	843,488	0	-
IV. Gross provisions for bonuses and discounts	0	0	-
C. Gross technical provisions for unit-linked life insurance contracts	0	0	-
D. Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings	0	0	-
E. Other liabilities	13,919	1,741,099	1
I. Liabilities from direct insurance business	0	847,115	0
1. Liabilities to policyholders	0	847,115	0
2. Liabilities to insurance brokers	0	0	-
3. Other liabilities from direct insurance business	0	0	-
II. Liabilities from coinsurance and reinsurance	0	0	-
III. Other liabilities	13,919	893,984	2
F. Accrued costs and deferred revenue	0	0	-

Assets and liabilities of the MR Guarantee Fund

in EUR

Item	31/12/2015	31/12/2014	Index
ASSETS	39,975,698	28,300,812	141
A. Investments in real estate and financial investments	39,309,947	27,750,270	142
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	39,309,947	27,750,270	142
1. Shares and other securities with variable yield and mutual fund coupons	5,907,476	5,165,014	114
2. Debt securities with fixed yield	27,672,466	15,824,591	175
3. Stakes in investment funds	0	0	-
4. Given loans collateralised with a lien	0	0	-
5. Other loans given	0	0	-
6. Bank deposits	5,730,005	6,760,665	85
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. Receivables	160,208	227,809	70
I. Receivables from direct insurance business	153,919	201,313	76

Item	31/12/2015	31/12/2014	Index
1. Receivables from policyholders	153,919	201,313	76
2. Receivables from insurance brokers	0	0	-
3. Other receivables from direct insurance business	0	0	-
II. Receivables from reinsurance operations	0	0	-
III. Other receivables	6,289	26,496	24
C. Miscellaneous assets	403,765	322,733	125
I. Cash and cash equivalents	403,765	322,733	125
II. Other assets	0	0	-
D. Short-term accrued revenue and deferred costs	101,778	0	-
1. Accrued interest and rental income	0	0	-
2. Short-term deferred costs of insurance contract acquisition	0	0	-
3. Other short-term accrued revenue and deferred costs	101,778	0	-
LIABILITIES	39,975,698	28,300,812	141
A. Revaluation surplus	0	0	-
B. Gross technical provisions	39,920,518	27,230,464	147
I. Gross unearned premium	0	0	-
II. Gross mathematical provisions	39,919,939	27,230,464	147
III. Gross claims provisions	579	0	-
IV. Gross provisions for bonuses and discounts	0	0	-
C. Gross technical provisions for unit-linked life insurance contracts	0	0	-
D. Liabilities for reinsurer's investments arising from reinsurance contracts with ceding undertakings	0	0	-
E. Other liabilities	40,502	623,116	6
I. Liabilities from direct insurance business	0	1,147	0
1. Liabilities to policyholders	0	1,147	0
2. Liabilities to insurance brokers	0	0	-
3. Other liabilities from direct insurance business	0	0	-
II. Liabilities from coinsurance and reinsurance	0	0	-
III. Other liabilities	40,502	621,969	7
F. Accrued costs and deferred revenue	14,678	447,232	3

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	2015	2014	Index
I. TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME	3,627,705	3,974,967	91
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	3,627,705	3,974,967	91
II. INVESTMENT INCOME	6,032,827	8,652,460	70
1. Income from dividends and profit participation	815,907	938,688	87
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	815,907	938,688	87
2. Other investment income	5,216,920	7,713,772	68
2.1. Income from land and buildings	0	0	-
2.2. Interest income	2,514,738	2,686,686	94
2.3. Other investment income	2,702,182	5,027,086	54
2.3.1. Financial income from revaluation	709,712	4,828,014	15
2.3.2. Other financial revenue	1,992,470	199,072	1,001
3. Income from value adjustments in investments	0	0	-
4. Gains on investment disposals	0	0	-
III. CLAIMS INCURRED	6,201,769	6,054,804	102
1. Claims paid	6,134,597	6,054,804	101
2. Change in claims provisions	67,172	0	-
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	1,296,607	-3,861,268	-
1. Change in mathematical provisions (+/-)	1,296,607	-3,861,268	-
2. Change in other net technical provisions (+/-)	0	0	-
V. ACCRUED COSTS BY POLICIES	0	0	-
1. Initial costs	0	0	-
2. Recovery of claims payable, administrative costs, overheads	0	0	-
3. Closing costs or costs of disbursement	0	0	-
V.a. Net operating costs	0	0	-
1. Cost of insurance contract acquisition	0	0	-
2. Change in deferred insurance acquisition costs (+/-)	0	0	-
3. Other operating costs	0	0	-
3.1. Depreciation of assets required for operation	0	0	-
3.2. Labour costs	0	0	-
3.2.1. Wages and salaries	0	0	-
3.2.2. Social security and pension insurance costs	0	0	-
3.2.3. Other labour costs	0	0	-
3.3. Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and relating to other legal relationships), including charges borne by the company	0	0	-
3.4. Other operating costs	0	0	-
4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-
VI. INVESTMENT EXPENSES	4,755,370	2,711,355	175
1. Depreciation of assets not required for operation	0	0	-
2. Expenses for asset management, interest expenses and other financial expenses	16,861	1,042,850	2
3. Financial expenses from revaluation	4,738,509	1,668,505	284
4. Losses on investment disposal	0	0	-
VII. Profit or loss of the guarantee fund (I + II - III + IV - V - VI)	0	0	-
VII.a. Profit or loss of the guarantee fund (I + II - III + IV - V.a - VI)	0	0	-

Technical account of the MR Guarantee Fund

in EUR

Item	2015	2014	Index
I. TRANSFER OF ASSETS FROM THE SUPPLEMENTARY PENSION INSURANCE SCHEME	20,916,761	16,744,767	125
1. of the legal entity	0	0	-
2. of other insurance company	441,321	257,919	171
3. of other pension company	105,672	62,734	168
4. of mutual pension fund	20,369,768	16,424,114	124
II. INVESTMENT INCOME	1,405,929	1,081,344	130
1. Income from dividends and profit participation	62,837	47,217	133
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	62,837	47,217	133
2. Other investment income	1,343,092	1,034,127	130
2.1. Income from land and buildings	0	0	-
2.2. Interest income	685,980	615,101	112
2.3. Other investment income	657,112	419,026	157
2.3.1. Financial income from revaluation	293,342	416,276	70
2.3.2. Other financial revenue	363,770	2,750	13,228
3. Income from value adjustments in investments	0	0	-
4. Gains on investment disposals	0	0	-
III. CLAIMS INCURRED	8,974,153	7,862,036	114
1. Claims paid	8,973,574	7,862,036	114
2. Change in claims provisions	579	0	-
IV. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-12,689,475	-9,278,545	137
1. Change in mathematical provisions (+/-)	-12,689,475	-9,278,545	137
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 acquisition costs (+/-)	0	0	-
3. Other operating costs	0	0	-
3.1. Depreciation of assets required for operation	0	0	-
3.2. Labour costs	0	0	-
3.2.1. Wages and salaries	0	0	-
3.2.2. Social security and pension insurance costs	0	0	-
3.2.3. Other labour costs	0	0	-
3.3. Cost of services rendered by natural persons not performing economic activity (costs under work contracts, copyright contracts and relating to other legal relationships), including charges borne by the company	0	0	-
3.4. Other operating costs	0	0	-
4. Income from reinsurance commissions and shares in technical profit from reinsurance contracts (-)	0	0	-
VI. INVESTMENT EXPENSES	659,062	685,530	96
1. Depreciation of assets not required for operation	0	0	-
2. Expenses for asset management, interest expenses and other financial expenses	174,389	508,695	34
3. Financial expenses from revaluation	484,673	176,835	274
4. Losses on investment disposal	0	0	-
VII. Profit or loss of the guarantee fund (I + II - III + IV - V - VI)	0	0	-
VII.a. Profit or loss of the guarantee fund (I + II - III + IV - V.a - VI)	0	0	-

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LIST OF ABBREVIATIONS USED

B2B	Business-to-business
GDP	Gross domestic product
EU	European Union
EUR	Euro – the currency of the European Union
EURIBOR	The Euro Interbank Offered Rate
iBoxx	The reference index of liquid investment grade bond issues
KPNG	Collective agreement for the non-economic sector of the Republic of Slovenia
KPOPNU	Collective agreement on the establishing of the civil servants pension scheme
KS MR	The Modra renta guarantee fund
KS PPS	The guarantee fund for the First Pension Fund of the Republic of Slovenia
KVPS	Capital Mutual Pension Fund
MKPS	Life-Cycle Pension Fund
MDP	The Dynamic Sub-Fund
MPP	The Prudent Sub-Fund
MZP	The Guaranteed Sub-Fund
IFRS	International Financial Reporting Standards
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
PDPZ	Voluntary supplementary pension insurance
PN1 K	Pension scheme for collective voluntary supplementary pension insurance
PN1 P	Pension scheme for individual voluntary supplementary pension insurance
PNJU K	Pension scheme for collective supplementary pension insurance for public servants
PPS	The First Pension Fund of the Republic of Slovenia
RS	Republic of Slovenia
SBI TOP	The central Slovenian stock market index
USD	US dollar
ZGD-1	The Companies Act (Official Gazette of the Republic of Slovenia, No. 42/06)
ZKDPZJU	Collective Supplementary Pension Insurance for Public Servants Act
ZPIZ-1	Pension and Disability Insurance Act (official consolidated text, ZPIZ-1, UPB4, Official Gazette of the Republic of Slovenia, No 109/2006, 27/2010 and 38/2010)
ZPIZ-2	Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia, No. 96/2012)
ZPKDPIZ	Act Governing Conversion of the Pension Fund Management and Investment Policy of Pension Fund Management (KAD) and the Slovenian Compensation Company (SOD) (Official Gazette of the Republic of Slovenia, No. 79/2010)
ZVPSJU	Closed Mutual Pension Fund for Civil Servants
ZZavar	Insurance Act (official consolidated text, ZZavar, official consolidated text 7, Official Gazette of the Republic of Slovenia, No. 99/2010)
ZZavar-1	Insurance Act (Official Gazette of the Republic of Slovenia, No. 93/2015)



Annual Report of Modra zavarovalnica for the year 2015
Concept and design: arnoldvuga+
Photography: Borut Peterlin
Translation: Prevajalska agencija Julija
Print: Tiskarna knjigoveznica Radovljica
June 2016



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