



**triglav***RE*

BUSINESS REPORT 2005







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A black and white photograph showing two individuals in climbing gear. They are wearing helmets and dark clothing. One person is wearing a white helmet with ventilation holes, and the other is wearing a dark helmet. They are focused on adjusting ropes and carabiners, likely preparing for a climb. The background shows a rocky, outdoor environment. The word "Highlights" is overlaid in large white text.

# Highlights



# Highlights

<b>HIGHLIGHTS</b>			
	<b>2005</b>		<b>2004</b>
	<b>in 000 SIT</b>		<b>in 000 SIT</b>
Gross Premium	16,600,663		14,308,259
Net Premium	7,499,732		6,033,474
Gross Losses	5,468,438		6,145,796
Net Losses	3,752,110		3,368,880
Gross Technical Provisions	10,708,566		9,218,705
Net Technical Provisions	7,916,686		6,449,681
Retention Ratio	45.2%		42.2%
Net Technical Provisions as % of Net Premium	105.6%		106.9%
Loss Ratio	66.4%		64.9%
Expense Ratio	22.1%		21.0%
Combined Ratio	88.5%		85.9%
Operating expenses as % of Gross Premium	2.4%		2.3%
Number of Employees (as at 31.12.)	25		20
Shareholders' funds	3,327,911		2,541,955
Profit before tax	1,157,449		939,785
Return on Equity (in %)	29.3%		33.0%





# Chairman's message



# Chairman's message



Dear shareholders,  
Dear business partners,

I am very pleased to report that the 2005 year was another very successful year for Triglav Re. For the first time in our history we succeeded in surpassing 1 billion Slovenian tolar in net operating income. This is a very encouraging result particularly when bearing in mind that it was produced on a premium volume of roughly 16.5 billion Slovenian tolar. As in the past years we are going to retain most of the annual profit in order to reinforce our capital base – a move we consider to be necessary in order to allow further development of our business.

The year under review was marked as the most expensive year ever due to natural calamities recorded in the insurance industry. To a certain extent we also were involved in some of the large scale natural disasters (e.g. Erwin/Gudrun in Scandinavia, Indian Floods, Hurricanes Rita and Wilma in the Caribbean) but claims arising out of these events had no significant impact on our net result. In our domestic portfolio, the most important lines of business, Motor Vehicle and Property Insurance, behaved very well in 2005. The considerable improvement in the underwriting result for comprehensive motor vehicle insurance, which was not very profitable in the years before, is also worth mentioning.

The 2005 year is considered to be a year when most of our international markets remained hard and no significant downturn in pricing was recorded. We were thus able to take advantage of this situation and when the opportunity was given we were determined to write bigger lines. We also did very well in entering some new markets, particularly in Asia and Europe, in increasing and stabilizing our position in the region of South-Eastern Europe, especially in former Yugoslavian countries, all in line with our strategy of further portfolio diversification and a stable presence in the markets of the former Yugoslavia which is one of the key markets for Triglav Insurance Group.

Further on we are also aware of increasing competition in our domestic market. We will continue to also provide the best reinsurance protection possible to Triglav Insurance Company in the future and thus ensure that Triglav will be able to maintain its competitiveness in the Slovenian market. We are more than pleased that Triglav is successfully entering new markets, and will assist Triglav with our expertise and experience to strengthen its established position and financial security. We are convinced that partnership is very essential for the whole Triglav Group and it gives us not only self-confidence but also the opportunity for further development and growth.

January 1, 2007 is the day when the EURO becomes the official currency in Slovenia and undoubtedly we expect some challenges in different areas of the insurance industry. But on the other hand, the introduction of the EURO will bring a positive impact on our operational costs and reduce currency fluctuation risks.

We look very optimistically into the future. We will strive for further diversification of our portfolio together with technically sound underwriting. We have always preferred profitability over volume and this is not about to change.

We will continue to operate to the satisfaction of our partners and shareholders and remain reliable partner to our cedants and retrocedants.

Benjamin Polak  
Chairman of the Board of  
Management of Triglav Re





# General Economic Environment



# 1.

## General Economic Environment

According to first estimates, gross domestic product (GDP) increased by 3.9 percent in real terms. In 2005, gross domestic product in current prices amounted to SIT 6,557,698 million, which is 4.9 percent above the 2004 result. At the current exchange rate GDP amounted to EUR 27,365 million (EUR 13,677 per capita) or USD 34,030 million (USD 17,008 per capita).

At the end of the year the registered unemployment rate reached 10.2 percent and was 0.2 percentage points lower than the previous year.

With the coordination of fiscal and monetary policies, the Government of the Republic of Slovenia and the Bank of Slovenia successfully continued falling into alignment and stabilisation with the European Monetary Union. With a 2.5 percent inflation rate Slovenia met the final Maastricht criterion in November 2005. The market exchange rate of the euro was maintained close to the central parity rate of SIT 239.64 throughout the year.

The Slovenian insurance industry experienced the impact of Slovenia's accession to the EU and a series of reforms undertaken for the purpose of harmonisation with the single European market. These changes are:

- simplified entry of foreign competitive financial institutions into the Slovene market and prospects of Slovene participation in foreign markets;
- fiscal, income tax, health and other systemic reforms in the economy and the social sphere;
- liberalization of the financial market; alliances between foreign and Slovene providers of insurance and banking services.

The above mentioned changes will lead to significantly tougher competition in the Slovene insurance market. The lower level of social security provided by the state and employers pushed up demand for insurance providing social security to individuals and their families. This has also helped raise demand for quality supplementary voluntary pension insurance, accident insurance, and voluntary health insurance. The relatively small share of life, health and accident insurance in Slovene GDP is predicted to improve relatively rapidly as a result of amended legislation.





# Slovenian insurance and reinsurance market in 2005



# 2.

## Slovenian insurance and reinsurance market in 2005

The insurance market in Slovenia is becoming more and more competitive. The competitiveness of Slovene domestic insurance companies is increasing and after our entry into the European Union, foreign insurance companies are also present in the market.

In 2005, three new insurance companies started in the Slovene insurance market. The only specialised credit insurance company, SID – Prva kreditna zavarovalnica, was established by the Slovenian Export Corporation (holding 100 percent of ownership capital) and started operations on January 1, 2005. After the reorganisation and separation of life and non-life insurance was performed in Slovenica d.d., Slovenica življenje, an insurance company specialised in life insurance commenced on 3 December. Slovenica d.d. with its' non-life portfolio merged with Adriatic d.d. into Adriatic Slovenica d.d.. Thus, there were 13 insurance companies and two reinsurance companies registered in the Republic of Slovenia at the end of the year.

In compliance with EU legislation, all insurance companies with their headquarters in EU member states can establish subsidiaries and offer insurance services and products directly in other EU member states without any formal restrictions. Three hundred and one EU headquartered insurance companies registered their performance of insurance business activities in the Republic of Slovenia with the Insurance Supervision Agency. With the exception of two Austrian insurance companies, Wiener Staedtische and Victoria-Volksbanken, who established branch offices in Slovenia, they all stated that operations would be performed directly.

According to the 2005 data, the gross written premium of all insurance companies headquartered in the Republic of Slovenia totalled SIT 345 billion, reflecting an 8 percent nominal annual growth in insurance premiums compared to 2004. In non-life insurance the premium amounted to SIT 259.8 billion (growth index of 106) and in life insurance SIT 8.2 billion (growth index of 114).

Zavarovalnica Triglav retained its leading position in the Slovenian insurance market with a 42.8 percent market share. Zavarovalnica Triglav leads the market in both non-life and life insurance with 40.4 percent and a 49.9 percent market share respectively.

In 2005 the Slovenian reinsurance market gross written premium amounted to SIT 38.668 billion, which represents an increase of 8.6 percent compared to year 2004. The market share of Triglav Re in 2005 was 42.9 percent.

The reinsurance market is split between Sava Re and Triglav Re. Both companies are part of larger insurance groups and, as far as Slovenian market is concerned, are mainly focused on reinsuring group business.

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A black and white photograph of a rock climbing scene. In the foreground, several ropes and carabiners are attached to a rock surface. In the background, a climber wearing a white helmet is visible on a rock ledge. The overall scene is rugged and outdoors.

# Business review

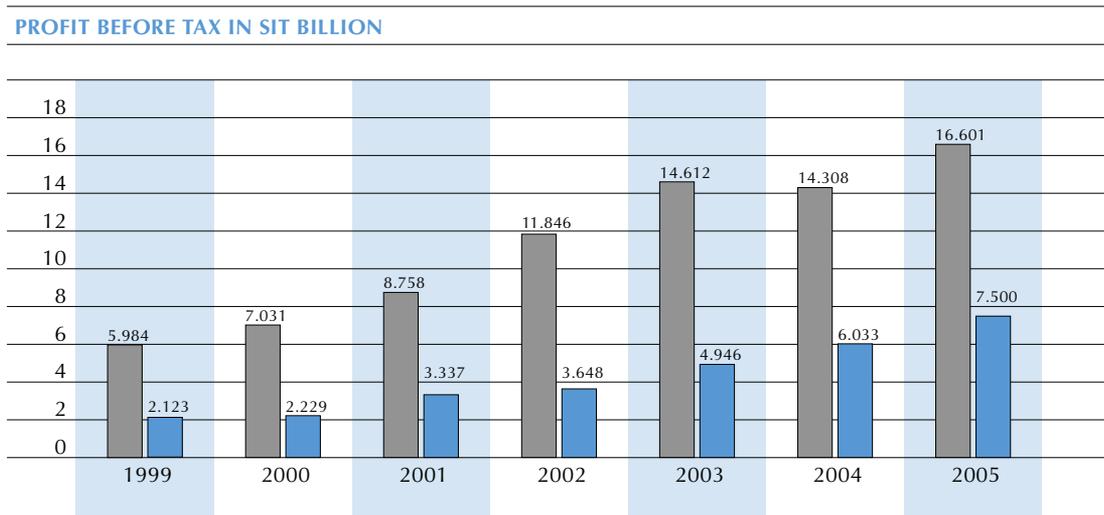


# 3. Business review

## PREMIUM

Gross premium written in the 2005 financial year amounted to SIT 16.6 billion. This represents an increase of 16 percent in comparison to the year before. The main reason for such an increase is very strong growth in the non group acceptances, while the business ceded from our parent company, Triglav Insurance Slovenia, remained stable.

The impact on the growth of non group business was even stronger due to the fact that non group business is almost completely retained net. Net written premium thus rose by 24 percent compared to the previous year and amounted to SIT 7.5 billion. The retention ratio in 2005 amounted to 45.2 percent which is an increase of 3 percentage points compared to the 2004 year.



## PREMIUM STRUCTURE BY ORIGIN

The greater part of our business originated from our parent company in 2005. Cessions of Triglav Insurance Slovenia accounted for 79 percent of the gross premium written in 2005. Business received from Triglav's subsidiary companies in Croatia, the Czech Republic and Bosnia & Herzegovina provided a further 2.2 percent and the remaining 18.8 percent came from our acceptances outside the Triglav Group.

The depiction of premium by origin changes considerably when observing our net account. In 2005, non group acceptances accounted for 41.5 percent of net written premium and the Triglav Group business accounted for 58.5 percent. Comparison with the figures from a year ago shows a very substantial shift in the structure in favour of non group business. This shift is in line with Triglav Re's long term strategy of increasing business originating from outside the group, while continuing to serve the reinsurance needs of our parent company and its affiliated companies.

#### PREMIUM STRUCTURE BY ORIGIN

	Gross Premium Written		Net Premium Written	
	Group bussines	Non group bussines	Group bussines	Non group bussines
2004	89.8%	10.2%	75.8%	24.2%
2005	81.2%	18.8%	58.5%	41.5%

#### PREMIUM STRUCTURE BY TERRITORY

Due to the facts described above, Slovenia remained our key market in 2005. Business coming from Slovenian cedants (which beside Triglav includes also minor cessions from other insurance and reinsurance companies) accounted for 79.5 percent of our gross premium written. Other important European markets of Triglav Re in 2005 were, the countries of former Yugoslavia, Austria, Spain, Germany, Scandinavian countries and some markets in Central & Eastern Europe. From non European business it is worth mentioning our increased presence in Asian markets, especially the markets of South Korea, India and Hong Kong.

#### PREMIUM STRUCTURE BY CLASS

The strongest business segment of Triglav Re remained Property in 2005. Property lines of business accounted for 52.9 percent of gross premium written (a slight decrease from the year before) and are followed by Motor and Marine & Aviation with 31.3 percent and 7.1 percent respectively. The largest growth was recorded within Motor and Property lines of business with 28.5 percent and 11.7 percent respectively. These are followed by the segment of Marine & Aviation, which shows a 10.5 percent growth in comparison to the 2004 year.

#### BREAKDOWN OF GROSS PREMIUM WRITTEN BY CLASS

	2005 in SIT	2004 in SIT	Share in 2005	Index 2005/2004
Accident insurance	371,575,457	367,659,958	2.24%	101
Health insurance	8,876,842	5,530,583	0.05%	161
Land motor-vehicle insurance	1,786,836,104	1,333,988,700	10.76%	134
Railway rolling stock insurance	177,703,026	187,507,234	1.07%	95
Aviation insurance	502,953,322	505,406,580	3.03%	100
Ships insurance	58,234,744	38,246,836	0.35%	152
Insurance of transportation of goods	325,708,824	263,485,998	1.96%	124
Fire and natural disaster insurance	5,326,469,865	4,539,932,106	32.09%	117
Other damage to property insurance	2,968,420,304	2,812,928,413	17.88%	106
Motor-vehicle third party liability insurance	3,409,195,168	2,709,398,140	20.54%	126
Aviation liability insurance	276,851,266	237,965,456	1.67%	116
Ships liability insurance	12,966,326	19,924,130	0.08%	65
General liability insurance	563,674,866	495,507,012	3.40%	114
Credit insurance	341,342,856	297,761,209	2.06%	115
Suretyship insurance	78,970,830	102,863,715	0.48%	77
Miscellaneous financial loss insurance	311,565,731	322,911,036	1.88%	96
Legal expenses insurance	5,068,796	3,510,387	0.03%	144
Assistance insurance	31,009,769	28,009,252	0.19%	111
Life insurance	43,238,926	35,722,716	0.26%	121
<b>TOTAL</b>	<b>16,600,663,023</b>	<b>14,308,259,458</b>	<b>100.0%</b>	<b>116</b>

Motor vehicle classes of insurance retained their dominant position in the structure of our net premium written, accounting for slightly more than 50 percent of the total figure. Motor vehicle insurance also showed a significant growth of 33.7 percent in comparison to the year before. Property remains the second most important business segment on the net side and accounted for 37.1 percent of total retained premium. Compared to the structure of gross premium, the share of Marine & Aviation in total is considerably less important on the net side, due to the fact that the bulk of this business is retroceded, however the net growth in 2005 was significant, i.e. 45 percent in comparison to 2004.

#### BREAKDOWN OF NET PREMIUM WRITTEN BY CLASS

	2005 in SIT	2004 in SIT	Share in 2005	Index 2005/2004
Accident insurance	321,220,992	312,669,563	4.28%	103
Health insurance	8,876,842	5,530,583	0.12%	161
Land motor-vehicle insurance	1,295,593,285	870,240,741	17.28%	149
Railway rolling stock insurance	1,068,613	341,316	0.01%	313
Aviation insurance	7,338,218	22,164,463	0.10%	33
Ships insurance	52,491,192	29,206,279	0.70%	180
Insurance of transportation of goods	87,401,878	50,653,408	1.17%	173
Fire and natural disaster insurance	1,487,561,104	1,255,741,631	19.83%	118
Other damage to property insurance	1,224,217,158	1,071,655,015	16.32%	114
Motor-vehicle third party liability insurance	2,481,217,622	1,953,691,779	33.08%	127
Aviation liability insurance	21,622,658	14,857,520	0.29%	146
Ships liability insurance	9,720,194	6,292,767	0.13%	154
General liability insurance	208,915,420	170,922,346	2.79%	122
Credit insurance	213,128,487	200,247,042	2.84%	106
Suretyship insurance	5,141,134	12,863,453	0.07%	40
Miscellaneous financial loss insurance	66,420,813	50,388,453	0.89%	132
Legal expenses insurance	5,068,796	3,510,387	0.07%	144
Assistance insurance	1,823,662	2,271,246	0.02%	80
Life insurance	903,892	225,780	0.01%	400
<b>TOTAL</b>	<b>7,499,731,959</b>	<b>6,033,473,770</b>	<b>100.0%</b>	<b>124</b>

#### LOSSES

The overall claims situation for Triglav Re in the 2005 year was extremely favourable. Gross losses paid in 2005 amounted to SIT 5.47 billion, which represents a decrease of 11 percent compared to the year before. On the other hand, net losses paid increased by roughly 11 percent, yet this is still substantially lower than the increase in net premium written.

The most important events on the loss side in the 2005 year were predominantly from Triglav Re's non group portfolio. It is worth mentioning here the loss from Windsor Tower in Madrid in February 2005 and windstorm losses from Erwin in Denmark and Sweden (February), floods in India (July), floods in Austria and Switzerland (August) and losses from hurricanes Wilma (October) and Emily (July). The losses were all retained net, but had a limited impact on the result of Triglav Re.

## BREAKDOWN OF GROSS LOSSES PAID BY CLASS

	2005 in SIT	2004 in SIT	Share in 2005	Index 2005/2004
Accident insurance	183,883,204	216,221,703	3.36%	85
Health insurance	8,068,086	15,491,888	0.15%	52
Land motor-vehicle insurance	839,898,354	824,024,922	15.36%	102
Railway rolling stock insurance	0	-2,650,787	0.00%	0
Aviation insurance	2,678,846	904,636	0.05%	296
Ships insurance	26,440,367	10,129,041	0.48%	261
Insurance of transportation of goods	50,689,280	21,555,188	0.93%	235
Fire and natural disaster insurance	1,527,352,750	1,820,158,662	27.93%	84
Other damage to property insurance	1,170,047,764	1,388,998,360	21.40%	84
Motor-vehicle third party liability insurance	1,326,311,257	1,264,855,799	24.25%	105
Aviation liability insurance	2,963,548	5,144,578	0.05%	58
Ships liability insurance	475,841	14,944,326	0.01%	3
General liability insurance	239,775,228	125,326,322	4.38%	191
Credit insurance	79,626,874	78,967,042	1.46%	101
Suretyship insurance	8,137,722	8,459,454	0.15%	96
Miscellaneous financial loss insurance	-19,503,698	317,580,393	-0.36%	-6
Legal expenses insurance	20,271	61,880	0.00%	33
Assistance insurance	10,186,054	10,333,084	0.19%	99
Life insurance	11,386,586	25,289,024	0.21%	45
<b>TOTAL</b>	<b>5,468,438,331</b>	<b>6,145,795,514</b>	<b>100.0%</b>	<b>89</b>

## BREAKDOWN OF NET LOSSES PAID BY CLASS

	2005 in SIT	2004 in SIT	Share in 2005	Index 2005/2004
Accident insurance	166,880,168	196,292,370	4.45%	85
Health insurance	8,068,086	15,491,888	0.22%	52
Land motor-vehicle insurance	783,741,371	673,110,502	20.89%	116
Railway rolling stock insurance	0	-1	0.00%	0
Aviation insurance	2,674,055	889,814	0.07%	301
Ships insurance	26,442,901	10,064,074	0.70%	263
Insurance of transportation of goods	27,939,669	20,970,075	0.74%	133
Fire and natural disaster insurance	724,068,105	580,668,995	19.30%	125
Other damage to property insurance	707,614,832	574,136,333	18.86%	123
Motor-vehicle third party liability insurance	1,087,392,625	1,099,273,403	28.98%	99
Aviation liability insurance	2,237,950	1,178,793	0.06%	190
Ships liability insurance	461,060	938,536	0.01%	49
General liability insurance	141,098,244	115,082,539	3.76%	123
Credit insurance	41,991,836	61,209,989	1.12%	69
Suretyship insurance	13,542,602	1,031,155	0.36%	1,313
Miscellaneous financial loss insurance	17,259,892	18,043,561	0.46%	96
Legal expenses insurance	18,348	55,692	0.00%	33
Assistance insurance	642,740	389,805	0.02%	165
Life insurance	35,309	52,824	0.00%	67
<b>TOTAL</b>	<b>3,752,109,795</b>	<b>3,368,880,347</b>	<b>100.0%</b>	<b>111</b>

## TECHNICAL PROVISIONS

Net provisions for unearned premium increased by 17 percent in comparison to the previous year. The growth of net provisions for outstanding losses was, on the other hand, more significant in 2005. These provisions increased by 28 percent. Due to the very favourable loss ratio in 2005 we were able to increase our equalization provisions by roughly 29 percent. As at 31 December 2005 the figure stands at SIT 788 million. Provisions for bonuses and rebates were established exclusively in credit insurance and on the basis of information reported by the cedants. Other technical provisions decreased by roughly 10 percent in comparison to the year before. Total net technical provisions increased by 23 percent, which is in line with the growth of net written premium in comparison to 2004.

### BREAKDOWN OF NET TECHNICAL PROVISIONS

	2005 in SIT	2004 in SIT	Index 2005/2004
Net provisions for unearned premium	2,137,712,983	1,830,371,765	117
Net provisions for outstanding losses	4,635,272,519	3,608,951,331	128
Equalisation provisions	788,326,100	610,558,369	129
Provisions for Bonuses and Rebates	192,253	307,211	63
Other Technical Provisions	355,181,953	399,492,529	89
- Provisions for Nuclear Risks	331,754,332	323,013,379	103
- Provisions for Unexpired Risks	23,427,621	76,479,150	31
<b>TOTAL</b>	<b>7,916,685,807</b>	<b>6,449,681,204</b>	<b>123</b>

## CAPITAL ADEQUACY

The capital adequacy figures were calculated in accordance with Slovenian insurance regulation. At the end of 2005, the minimum capital requirement stood at SIT 1,795 million whereas the Insurance undertaking's capital of Triglav Re amounted to SIT 2,503 million.

### CAPITAL ADEQUACY

	SIT million 2005	SIT million 2004
Insurance undertaking's Capital	2,503	1,929
Minimum capital Requirements	1,795	1,533
Surplus	708	396

## REINSURANCE

Triglav Re arranges reinsurance protection for the whole Triglav Group, and also acts as a professional reinsurer for companies outside the group. Group premium represents the major share of our gross premium, thus the retrocession of risks from the group is of high importance.

The level of retrocession in 2005 decreased compared to the year before due to the substantial increase in non group acceptances as well as increased retention of group business. The average retention ratio in 2005 stood at 45.2 percent, but it varies considerably in different classes, mainly depending on types of risks ceded to us from the Triglav Group.

### RETENTION RATIO BY CLASS IN 2005

	Gross Premium Written in SIT	Net Premium Written in SIT	Retention Ratio
Accident insurance	371,575,457	321,220,992	86.45%
Health insurance	8,876,842	8,876,842	100.00%
Land motor-vehicle insurance	1,786,836,104	1,295,593,285	72.51%
Railway rolling stock insurance	177,703,026	1,068,613	0.60%
Aviation insurance	502,953,322	7,338,218	1.46%
Ships insurance	58,234,744	52,491,192	90.14%
Insurance of transportation of goods	325,708,824	87,401,878	26.83%
Fire and natural disaster insurance	5,326,469,865	1,487,561,104	27.93%
Other damage to property insurance	2,968,420,304	1,224,217,158	41.24%
Motor-vehicle third party liability insurance	3,409,195,168	2,481,217,622	72.78%
Aviation liability insurance	276,851,266	21,622,658	7.81%
Ships liability insurance	12,966,326	9,720,194	74.96%
General liability insurance	563,674,866	208,915,420	37.06%
Credit insurance	341,342,856	213,128,487	62.44%
Suretyship insurance	78,970,830	5,141,134	6.51%
Miscellaneous financial loss insurance	311,565,731	66,420,813	21.32%
Legal expenses insurance	5,068,796	5,068,796	100.00%
Assistance insurance	31,009,769	1,823,662	5.88%
<b>NON-LIFE INSURANCE TOTAL</b>	<b>16,557,424,097</b>	<b>7,498,828,066</b>	<b>45.29%</b>
Life insurance	43,238,926	903,892	2.09%
<b>NON-LIFE AND LIFE INSURANCE TOTAL</b>	<b>16,600,663,023</b>	<b>7,499,731,959</b>	<b>45.18%</b>

Due to the afore mentioned high retrocession level, we put particularly strong emphasis on top financial strength of our retrocessionaires, especially in respect of long-tail business. As far as markets are concerned we work basically with all major continental reinsurers, the London market and also, but to a very limited extent, with the Bermudan market.

## UNDERWRITING RESULT

Due to a very favourable loss pattern amongst the most important classes, the 2005 underwriting result of our company was very satisfactory. The overall loss ratio (measured by net incurred losses to net earned premium) was 66.4 percent, which is only a minor deterioration compared to 64.9 percent in the 2004 year. Among the more important classes (by premium volume) the most profitable classes were Fire with a loss ratio of 56.8 percent (a substantial improvement compared to a year before), Motor Vehicle Third Party Liability with a loss ratio of 65.7 percent and Other property with 69.7 percent (both loss ratios roughly the same as in 2004).

The biggest improvement in the result from the year before was in Motor Hull Insurance, where the loss ratio decreased by almost 8 percentage points. The reason for this is mainly an improvement of results in the Slovenian direct market from where most of our Motor premium originates. This improvement is a result of a slight growth in premium rates in some segments and a drop in number of car accidents in 2005, after the new road traffic safety law came into effect on 1st January 2005.

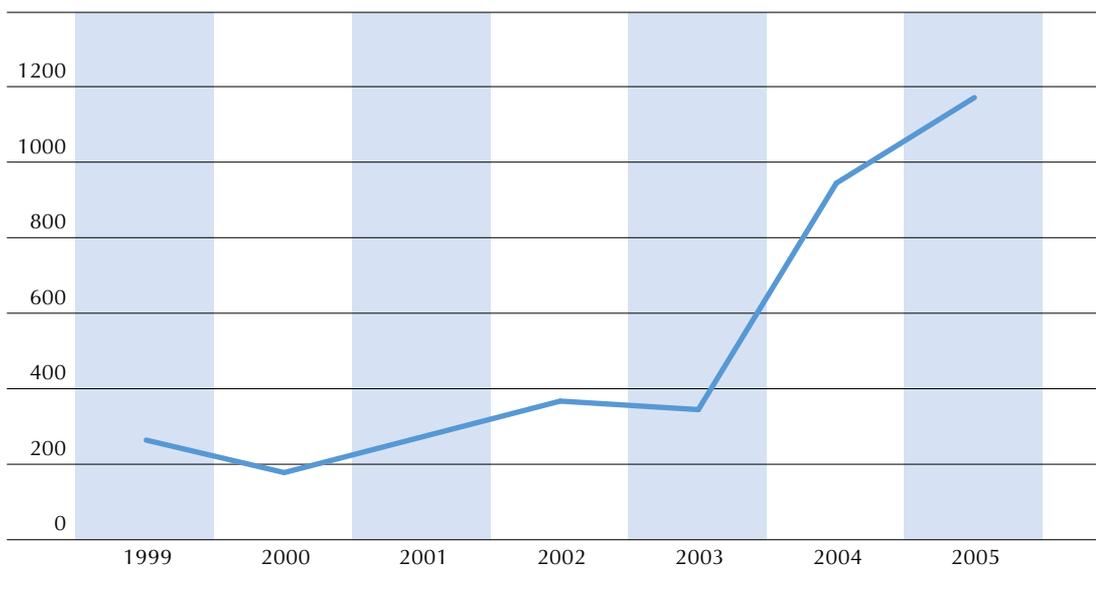
### LOSS RATIO BY CLASS

	Loss Ratio 2005	Loss Ratio 2004
Accident insurance	59.7%	57.9%
Health insurance	104.1%	106.4%
Land motor-vehicle insurance	75.5%	83.1%
Railway rolling stock insurance	0.0%	0.0%
Aviation insurance	126.5%	7.4%
Ships insurance	29.2%	28.9%
Insurance of transportation of goods	50.9%	-67.1%
Fire and natural disaster insurance	56.8%	80.4%
Other damage to property insurance	69.7%	68.2%
Motor-vehicle third party liability insurance	65.7%	67.2%
Aviation liability insurance	11.4%	7.7%
Ships liability insurance	-7.5%	29.1%
General liability insurance	142.4%	-15.8%
Credit insurance	25.1%	2.5%
Suretyship insurance	-467.1%	64.4%
Miscellaneous financial loss insurance	35.7%	-19.3%
Legal expenses insurance	1.0%	-0.5%
Assistance insurance	143.6%	-165.5%
Life insurance	-1.2%	-13.8%
<b>TOTAL</b>	<b>66.4%</b>	<b>64.9%</b>

## FINANCIAL RESULT

The profit before tax for the 2005 financial year amounted to SIT 1,157.4 million which was 23 percent more than in the previous year. This increase in profit was a result of the very favourable loss ratio in 2005, satisfactory investment returns and strict control of expenses.

PROFIT BEFORE TAX IN SIT MILLION



Despite the unfavourable situation in financial markets, especially in the field of bond and bank deposits, Triglav Re successfully managed its investments. Total income from investments amounted to SIT 581 million, which is 1 percent higher than the year before. In the same year, expenses from investments totalled SIT 76 million, which is a decrease of 8 percent in comparison to the previous year. Return on investments, i.e. the difference between investment income and expenses, reached SIT 504 million. In 2005, return on investments of the average assets covering technical provisions was 5.36 percent (6.41 percent in 2004), while return on investments of the average own assets was 3.77 percent (5.79 percent in 2005).

### FINANCIAL RESULT INDICATORS

	2005	2004
Ratio between net losses incurred and net premium earned	66.4%	64.9%
Share of operating expenses in gross premium	2.4%	2.3%
Share of operating expenses in net premium	5.6%	5.8%
Share of commissions in net premium	16.4%	15.2%
Gross written premium per employee in '000 SIT	680,355	706,581
Return on investment per average total investment covering technical provisions	5.4%	6.4%

Operating expenses (excluding paid commissions) in the 2005 year amounted to SIT 402.7 million which is an increase of 23 percent compared to the year before. Due to higher growth of net premium compared to gross premium, the share of operating expenses in gross premium is slightly higher; it increased from 2.3 percent in 2004 to 2.4 percent in 2005. On the other hand, the expenses ratio (operating expenses as percentage of net earned premium) decreased from 5.8 percent in 2004 to 5.6 percent in 2005. The commission ratio in 2005 represented 16.4 percent of the net earned premium, which is an increase of 1.2 percent compared to 2004.

### FINANCIAL POSITION

Triglav Re's total assets as at 31 December 2005 amounted to SIT 15.34 billion which represents an 8 percent increase in comparison with the previous year. Triglav Re further strengthened its financial position based on growth and asset structural changes in 2005. As at 31 December 2005, total capital stood at SIT 3.32 billion, meaning that it increased by 31 percent in comparison to 2004. In total assets, the share of capital rose to 22 percent. Net technical provisions, as at 31 December, amounted to SIT 7.92 billion, which represented an increase of 23 percent compared to a year before.

### FINANCIAL POSITION INDICATORS

	2005	2004
Capital in total liabilities	21.7%	17.9%
Available capital as a % of minimum capital	139.5%	125.8%
Net written premium as a % of average capital	255.5%	274.8%
Return on equity	29.3%	33.0%
Net technical provisions as a % of total liabilities	51.6%	45.3%
Net technical provisions as a % of net premium	105.6%	106.9%
Investment as a % of total assets	68.8%	64.3%
Ratio between investments and net technical provisions	133.4%	141.7%

4





# Slovenian insurance and reinsurance market in 2005



# 4.

## Notes to Financial Statements

### PARENT COMPANY

Triglav Re Reinsurance Company Ltd. is a subsidiary company of Triglav Insurance Company Ltd., the Head Office of which is located at Miklošičeva c. 19, in Ljubljana. Triglav Insurance Company owns 87.0 percent of the share capital of Triglav Re Reinsurance Company Ltd.

Triglav Insurance Company draws up a consolidated annual report in compliance with all regulations in force. The consolidated annual report can be obtained at the Head Office of Triglav Insurance Company Ltd., Miklošičeva c. 19, Ljubljana, Slovenia.

### BASIC ACCOUNTING GUIDELINES\*

The balance sheet as at 31 December, 2005 as well as the profit and loss account for 2005, the indirect cash flow statement were compiled in line with Slovene Accounting Standards, the Insurance Act, pertaining secondary legislation and fundamental accounting assumptions and good accounting practices. Basic accounting guidelines are:

- accrual basis,
- assumption of an on going concern,
- true and fair view subject to monitoring the Euro exchange rate and individual prices but not hyperinflation.

The financial statements have been prepared in compliance with Slovene Accounting Standards and reflect comprehensibility, adequacy, reliability and comparability.

Balance sheet items carried in foreign currencies were converted into Slovene tolar at the mean exchange rate of the Bank of Slovenia. Notes to individual balance sheet items treat items exceeding 2 percent of total assets as material amounts. This threshold equals SIT 306,852 thousand in non-life insurance.

The bases for the conversion of items included in the profit and loss account for 2004, which were primarily denominated in a foreign currency, are calculated according to the mean exchange rate of the Bank of Slovenia on the date of recording of the business event.

In the explanations to individual profit and loss account items, amounts which exceed 5.0 percent of net profit of the financial year, (SIT 42,935 thousand), are considered to be material amounts in the disclosures. Revenue and expenditure from or on investments are directly traced according to their source. Since the value of EUR did not increase by more than 5.5 percent in 2005 the purchasing power of capital did not change. In spite of this, subparagraph 7.1.8, reports the changes which would have occurred if the capital had been revalued in accordance with the value of EUR and/or if the growth of consumer goods prices had been used for revaluation.

*\*Due to computer processing of the data calculation differences can appear when adding the rounded amounts.*

## EXPOSURE AND RISK MANAGEMENT

### FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that financial instrument values will fluctuate due to changes in currency rates. Currency risks mostly occur with financial investments. Management of this kind of risk is performed by ensuring conformity of these kinds of investments with the amount of liabilities or with the amount of technical provisions which are denominated by currency clause. Currency risk also occurs with liabilities and receivables, especially from reinsurance abroad due to exchange rate fluctuations. Currency risk in relation to receivables and liabilities is reduced by reciprocation with the accounts of partners.

### INTEREST RATE RISK

Interest risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Interest risk occurs with financial investments and the criterium is the duration of the investment. Management of interest risk is performed on a global level with adequate strategic investment diversification in fixed return investments (debt securities) and variable return investments (shares and other investments) and to the provisions covered by these investments.

### CREDIT RISK

Credit risk is the risk that a client who has entered into an agreement on a financial instrument will fail to fulfill their commitments thus causing a financial loss to the insurance company. Credit risks arise from financial investments in equity and debt securities, loans granted and deposits.

In credit risk management, the insurance company acts according to the principle of adequate diversification of investments. As at 31 December, 2005, the biggest single investment amounts to SIT 552,096 thousand. Due to legal restrictions, investments into domestic securities still represent the greatest share of the portfolio but particularly because of the risk diversification principle the share of investments in foreign securities has increased. At present, investments in foreign securities amount to SIT 723,854 thousand. Domestic securities are underwritten by the Republic of Slovenia and are rated Aa3 by Moody's Rating Agency. Investments in securities of Republic of Slovenia, including treasury bills, represent 60.9 percent of all investments.

Triglav Re does not use any financial instruments for hedging credit risk.

Receivables and liabilities are also exposed to credit risk. For credit risk management there is a possibility of reciprocal settlement of receivables and liabilities referring to the same partner (settlement of receivables for premiums and liabilities for losses and commissions of active reinsurance, and settlement of receivables for losses and commissions, and liabilities for premiums of passive reinsurance).

## VALUATION METHODS USED FOR FINANCIAL STATEMENT ITEMS

Financial statement items were evaluated and disclosed according to Slovene Accounting Standards, the Insurance Act and pertaining secondary legislation and the Decision on Annual Reports and Quarterly Financial Statements of Insurance Companies - SKL2002.

The valuation and disclosure of financial statement items are determined in the Rules on Accountancy of Triglav Reinsurance Company.

### INTANGIBLE FIXED ASSETS

Depreciation of these assets is calculated individually following the straight-line method. Assets written off in the current year are depreciated for the period prior to their write off. Assets acquired in the current year are subject to depreciation when they may be put into use, i.e. on the first day of a full month following their acquisition.

Intangible fixed assets include investments in acquired long-term rights to industrial property (in concessions, patents, licenses, trade marks and similar rights), long-term deferred charges and investments in the good-will of a company that has been acquired. Intangible fixed assets are recognized at the time of purchase according to their purchase value. The cost basis for amortization is the purchase value increased by import and non-refundable purchase charges, and other related charges.

In calculating amortization of intangible fixed assets a 20 percent rate was applied. There was no revaluation of intangible fixed assets in 2005.

### TANGIBLE FIXED ASSETS

Depreciation of these assets is calculated individually following the straight-line method. Assets written off in the current year are depreciated for the period prior to being written off. Assets acquired in the current year are subject to depreciation when they may be put into use, i.e. on the first day of the full month following acquisition.

Fixed assets are recorded when purchased according to their purchase value. The cost basis for depreciation is the purchase value increased by related charges. If new expenditure extends the useful life of the asset, the accumulated depreciation of the asset is first reduced.

For calculation of depreciation of tangible fixed assets for 2005 the following depreciation rates were used – these did not change from the 2004 reporting year:

TANGIBLE FIXED ASSETS	
	Depreciation rate in %
Computer equipment	50.0
Means of transport	12.5
Telecommunication equipment	25.0
Equipment (furniture, etc.)	25.0

*There was no revaluation of tangible fixed assets due to reinforcement in 2004.*

### FINANCIAL INVESTMENTS

At initial recognition, financial investments of assets covering technical provisions are valued according to their purchase value, which equals the amount of money paid. Costs directly incurred in relation to the investments are recognized as financial expenditures, and in accordance with the Slovenian Accounting Standard 3 they can be attributed directly to the investment. Long- and short-term investments are disclosed separately. All investments in debt securities, bank deposits and loans with a maturity longer than one year are disclosed within the long-term financial investments. Short-term financial investments include investments owned for trading purposes. No assets within the long-term financial investments were identified as held to maturity, since we anticipate the possibility of their sale before maturity. Triglav Re did not have any financial investments due for payment or that have not been redeemed as at the balance sheet date.

All financial investments denominated in foreign currencies are converted into Slovene tolar at the mean exchange rate of the Bank of Slovenia as at the balance sheet date. Any consequent foreign exchange differentials are posted as financial income if positive, or financial expenses if negative.

Financial investments are valued quarterly and were last valued on 31 December 2005. Due to the character of these investments, involvement of an appraiser is not necessary. Tax relief valuation methods were not employed as valuation is not conditioned by tax regulations.

#### Shares and other variable return securities

Shares and other variable return securities are disclosed according to their purchase value. If the market value is known and it is lower than the purchase value, revaluation corrections are made for the difference.

Revaluation adjustments for shares where the market value is not known are made on the basis of individual assessments of the specific investment.

For revaluation of shares and other fixed return securities in order to remedy impairment, the same rules apply as for bonds and other fixed return debt securities (see next article).

#### Bonds and other fixed return debt securities

Bonds and other fixed return debt securities denominated in foreign currencies were valued in tolar according to the mean exchange rate of the Bank of Slovenia on the balance sheet date. Bonds denominated in tolar were revalued in accordance with the definitions in the terms of the bond issues. Revaluation differences increase or decrease financial revenues. For valuation purposes, the weighted average exchange rate, or, lower stock exchange quotation on the balance date was used. For bonds and other fixed return securities with coupon maturities on dates different from the balance date, a proportional share of interest was brought to account for the period from the maturity of the previous coupon to the balance date and posted to investment revenues in the current year and among deferred charges. For bonds from issuers who do not fulfil their obligations, a value correction is made

according to the expected realisable value. Impairment revaluation is performed for financial investments when the proved fair value is higher than the book value as a result of excessive write downs against the investment in earlier periods. The book value of a financial investment is increased by the difference and the revaluation financial expenditure related to financial investments is adjusted. Impairment revaluation of financial investments is also performed when the impairment revaluation of a financial investment already booked is no longer justified, which may be evidenced by the accounting value of the investment or as a result of individual assessment on the basis of financial indicators. In this case the impairment revaluation is accounted for as an elimination of revaluation financial expenditure connected to financial investments.

#### Shares in investment funds

Shares in investment funds are disclosed according to purchase value. If the market value is lower than the purchase value, the difference between the two results in a value adjustment. In revaluation of shares in investment funds due to impairment, the same rules apply as for securities with variable returns and other debt securities with fixed returns.

#### Deposits with banks

Bank deposits are disclosed according to the denomination value; interest up to the balance sheet date is accounted for and they increase the revenues of accounting period.

#### FINANCIAL INVESTMENTS FROM REINSURANCE CONTRACTS WITH CEDANTS

Financial investments from reinsurance contracts with cedants refers to withheld premiums from reinsurance contracts. They are denominated in foreign currencies and were therefore calculated into tolar according to the mean exchange rate of the Bank of Slovenia on the date of balance.

## RECEIVABLES

Receivables are disclosed according to the invoiced amounts. Receivables denominated in foreign currencies were calculated into tolar according to the mean exchange rate of the Bank of Slovenia. Collectibility of receivables was verified individually on the basis of the credit status of individual debtors and the maturity of receivables. In this manner, it was established that adjustments on the date of balance were not necessary.

Receivables are mainly exposed to currency risks due to changes in currency rates. They are also exposed to credit risk and are not hedged.

## CASH AT BANK AND IN HAND

Liquid cash assets are disclosed according to the denominated values. Cash (in hand or at bank) resources denominated in foreign currencies are calculated into tolar according to the mean exchange rate of the Bank of Slovenia on the balance date.

Cash resources include resources in foreign currency transaction accounts, resources in tolar transaction accounts and cash in hand.

## SHORT-TERM DEFERRALS

Short-term deferrals include deferred charges and deferred credits. Deferred charges are receivables and other assets which, according to expectations, will fall due within 12 months and the occurrence of which is probable, while their amount is reliably assessed. Deferred charges include charges and/or expenditures deferred for a short term as well as short term deferred revenues where a payment has not been received up to that moment (accrued interest up to 31 December 2005).

Deferred credits are debts in a wider sense and include charges and/or short-term expenditure provisions and revenues deferred for a short term. These are stated separately and broken down to more important categories. Deferred credits include the 2005 audit fee provisions and provisions for the publication costs of the 2005 financial statements.

## CAPITAL

Subscribed capital, capital reserves, profit reserves (statutory reserves, reserves for own shares, reserves under the Articles of Association and other profit reserves) except for the legal restrictions, net profits brought forward from previous years, capital revaluations related to them and the undistributed net profit of the financial year comprise the total capital of the company. Subscribed capital is booked when cash and non-cash contributions of capital subscribers are made. Profit reserves are booked when they are formed by an authority that draws up the annual report and/or by a decision of competent authority.

A general capital revaluation was not performed since the Euro/Tolar exchange rate increased by less than 5.5 percent in the previous calendar year.

## TECHNICAL PROVISIONS

An appointed actuary examined and approved the technical provisions formed. The provisions were formed in accordance with the Insurance Act and executive acts, technical principles and standards, and rules adopted for the formation of individual categories of technical provisions in Triglav Re. Stakes subject to retrocession were contractually agreed with reinsurance contracts. When forming net technical provisions, own stakes from the Tables of Maximum Retention were taken into account. Provisions for unearned premiums, outstanding losses, equalisation, nuclear risks, unexpired risks, incurred but unreported losses (IBNR), incurred but under reported losses (IBNER) and provisions for bonuses and rebates were established in 2005.

**Provisions for bonuses and rebates** were formed by the company on the basis of advance notice of the cedants with which they concluded a reinsurance contract for export credits.

**Mathematical provisions** were not formed by the company since in life insurance they reinsure only the risk of death, which is fully retroceded.

**Gross provisions for unearned premiums** were formed on the basis of advance notices of cedants. A provision for unearned premium on the basis of the rules and according to the fraction method was formed for operations from acquired retrocessions and for retrocedants for which Triglav Re did not receive statements of account for unearned premium.

**Provisions for outstanding losses** were formed on the basis of advance notices of cedants and retrocedants.

Provisions for incurred but unreported losses (IBNR) and for incurred but under reported losses (IBNER) were formed on the basis of advance notices of cedants. Part of these provisions was formed by Triglav Re on the basis of our own calculations. A projection was prepared according to the triangulation method for cumulative active, passive and net losses with final payments according to insurance classes and/or groups of insurance classes, if the extent of premiums and/or losses was too small. When preparing the triangles with losses paid data for projecting future losses, extremely high losses incurred from 2000 to 2005 were excluded. To allow for the inadequate number of developed years the company supplemented the chain ladder method, which was used in the previous year together with the Bornhueter-Ferguson method at the level of individual insurance classes and/or group of insurance classes. The company compared the IBNR losses calculated in this way by insurance classes and/or groups of insurance classes to the calculation of IBNR loss provisions acquired on the basis of cedant data, and considered the larger value as the end result for each individual insurance class and/or group of insurance classes.

**Supplementary provisions for outstanding losses** were not formed.

**The Equalisation provision** was formed in compliance with the Act Amending the Insurance Act (ZZavar-A, Official Journal of RS, No 21/2002), the Decision regulating the provision of insurance statistical figures - SKL2002 (Off. Journal of RS, No 85/2005) and the Decision on detailed rules and minimum standards to be applied in the calculation of technical provisions (Off.

Journal of RS, No 85/2005).

The prescribed methodology for forming equalisation provisions on 31 December 2005 was applied in compliance with the requirements of Article 9 of the above mentioned Decision (Off Journal of RS 't.85/2005). For other insurance classes the prescribed methodology did not change ?????? to the period financial year.

Equalisation provisions were formed by insurance classes in the year complying with all three prescribed conditions. When calculating the share of losses, net premium amounts, losses, unearned premiums and provisions for outstanding losses were considered as well as investment interest revenues, which relates to net provisions for outstanding losses. To unify the approach when forming technical provisions within the Triglav Group, the loss experience of Triglav Insurance Company, taking into account both external and internal appraisal charges when calculating the share of losses, was considered for the observation period 1994-1998 as Triglav Re does not have its' own data. In addition to external assessment costs, internal costs are also considered.

Because of the changed methodology introduced with the Act amending the Insurance Act, Official Journal of RS, No 21/2002, the formation of equalisation provisions for insurance classes: accident insurance, health insurance, land motor vehicle insurance, motor TPL insurance, legal expenses insurance and travel assistance insurance is no longer necessary whereas with certain insurance classes, conditions for provision formation are no longer satisfied. With insurance classes where, in compliance with Article 118 paragraph 1 or 4 of the Act amending the Insurance Act, the formation of equalisation provisions is not necessary, Triglav Re wrote back 20 percent or 1/5 of the provisions. The five-year writing back period expired in the following insurance classes in 2005: land motor vehicle insurance, aircraft insurance and aircraft liability insurance. But the writing back of provisions in accident insurance, railway insurance, motor TPL, marine liability insurance, suretyship insurance, legal expenses insurance and travel assistance insurance will expire at the end of 2006 if the conditions for the equalisation provision in a specific insurance type are not satisfied again.

Provisions for nuclear risks were formed on the basis of calculations and decisions of the Pool for Insurance and Reinsurance of Nuclear Risks GIZ approved by an actuary. Provisions were formed in accordance with the Instruction for Actuarial Verification of Formation of Technical Provisions and Reserves. For the provision formation, the Pool prepared a calculation for formation in the amount of 20 percent of annual formation from 25 percent of value of assumed risks, which can increase by 50 percent and by a minimum annual amount of formation of provisions for nuclear risks. Triglav Re added to provisions for nuclear risks at the minimum amount suggested by the Nuclear Pool for Insurance and Reinsurance of Nuclear Risks GIZ in 2003. In previous years the provisions were built up in an accelerated manner according to the maximum method of three calculations prepared by the Nuclear Pool. The change in practices used up to that point occurred due to the already comparatively high level of provisions formed and the fact that there is no indisputedly valid regulation for the calculation of nuclear risk provisions.

The Nuclear Pool calculates the amounts to add to provisions for nuclear risks in accordance with the Instruction for Actuarial Verification of Formation of Technical Provisions and Reserves issued by the Insurance Supervision Agency of the Republic of Slovenia on 19 December 1996. Although it could be argued otherwise, as of the day the Decision on the Technical Provisions (not regulating provisions for nuclear risks) came in force, the instruction issued by the Insurance Supervision Agency of the Republic of Slovenia is no longer in force.

Unexpired risk provision is an additional provision formed in compliance with Article 6 of the Decision on detailed rules and minimum standards to be applied in the calculation of technical provisions. This provision is defined as the difference between the amounts actually needed for covering unexpired risk and provision for unearned premiums. This provision was formed in insurance classes where the average share of claims exceeded 100 percent in the last three years.

## LIABILITIES

Liabilities were disclosed according to amounts payable. Liabilities denominated in foreign currencies were calculated into tolar according to the mean exchange rate of the Bank of Slovenia. The fair value of liabilities is equal to the due amounts. Liabilities are stated as short term and they comprise liabilities from co-insurance and reinsurance, other liabilities from direct reinsurance operations and other short-term liabilities (to employees and from financing).

Liabilities are exposed to currency risk, but not to credit and interest risk.

## REVENUES

Revenues are comprised of net revenues from reinsurance premiums, other net insurance revenues, revenues arising from reductions in equalisation provisions and other technical provisions, revenues from investments, other revenues from regular operations and extraordinary revenues.

Net revenues from reinsurance premiums were calculated from gross reinsurance premiums reduced by shares of retrocedants and are corrected by the difference of gross unearned premium which is adjusted by the share of retrocedants in the unearned premium. Other net insurance revenues represent revenues arising from revaluation of other business revenues related to receivables. Investment revenues comprise revenues from shares of companies, revenues from other investments (interest and other revenues from investments), revenues due to corrections of investment values and profits on disposal of investments. Extraordinary revenues comprise revenues for settlement of losses from previous years, redeemed indemnities and other extraordinary revenues.

## EXPENDITURE

Expenditures are comprised of net expenditures for losses, expenditures for increases in other net technical provisions (except unearned premiums), net operating costs, expenditures related to investments, other net insurance expenditures, other expenditures for regular operations and extraordinary expenditures.

Net expenditures for losses are gross amounts of losses (indemnities and appraisal costs) reduced by the shares of retrocedants and corrected by the change in gross provisions for outstanding losses which are adjusted for the share of retrocedants in these provisions.

Net operating costs comprise costs of insurance acquisition, other operating costs: depreciation of assets used in insurance activities, labour costs, costs of services for individuals who do not carry out the activity together with charges carried by the company and other operating costs, all of the stated only in that part which relates to other functional groups (costs of asset management) and they are increased and/or decreased by expenditures and/or revenues from reinsurance commissions and from participations in the positive technical result from individual reinsurance contracts (active and passive).

Triglav Re breaks down costs according to natural classes and for the preparation of accounting statements, costs are classified according to functional categories. These are: assessment costs, costs of asset management, costs of insurance acquisition and other operating costs. Due to the manner of settlement of losses in Triglav Re, no costs connected to the verification of entitlement and amount of losses occur. Therefore these costs are not classified into the assessment costs functional group. Some costs can be attributed directly to an individual functional group according to natural classes. The remaining costs are distributed into functional groups on the basis of a key. The key is employee working time for individual functions and the distributed salary costs. With the salary structure acquired in this manner, other operating costs are also distributed into individual functional groups.

Expenditures on investments comprise interest and other expenditures on investments, written off values of investments and losses on disposals of investments. Other net insurance expenditures represent charges to cover the costs of the supervisory authority.

## PROFIT AND LOSS

Profit or loss is established separately from reinsurance operations, from extraordinary activities, extraordinary profit and loss and profit or loss for the accounting period.

Profit and loss from reinsurance activities, day to day operations, extraordinary profit and loss and the net profit and loss of the accounting period are established separately on the basis described hereafter. Revenues from gross reinsurance premiums, booked reinsurance premiums from retrocession, costs of losses, participation of retrocedants in the settlement costs, changes in unearned premiums and provisions for outstanding losses according to advance notices of cedants and retrocedants (for gross amounts and reinsurer shares), changes in equalisation provisions and other technical provisions. Paid and received reinsurance commissions are booked by individual insurance classes. The level of provisions formed for outstanding losses and unreported losses incurred (IBNR) and for under reported losses (IBNER), which were additionally formed by Triglav Re on the basis of their estimates, were classified proportionally into underwriting years with the structure of the sum of provisions of outstanding losses for reported and IBNR losses calculated on the basis of statements of accounts submitted by cedants. The remaining revenues and expenditures are transferred to cost-centers - insurance classes according to the key. The key for distribution according to individual cost-holders is the premium structure by insurance classes. Gross operating costs are transferred to cost-centers on the basis of the premium structure.

## CHANGES OF ACCOUNTING GUIDELINES AND VALUATION

### EQUALISATION PROVISION

The prescribed methodology for forming equalisation provisions for the credit insurance class on 31 December 2005 was applied in compliance with the requirements of Article 9 of Decision on detailed rules and minimum standards (Off. Journal of RS 't.85/2005). For other insurance classes, the prescribed methodology for forming equalisation provisions as at 31 December, 2005, did not change compared to the previous financial year.

As at 31 December, 2005, Triglav Re had formed equalisation provisions amounting to SIT 788,326 thousand. If there had been no amendment to the Rules and if Triglav Re had calculated equalisation provisions in compliance with the Rules that were in force in 2004, the equalisation provision for 2005 would have been SIT 38,758 thousand higher.

## IMPORTANT DEVELOPMENTS AFTER THE BALANCE SHEET DATE THAT CAN INFLUENCE FINANCIAL STATEMENTS

After the balance sheet date none of the following developments influenced the financial statements for 2005.

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# Financial Statements of Triglav Re



# 5. Financial Statements of Triglav Re

## BALANCE SHEET AS AT 31 DECEMBER 2005

	in '000 of SIT as at 31/12-2005	in '000 of SIT as at 31/12-2005
<b>ASSETS</b>	<b>15.342.90</b>	<b>14.223.835</b>
<b>A Intangible fixed assets</b>	<b>33.808</b>	<b>34.445</b>
<b>B Land, buildings and financial investments</b>	<b>10.559.878</b>	<b>9.138.125</b>
I. Land and buildings	0	0
a) for direct insurance operations	0	0
b) other	0	0
II. Investments in the group and associated companies	0	0
III. Other financial investments	10.318.566	8.972.191
IV. Deposits with cedants	241.312	165.934
<b>C Unit - linked investments</b>	<b>0</b>	<b>0</b>
<b>D Receivables</b>	<b>4.502.112</b>	<b>4.690.181</b>
I. Receivables arising out of direct insurance operations	0	0
II. Receivables from co-insurance and reinsurance	4.476.720	4.686.679
III. Other receivables	25.392	3.501
IV. Unpaid subscribed capital	0	0
<b>E Other assets</b>	<b>20.170</b>	<b>116.325</b>
I. Tangible fixed assets, except land and buildings	19.985	7.731
II. Cash	186	108.593
III. Own shares	0	0
IV. Inventories and other assets	0	0
<b>F Deferred costs and accrued income</b>	<b>226.936</b>	<b>244.760</b>
<b>G Off- balance sheet items</b>	<b>0</b>	<b>0</b>

**BALANCE SHEET AS AT 31 DECEMBER 2005**

	in '000 of SIT as at 31/12-2005	in '000 of SIT as at 31/12-2005
<b>LIABILITIES</b>	15.342.905	14.223.835
<b>A Capital</b>	3.327.911	2.541.955
I. Subscribed capital	750.000	750.000
II. Capital reserves	130.135	130.135
III. General equity revaluation adjustment	144.661	144.661
IV. Specific equity revaluation adjustment	0	0
V. Reserves	273.123	273.123
VI. Retained net profit or loss carried forward from previous years	1.171.286	520.442
VII. Undistributed net profit/loss for the accounting period	858.706	723.594
<b>B Subordinated liabilities</b>	0	0
<b>C Net technical provisions</b>	7.916.686	6.449.681
I. Net provisions for unearned premiums	2.137.713	1.830.372
II. Net mathematical provisions	0	0
III. Net provisions for outstanding claims	4.635.273	3.608.951
IV. Net provisions for bonuses and discounts	192	307
V. Equalization provisions	788.326	610.558
VI. Other net technical provisions	355.182	399.493
<b>D Net technical provisions - unit linked</b>	0	0
<b>E Provisions for other risks and expenses</b>	0	0
<b>F Liabilities for financial investments from reinsurers, based on reinsurance contracts with cedants</b>	0	0
<b>G Other liabilities</b>	4.092.646	5.228.441
I. Liabilities arising out of direct insurance operations	0	0
II. Liabilities from co-insurance and reinsurance	3.915.986	4.996.275
III. Loans secured by debt securities with a fixed yield	0	0
IV. Bank loans	0	0
V. Other liabilities	176.660	232.166
<b>H Accrued costs and deferred income</b>	5.662	3.758
<b>I Off-balance sheet items</b>	0	0

**PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005**

	in '000 of SIT 2005	in '000 of SIT 2005
<b>A Technical account - non-life insurance, except health insurance</b>		
I. Net premiums earned	7.192.391	5.703.997
II. Allocated investment return transferred from the non-technical account	475.222	448.145
III. Other net insurance income	0	0
IV. Net claims incurred	4.778.431	3.700.963
V. Change in other net technical provisions	-44.311	2.538
VI. Net expenses for bonuses and discounts	-115	307
VII. Net operating expenses	1.568.888	1.180.402
VIII. Other net insurance expenses	19.535	17.909
IX. Change in equalization provisions	177.768	332.845
X. Result of the technical account for non-life insurance, except health insurance (I+II+III-IV+/-V-VI-VII-VIII+/-IX)	1.167.417	917.179
<b>B Technical account - life insurance</b>		
<b>C Technical account - health insurance</b>		
<b>D Non technical account</b>		
I. Result of the technical account for non-life insurance, except health insurance	1.167.417	917.179
II. Result of the technical account for life insurance	0	0
III. Result of the technical account for health insurance		
IV. Investment income	580.908	574.187
V. Allocated investment return transferred from the technical account of life insurance	0	0
VI. Allocated investment return transferred from the technical account of health insurance	0	0
VII. Investment expenses	76.451	83.354
1. Value adjustments and write-offs on investments	0	0
2. Other investment expenses	76.451	83.354
VIII. Allocated investment return transferred to the technical account of non-life insurance, except health insurance	475.222	448.145
IX. Other operating income	0	0
X. Other operating expenses	41.000	20.302
XI. Corporate income tax on ordinary activities	0	0
XII. Profit/loss from ordinary activities after tax	1.156.874	939.565
<b>E Profit/loss from extraordinary activities</b>		
I. Extraordinary income	615	221
II. Extraordinary expenses	39	1
III. Extraordinary profit/loss	574	220
<b>F Corporate income tax</b>	<b>304.854</b>	<b>216.190</b>
<b>G Other taxes not included in preceding items</b>	<b>0</b>	<b>0</b>
<b>H Net profit or net loss for the accounting period</b>	<b>858.706</b>	<b>723.594</b>

6





# Audit Report



# 6. Audit Report



**PricewaterhouseCoopers d.o.o.**

Parmova 53, 1000 Ljubljana  
Telephone (01) 4750 100  
Facsimile (01) 4750 109  
Matriculation no. : 5717159  
Tax ID: 35498161

## AUDITORS' REPORT

**To the shareholders of Pozavarovalnica Triglav Re, d.d.**

We have audited the accompanying balance sheet of Pozavarovalnica Triglav Re, d.d. as of 31 December 2005 and the related profit and loss statement, the cash flow statement, the statement of changes in equity and the notes to the financial statements for the year then ended. We have also reviewed management's business report. These financial statements and business report are responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pozavarovalnica Triglav Re, d.d. as of 31 December 2005, the results of its operations, its cash flows, changes in equity for the year then ended in accordance with Slovenian Accounting Standards.

Business report is in conformity with the audited financial statements.

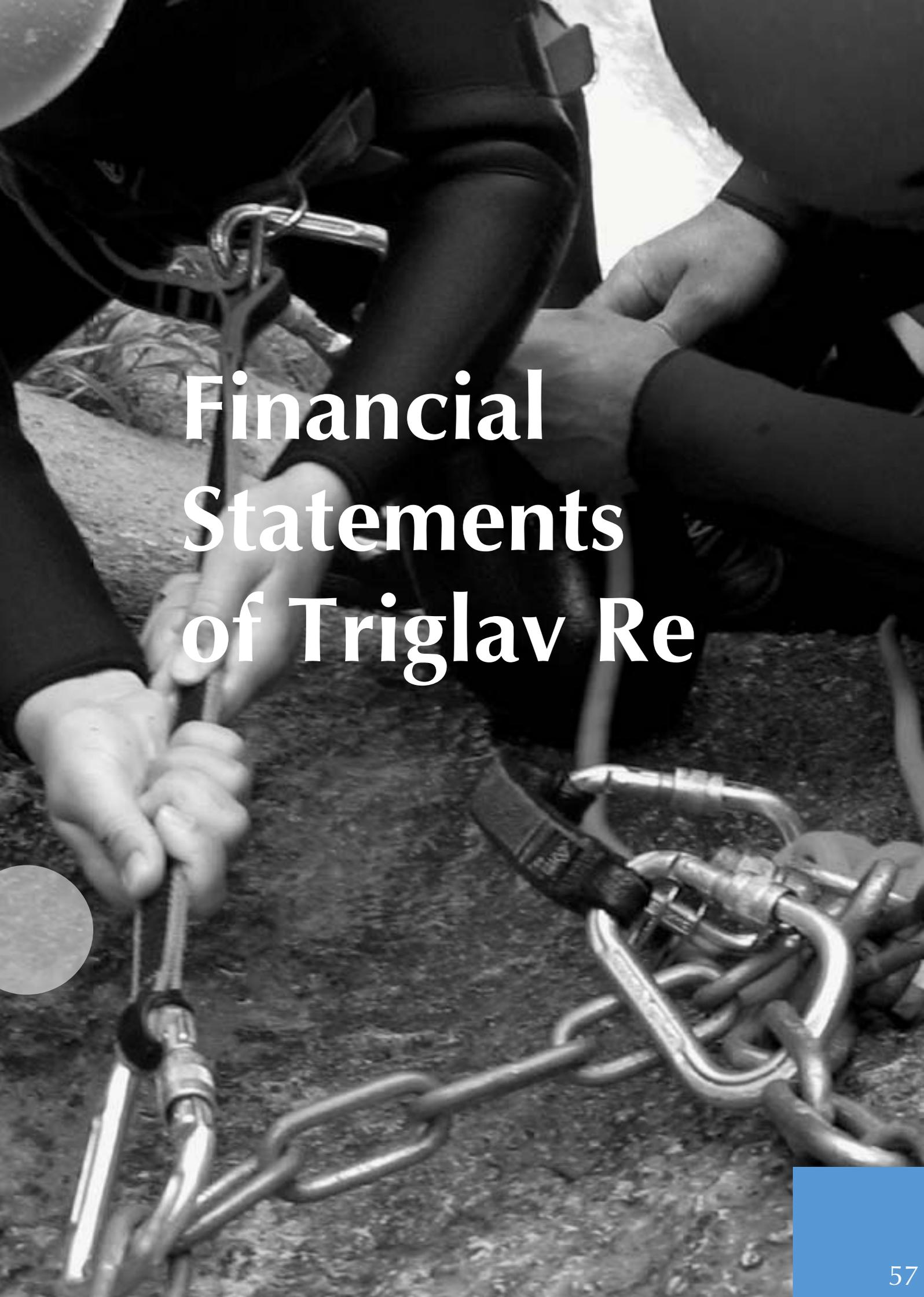
Ljubljana, April 24, 2006

**PricewaterhouseCoopers d.o.o.**

**This report has been translated from the Slovenian original;  
it is provided for reference purposes only and is not to be signed.**

The company is registered by District court in Ljubljana under the number 12156800 as well in to the register of the Auditing companies by Slovene Audit Institute under the number RID-A-014. The amount of the registered share capital is SIT 8.340.000. The list of employed auditors is available at the registered office of the company.





# Financial Statements of Triglav Re



# 7.

## Notes to Individual Financial Statements Items

### BALANCE SHEET ON 31 DECEMBER 2005

#### INTANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS				
	Historical cost	Value adjustment	in '000 SIT Residual value	% Depreciation rate
31 Dec., 2005				
Software	71,519	-37,711	33,808	20
Other intangible fixed assets	0	0	0	0
<b>Total - 2005</b>	<b>71,519</b>	<b>-37,711</b>	<b>33,808</b>	<b>20</b>
31 Dec., 2004				
Software	58,709	-27,032	31,677	20
Other intangible fixed assets	0	0	0	0
<b>Total - 2005</b>	<b>58,709</b>	<b>-27,032</b>	<b>31,677</b>	<b>20</b>

As at 31 December, 2005, the net book value of other intangible assets totalled SIT 33,808 thousand and is related to software for performing specific functions. Last year, the value was SIT 31,677 thousand and on 31 December, 2004, the intangible fixed assets concerning construction and development totalled SIT 2,767 thousand.

#### MOVEMENTS OF INTANGIBLE FIXED ASSETS

	in '000 SIT
As at 31 Dec., 2004	31,677
Acquisition	12,810
Disposal	0
Depreciation	-10,679
As at 31 Dec., 2005	33,808

As at the balance sheet date, Triglav Re does not have any liabilities related to the purchase of intangible fixed assets.

## OTHER FINANCIAL INVESTMENTS

OTHER FINANCIAL INVESTMENTS					
	31 Dec., 2005		31 Dec., 2004		Index (05/04)
	in '000 SIT	in %	in '000 SIT	in %	
Investments in shares, other floating rate securities,	571,683	5.6	576,825	6.5	99
Debt and other fixed rate securities	8,306,257	80.5	7,800,410	86.9	106
Participation in investment funds	271,218	2.6	0	0	0
Mortgage loans	0	0	0	0	0
Loans collateralised by other pledged assets	0	0	0	0	0
Other loans	0	0	0	0	0
Deposits with banks	1,169,408	11.3	594,956	6.6	197
Other financial investments	0	0	0	0	0
<b>Total other financial investments</b>	<b>10,318,566</b>	<b>100.0</b>	<b>8,972,191</b>	<b>100.0</b>	<b>115</b>

The largest total investment into one financial organisation (Probanka d.d.) is SIT 552,096 thousand and consists of two bonds issued (PRB5 in PRB8) and deposits.

Investments in related companies were SIT 555,779 thousand, of which the investment in Abanka Vipa d.d. amounts to SIT 473,960 thousand (deposit: SIT 200,000 thousand, bonds AB05 and AB11: SIT 25,060 thousand and SIT 248,900 thousand respectively). The total investment in Triglav Insurance Company Ltd. amounts to SIT 81,819 thousand (the Steber 1 Mutual Fund SIT 12,854 thousand, and the Evropa Mutual Fund SIT 68,965 thousand).

## MOVEMENTS OF FINANCIAL INVESTMENTS

	in '000 SIT Shares	in '000 SIT Bonds	in '000 SIT Investment funds	in '000 SIT Deposits
<b>PURCHASE VALUE</b>				
As at 31 Dec., 2004	429,572	7,808,090	154,427	594,956
Increase	207,865	3,647,637	134,541	8,757,707
Decrease	-47,063	-3,319,100	-11,737	-8,183,255
Revaluation to market value	0	529	0	0
Other revaluation	-10,993	-168	11	0
As at 31 Dec., 2005	579,381	8,316,978	277,242	1,169,408
<b>VALUE ADJUSTMENT</b>				
As at 31 Dec., 2004	5,090	7,680	2,085	0
Increase	2,608	3,041	3,939	0
Decrease	0	0	0	0
As at 31 Dec., 2005	7,698	10,721	6,024	0
<b>RESIDUAL VALUE</b>				
As at 31 Dec., 2004	424,482	7,800,410	152,342	594,956
As at 31 Dec., 2005	571,683	8,306,257	271,218	1,169,408

Costs of investment purchases are not added to the purchase value of a security. In 2005, these expenses totalled SIT 1,598 thousand and were generated through the purchase of shares abroad and in Slovenia.

## Shares and other variable return securities

<b>SHARES AND OTHER VARIABLE RETURN SECURITIES</b>			
	<b>in '000 SIT</b>		
	<b>31 Dec., 2005</b>		<b>31 Dec., 2004</b>
Purchase value	579,381		610,616
Value adjustment	-7,698		-33,791
Net value	571,683		576,825
Investments in shares in Slovenia	304,919		381,962
Investments in shares abroad	266,764		194,863
- in EU member states	99,940		0
- in OECD member states	0		0
- in third countries	166,824		194,863
<b>Total</b>	<b>571,683</b>		<b>576,825</b>

At the cut-off date of 31 December 2005, Triglav Re did not have any capital investments which exceeded a 10 percent share of the capital of the issuer.

In the investment portfolio structure, which includes all investments in shares in companies which do not exceed a 10 percent share in the capital, the investment in Metals banka a.d., Novi Sad has the largest share. Our share of Metals banka a.d is 2.7429 percent of capital.

The largest total investment in shares and other variable return securities amounts to SIT 100,369 thousand, namely investment in shares of Metals banka.

## Debt securities and other fixed return securities

<b>DEBT SECURITIES AND OTHER FIXED RETURN SECURITIES</b>		
	<b>in '000 SIT</b>	<b>in '000 SIT</b>
	<b>31 Dec., 2005</b>	<b>31 Dec., 2004</b>
Purchase value	8,316,978	7,808,107
Value adjustment	-10,721	-7,697
Net value	8,306,257	7,800,410
Investments in debt securities in Slovenia	7,864,467	7,558,552
Investments in debt securities abroad	441,790	241,858
- in EU member states	392,489	192,523
- in OECD member states	0	0
- in third countries	49,301	49,335
<b>Total</b>	<b>8,306,257</b>	<b>7,800,410</b>

Debt securities increased by 6 percent compared to last year and they represent the largest share of all financial investments. As at 31 December, 2005, they amounted to 81 percent.

Structurally, the largest share of all debt securities is represented by bonds issued by the Republic of Slovenia; these are followed by bonds of other financial services companies and bonds issued by banks.

Investments in debt securities abroad are represented by bonds issued by Allianz Finance and LB Sachen as well as bonds issued by the Republic of Serbia.

The largest investment in debt securities refers to several debt securities of one issuer (Abanka Vipava d.d.) and amounts to SIT 273,960 thousand.

## Shares in investment funds

<b>SHARES IN INVESTMENT FUNDS</b>			
	<b>in '000 SIT</b>		
	<b>31 Dec., 2005</b>		<b>31 Dec., 2004</b>
Purchase value	277,242		0
Value adjustment	-6,024		0
Net value	271,218		0
Investments in investment funds in Slovenia	155,978		0
Investments in investment funds abroad	115,240		0
- in EU member states	95,150		0
- in OECD member states	0		0
- in third countries	20,090		0
<b>Total</b>	<b>271,218</b>		<b>0</b>

In 2005, investment fund investments disclosed in the balance sheet were SIT 271,218 thousand. In 2004, investments in investment funds were included in the item: Shares and other securities with variable return (point 7.1.2.1).

The largest amount within investments in investment funds is the investment in the IJPN Investment Fund of SIT 95,150 thousand. In the overall structure, the largest share is represented by investments in Slovene investment companies.

## Bank deposits

DEBT SECURITIES AND OTHER FIXED RETURN SECURITIES		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Short-term		
- purchase value	569,408	394,956
- value adjustment	0	0
- net value	569,408	394,956
Long-term	600,000	200,000
<b>Total</b>	<b>1,169,408</b>	<b>594,956</b>
Deposits given to banks in the Republic of Slovenia	1,169,408	594,956
Deposits given to banks abroad	0	0
- in a member state of the EU	0	0
- in a member country of the OECD	0	0
<b>Total</b>	<b>1,169,408</b>	<b>594,956</b>

Deposits increased by 97 percent this year and they represent 11.3 percent of all other financial investments. Compared to 2004, the value of deposits increased mainly due to the market situation where interest on deposits was more favourable than interest on other investments used to balance liquidity needs.

Taking into account the legal restrictions, deposits were given to seven different banks in the Republic of Slovenia. Short-term deposits are tied-up for a period of between 1 to 12 months and are distributed across different banks; therefore exposure to different types of risks is at a minimum. Interest on short-term deposits is accounted according to nominal interest rates which was agreed from 3.5 percent to 3.95 percent depending on the amount and maturity of deposited assets. At the end of the year there were also two foreign currency deposits with interest rates of 1.48 percent and 3.22 percent. As at 31 December, 2005, Triglav Re has a short-term deposit with SKB d.d. of SIT 71,574 thousand based on the Agreement on mutual financial cooperation, with a 3.5 percent interest rate.

There are four long-term deposits tied-up with different banks. Interest rates range from 4.10 percent to 4.75 percent and two deposits are also valued according to the base interest rate determined by the Bank of Slovenia. The long-term deposit portfolio also includes a Certificate of Deposit amounting to SIT 200,000 thousand.

As at 31 December 2005, the largest deposit investment with a single bank is SIT 290,000 thousand.

#### Financial investments which represent subordinated instruments with the issuer

At the end of the year there is one investment in the company's portfolio which represents a subordinated instrument with the issuer, i.e. the Postal Bank of Slovenia 2nd edition bond (PBS2) of SIT 29,120 thousand.

#### 7.1.2.6. Loans and advances to members of the Board of Management and the Supervisory Board

As at the balance date, Triglav Re does not have loans or advances to members of the Board of Management and the Supervisory Board.

#### 7.1.2.7. Risk management - assets covering mathematical provisions and assets covering technical provisions

The Insurance Act defines assets covering technical provisions as assets of the insurance company designated to cover future liabilities from insurances concluded by the insurance company and possible losses due to risks emerging from insurance operations and for which the company is obliged to form technical provisions.

Therefore, Triglav Re has to form and invest assets in an amount which is at least equal to the amount of all technical provisions. The Insurance Act explicitly states the type and extent of permitted investments covering technical provisions. As at the balance sheet date, assets in the portfolio covering technical provisions in the form of Reinsurance Company investments account for SIT 9,657,976 thousand whereas net technical provisions amount to SIT 7,916,686 thousand. Therefore it can be established that assets covering technical provisions exceed the legally prescribed minimum amount of investments by SIT 1,741,290 thousand. It also needs to be considered that as at 31 December, 2005, Triglav RE does not include short-term receivables from interest on investments covering technical provisions or temporarily uncharged interest income from investments covering technical provisions or receivables from reinsurance premiums as otherwise is allowed according to the Insurance Act and secondary legislation.

## MOVEMENTS OF FINANCIAL INVESTMENTS

Investment	31 Dec., 2005		31 Dec., 2004	
	in '000 SIT	in %	in '000 SIT	in %
Land and buildings	0	0.0	0	0.0
Financial investments in related companies	0	0.0	0	0.0
Other financial investments	9,657,976	100.0	8,082,091	97.1
Shares and other non-fixed return securities and coupons in mutual funds	404,858	4.2	381,962	4.6
Bonds issued by the Republic of Slovenia	6,287,810	65.1	5,916,663	71.1
Bonds of commercial banks	1,137,412	11.8	666,772	8.0
Bonds of other companies	407,358	4.2	521,739	6.3
Stakes in investment funds	251,128	2.6		
Certificates of deposit	200,000	2.1	0	0.0
Deposits	969,408	10.0	594,956	7.1
Accrued interests of securities and deposits	0	0	238,844	2.9
<b>Total</b>	<b>9,657,976</b>	<b>100.0</b>	<b>8,320,935</b>	<b>100.0</b>

It is evident from the structure of investments covering technical provisions that the investment policies of Triglav Re is conservative and accordingly safe since the largest share is represented by fixed return securities and, within these, they are predominantly bonds issued by the Republic of Slovenia.

The return on assets covering technical provisions in 2005 amounts to 5.36 percent and is calculated in the following manner:

$(\text{Revenues} - \text{expenditures from investments from technical provisions}) * 100 / \text{average status of investments from technical provisions} = \text{SIT } 475,222 \text{ thousand} * 100 / \text{SIT } 8,870,033 \text{ thousand} = 5.36 \text{ percent}$

Revenues and expenditures include all received and given interest from investments of technical provisions, received dividends, profits and losses from disposals, corrections and write-offs of investment values, revaluation financial revenues and expenditures referring to investments of technical provisions and costs of asset management related to technical provisions.

In the structure of all technical provision investments, 82.4 percent are on-market investments and the balance are off-market investments. These include securities which are not quoted on regulated Stock Exchanges, representing 0.5 percent of all technical provision investments and, bonds,

representing 5 percent of all technical provision investments. In the prospectus, the issuer declared that they would be quoted on the Stock Exchange but as of 31 December, 2005, this was not the case. The third off-market investment group is deposits representing 12.1 percent of all technical provision investments.

The maturity of investments is adjusted to the working capital requirements of the company. When investing assets covering technical provisions into individual types of investments, Triglav Re takes into account legally defined restrictions regarding the type and maximum share of these investments. Investments of assets covering technical provisions are appropriately diversified and dispersed among individual issuers and financial investors, and do not exceed the financial restrictions.

When investing assets covering technical provisions the company takes into account the geographic matching of investments and liabilities. Triglav Re also ensures currency matching of investments which means that assets covering technical provisions are invested in securities in the currency which corresponds to currency exposure of liabilities on the basis of reinsurance contracts.

The largest single technical provision investments are (excluding government bonds) bonds AB11 totalling SIT 248,900 thousand.

## Disclosure of the difference between the market and the book value of investments

In the chart below there is a list of all investments quoted on regulated stock exchanges and their value can be determined respectively. As at 31 December, 2005, the difference between the market and book value of investments equalled SIT 703,230 thousand.

DISCLOSURE OF THE DIFFERENCE BETWEEN THE MARKET AND THE BOOK VALUE OF INVESTMENTS			
	in '000 SIT Market value 31 Dec., 2005	in '000 SIT Book value 31 Dec., 2005	in '000 SIT Difference
Security			
EUR4	1,079,272	944,875	134,396
EUR5	266,145	238,593	27,551
RS18	79,922	72,304	7,619
RS22	400,000	397,315	2,685
RS26	15,835	14,045	1,790
RS27	82,000	80,288	1,712
RS29	1,422	1,319	104
RS31	317,400	317,400	0
RS38	13,895	12,014	1,882
RS51	90,558	90,300	258
RS52	127,458	120,669	6,790
RS54	1,032,396	935,566	96,830
RS56	207,140	200,259	6,881
RS57	380,100	348,201	31,899
RS58	398,600	397,330	1,270
RS59	1,024,813	1,010,156	14,658
RS60	400,520	400,360	160
AB05	25,310	25,060	251
SOS2E	264,830	214,969	49,860
PRB5	23,958	23,958	0
NLB8	77,012	77,012	0
PBS2	29,250	29,120	130
FB10	150,735	150,000	735
KBM7	152,550	148,665	3,885
NLB15	205,335	196,560	8,775
ALZ12	217,151	192,389	24,763
AELG	10,483	10,483	0
CICG	9,718	9,718	0
GRVG	7,861	3,032	4,830
IEKG	12,705	12,658	47
IFFR	2,673	2,275	398
IFHR	332	332	0
KRKG	147,987	63,665	84,322
LKPG	8,508	8,508	0
MELR	8,920	8,920	0
MER	11,276	10,263	1,013
PETG	24,759	11,030	13,730

<b>DISCLOSURE OF THE DIFFERENCE BETWEEN THE MARKET AND THE BOOK VALUE OF INVESTMENTS</b>			
	<b>in '000 SIT</b>	<b>in '000 SIT</b>	<b>in '000 SIT</b>
	<b>Market value</b>	<b>Book value</b>	<b>Difference</b>
Security	<b>31 Dec., 2005</b>	<b>31 Dec., 2005</b>	
PILR	18,824	15,640	3,185
ZTOG	3,072	2,780	293
IFDR	1,011	669	342
IFIR	19,564	19,564	0
KDIR	18,281	18,281	0
MAIR	17,686	17,686	0
NF1N	96,602	80,964	15,638
SN0N	18,468	18,468	0
ZM1N	35,742	17,803	17,940
ZVIR	1,943	826	1,117
VSEVROPA	75,427	68,965	6,462
VSSTEBER	13,497	12,854	643
VSRZBOST	147,355	99,940	47,415
IJPN	109,151	95,150	14,001
SZM37	706,817	706,817	0
BSRSR	12,292	6,125	6,168
ADRS-P-A	5,275	4,770	505
BHTSR	9,757	4,777	4,979
BSNLR	25,153	14,473	10,680
EFNFR	372	372	0
ERNT-R-A	21,163	10,032	11,130
HMFKNVR	6,371	2,555	3,815
HRBFR	13,469	9,641	3,829
MTLC	5,779	1,673	4,106
NPRFRK1	11,968	10,077	1,891
PLVA-R-A	12,686	12,686	0
PODR-R-A	14,271	9,364	4,907
A2006	4,285	3,928	357
A2007	4,425	3,927	498
A2008	4,542	3,928	615
A2009	4,928	3,928	1,000
A2010	5,994	4,893	1,101
A2011	5,942	4,600	1,343
A2012	7,744	5,868	1,876
A2013	8,052	5,878	2,174
A2014	9,270	6,500	2,770
A2015	8,261	5,852	2,409
LBSACH07	200,920	200,100	820
<b>TOTAL</b>	<b>8,995,188</b>	<b>8,291,959</b>	<b>703,230</b>

The fair value of securities is established quarterly; for those securities quoted on the Stock Exchange, the fair value is equal to the market value. For those that are not quoted on the Stock Exchange the purchase value is considered to be the fair value. Fair value for deposits is the original deposit value.

#### Assets Pledged for Security Purposes (or Liabilities of Third Parties)

No assets were pledged.

## RECEIVABLES FROM REINSURANCE

RECEIVABLES FROM REINSURANCE		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
<b>RECEIVABLES FROM REINSURANCE</b>		
Receivables from reinsurance premium		
- gross value	2,018,825	2,554,056
- value adjustment	0	0
- residual value	2,018,825	2,554,056
Receivables from reinsurance premium from retrocession		
- gross value	1,215,626	318,483
- value adjustment	0	0
- residual value	1,215,626	318,483
Receivables from commission against the reinsurance companies		
- gross value	431,957	453,492
- value adjustment	0	0
- residual value	431,957	453,492
Receivables from participation in claims		
- gross value	810,312	1,360,648
- value adjustment	0	0
- residual value	810,312	1,360,648
<b>Total</b>	<b>4,476,720</b>	<b>4,686,679</b>
<b>RECEIVABLES FROM REINSURANCE</b>		
Receivables from reinsurance premium	2,018,825	2,554,056
- from companies in the group	2,012,740	2,548,460
- from associated companies	0	0
- from third parties	6,085	5,596
Receivables from reinsurance premium from retrocession	1,215,626	318,483
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	1,215,626	318,483
Receivables from commission from reinsurance companies	431,957	453,492
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	431,957	453,492
Receivables from participation in claims	810,312	1,360,648
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	810,312	1,360,648
<b>Total</b>	<b>4.476.720</b>	<b>4.686.679</b>

**RECEIVABLES FROM REINSURANCE**

	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Receivables from reinsurance premium	2,018,825	2,554,056
- in Slovenia	2,005,746	2,334,863
- abroad	13,097	219,193
Receivables from reinsurance premium from retrocession	1,215,626	318,483
- in Slovenia	18,031	8,542
- abroad	1,197,595	309,941
Receivables from commission from reinsurance companies	431,957	453,492
- in Slovenia	28,445	5,940
- abroad	403,512	447,553
Receivables from participation in claims	810,312	1,360,648
- in Slovenia	35,186	3,798
- abroad	775,126	1,356,850
<b>Total</b>	<b>4,476,720</b>	<b>4,686,679</b>

The receivables derive from direct reinsurance operations and they have the characteristics of short-term receivables. On the basis of the assessment of our partners' solvency it was established that receivables value adjustments were not necessary. Receivables from abroad are exposed to foreign exchange risk to a small degree. But most frequently there is a liability to the same partner in the same currency and exchange rate differences are minimal. With the receivables there is the possibility of offsetting the settlement with liabilities.

## OTHER RECEIVABLES AND DEFERRED TAXES

OTHER RECEIVABLES AND DEFERRED TAXES		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
<b>Other short-term receivables from reinsurance operations</b>		
- gross value	5	5
- value adjustment	0	0
- residual value	5	5
<b>Short-term receivables from financing</b>		
- gross value	7,808	3,023
- value adjustment	0	0
- residual value	7,808	3,023
<b>Other short-term receivables</b>		
- gross value	11,468	473
- value adjustment	0	0
- residual value	11,468	473
<b>Long-term receivables</b>		
- gross value	0	0
- value adjustment	0	0
- residual value	0	0
- gross value	6,111	0
- value adjustment	0	0
- residual value	6,111	0
<b>Total</b>	<b>25,392</b>	<b>3,501</b>
<b>Other short-term receivables from reinsurance operations</b>		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	5	5
<b>Short-term receivables from financing</b>		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	7,808	3,023
<b>Other short-term receivables</b>		
- from companies in the group	48	48
- from associated companies	0	0
- from third parties	11,420	425
<b>Long-term receivables</b>		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	0	0
Deferred Taxes	6,111	0
<b>Total</b>	<b>25,392</b>	<b>3,501</b>

**OTHER RECEIVABLES AND DEFERRED TAXES**

	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Other short-term receivables from reinsurance operations	5	5
- in Slovenia	0	0
- abroad	5	5
Short-term receivables from financing	7,808	3,023
- in Slovenia	7,808	3,023
- abroad	0	0
Other short-term receivables	11,468	473
- in Slovenia	11,468	473
- abroad	0	0
Long-term receivables	0	0
- in Slovenia	0	0
- abroad	0	0
Deferred receivables for taxes	6,111	0
<b>Total</b>	<b>25,392</b>	<b>3,501</b>

Receivables are short-term. Value adjustment of receivables is not necessary.

Triglav Re reports deferred taxes of SIT 6,111 thousand arising from temporary differences due to revaluation of financial investments. Revaluation was performed in line with Slovene Accounting Standards since as at 31 December, 2005, the book value of investments was lower than their market value. This applies to the following investments: RS31, PRB8, NLB8, AELG, CICG, LKPG, MELR, IFHR, IFIR, KDIR, MAIR, SN0N, SZM37, EFNFR and PLVARA. Total adjustment equals SIT 24,444 thousand. Deferred taxes is calculated in accordance with the Corporate Income Tax Act.

## TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS

## Tangible Fixed Assets except Land and Buildings

TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Equipment		
- purchase value	65,226	54,519
- value adjustment	-45,241	-46,788
- residual value	19,985	7,731
Other inventory		
- purchase value	1,624	1,339
- value adjustment	-1,624	-1,339
- residual value	0	0
Other tangible fixed assets		
- purchase value	0	0
- value adjustment	0	0
- residual value	0	0
Advances for equipment for insurance operations	0	0
Equipment in acquisition	0	0
<b>Total</b>	<b>19,985</b>	<b>7,731</b>

## Movements of Tangible Fixed Assets except Land and Buildings

MOVEMENTS OF TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS	
	in '000 SIT
As at 31 Dec., 2004	54,519
Acquisitions	19,663
Disposals	-8,956
Depreciation	-45,241
As at 31 Dec., 2005	19,985

As at 31 December, 2005, no liabilities for acquisition of tangible fixed assets are disclosed. Fixed assets are owned by Triglav Re and were not acquired through financial leasing.

## CASH IN BANK AND IN HAND

CASH IN BANK AND IN HAND			
	in '000 SIT		
	31 Dec., 2005		31 Dec., 2004
Foreign currency accounts	171		108.575
Cash in giro and current accounts	10		16
Tolar cash in hand	5		2
<b>Total</b>	<b>186</b>		<b>108.593</b>

## DEFERRED ITEMS

DEFERRED ITEMS			
	in '000 SIT		
	31 Dec., 2005		31 Dec., 2004
Provisionally uncharged revenues from interest	223,529		244,613
Deferred cost of insurance contract acquisition	0		0
Other deferred items	3,407		148
<b>Total</b>	<b>226,936</b>		<b>244,760</b>

Among the short-term deferred items, deferred interest on deposits and securities totalling SIT 223,529 thousand are disclosed. Due to the nature and bases of formation (actual contracts and depreciation plans) only minimal differences can occur between imputations and amounts incurred which are mainly a consequence of changes in exchange rates and will influence the profit and loss of 2006. Among other deferred items there is the first part of the membership fee to the Slovenian Insurance Association for 2006 amounting to SIT 2,922 thousand.

### 7.1.8. CAPITAL

The capital of the Triglav Re is divided into 15,000 ordinary shares with a nominal value of SIT 50 thousand. All shares are subscribed and fully paid up.

The largest shareholder of the Triglav Re is Triglav Insurance Company Ltd. with 87.00 percent of all paid up shares, followed by the Nova Ljubljanska banka Ltd. with 5.00 percent, Kovinoplastika Lož Ltd., Petrol Ltd. and Sava Ltd. each with 2.00 percent of all votes, FMR, Podjetje za financiranje, marketing in razvoj Ltd. with 1.33 percent and Helios Domžale Ltd. with a 0.67 percent share in the capital.

Net profit of 2004 amounted to SIT 723,594 thousand. According to the resolution of the General Meeting of 8 June, 2005, SIT 72,750 thousand was distributed in dividend payments from unallocated profit from 2000 and 2001. Dividends paid out account for a 4 percent dividend calculated according to capital. The General Meeting adopted the resolution that the remaining part of balance sheet profit remained unallocated.

Net profit for 2005 amounts to SIT 858,706 thousand.

#### CAPITAL ADJUSTMENT FOR PRESERVING THE PURCHASING POWER OF THE CAPITAL

	As at 1 Jan., 2005	Revaluation with the value of EUR 0.9993	Revaluation with Consumer Price Index
Capital	750,000	-524	17,250
Capital reserves	130,135	-91	2,993
General capital revaluation adjustment	144,661	-101	3,327
Reserve from profit	273,123	-191	6,282
Net profit brought forward from previous years	1,244,036	-868	28,613
Payments of remunerations and dividends	-72,750	51	-1,673
<b>TOTAL CAPITAL</b>	<b>2,469,205</b>		
General revaluation adjustment		-1,724	56,792

Assuming that the remunerations and dividends were paid out on 1 January, 2005, the profit/loss was calculated according to the value of EUR and the growth of consumer goods prices in 2005. Since the value of EUR did not increase by more than 5.5 percent in 2005, the purchasing power of capital did not change. Assuming that the capital in 2005 had been revalued with the value of EUR, the profit would have increased by SIT 1,724 thousand, and if a general capital revaluation adjustment based on the growth of consumer goods prices was made, the business result would have been reduced by SIT 56,792 thousand.

Triglav Re has capital reserves formed in the amount of SIT 130,135 thousand representing share premiums received. Profit reserves at the end of 2005 amounted to SIT 273,123 thousand. Profit reserves comprise formed Legal reserves, statutory reserves and other reserves from profit. The purpose of formation and use of statutory reserves is defined by the Company Act. Reserves under the Articles of Association can be formed up to 20 percent of the subscribed capital of the company. They are formed by the Board by allocating 5 percent of the net profit, which is reduced by possible amounts used for compensation of losses brought forward, for formation of statutory reserves and profit reserves respectively. Reserves under the Articles of Association can be used either for offsetting the net loss of the financial year, for compensation of losses brought forward, for own shares reserves or for an increase of subscribed capital from the assets of the company. Other profit reserves were formed to strengthen capital adequacy.

The Management Board of Triglav Re is authorised to increase subscribed capital by 50 percent by issuing new shares or hybrid securities. Triglav Reinsurance Company didn't increase the amount of subscribed capital or form a fund for own shares in 2005.

## NET TECHNICAL PROVISIONS

NET TECHNICAL PROVISIONS					
	31 Dec., 2005		31 Dec., 2004		Index (05/04)
	in '000 SIT	in %	in '000 SIT	in %	
Net unearned premiums	2,137,713	27.0	1,830,372	28.4	117
Net provisions for outstanding losses	4,635,273	58.5	3,608,951	56.0	128
Net provisions for bonuses and rebates	192	0.0	307	0.0	63
Equalisation provisions	788,326	10.0	610,558	9.4	129
Other net technical provisions	355,182	4.5	399,493	6.2	89
<b>TOTAL NET TECHNICAL PROVISIONS</b>	<b>7,916,686</b>	<b>100.0</b>	<b>6,449,681</b>	<b>100.0</b>	<b>123</b>

## Net Unearned Premium

NET UNEARNED PREMIUM				
	in '000 SIT		in '000 SIT	
	31 Dec., 2005		31 Dec., 2004	
Unearned premiums before reduction				
by costs of insurance acquisition		3,038,397		2,599,737
Reduction by proportional share of costs of insurance acquisition		0		0
Provisions from accepted co-insurance		0		0
Reinsurers' share		-900,684		-769,365
Net unearned premium		2,137,713		1,830,372

## Net Provisions for Outstanding Losses

NET PROVISIONS FOR OUTSTANDING LOSSES				
	in '000 SIT		in '000 SIT	
	31 Dec., 2005		31 Dec., 2004	
Claims provisions for IBNR				
- gross provisions		3,033,390		2,645,753
- reinsurers' share		-29,377		-74,426
- net provisions		3,004,012		2,571,327
Provision for reported claims				
- gross provisions		3,493,079		2,962,857
- reinsurers' share		-1,861,819		-1,925,232
- net provisions		1,631,260		1,037,625
Additional provisions for outstanding claims				
- gross provisions		0		0
- reinsurers' share		0		0
- net provisions		0		0
Provisions for assessment costs		0		0
Provisions for potential inflation		0		0
Provisions for co-insurance		0		0
<b>Total gross provisions for outstanding losses</b>		<b>6,526,469</b>		<b>5,608,610</b>
<b>Total reinsurers' share</b>		<b>-1,891,196</b>		<b>-1,999,659</b>
<b>Total net provisions for outstanding losses</b>		<b>4,635,273</b>		<b>3,608,951</b>

## Equalisation Provision

<b>EQUALISATION PROVISION</b>			
	<b>in '000 SIT</b>		
	<b>31 Dec., 2005</b>		<b>31 Dec., 2004</b>
Initial status of equalisation provisions (as at 1 January)	610,558		277,714
Increase	249,677		407,510
Decrease	-71,909		-74,666
Final status of equalisation provisions (as at 31 December)	788,326		610,558

As at 31 December, 2005, equalisation provisions generally increased due to augmenting these provisions in the insurance categories: cargo insurance (SIT 19,939 thousand), fire and natural forces insurance (SIT 80,609 thousand), other damage to property insurance – insurance of crops and fruits (SIT 6,863 thousand), other damage to property insurance excluding fire and natural forces insurance (SIT 78,029 thousand), general liability insurance (SIT 19,856 thousand) and miscellaneous financial loss insurance (SIT 45,052 thousand).

The reduction of equalisation provisions in the period is attributed to the write backs (SIT 71,909 thousand) in line with the Insurance Act and, of this, SIT 23,246 thousand refers to the reduction of general liability insurance. Equalisation provisions of credit insurance increased by SIT 25,575 thousand and as at 31 December, 2005, thus account for SIT 134,766 thousand.

## Other Net Technical Provisions

<b>OTHER NET TECHNICAL PROVISIONS</b>			
	<b>in '000 SIT</b>		
	<b>31 Dec., 2005</b>		<b>31 Dec., 2004</b>
Provisions for nuclear threat	331,754		323,013
Provisions for outstanding risks	23,428		76,479
<b>Total</b>	<b>355,182</b>		<b>399,493</b>

Compared to 2004, provisions for nuclear threat increased by SIT 8,741 thousand and as at 31 December, 2005, equal SIT 331,754 thousand whereas provisions for outstanding risks dropped by SIT 53,051 thousand and as at 31 December, 2005, amount to SIT 23,428 thousand.

## LIABILITIES FROM REINSURANCE

LIABILITIES FROM REINSURANCE		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Liabilities to reinsurance companies for reinsurance premiums	1,371,325	1,381,830
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	1,371,325	1,381,830
Liabilities to insurance companies for commissions	459,187	530,204
- to companies in the group	458,067	528,533
- to associated companies	0	0
- to third parties	1,120	1,671
Liabilities to reinsurance companies for commissions	296,969	111,812
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	296,969	111,812
Liabilities to insurance companies for shares in losses	1,151,503	2,814,772
- to companies in the group	1,150,664	2,813,777
- to associated companies	0	0
- to third parties	839	995
Liabilities to reinsurance companies for shares in losses	491,339	157,658
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	491,339	157,658
Other liabilities from direct reinsurance operations to other companies		
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	145,662	0
<b>TOTAL</b>	<b>3,915,986</b>	<b>4,996,275</b>

<b>LIABILITIES FROM REINSURANCE</b>		
	<b>in '000 SIT</b>	<b>in '000 SIT</b>
	<b>31 Dec., 2005</b>	<b>31 Dec., 2004</b>
Liabilities to reinsurance companies for insurance premium	1,371,325	1,381,830
- in Slovenia	125,698	8,573
- abroad	1,245,627	1,373,257
Liabilities to insurance companies for commissions	459,187	530,204
- in Slovenia	456,810	490,389
- abroad	2,377	39,815
Liabilities to reinsurance companies for commissions	296,969	111,812
- in Slovenia	2,727	1,672
- abroad	294,242	110,140
Liabilities to insurance companies for shares in losses	1,151,503	2,814,772
- in Slovenia	1,137,598	2,735,611
- abroad	13,905	79,161
Liabilities to reinsurance companies for shares in losses	491,339	157,658
- in Slovenia	2,887	6,507
- abroad	488,452	151,151
Other liabilities from direct reinsurance operations to other companies	145,662	0
- in Slovenia	0	0
- abroad	145,662	0
<b>TOTAL</b>	<b>3,915,986</b>	<b>4,996,275</b>

Liabilities from co-insurance and reinsurance operations are of a short-term character. Among its' reinsurance liabilities, Triglav Re discloses liabilities to Group company, Triglav Insurance Company, Ltd, amounting to SIT 455,690 thousand as liabilities to insurance companies for commissions, and SIT 1,136,759 as liabilities to insurance companies for shares in losses. Liabilities are disclosed according to their original value, reflecting fair valuation. Among liabilities from reinsurance, liabilities to insurance companies in the Triglav group, namely to Triglav Osiguranje, Rijeka, for commissions amounting to SIT 2,325 thousand, and liabilities for shares in losses account for SIT 13,905 thousand are included. Liabilities to Triglav BIH Osiguranje for commissions total SIT 52 thousand.

## OTHER LIABILITIES

OTHER LIABILITIES		
	in '000 SIT 31 Dec., 2005	in '000 SIT 31 Dec., 2004
Other long-term liabilities		
- long-term liabilities from financial leasing	0	0
- other long-term liabilities	0	0
Other short-term liabilities		
- short-term liabilities to employees	57,172	37,645
- other short-term liabilities from insurance operations	0	0
- short-term liabilities from financing	525	525
- other short-term liabilities	118,963	193,997
<b>Total</b>	<b>176,660</b>	<b>232,166</b>

Short-term liabilities to employees of SIT 57,172 thousand represent liabilities for salaries for December, salary provisions, unpaid salaries for 2005 and liabilities to employees for reimbursement of other work related costs. Among the disclosed employee liabilities, there is an amount of SIT 29.983 thousand for December 2005 salaries for the Management Board included. The amount of SIT 525 thousand is the liability for remuneration payment to employees from profit. Other short-term liabilities totalling SIT 118,963 thousand represent trade payables of SIT 2,944 thousand, liabilities arising from contracts of SIT 1,615 thousand,

liabilities for employee salary deductions of SIT 915 thousand, short-term liabilities to Triglav Insurance Company Ltd. of SIT 5,343 thousand and liabilities for taxes and corporate income tax of SIT 106,680 thousand.

Among the short-term liabilities, a liability to a group company, that is, Triglav Insurance Company Ltd. with its' Head Office at Miklošičeva c. 19, Ljubljana, Slovenia, is disclosed totalling SIT 1,465 thousand. Liabilities are disclosed according to their original value which reflects their fair value.

## 7.1.11.1. Liabilities from Taxes

Among other short-term liabilities there are liabilities to state institutions from different taxes. Amounts include contributions for salaries, payroll taxes and corporate income tax. The movement of liabilities from taxes is shown in the table below:

LIABILITIES FROM TAXES	
	in '000 SIT
Liabilities from taxes as at 1 January, 2005	182,163
Recognised taxes in the current year	383,887
Paid taxes in the current year	-452,712
Liabilities as at 31 December, 2005	113,338

Liabilities from taxes have not yet become due. Most of this liability relates to liabilities from corporate income tax (SIT 106,680 thousand). Other liabilities from tax in 2005 of SIT 6,658 thousand refer to taxes on salaries and taxes on employment contracts.

## ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income accounting for SIT 5,662 thousand refer to estimated audit costs and costs for the publication of the financial statements for 2005 in newspapers as well as reporting to the Agency of the Republic of Slovenia for Public Legal Records and Related Services. Accrued expenses and deferred income are formed on the basis of actual contracts.

## OVERVIEW OF ASSETS AND LIABILITIES ACCORDING TO FOREIGN CURRENCIES

Assets and Liabilities denominated in Foreign Currencies and calculated into Tolars

<b>ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES AND CALCULATED INTO TOLARS</b>			
	<b>in '000 SIT</b>	<b>in '000 SIT</b>	<b>in '000 SIT</b>
	<b>Part of item denominated in foreign currencies</b>	<b>Part of item with currency clause</b>	<b>Part of item denominated in SIT</b>
<b>ASSETS</b>	<b>2,418,887</b>	<b>787,410</b>	<b>12,136,608</b>
Intangible fixed assets	0	0	33,808
Investments in land, buildings	0	0	0
Financial investments	1,740,057	778,758	7,799,752
Financial investments of the reinsurance company			
from reinsurance contracts with cedants	241,312	0	0
Receivables	385,863	0	4,116,249
Miscellaneous assets	171	0	19,999
Deferred items	51,484	8,652	166,800
<b>LIABILITIES</b>	<b>2,173,917</b>	<b>4,399</b>	<b>13,164,589</b>
Capital and reserves	0	0	3,327,911
Subordinated liabilities	0	0	0
Net technical provisions	1,833,123	0	6,083,563
Liabilities for financial investments from			
reinsurance contracts with cedants	0	0	0
Other liabilities	340,794		3,751,852
Accrued expenses and deferred income	0	4,399	1,263

## OFF-BALANCE SHEET ITEMS

Triglav Re has no assets or liabilities to be disclosed as off-balance sheet items.

## PROFIT AND LOSS ACCOUNT FOR 2005

## NET PREMIUM EARNED

NET PREMIUM EARNED		
	in '000 SIT	in '000 SIT
	2005	2004
Gross written reinsurance premium	16,600,663	14,308,259
premiums arising from contracts concluded in Slovenia	13,196,851	12,451,539
- premiums arising from contracts concluded in EU member states	3,033,555	1,351,336
premiums arising from contracts concluded in other countries	370,257	505,384
Co-insurance written premium	0	0
- in Slovenia	0	0
- abroad	0	0
Shares of retrocedants in reinsurance premiums	-9,100,931	-8,274,786
- in Slovenia	-217,439	-40,157
- abroad	-8,883,492	-8,234,628
Change in gross premium reserves	-438,660	-243,229
- in Slovenia	-162,358	-69,515
- abroad	-276,303	-173,714
Change of shares of retrocedants in unearned premiums	131,319	-86,248
- in Slovenia	4,786	-85
- abroad	126,533	-86,163
<b>TOTAL</b>	<b>7,192,391</b>	<b>5,703,997</b>
Gross written reinsurance premium	16,600,663	14,308,259
- in companies in the group	13,487,571	12,849,287
- in associated companies	0	0
- in third parties	3,113,092	1,458,972
Co-insurance written premium	0	0
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	0	0
Shares of retrocedants in reinsurance premiums	-9,100,931	-8,274,786
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	-9,100,931	-8,274,786
Change in gross premium reserves	-438,660	-243,229
- in companies in the group	-159,296	-116,635
- in associated companies	0	0
- in third parties	-279,364	-126,594
Change of shares of retrocedants in unearned premiums	131,319	-86,248
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	131,319	-86,248
<b>TOTAL</b>	<b>7,192,391</b>	<b>5,703,997</b>

**SPLIT OF WRITTEN PREMIUM IN 2004**

	in '000 SIT Gross written premium	in '000 SIT Reinsurers' share	in '000 SIT Net premium
Non-life	16,557,424	-9,058,596	7,498,828
Life	43,239	-42,335	904
<b>TOTAL</b>	<b>16,600,663</b>	<b>-9,100,931</b>	<b>7,499,732</b>

**SPLIT OF WRITTEN PREMIUM IN 2004**

	in '000 SIT Gross income from premiums	in '000 SIT Reinsurers' share	in '000 SIT Net income from premiums
Non-life	16,118,898	8,927,277	7,191,621
Life	43,105	42,335	770
<b>TOTAL</b>	<b>16,162,003</b>	<b>8,969,612</b>	<b>7,192,391</b>

## NET CLAIMS INCURRED

NET CLAIMS INCURRED		
	in '000 SIT 2005	in '000 SIT 2004
Gross claims settled	5.468.438	6.145.796
- in Slovenia	4.305.287	5.482.309
- abroad	1.163.151	663.487
Shares of retrocedants in indemnities	-1.716.328	-2.776.915
- in Slovenia	-47.638	-9.195
- abroad	-1.668.690	-2.767.720
Changes in gross claims provision	917.859	537.645
- in Slovenia	284.408	468.603
- abroad	633.451	69.042
Changes in provisions for outstanding losses from retrocession	108.462	-205.563
- in Slovenia	-25.354	-2.209
- abroad	133.816	-203.354
<b>TOTAL</b>	<b>4.778.431</b>	<b>3.700.963</b>
Gross claims settled	5,468,438	6,145,796
- in companies in the group	4,305,890	5,591,429
- in associated companies	0	0
- in third parties	1,162,548	554,367
Shares of retrocedants in indemnities	-1,716,328	-2,776,915
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	-1,716,328	-2,776,915
Changes in gross claims provision	917,859	537,645
- in companies in the group	255,621	468,356
- in associated companies	0	0
- in third parties	662,238	69,289
Changes of provisions for outstanding losses from retrocession	108,462	-205,563
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	108,462	-205,563
<b>TOTAL</b>	<b>4,778,431</b>	<b>3,700,963</b>

## SPLIT OF GROSS AND NET CLAIMS INCURRED

	in '000 SIT Gross claims incurred	in '000 SIT Reinsurers' shares	in '000 SIT Net claims incurred
Non-life	6,368,710	1,590,270	4,778,440
Life	17,587	17,596	-9
<b>TOTAL</b>	<b>6,386,297</b>	<b>1,607,866</b>	<b>4,778,431</b>

**SPLIT OF PROVISIONS FOR OUTSTANDING LOSSES  
AND UNEARNED PREMIUMS FOR THE PAST UNDERWRITING YEARS**

	Provisions as at 1 January	Payments	Provisions as at 31 December	Difference	Share
1	2	3	4	5=2-3-4	6 = 5/2
Non-life	8,196,205	3,063,357	4,271,911	860,937	10.50%
Life	12,142	7	127	12,008	98.90%
<b>TOTAL</b>	<b>8,208,347</b>	<b>3,063,364</b>	<b>4,272,038</b>	<b>872,945</b>	<b>10.63%</b>

The table shows data for contractual years since the accounts of cedants are prepared in this way as well as reinsurance contracts. The second column reflects the sum of provisions for outstanding claims and provisions for unearned premiums for 2004 and previously. Provisions for unearned premiums need to be integrated because they are intended for payment of claims arising during the current year from contracts that entered into force in 2004 but which had not expired at the time of forming provisions for outstanding claims. In addition to provisions for outstanding claims, the fourth column also includes the remaining provision for unearned premium from previous years.

**BREAKDOWN OF CHANGES IN GROSS CLAIMS PROVISIONS**

	in '000 SIT 2005	in '000 SIT 2004
Reported claims	515,696	301,616
IBNR claims	402,163	389,199
Supplementary provisions for outstanding claims	0	-153,170
<b>TOTAL CHANGES IN GROSS CLAIMS PROVISION</b>	<b>917,859</b>	<b>537,645</b>

**CHANGE IN OTHER NET TECHNICAL PROVISIONS**

**CHANGE IN OTHER NET TECHNICAL PROVISIONS**

	in '000 SIT 2005	in '000 SIT 2004
Change in provisions for unexpired risk	-53,052	-2,641
Change in provisions for nuclear risks	8,741	5,179
<b>TOTAL</b>	<b>-44,311</b>	<b>2,538</b>

## OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES		
	in '000 SIT	in '000 SIT
	2005	2004
Depreciation of assets used in insurance business	10,193	11,061
Labour costs	181,954	146,762
- wages and salaries	128,275	100,643
- social security and pension insurance costs	23,950	19,828
- other labour costs	29,728	26,291
Costs of services provided by outsourced natural persons other than SPs (cost relating to employment contracts and copyright contracts as well as other legal relations) together with related taxes	2,146	1,262
Other operating expenses	58,619	51,515
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>252,912</b>	<b>210,600</b>

Of labour costs, SIT 128,275 thousand refers to salary costs, SIT 21,233 thousand to social insurance, and SIT 2,717 thousand relates to pension insurance. Other labour costs are allocated SIT 29,728 thousand.

## BREAKDOWN OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL GROUPS

Type of expense	in '000 SIT	in '000 SIT	in '000 SIT	in '000 SIT	in '000 SIT
	Total	Cost of insurance contract acquisition	Assessment costs	Asset management	Other
Total operating expenses	402,662	138,355	0	11,395	252,912
Depreciation of assets used in insurance business	16,228	5,576	0	459	10,193
Labour costs	289,689	99,537	0	8,198	181,954
- Wages and salaries	204,227	70,173	0	5,780	128,275
- Social security and pension insurance costs	38,131	13,102	0	1,079	23,950
- Other labour costs	47,331	16,263	0	1,339	29,728
Costs of services provided by outsourced natural persons	3,417	1,174	0	97	2,146
Other operating expenses	93,328	32,067	0	2,641	

**BREAKDOWN OF INSURANCE ACQUISITION COSTS IN 2005 AND 2004**

Insurance class	in '000 SIT Cost of insurance contract acquisition in 2005	in '000 SIT Cost of insurance contract acquisition in 2004
01: Accident insurance	3,097	2,658
02: Health insurance	74	40
03: Land motor vehicle insurance	14,892	9,643
04: Railway insurance	1,481	1,355
05: Aircraft insurance	4,192	3,653
06: Marine insurance	485	276
07: Cargo insurance	2,715	1,905
08: Fire and natural forces insurance	44,392	32,817
09: Other damage to property	24.740	20.333
10: Motor TPL	28,413	19,585
11: Aircraft liability insurance	2,307	1,720
12: Marine liability insurance	108	144
13: General liability insurance	4,698	3,582
14: Credit insurance	2,845	2,152
15: Suretyship insurance	658	744
16: Miscellaneous financial loss insurance	2,597	2,334
17: Legal expenses insurance	42	25
18: Travel assistance insurance	258	203
<b>TOTAL NON-LIFE INSURANCE (1-18)</b>	<b>137,994</b>	<b>103,169</b>
19: Life insurance	360	258
<b>TOTAL NON-LIFE AND LIFE INSURANCE</b>	<b>138,355</b>	<b>103,427</b>

**Labour costs**

The average number of employees in 2005 is 22.86.

Number of employees as at 31 December, 2005, and their level of education:

**NUMBER OF EMPLOYEES AS AT 31 DECEMBER, 2005, AND THEIR LEVEL OF EDUCATION**

Educational level	No. of employees 2005	No. of employees 2004
I	0	0
II	0	0
III	0	0
IV	0	0
V	6	5
VI	1	0
VII	15	13
VIII	3	3
IX	0	0
<b>Total</b>	<b>25</b>	<b>21</b>

## Other operating costs

OTHER OPERATING COSTS		
	in '000 SIT	in '000 SIT
	2005	2004
Banking services costs	7,701	7,247
Reimbursements of costs connected to work	10,085	9,385
Costs of entertainment, advertising and fairs	4,233	2,882
Costs of services and material	4,965	5,584
Rents	15,497	12,241
Rents related to companies in the group	14,737	11,456
Costs of stationery and forms	1,961	2,350
Costs of intellectual and personal services	7,175	5,849
Costs of professional training	596	372
Costs of insurance premiums	3,973	1,817
Maintenance costs	16,702	15,847
Costs of other services	20,440	16,792
<b>TOTAL OTHER OPERATING COSTS</b>	<b>93,328</b>	<b>80,366</b>

The breakdown refers to natural categories regardless of the functional group they are disclosed in.

#### Payments to Members of the Management Board, Employees with Service Contracts and Members of the Supervisory Board in the Financial Year

Payments to members of the Management Board in 2005 amounted to SIT 66,993 thousand, related to participation in profit for the year, and to gross salaries and other remuneration paid during the year. Employees who are employed on the basis of a contract other than the collective agreement received payments totaling SIT 99,520 thousand in 2005. Payments include gross salaries and other remuneration paid during the year. The Triglav Re Supervisory Board received no payments in 2005 related to participation in profit or any other payments.

There were no other long-term earning schemes for Triglav Re employees in 2005. As at the balance sheet date there were no demands by employees for payments on the basis of statutory provisions, collective agreement contracts, general legal acts or employment contracts which Triglav Re disputes.

#### Breakdown of Gross Operating Costs according to Insurance Groups

Gross costs accounted according to natural categories totalled SIT 402,662 thousand in the current year, of which SIT 401,613 thousand (99.74 percent), related to non-life insurance with the residual 0.26 percent (SIT 1,049 thousand), related to life insurance.

Total costs of insurance contract acquisition amounts to SIT 138,355 thousand, of which SIT 137,994 thousand relates to non-life insurance, and SIT 360 thousand relates to life insurance. Operating costs in the narrower sense total SIT 252,912 thousand, of which SIT 252,253 thousand relates to non-life insurance, and SIT 659 thousand relates to life insurance. The costs of asset management were SIT 11,395 thousand, of which SIT 11,366 thousand relates to non-life insurance, and SIT 29 thousand relates to life insurance.

## INCOME FROM REINSURANCE COMMISSIONS AND PARTICIPATION IN PROFIT

INCOME FROM REINSURANCE COMMISSIONS AND PARTICIPATION IN PROFIT			
	in '000 SIT		in '000 SIT
	2005		2004
Collected reinsurance commissions	-1,686,429		-1,527,508
from retrocedants in Slovenia	-48,555		-11,829
from retrocedants abroad	-1,637,874		-1,515,679
Given reinsurance commissions to insurance companies	2,109,417		2,000,925
to cedants in Slovenia	2,037,794		1,941,579
to cedants abroad	71,623		59,346
Given reinsurance commissions to reinsurance companies	754,632		392,958
to retrocedants in Slovenia	0		10,006
to retrocedants abroad	754,632		382,952
<b>TOTAL</b>	<b>1,177,621</b>		<b>866,375</b>
Collected reinsurance commissions	-1,686,429		-1,527,508
in related companies	0		0
in third parties	-1,686,429		-1,527,508
Given reinsurance commissions to insurance companies	2,109,417		2,000,925
in related companies	2,093,399		1,995,438
in third parties	16,018		5,487
Given reinsurance commissions to reinsurance companies	754,632		392,958
in related companies	0		0
in third parties	754,632		392,958
<b>TOTAL</b>	<b>1,177,621</b>		<b>866,375</b>

## SPLIT OF REVENUES FROM REINSURANCE COMMISSIONS IN 2005

SPLIT OF REVENUES FROM REINSURANCE COMMISSIONS IN 2005			
	in '000 SIT	in '000 SIT	in '000 SIT
	Participation	Income from	Total
	in profit	reinsurance	
		commissions	
Non-life	0	1,177,527	1,177,527
Life	0	94	94
<b>TOTAL</b>	<b>0</b>	<b>1,177,621</b>	<b>1,177,621</b>

## ALLOCATED RETURN ON INVESTMENT TRANSFERRED FROM THE PROFIT AND LOSS ACCOUNT FROM REGULAR OPERATIONS

Allocated return on technical provision investments totalled SIT 475,222 thousand and is calculated as the difference between the income from investments from assets covering technical provisions of SIT 525,241 thousand and expenses of investments from assets covering technical provisions of SIT 55,668 thousand (see points 7.3.1 and 7.3.2).

## CALCULATION OF PROFIT/LOSS FROM REGULAR OPERATIONS

## INCOME FROM INVESTMENTS

INCOME FROM INVESTMENTS		
	in '000 SIT	in '000 SIT
	2005	2004
Income from participations	18,778	4,602
- in Slovenia	1,964	4,579
- abroad	16,814	23
Income from other investments	514,024	566,911
1. Income from land and buildings	0	0
- in Slovenia	0	0
- abroad	0	0
2. Interest income	492,158	496,172
- in Slovenia	481,378	488,035
- abroad	10,780	8,137
3. Other income from investments	21,866	70,740
3.1 Financial income from revaluation	20,917	70,007
- in Slovenia	15,874	45,055
- abroad	5,043	24,952
3.2 Other financial income	950	733
- in Slovenia	950	733
- abroad	0	0
Income from asset value adjustments	0	0
- in Slovenia	0	0
- abroad	0	0
Profit from disposal of investments	48,106	2,673
- in Slovenia	48,106	2,673
- abroad	0	0
<b>TOTAL</b>	<b>580,908</b>	<b>574,187</b>

**INCOME FROM INVESTMENTS**

	in '000 SIT	in '000 SIT
	2005	2004
Income from participations	18,778	4,602
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	18,788	4,602
Income from other investments	514,024	566,911
1. Income from land and buildings	0	0
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	0	0
2. Interest income	492,158	496,172
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	492,158	496,172
3. Other income from investments	21,866	70,740
3.1 Financial income from revaluation	20,917	70,007
- in companies in the group	0	1,139
- in associated companies	0	0
- in third parties	20,917	68,867
3.2 Other financial income	950	733
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	950	733
Income from asset revaluations	0	0
Profit from disposal of investments	48,106	2,673
<b>TOTAL</b>	<b>580,908</b>	<b>574,187</b>

**BREAKDOWN OF INTEREST INCOME**

	in '000 SIT	in '000 SIT
	2005	2004
Interest income on securities	453,442	458,541
Interest income on deposits	38,603	37,532
Income on a vista assets	113	99
Other interest income	0	0
<b>TOTAL</b>	<b>492,158</b>	<b>496,172</b>

**BREAKDOWN OF INCOME FROM INVESTMENTS INTO INCOME FROM ASSETS  
COVERING TECHNICAL PROVISIONS AND INCOME FROM INVESTMENTS  
WHICH ARE NOT FINANCED FROM TECHNICAL PROVISIONS**

	<b>in '000 SIT 2005 Investments which are not financed from technical provisions</b>	<b>in '000 SIT 2005 Assets covering technical provisions</b>	<b>in '000 SIT 2004 Investments which are not financed from technical provisions</b>	<b>in '000 SIT 2004 Assets covering technical provisions</b>
Income from investments				
Income from participations	1,964	16,815	23	4,579
- in companies in the group	0	0	0	0
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	1,964	16,815	23	4,579
Income from land and buildings	0	0	0	0
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	0	0	0	0
Interest income	39,060	453,098	38,780	457,392
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	39,060	453,098	38,780	457,392
Other income from investments				
Financial income from revaluation	13,963	6,954	26,025	43,982
- in companies in the group	0	0	1,139	0
- in associated companies	0	0	0	0
- in third parties	13,963	6,954	24,886	43,982
Other financial income	678	272	207	526
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	678	272	207	526
Income from asset value adjustments	0	0	0	0
Profit from disposal of investments	3	48,102	1,287	1,387
<b>TOTAL</b>	<b>55,668</b>	<b>525,241</b>	<b>66,322</b>	<b>507,866</b>

Income from investments in 2005 was SIT 580,908 thousand and is 1.2 percent higher than the previous year. The majority of this item is represented by income from investments in securities and deposits as well as financial income from revaluations.

## EXPENSES FROM INVESTMENTS

EXPENSES FROM INVESTMENTS		
	in '000 SIT	in '000 SIT
	2005	2004
Depreciation and amortisation of assets not used in operations	0	0
- in Slovenia	0	0
- abroad	0	0
Interest expenses and other expenses from investments	64,189	80,230
a) Expenses arising from asset management, interest expenses and other financial expenses	43,348	48,983
- in Slovenia	42,894	48,870
- abroad	454	113
Revaluation financial expenses	20,842	31,247
- in Slovenia	13,728	10,494
- abroad	6,573	20,753
Write-offs of investments	0	0
- in Slovenia	0	0
- abroad	0	0
Loss on disposal of investments	12,262	3,124
- in Slovenia	12,262	3,124
- abroad	0	0
<b>TOTAL</b>	<b>76,451</b>	<b>83,354</b>

## BREAKDOWN OF EXPENSES FROM INVESTMENTS BY TYPE OF ASSETS

	in '000 SIT	in '000 SIT
	2005	2004
Depreciation and amortisation of assets not used in operations	0	0
Interest expenses and other costs of investments	64,189	80,230
- Expenses arising from asset management, interest expenses and other financial expenses	43,348	48,983
- Revaluation financial expenses	20,842	31,247
Write-offs of investments	0	0
Loss on disposal of investments	12,262	3,124
<b>TOTAL</b>	<b>76,451</b>	<b>83,354</b>

**BREAKDOWN OF EXPENSES FROM INVESTMENTS INTO EXPENSES  
FROM ASSETS COVERING TECHNICAL PROVISIONS AND EXPENSES  
FROM INVESTMENTS WHICH ARE NOT FINANCED FROM TECHNICAL PROVISIONS**

	<b>in '000 SIT 2005 Investments which are not financed from technical provisions</b>	<b>in '000 SIT 2005 Assets covering technical provisions</b>	<b>in '000 SIT 2004 Investments which are not financed from technical provisions</b>	<b>in '000 SIT 2004 Assets covering technical provisions</b>
Expenses from investments				
Depreciation and amortisation of the assets not used in operations	0	0	0	0
Interest expenses and other costs of investments	22,484	41,705	22,743	57,488
1. Expenses arising from asset management, interest expenses and other financial expenses	14,464	27,286	3,076	45,907
2. Revaluation financial expenses	8,020	14,419	19,666	11,581
Write-offs of investments and investment adjustment	0	0	0	0
Loss on disposal of investments	3,949	8,313	891	2,233
<b>TOTAL</b>	<b>26,433</b>	<b>50,018</b>	<b>23,633</b>	<b>59,721</b>

In 2005, total investment expenses amounted to SIT 76,451 thousand; decreasing by 8 percent compared to the previous year. The largest share of investment expenses is represented by asset management expenses, interest expenses and other financial expenses.

**OTHER OPERATING EXPENSES**

Other operating expenses include revaluation operating expenses of labour costs of SIT 41,000 thousand, relating to salaries, bonuses and related costs for employees of SIT 16,000 thousand and remuneration to the Management Board of SIT 25,000 thousand. The revaluation of manpower operating expenses occurred according to the decision of the Management Board and Supervisory Board and they reduce the extended profit which was SIT 899,706 thousand after tax and/or SIT 1,198,449 thousand before tax. The share of revalued operating expenses in the extended profit accounts for 3.5 percent.

## PROFIT/LOSS FROM EXTRAORDINARY ACTIVITIES

PROFIT/LOSS FROM EXTRAORDINARY ACTIVITIES		
	in '000 SIT	in '000 SIT
	2005	2004
Extraordinary income		
- income from previous years	0	0
- collected indemnities from insurance compan from non-life insurance	615	221
- revenues from changes in insurance beneficiaries	0	0
- other extraordinary income	0	0
<b>TOTAL EXTRAORDINARY INCOME</b>	<b>615</b>	<b>221</b>
Extraordinary expenses		
- expenses from previous years	0	0
- pecuniary penalties	0	0
- other extraordinary expenses	39	1
<b>TOTAL EXTRAORDINARY EXPENSES</b>	<b>39</b>	<b>1</b>
<b>Profit/loss from extraordinary activities</b>	<b>575</b>	<b>220</b>

PROFIT/LOSS FROM REINSURANCE  
OPERATIONS

BREAKDOWN OF PREMIUMS,  
CLAIMS AND EXPENSES

GROSS WRITTEN PREMIUM IN 2005

Insurance class	in '000 SIT	in '000 SIT
	Gross premium earned 2005	Gross premium earned 2004
Accident insurance	371,575	367,660
Health insurance	8,877	5,531
Land motor vehicle insurance	1,786,836	1,333,989
Railway insurance	177,703	187,507
Aircraft insurance	502,953	505,407
Marine insurance	58,235	38,247
Cargo insurance	325,709	263,486
Fire and natural forces insurance	5,326,470	4,539,932
Other damage to property	2,968,420	2,812,928
Motor TPL	3,409,195	2,709,398
Aircraft liability insurance	276,851	237,965
Marine liability insurance	12,966	19,924
General liability insurance	563,675	495,507
Credit insurance	341,343	297,761
Suretyship insurance	78,971	102,864
Miscellaneous financial loss insurance	311,566	322,911
Legal expenses insurance	5,069	3,510
Travel assistance insurance	31,010	28,009
Life insurance	43,239	35,723
<b>TOTAL</b>	<b>16,600,663</b>	<b>14,308,259</b>

Gross written premium was 16 percent higher in 2005 than in the previous year.

**GROSS PREMIUM WRITTEN IN 2005**

<b>Insurance class</b>	<b>in '000 SIT Gross premiums + changes in unearned premiums in 2005</b>	<b>in '000 SIT Gross premiums + changes in unearned premiums in 2004</b>
Accident insurance	368,945	365,903
Health insurance	8,010	6,398
Land motor vehicle insurance	1,652,940	1,297,140
Railway insurance	177,703	187,507
Aircraft insurance	507,646	513,213
Marine insurance	58,652	34,517
Cargo insurance	320,387	257,823
Fire and natural forces insurance	5,158,182	4,439,604
Other damage to property	2,973,949	2,823,794
Motor TPL	3,303,731	2,616,682
Aircraft liability insurance	257,953	253,922
Marine liability insurance	12,830	19,651
General liability insurance	574,925	521,416
Credit insurance	319,768	272,113
Suretyship insurance	63,343	68,587
Miscellaneous financial loss insurance	324,896	320,294
Legal expenses insurance	4,443	3,568
Travel assistance insurance	30,594	27,190
Life insurance	43,105	35,708
<b>TOTAL</b>	<b>16,162,002</b>	<b>14,065,030</b>

Gross reinsurance premium written, comprising gross premiums and changes in unearned premiums, is 15 percent higher in 2005 compared to 2004.

## GROSS CLAIMS SETTLED IN 2005

Insurance class	in '000 SIT	in '000 SIT
	Gross incurred losses + changes in gross provision for outstanding claims in 2005	Gross incurred losses + changes in gross provision for outstanding claims in 2004
Accident insurance	210,383	209,621
Health insurance	8,342	6,809
Land motor vehicle insurance	945,809	831,786
Railway insurance	0	-51,795
Aircraft insurance	16,230	1,494
Marine insurance	15,417	7,195
Cargo insurance	65,970	-44,647
Fire and natural forces insurance	1,556,785	2,389,678
Other damage to property	1,624,919	1,421,969
Motor TPL	1,654,926	1,568,539
Aircraft liability insurance	-3,387	11,392
Marine liability insurance	-962	9,825
General liability insurance	289,491	-191
Credit insurance	129,082	4,583
Suretyship insurance	20,325	13,627
Miscellaneous financial loss insurance	-182,519	277,334
Legal expenses insurance	56	-29
Travel assistance insurance	17,843	6,511
Life insurance	17,587	19,741
<b>TOTAL</b>	<b>6,386,297</b>	<b>6,683,441</b>

Gross claims settled, consisting of gross incurred losses and changes in gross provision for outstanding claims, were 4 percent lower in 2005 than in 2004.

**BREAKDOWN OF GROSS OPERATING EXPENSES IN 2005**

<b>Insurance class</b>	<b>in '000 SIT Gross operating expenses in 2005</b>	<b>in '000 SIT Gross operating expenses in 2004</b>
Accident insurance	9,013	8,442
Health insurance	215	127
Land motor vehicle insurance	43,341	30,631
Railway insurance	4,310	4,306
Aircraft insurance	12,200	11,605
Marine insurance	1,413	878
Cargo insurance	7,900	6,050
Fire and natural forces insurance	129,198	104,246
Other damage to property	72,001	64,591
Motor TPL	82,693	62,214
Aircraft liability insurance	6,715	5,464
Marine liability insurance	315	458
General liability insurance	13,672	11,378
Credit insurance	8,280	6,837
Suretyship insurance	1,915	2,362
Miscellaneous financial loss insurance	7,557	7,415
Legal expenses insurance	123	81
Travel assistance insurance	752	643
Life insurance	1,049	820
<b>TOTAL</b>	<b>402,662</b>	<b>328,548</b>

Gross operating expenses increased by 23 percent compared to 2004.

**NET PROFIT/LOSS FROM REINSURANCE OPERATIONS IN 2005**

Net profit/loss from reinsurance operations in 2005 was calculated on the basis of the following items:

- Reinsurance written premium: SIT 9,100,931 thousand
  - Changes in provisions for unearned premiums for reinsurance: SIT -131,319 thousand
  - Incurred losses charged to reinsurance operations: SIT -1,716,329 thousand
  - Changes in provisions for outstanding claims charged to reinsurance operations: SIT 108,462 thousand
- Net profit/loss SIT 7,361,743 thousand

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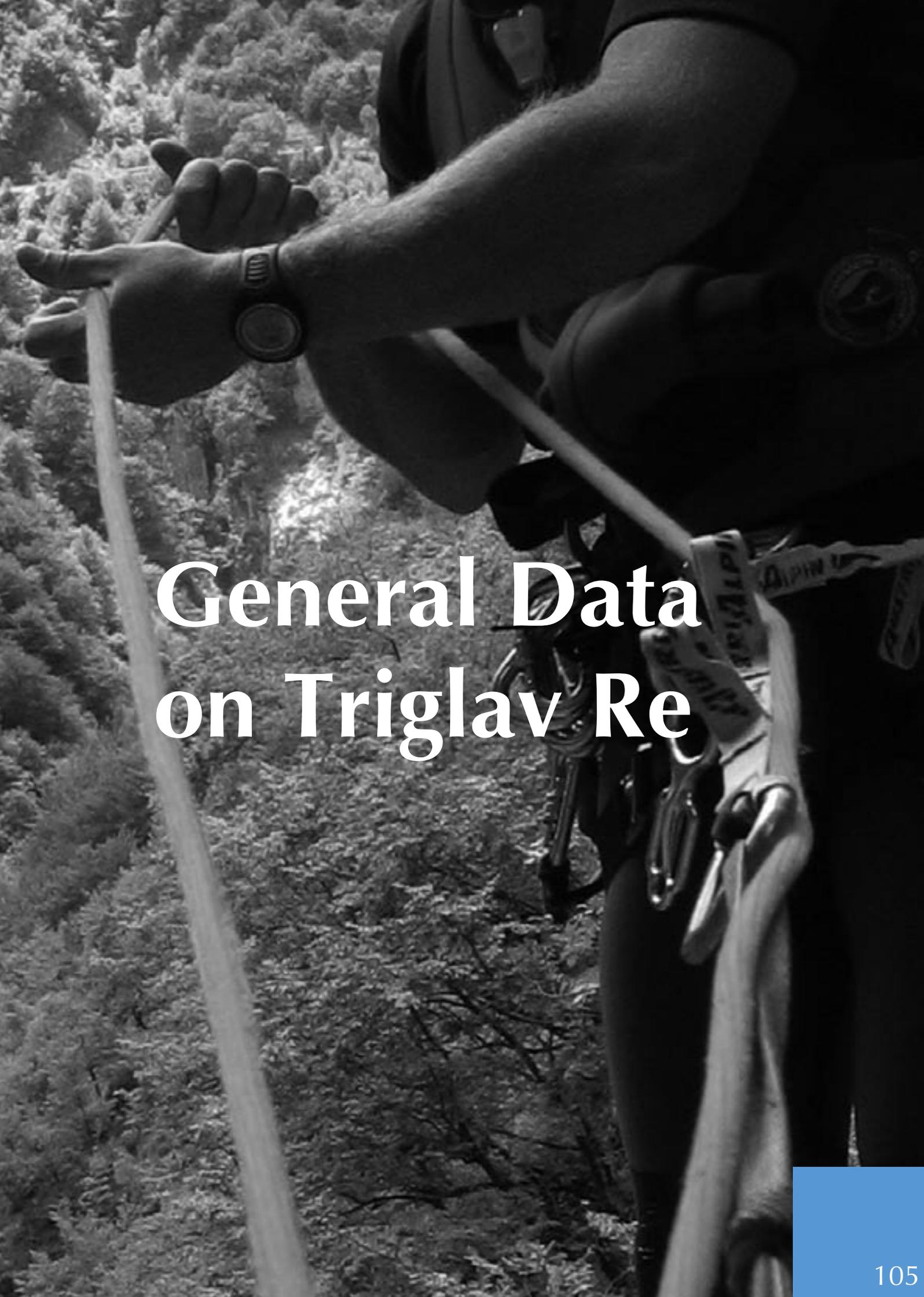
<b>Insurance class</b>	<b>in '000 SIT Net profit/loss from reinsurance in 2005</b>	<b>in '000 SIT Participation in profit/loss and profit/loss from passive operations in 2005</b>	<b>in '000 SIT Gross profit/loss in 2005</b>
Accident insurance	30,185	30,185	23,686
Health insurance	0	0	0
Land motor vehicle insurance	422,250	422,250	399,971
Railway insurance	176,634	176,634	176,634
Aircraft insurance	494,821	494,821	393,536
Marine insurance	5,788	5,788	5,788
Cargo insurance	212,744	212,744	204,117
Fire and natural forces insurance	2,976,576	2,976,576	1,946,116
Other damage to property	977,997	977,997	670,569
Motor TPL	833,200	833,200	812,492
Aircraft liability insurance	243,851	243,851	235,511
Marine liability insurance	3,963	3,963	3,963
General liability insurance	372,014	372,014	319,233
Credit insurance	40,695	40,695	4,240
Suretyship insurance	66,854	66,854	47,372
Miscellaneous financial loss insurance	466,057	466,057	395,260
Legal expenses insurance	-10	-10	-10
Travel assistance insurance	13,385	13,385	13,300
Life insurance	24,739	24,739	23,536
<b>TOTAL</b>	<b>7,361,743</b>	<b>7,361,743</b>	<b>5,675,314</b>

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<b>Insurance class</b>	<b>in '000 SIT Net profit/loss from reinsurance in 2004</b>	<b>in '000 SIT Participation in profit/loss and profit/loss from passive operations in 2004</b>	<b>in '000 SIT Gross profit/loss in 2004</b>
Accident insurance	24,157	7,140	17,017
Health insurance	0	0	0
Land motor vehicle insurance	326,310	19,356	306,954
Railway insurance	238,961	0	238,961
Aircraft insurance	493,034	44,922	448,112
Marine insurance	9,432	211	9,221
Cargo insurance	224,426	6,619	217,808
Fire and natural forces insurance	1,819,265	948,573	870,692
Other damage to property	1,083,271	316,946	766,325
Motor TPL	437,117	16,406	420,711
Aircraft liability insurance	230,049	-1,175	231,224
Marine liability insurance	5,657	514	5,143
General liability insurance	326,732	44,152	282,580
Credit insurance	90,045	28,819	61,226
Suretyship insurance	51,529	23,594	27,935
Miscellaneous financial loss insurance	-11,953	70,831	-82,785
Legal expenses insurance	124	0	124
Travel assistance insurance	14,671	0	14,671
Life insurance	15,728	599	15,129
<b>TOTAL</b>	<b>5,378,556</b>	<b>1,527,508</b>	<b>3,851,048</b>

Net profit/loss from reinsurance was 37 percent higher than in 2004, expenses and profit/loss from passive operations was 10 percent higher whereas gross profit/loss from reinsurance was 47 percent higher than the previous year.





# General Data on Triglav Re



# General Data on Triglav Re

## REGISTERED OFFICE

Triglav Re, Reinsurance Company Ltd.  
Miklošičeva 19, 1000 Ljubljana, Slovenia  
Phone: ++ 386 1 474 79 00, Fax: ++ 386 1 433 14 19, e-mail: mail@triglavre.si

## SUPERVISORY BOARD OF TRIGLAV RE

Chairman - Andrej Kocič  
Members - Borut Eržen, Mateja Perger, Boštjan Kramberger

## BOARD OF MANAGEMENT OF TRIGLAV RE

Benjamin Polak - President of the Management Board  
Milena Uršič - Member of the Management Board

## DIRECTORS

Tomaž Senčar - Director of Property Reinsurance  
Andrej Slapar - Director of Casualty,  
Marine and Aviation Reinsurance  
Nadja Pivk - Director of Reinsurance Accounts  
Maja Omahen Petrič - Director of Finance and Accounting

## TRIGLAV GROUP - PRINCIPAL INFORMATION

The following companies within the Triglav Group are consolidated:

### Zavarovalnica Triglav d.d.

Miklošičeva 19, 1000 Ljubljana, Slovenia  
Phone: ++ 386 1 474 72 00, Fax: ++ 386 1 432 63 02  
Management Board: Andrej Kocič - President,  
Borut Eržen, Vladimir Mišo Čeplak

### Triglav Zdravstvena zavarovalnica d.d.

Ferrarska 10, SLO - 6000 Koper  
Phone: ++ 386 5 66 22 000, Fax: ++ 386 5 66 22 002  
Management Board: Gregor Strmčnik - President, Zdravko Bratuš, Ivan Gracar, Simon Vidmar;  
Shareholding of Zavarovalnica Triglav d.d.: 98.42%

### Triglav Osiguranje d.d.

Erazma Barčića 3, HR - 51000 Rijeka  
Phone: ++ 385 51 358 200, Fax: ++ 385 51 334 194  
Management Board: Berislav Trogolić - President, Uroš Klenovšek;  
Shareholding of Zavarovalnica Triglav d.d.: 95.78%

### Triglav BH Osiguranje d.d. Sarajevo

Ul. Augusta Brauna br. 2, BiH - 71000 Sarajevo  
Phone: ++ 387 33 252 111, Fax: ++ 387 33 252 117  
Management Board: Fejsal Hrustanović - President, Edib Galijatović, Aida Lačević;  
Shareholding of Zavarovalnica Triglav d.d.: 68.94%

### Triglav Pojišť'ovna a.s.

Novobranska 544/1, CZ - 602 00 Brno  
Phone: ++ 420 5 422 122 16, Fax: ++ 420 5 422 179 10  
Management Board: Vaclav Stix - President, Miloš Kubin;  
Shareholding of Zavarovalnica Triglav d.d.: 100%



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