



triglav*RE*

BUSINESS REPORT 2006



Contents

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Highlights



Highlights

HIGHLIGHTS			
	2006		2005
	in 000 SIT		in 000 SIT
Gross Premium	18,384,125		16,600,663
Net Premium	9,484,748		7,499,732
Gross Losses	7,345,594		5,468,438
Net Losses	4,499,472		3,752,110
Gross Technical Provisions	12,960,211		10,708,566
Net Technical Provisions	9,775,014		7,916,686
Retention Ratio	51.6%		45.2%
Net Technical Provisions as a % of Net Premium	103.1%		105.6%
Loss Ratio	61.2%		66.4%
Expense Ratio	22.7%		22.1%
Combined Ratio	83.8%		88.5%
Operating expenses as a % of Gross Premium	2.3%		2.4%
Number of Employees (as at 31 December)	24		25
Shareholders' funds	5,563,775		3,327,911
Profit before tax	1,589,247		1,157,449
Return on Equity (in %)	25.3%		29.3%



Chairman's Message

Chairman's Message



To our business partners and shareholders,

For Triglav Re, 2006 was an excellent year. Triglav Re reached its highest levels of financial performance since founding. As in the reinsurance industry in general, we took advantage of the "other" side of volatility – the positive side. No major catastrophe occurred that would affect the balance sheet significantly. Besides achieving our all-time-high net operating income we are pleased with surpassing the 50% retention ratio, an achievement that meets our strategic goal of strengthening our non group portfolio.

The year 2006 was also something special from the view of numerical presentation of our business performance. It was the last year we used the Slovenian tolar before switching to the single currency EURO on 1 January, 2007. In terms of market development we should also mention the intensive expansion of operations abroad by our parent company, Triglav Insurance Company which acquired the insurance company Kopaonik in Serbia, one of the most promising markets in the region. We are very pleased with Triglav's successful entry into new markets as it gives us an opportunity to share our knowledge and expertise among the growing number of companies within the Triglav Group in order to maintain financial stability.

Triglav Re's gross premium written in the 2006 financial year amounted to SIT 18.4 billion. This represents an increase of 11% in comparison to the year before. The growth was mainly driven by non group acceptances which can be seen in the 26% increase of net written premium. We are highly satisfied with generating profit before taxes of almost SIT 1.6 billion, an increase of 37% on the corresponding figure for what was already a very favourable previous year. The overall loss ratio was 61.2%, which is a decent improvement compared to 66.4% in 2005.

Continuation of advantageous financial performance and our shareholders' decision to retain profits within the Company is reflected in the capital adequacy ratio which reached 188.9% at the end of 2006.

Slovenia remained our key market in 2006. Business coming from Slovene cedants accounted for 69.8% of our gross premium written. Beside the fact that the European Union represents our major non group territory we continued with our portfolio diversification by strengthening our presence in Middle Eastern and Asian markets, especially in South Korea and Hong Kong.

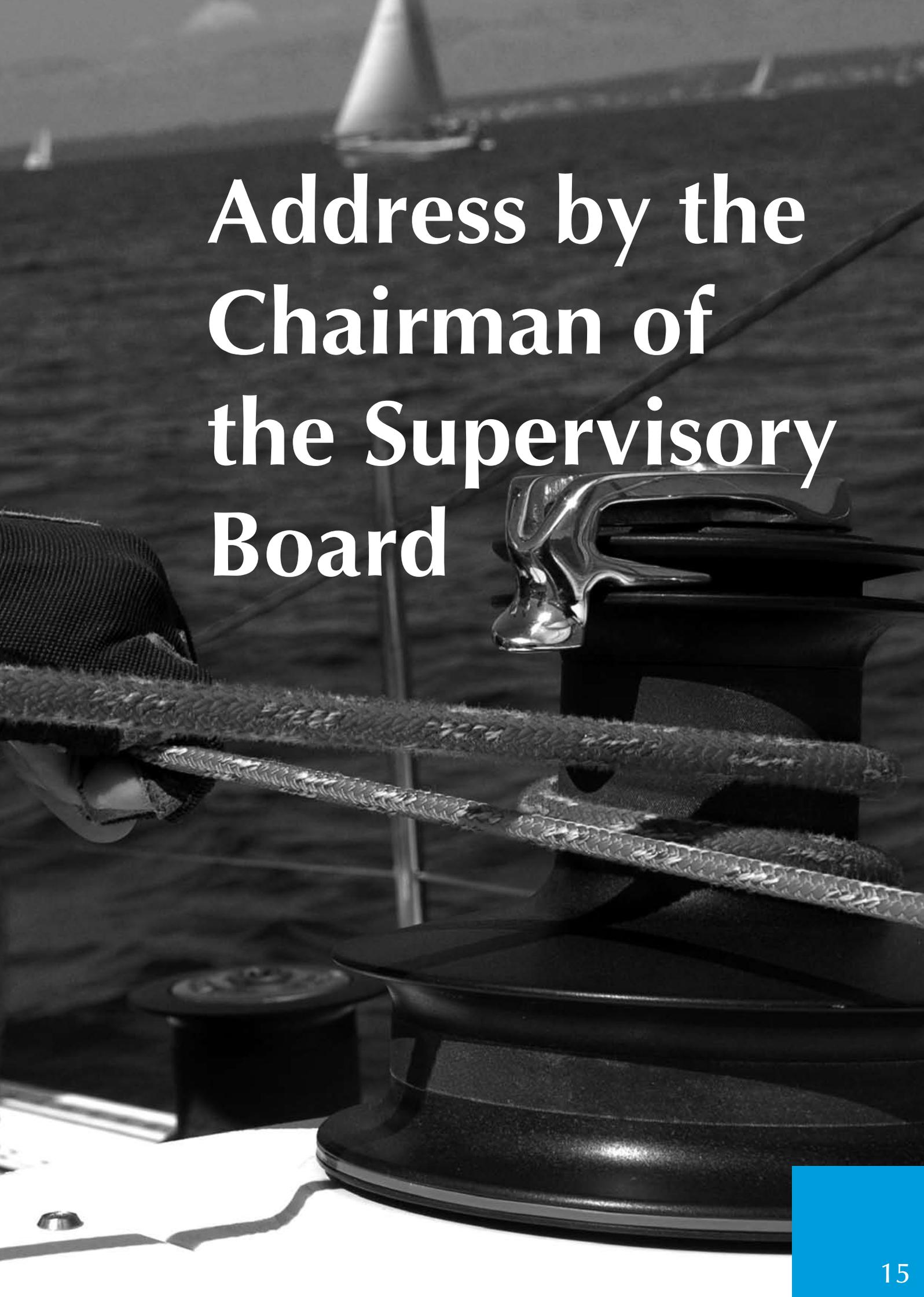
Although the year 2006 is considered as one of the most favourable years in the reinsurance industry, we were affected by some natural disaster losses like Austrian Snow Pressure, Indonesia's Earthquake and Typhoon Bilis in China, but these had a limited impact on the net profit of Triglav Re. Another important event on the loss side concerns the Triglav Group's portfolio. A hailstorm in Slovenia in June triggered our catastrophe cover but had no impact on the net profit of Triglav Re.

Triglav Re continues to focus on providing the Triglav Group insurance companies with an efficient and optimal reinsurance service and support the Triglav Group's strategy of becoming the leading financial services provider in south-eastern Europe. On the other hand we follow our mission to become a well established reinsurance company. In order to achieve this goal and taking into consideration the forthcoming implementation of Solvency II, our major challenge for the near future is to obtain a rating from a recognised credit rating agency.

In the current year we expect continuous growth, especially in non-group business. Towards the end of 2007 we should not be far from reaching our next major objective: to underwrite half of net premium from non-group sources. The severe winter storm Kyrill in January 2007 most severely impacted Triglav Re's property lines in Germany and Austria, while other countries experienced smaller losses which will eventually have some influence on net profit. Nevertheless, Triglav Re anticipates another satisfactory overall result.

We are determined to continue with our fruitful operations for all participating stakeholders in the future. Last but not least I would like to thank all my colleagues for their decisive support. With our coordinated and competent personnel who have proved their resilience in the past I am extremely positive we will accomplish all expectations in the future.

Gojko Kavčič
Chairman of the Board of
Management of Triglav Re



Address by the Chairman of the Supervisory Board

Address by the Chairman of the Supervisory Board



In the first year of our mandate the Supervisory Board Members witnessed excellent business results for Triglav Re, evidenced by our annual growth and the lead business indicators.

In our view, the upward trend in business outside the Triglav Group, signifying the implementation of one of the key strategic goals – more non group business - is especially positive. It is encouraging that Triglav Re already underwrites one fifth of its gross premium on foreign markets, which shows that it has established itself as a reliable reinsurer not only in Europe and its South East region but also globally. Moreover, Triglav Re successfully played its central role of providing support and financial stability to the Triglav Group members through their expansion to new insurance markets. One such example last year was the acquisition of the Serbian insurance company Kopaonik and its inclusion in the Group.

The Supervisory Board held seven sessions in 2006, one of which was by correspondence. Through the Management Board's adequately prepared reports, the Supervisory Board members were informed in a timely manner about all the operations of the reinsurance company. This served as a basis for the Supervisory Board's decisions, which thus acted within its competences to support further development of the company.

The Supervisory Board discussed and passed the Annual Report for 2005, gave its positive opinion on the Annual Internal Audit Report for

the same year and received information on the Report and Opinion by the Certified Actuary. Among the major activities last year were the decision on the criteria for the remuneration of the Management Board, approval of the Charter on the Functioning of Internal Audit and an initiative to the Management Board regarding criteria for obtaining an adequate financial strength rating. Additional suggestions and assistance were given to the Management Board in drafting the business plan, adopting the Regulation on the Management Board and preparing the Strategic Business Plan for 2006–2008.

In the first half of 2006 the Supervisory Board comprised five members and on 30 June, 2006 the General Meeting of Shareholders decided to reduce their number down to four. As of that date the Supervisory Board continued to work in the following composition: Andrej Kocič (Chairman), Borut Eržen, Mateja Perger and Boštjan Kramberger. The General Meeting of Shareholders recalled three members of the Supervisory Board on 19 January, 2006, following the resignation of Jože Lenič as its previous chairman. From that date until 20 April, 2006 Mr. Andrej Hazabent also sat on the Supervisory Board, but resigned due to the amended Companies Act which restricted membership on supervisory boards to a maximum of three.

At the beginning of 2007 Mr. Gojko Kavčič was nominated as the new Chairman of the Board of Management, whilst the previous Chairman, Mr. Benjamin Polak, concluded his term of office approximately one month later. We are convinced that the professional knowledge and experience of Mr. Kavčič, accumulated during his long service at Triglav Insurance Company, represents a good guarantee for the growth of the company and further improvement of its already high level of development. I would also like to thank Mr. Polak for his constructive contribution to the growth of Triglav Re under his leadership.

The Supervisory Board is unanimously behind the strategic goals and orientations the company has set itself through to 2008. After reviewing all its operations, the Supervisory Board establishes that Triglav Re implemented those set for 2006 and thereby materially contributed to the performance and development of the entire Triglav Group.

Andrej Kocič
Chairman of the Supervisory Board





General Economic Environment

1. General Economic Environment

According to the latest estimate, gross domestic product (GDP) increased by 5.2% in real terms. In 2006, gross domestic product at current prices amounted to SIT 7,126 billion or 7.6% more than in 2005. At the current exchange rate GDP amounted to EUR 29,741 million (EUR 14,811 per capita) or USD 39,175 million (USD 19,509 per capita).

The favourable economic conditions were in line with employment growth, i.e. 1.2%. At the end of the year the registered unemployment rate decreased to 9.4% and was 0.8 percentage points lower than the previous year.

Joining the European Union, Slovenia decided to adopt the single currency euro: on 28 June, 2004 it entered the exchange rate mechanism (ERM II) and in less than two years met all the convergence criteria. On 1 January, 2007, following stable price developments, the euro became legal tender in Slovenia which thus became the first of the new EU member states to adopt the euro and the 13th member state of the Euro Zone. The government and the Bank of Slovenia took measures to ensure a smooth transition to the euro, such as the dual pricing standard introduced nine months prior to the euro changeover and an information campaign aimed at informing the wider public about possible risks in the process of the currency changeover.

As a result, inflation remained stable in the months preceding the euro adoption and immediately after it. Year-on-year inflation at the end of December 2006 was 2.5%.

The Slovene 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;
- liberalisation 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. A relatively small share of life, health and accident insurance in Slovene GDP is predicted to improve rather rapidly as a result of amended legislation.

2

Slovenian Insurance and Reinsurance Market in 2006

2.

Slovenian Insurance and Reinsurance Market in 2006

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. It is therefore highly likely that new insurance companies established by companies headquartered in other EU states will enter this market.

In the Slovene insurance market in 2006, there were 13 insurance companies and 2 reinsurance companies (Triglav Re in Sava Re) registered in the Republic of Slovenia at the end of the year. Among 13 insurance companies performing direct insurance operations there are 7 composite companies whereas two are specialised in only life insurance and four only in non-life insurance. As for their organisational structure, twelve are joint stock companies and one is a mutual company. Generali, Grawe, Merkur and Arag are majority owned by foreign capital. No new insurance company or subsidiary was established in Slovenia in 2006.

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 seventy nine 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 have established branch offices in Slovenia, they all stated that operation would be performed directly.

According to the 2006 data, the gross written premium of all insurance companies headquartered in the Republic of Slovenia totalled SIT 385.9 billion, reflecting a 12 percent nominal annual growth in insurance premiums compared to 2005. In non-life insurance the premium amounted to SIT 283.9 billion (growth index of 109) and in life insurance SIT 102 billion (growth index of 120).

Triglav Insurance Company retained its leading position in the Slovene insurance market with a 41% market share. Triglav Insurance Company leads the market in both non-life and life insurance with 38.5% and a 48% market share respectively.

The combined market share of Triglav Insurance Company and Triglav Health Insurance was 43.5%, i.e. 0.6 percentage points higher than in the previous year.

The Slovenian reinsurance market gross written premium amounted to SIT 43.2 billion in 2006, which represents an increase of 11.6 percent compared to the year 2005. Triglav Re retained its 42.5-percent market share in 2006 as measured by gross written reinsurance premium.

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Business Review

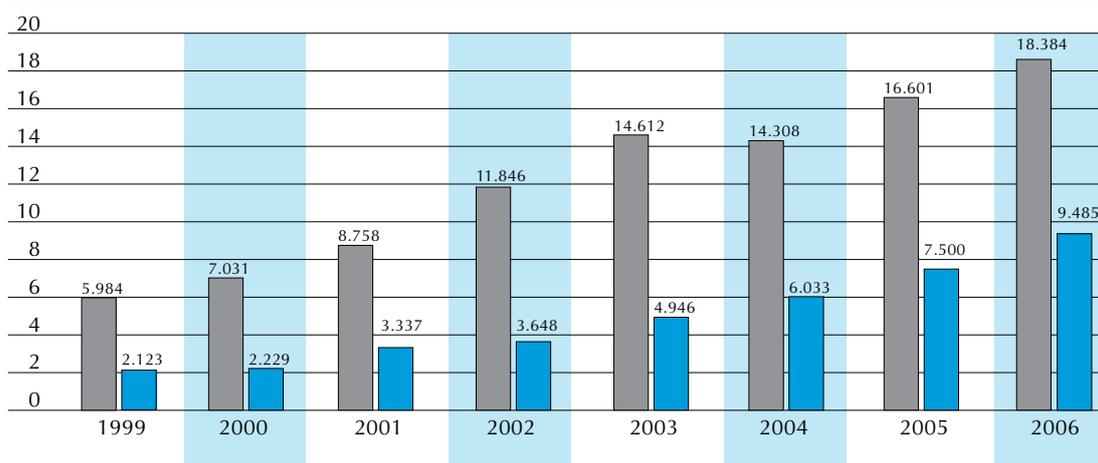
3. Business Review

PREMIUM

Gross premium written in the 2006 financial year amounted to SIT 18.4 billion. This represents an increase of 11% in comparison to the year before. The main reason for such an increase is very strong growth in the non group acceptances and ceding business from Triglav Group Companies out of Slovenia, while the business ceded from our parent company, Triglav Insurance Company, 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 26% compared to the previous year and amounted to SIT 9.5 billion. The retention ratio in 2006 amounted to 51.6% which is an increase of 6.4 percentage points compared to 2005.

GROSS AND NET PREMIUM WRITTEN IN SIT BILLION



PREMIUM STRUCTURE BY ORIGIN

The greater part of our business was generated by the parent company in 2006. Cessions of Triglav Insurance Company accounted for 69.5% of gross premium written in 2006, a decrease of 10 percentage points compared to the previous year. Business received from Triglav's subsidiaries in Croatia, the Czech Republic and Bosnia & Herzegovina provided a further 11.6% and the remaining 18.9% came from our acceptances outside the Triglav Group.

The depiction of premium by origin changes considerably when observing our net account. In 2006, non group acceptances accounted for 35.6% of net written premium and the Triglav Group business accounted for 64.4%. Comparison with the figures from a year ago shows a slight shift in the structure in favour of group business. This shift is due to the fact that Triglav's subsidiary in the Czech Republic was included in 2006 in Triglav Re's portfolio as group business. However, the medium-term trend of non group portfolio growth was 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 the 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
2005	81.2%	18.8%	58.5%	41.5%
2006	81.1%	18.9%	64.4%	35.6%

PREMIUM STRUCTURE BY TERRITORY

Due to the facts described above, Slovenia remained our key market in 2006. Business coming from Slovene cedants (which beside Triglav Insurance Company, also includes minor cessions from other domestic insurance and reinsurance companies) accounted for 69.8% of gross premium written. Other important European markets of Triglav Re in 2006 were, the countries of the former Yugoslavia, Austria, Spain, Germany, Scandinavian countries and some markets in Central & Eastern Europe. In relation to business originating outside of Europe, it is worth mentioning our increased presence in Asian markets, especially in South Korea, India and Hong Kong.

PREMIUM STRUCTURE BY CLASS

The strongest business segment of Triglav Re remained Property in 2006. Property lines of business accounted for 53% of gross premium written (a very slight increase from the year before), which were followed by Motor and Marine & Aviation with 34.3% and 4.8% respectively. The largest growth was recorded in Motor and Property lines of business with 21.4% and 10.9% respectively. On the other hand, segments of Marine & Aviation and Casualty show a 25.6% and 6.1% decrease respectively in comparison to 2005.

BREAKDOWN OF GROSS PREMIUM WRITTEN BY CLASS

	2006 in SIT	2005 in SIT	Share in 2006	Index 2006/2005
Accident insurance	410,647,074	371,575,457	2.23%	111
Health insurance	7,549,745	8,876,842	0.04%	85
Land motor-vehicle insurance	2,297,336,648	1,786,836,104	12.50%	129
Railway rolling stock insurance	173,659,896	177,703,026	0.94%	98
Aviation insurance	152,849,249	502,953,322	0.83%	30
Ships insurance	114,315,819	58,234,744	0.62%	196
Insurance of transportation of goods	312,729,289	325,708,824	1.70%	96
Fire and natural disaster insurance	6,057,197,128	5,326,469,865	32.95%	114
Other damage to property insurance	3,161,715,473	2,968,420,304	17.20%	107
Motor-vehicle third party liability insurance	4,010,208,911	3,409,195,168	21.81%	118
Aviation liability insurance	274,717,445	276,851,266	1.49%	99
Ships liability insurance	20,726,491	12,966,326	0.11%	160
General liability insurance	468,100,968	563,674,866	2.55%	83
Credit insurance	353,275,052	341,342,856	1.92%	103
Suretyship insurance	121,943,470	78,970,830	0.66%	154
Miscellaneous financial loss insurance	349,370,833	311,565,731	1.90%	112
Legal expenses insurance	7,496,519	5,068,796	0.04%	148
Assistance insurance	50,612,415	31,009,769	0.28%	163
Life insurance	39,672,410	43,238,926	0.22%	92
TOTAL	18,384,124,836	16,600,663,023	100.0%	111

Motor vehicle classes of insurance retained their dominant position in the structure of net premium written, accounting for slightly less than 50% of the total figure. Motor vehicle insurance also showed a significant growth of 23.1% in comparison to the year before. Property remains the second most important business segment on the net side and accounted for 38.4% 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 2006 was significant and highest among all segments, i.e. 72.8% in comparison to 2005.

BREAKDOWN OF NET PREMIUM WRITTEN BY CLASS

	2006 in SIT	2005 in SIT	Share in 2006	Index 2006/2005
Accident insurance	361,423,285	321,220,992	3.81%	113
Health insurance	7,549,745	8,876,842	0.08%	85
Land motor-vehicle insurance	1,577,006,937	1,295,593,285	16.63%	122
Railway rolling stock insurance	1,272,088	1,068,613	0.01%	119
Aviation insurance	30,729,159	7,338,218	0.32%	419
Ships insurance	109,034,123	52,491,192	1.15%	208
Insurance of transportation of goods	130,148,553	87,401,878	1.37%	149
Fire and natural disaster insurance	1,798,947,124	1,487,561,104	18.97%	121
Other damage to property insurance	1,758,789,516	1,224,217,158	18.54%	144
Motor-vehicle third party liability insurance	3,073,640,363	2,481,217,622	32.41%	124
Aviation liability insurance	20,762,198	21,622,658	0.22%	96
Ships liability insurance	17,854,324	9,720,194	0.19%	184
General liability insurance	241,321,660	208,915,420	2.54%	116
Credit insurance	232,921,742	213,128,487	2.46%	109
Suretyship insurance	11,833,670	5,141,134	0.12%	230
Miscellaneous financial loss insurance	85,168,242	66,420,813	0.90%	128
Legal expenses insurance	7,496,519	5,068,796	0.08%	148
Assistance insurance	18,195,836	1,823,662	0.19%	998
Life insurance	652,575	903,892	0.01%	72
TOTAL	9,484,747,657	7,499,731,959	100.0%	126

LOSSES

The overall claims situation for Triglav Re in 2006 was very favourable. Gross losses paid in 2006 amounted to SIT 7.35 billion, which represents an increase of 34% compared to the year before. On the other hand, net losses paid increased by roughly 20%, yet this is still 6% lower than the increase in net premium written.

The most important events on the loss side in 2006 were predominantly from Triglav Re's group portfolio. The biggest impact on the gross losses paid figure was the hailstorm event in Slovenia in June. Accordingly, CAT cover was triggered. There was also some deterioration of loss ratio in the property surplus treaty which is partly retained by Triglav Re.

From the non group portfolio we should mention the loss from snow pressure in Austria (February), earthquake in Indonesia (May), Protek Pharmaceuticals in Moscow (May) and typhoon Bilis in China (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

	2006 in SIT	2005 in SIT	Share in 2006	Index 2006/2005
Accident insurance	176,006,733	183,883,204	2.40%	96
Health insurance	6,076,781	8,068,086	0.08%	75
Land motor-vehicle insurance	1,324,328,783	839,898,354	18.03%	158
Railway rolling stock insurance	0	0	0.00%	100
Aviation insurance	7,327,568	2,678,846	0.10%	274
Ships insurance	21,082,866	26,440,367	0.29%	80
Insurance of transportation of goods	41,633,872	50,689,280	0.57%	82
Fire and natural disaster insurance	2,350,890,066	1,527,352,750	32.00%	154
Other damage to property insurance	1,381,635,207	1,170,047,764	18.81%	118
Motor-vehicle third party liability insurance	1,598,091,516	1,326,311,257	21.76%	120
Aviation liability insurance	7,958,778	2,963,548	0.11%	269
Ships liability insurance	2,650,700	475,841	0.04%	557
General liability insurance	182,245,461	239,775,228	2.48%	76
Credit insurance	135,577,820	79,626,874	1.85%	170
Suretyship insurance	-683,093	8,137,722	-0.01%	-8
Miscellaneous financial loss insurance	77,541,460	-19,503,698	1.06%	-398
Legal expenses insurance	28,649	20,271	0.00%	141
Assistance insurance	15,728,913	10,186,054	0.21%	154
Life insurance	17,471,806	11,386,586	0.24%	153
TOTAL	7,345,593,883	5,468,438,331	100.00%	134

BREAKDOWN OF NET LOSSES PAID BY CLASS

	2006 in SIT	2005 in SIT	Share in 2006	Index 2006/2005
Accident insurance	160,175,462	166,880,168	3.56%	96
Health insurance	6,076,781	8,068,086	0.14%	75
Land motor-vehicle insurance	952,123,743	783,741,371	21.16%	121
Railway rolling stock insurance	0	0	0.00%	100
Aviation insurance	7,327,568	2,674,055	0.16%	274
Ships insurance	23,408,701	26,442,901	0.52%	89
Insurance of transportation of goods	44,720,634	27,939,669	0.99%	160
Fire and natural disaster insurance	943,202,953	724,068,105	20.96%	130
Other damage to property insurance	870,805,921	707,614,832	19.35%	123
Motor-vehicle third party liability insurance	1,186,067,427	1,087,392,625	26.36%	109
Aviation liability insurance	5,544,567	2,237,950	0.12%	248
Ships liability insurance	3,042,236	461,060	0.07%	660
General liability insurance	155,366,859	141,098,244	3.45%	110
Credit insurance	97,451,841	41,991,836	2.17%	232
Suretyship insurance	395,861	13,542,602	0.01%	3
Miscellaneous financial loss insurance	39,051,992	17,259,892	0.87%	226
Legal expenses insurance	27,960	18,348	0.00%	152
Assistance insurance	4,650,842	642,740	0.10%	724
Life insurance	30,859	35,309	0.00%	87
TOTAL	4,499,472,207	3,752,109,795	100.0%	120

TECHNICAL PROVISIONS

Net provisions for unearned premium increased by 10% in comparison with the previous year. The growth of net provisions for outstanding losses was, on the other hand, more significant in 2006. These provisions increased by 25%. Due to the very favourable loss ratio in 2006 we were able to increase equalization provisions by 163%. As at 31 December 2006, the figure stands at SIT 1,283 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 6% in comparison to the year before. Total net technical provisions increased by 23%, which is in line with the growth of net written premium in comparison to 2005.

BREAKDOWN OF NET TECHNICAL PROVISIONS

	2006 in SIT	2005 in SIT	Index 2006/2005
Net provisions for unearned premium	2,350,453,337	2,137,712,983	110
Net provisions for outstanding losses	5,805,808,892	4,635,272,519	125
Equalisation provisions	1,282,555,686	788,326,100	163
Provisions for Bonuses and Rebates	739,975	192,253	385
Other Technical Provisions	335,456,547	355,181,953	94
- Provisions for Nuclear Risks	335,456,547	331,754,332	101
- Provisions for Unexpired Risks	0	23,427,621	0
TOTAL	9,775,014,436	7,916,685,807	123

CAPITAL ADEQUACY

The capital adequacy figures were calculated in accordance with Slovene insurance regulations. At the end of 2006, the minimum capital requirement stood at SIT 2,100 million whereas the Insurance undertaking's capital of Triglav Re amounted to SIT 3,966 million.

CAPITAL ADEQUACY

	SIT million 2006	SIT million 2005
Insurance undertaking's Capital	3,966	2,503
Minimum capital Requirements	2,100	1,795
Surplus	1,866	708

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 gross premium, thus the retrocession of risks from the group is of high importance.

The level of retrocession in 2006 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 2006 stood at 51.6%, 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	410,647,074	361,423,285	88.01%
Health insurance	7,549,745	7,549,745	100.00%
Land motor-vehicle insurance	2,297,336,648	1,577,006,937	68.65%
Railway rolling stock insurance	173,659,896	1,272,088	0.73%
Aviation insurance	152,849,249	30,729,159	20.10%
Ships insurance	114,315,819	109,034,123	95.38%
Insurance of transportation of goods	312,729,289	130,148,553	41.62%
Fire and natural disaster insurance	6,057,197,128	1,798,947,124	29.70%
Other damage to property insurance	3,161,715,473	1,758,789,516	55.63%
Motor-vehicle third party liability insurance	4,010,208,911	3,073,640,363	76.65%
Aviation liability insurance	274,717,445	20,762,198	7.56%
Ships liability insurance	20,726,491	17,854,324	86.14%
General liability insurance	468,100,968	241,321,660	51.55%
Credit insurance	353,275,052	232,921,742	65.93%
Suretyship insurance	121,943,470	11,833,670	9.70%
Miscellaneous financial loss insurance	349,370,833	85,168,242	24.38%
Legal expenses insurance	7,496,519	7,496,519	100.00%
Assistance insurance	50,612,415	18,195,836	35.95%
NON-LIFE INSURANCE TOTAL	18,344,452,425	9,484,095,082	51.70%
Life insurance	39,672,410	652,575	1.64%
NON-LIFE AND LIFE INSURANCE TOTAL	18,384,124,836	9,484,747,657	51.59%

Due to the afore-mentioned high retrocession level, we put particularly strong emphasis on the superior 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 in the most important classes, the 2006 underwriting result of Triglav Re was very satisfactory. The overall loss ratio (measured by net incurred losses to net earned premium) was 61.2%, which is a decent improvement compared to 66.4% in 2005. Among the more important classes (by premium volume) the most profitable classes were Motor Vehicle Third Party Liability with a loss ratio of 52.8%, Other property with 61.9% (both loss ratios distinctly lower than in 2005) and Fire with a loss ratio of 65.9% (a deterioration compared to the year before).

The biggest improvement in the result compared to 2005 was in Comprehensive Motor Vehicle Insurance and Motor Vehicle Third Party Liability, where the loss ratio decreased by 9 and almost 13 percentage points respectively. The reason for this is mainly the better results in the Slovene direct market from where most of the Motor premium originates. This improvement was caused by a slight growth in premium rates in some segments and a drop in the number of car accidents in 2006. It represents a continuation of a positive trend since the beginning of 2005, when the new road traffic safety law came into force.

LOSS RATIO BY CLASS

	Loss Ratio 2006	Loss Ratio 2005
Accident insurance	45.8%	59.7%
Health insurance	10.1%	104.1%
Land motor-vehicle insurance	66.4%	75.5%
Railway rolling stock insurance	0.0%	0.0%
Aviation insurance	31.8%	126.5%
Ships insurance	45.4%	29.2%
Insurance of transportation of goods	29.9%	50.9%
Fire and natural disaster insurance	65.9%	56.8%
Other damage to property insurance	61.9%	69.7%
Motor-vehicle third party liability insurance	52.8%	65.7%
Aviation liability insurance	34.9%	11.4%
Ships liability insurance	32.4%	-7.5%
General liability insurance	150.2%	142.4%
Credit insurance	52.6%	25.1%
Suretyship insurance	-5.1%	-467.1%
Miscellaneous financial loss insurance	86.5%	35.7%
Legal expenses insurance	5.0%	1.0%
Assistance insurance	105.0%	143.6%
Life insurance	9.0%	-1.2%
TOTAL	61.2%	66.4%

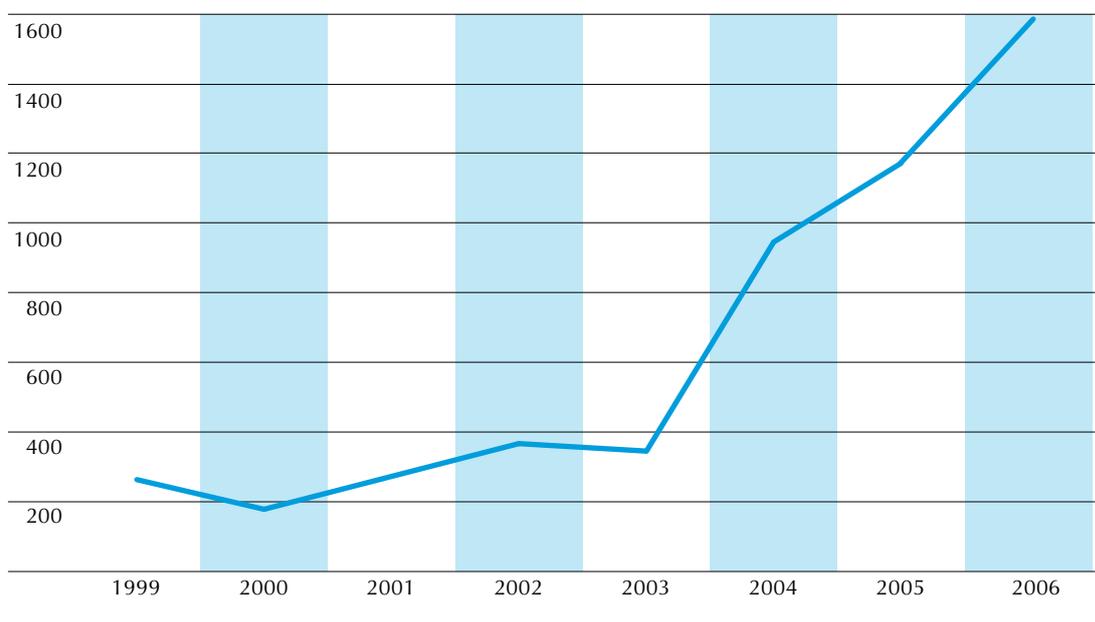
FINANCIAL RESULT

Triglav Re's operations were very successful in 2006. Gross profit amounted to SIT 1,589.2 million (index of 137 compared to 2005) and net profit was SIT 1,188.7 million (index of 138 compared to 2005). As at 31 December, 2006, balance sheet profit totalled SIT 3,105.3 million and also included net profit brought forward from previous years of SIT 1,916.6 million.

This good financial result is due to:

- favourable net total loss ratio,
- successful investments of financial assets,
- management of operating costs in Triglav Re in 2006.

PROFIT BEFORE TAX IN SIT MILLION



In the 2006 financial year, Triglav Re achieved a favourable loss ratio of 61.15%, which represents an improvement if compared to the previous financial year where the total loss ratio was 66.44%.

Triglav Re invested its assets successfully. The return on investments of the average assets covering technical provisions in 2006 was 4.74% (it was 5.36% in 2005 but it was calculated based on the book or purchasing value). If the calculation for 2006 had been based on the same value (purchasing value), the return on investments of average assets covering technical provisions would have been 5.05%.

The average return on investments of the average own assets in 2006 was 4.84% (it was 3.77% in 2005) Total income from investments in 2006 amounted to SIT 746,668 thousand (SIT 580,908 thousand in 2005). Expenditures on investments in 2006 equalled 146,219 thousand (SIT 76,451 thousand in 2005).

FINANCIAL RESULT INDICATORS

	2006	2005
Ratio between net losses incurred and net premium earned	61.2%	66.4%
Share of operating expenses in gross premium	2.3%	2.4%
Share of operating expenses in net premium	4.5%	5.6%
Share of commissions in net premium	18.1%	16.4%
Gross written premium per employee in '000 SIT	755.615	726.188
Return on investment per average total investment covering technical provisions	4.8%	5.4%

Operating expenses of the reinsurance company (according to natural classes) for 2006 equalled SIT 421,676 thousand which is an increase of 4.7% compared to 2005.

Operating expenses (according to natural classes) without including net reinsurance commissions represent only 2.29% of Triglav Re's gross premiums. In 2005 the share of these costs amounted to 2.43% of gross premiums.

FINANCIAL POSITION

Slovene Accounting Standards »SRS(2006)« which entered into force on 1 January, 2006, follow the guidelines of the International Accounting Standards. Due to changes brought about by the amended accounting standards, the data for 2005 are disclosed in two columns of the balance sheet. The first column contains the data according to SRS 2006 (the data as at 1 January, 2006) and in the second column the data as at 31 December, 2005 are stated. To enable useful comparisons in the continuation, all growth indices are based on the relationship between 31 December 2006 and 1 January, 2006.

The balance sheet total assets as at 31 December, 2006 equalled SIT 21,93 billion and compared to 2005 it increased by 37%. This indicates the improved financial situation of Triglav Re in 2006.

As at 31 December 2006, total capital stood at SIT 5,56 billion, meaning that it increased by 45 percent in comparison to 2005. In total assets in 2006, the share of capital rose to 25.4 percent.

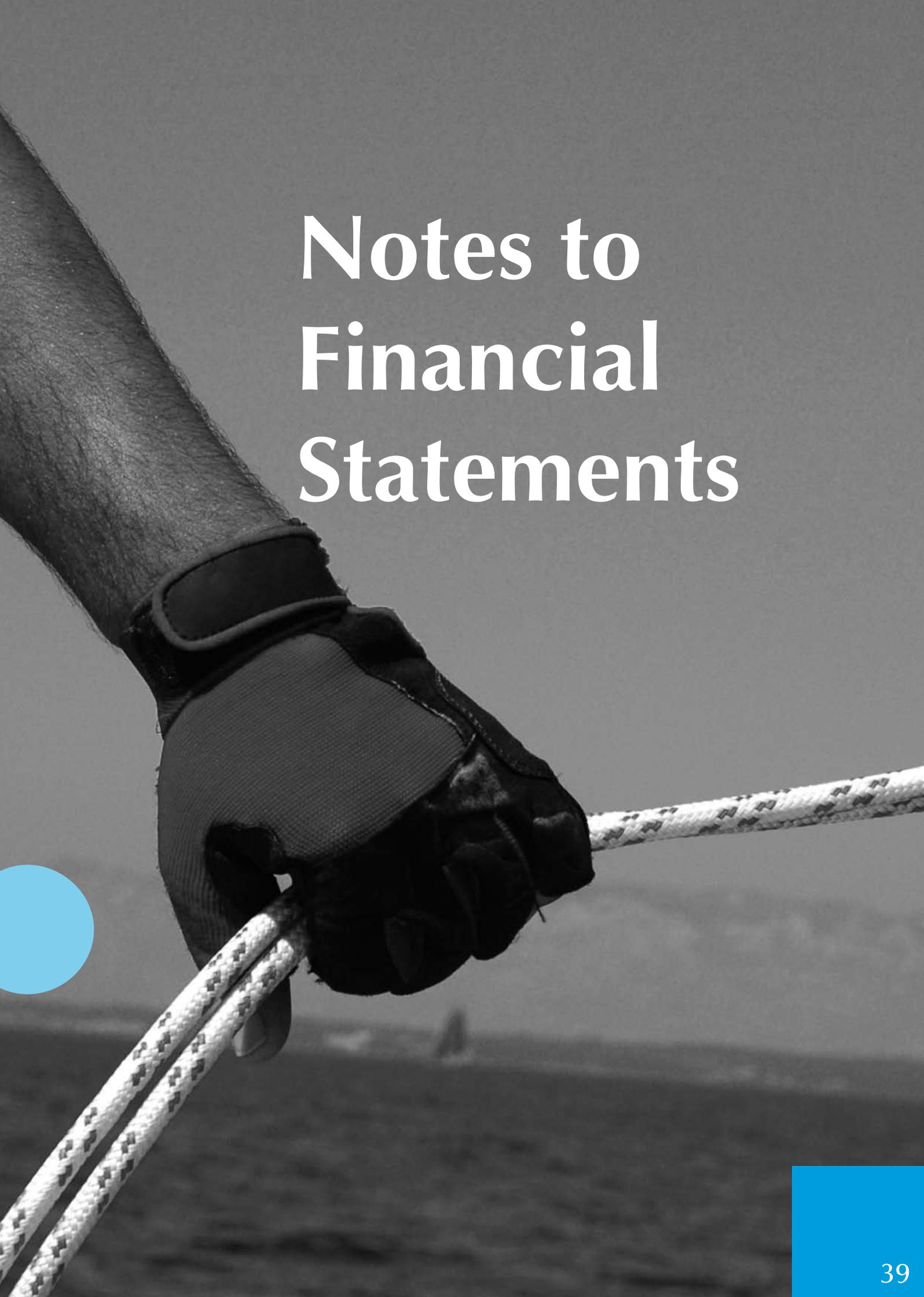
Net technical provisions, as at 31 December, 2006, amounted to SIT 9,8 million, which represented an increase of 23 percent compared to the year before.

FINANCIAL POSITION INDICATORS

	2006	2005
Capital in total liabilities	25.4%	23.9%
Available capital as a % of minimum capital	188.9%	139.5%
Net written premium as a % of average capital	201.7%	235.0%
Return on equity	25.3%	26.9%
Net technical provisions as a % of total liabilities	44.6%	49.3%
Net technical provisions as a % of net premium	105.4%	105.6%
Investment as a % of total assets	66.1%	70.2%
Ratio between investments and net technical provisions	148.2%	142.3%

4



A black and white photograph of a hand wearing a black sailing glove, firmly gripping a white rope. The background shows a blurred sea and sky. The text 'Notes to Financial Statements' is overlaid in white. There are two blue decorative elements: a circle on the left and a rectangle in the bottom right corner.

Notes to Financial Statements

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% 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, 2006 as well as the profit and loss account for 2006 and the indirect cash flow statement were compiled in line with Slovene Accounting Standards, the Companies Act, 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 tolaras at the mean exchange rate of the Bank of Slovenia as at the balance sheet date.

Notes to individual balance sheet items treat items exceeding 2% of total assets as material amounts. This threshold equals SIT 438,544 thousand in non-life insurance. The bases for the conversion of items included in the profit and loss account for 2006 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 the business event.

Notes to individual balance sheet items treat items exceeding 2% of total assets as material amounts. This threshold equals SIT 367,682 thousand in non-life insurance. 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% in 2006, the purchasing power of capital did not change. In spite of this, subparagraph 3.1.8. 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. The structure of financial investments as at 31 December, 2006 reflects conformity with legally set restrictions.

Foreign exchange risk also occurs with liabilities and receivables, especially from reinsurance abroad due to exchange rate fluctuations. Foreign exchange risk in relation to receivables and liabilities is reduced by reciprocation with the accounts of partners.

INTEREST RATE RISK

Interest rate 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 criterion 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. Triglav Re started to more actively manage interest rate risk by using derivative financial instruments, mainly swap contracts. The reinsurance company concluded a contract on hedging interest rate risk concerning one investment in a bond of EUR 347,800 or SIT 83,347 thousand.

CREDIT RISK

Credit risk is the risk that a client who has entered into an agreement on a financial instrument will fail to fulfil 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, 2006, the biggest single investment amounts to SIT 706,860 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 4,194,814 thousand. On international markets Triglav Re Reinsurance Company Ltd. mainly invests in investment class securities.

Domestic securities are underwritten by the Republic of Slovenia and are rated AA by Moody's Rating Agency. Investments in securities of RS, including treasury bills, represent 43% of all investments.

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 AND LONG-TERM DEFERRED ITEMS

Intangible fixed assets and long-term deferred items are evaluated according to their purchase value. The values of these assets are carried at historical cost and reduced by straight-line depreciation and any potential loss due to impairment.

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 are subject to depreciation when they may be put into use.

Intangible fixed assets include investments in the purchase of computer programmes for performing certain operating functions for a period exceeding one year and other acquired rights. The cost basis for depreciation 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% rate was applied. There was no revaluation of intangible fixed assets in 2006.

Within long term deferred items, long term deferred costs are disclosed.

TANGIBLE FIXED ASSETS

Tangible fixed assets are evaluated according to their purchase value. The values of these assets are carried at purchase value and reduced by straight-line depreciation and any potential loss due to impairment. The historical cost includes acquisition expenses and all other costs incurred in the process of putting the assets into use.

The base for depreciation is purchase value. 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. With tangible fixed assets with individual values less than EUR 500 depreciation is calculated collectively.

For calculation of depreciation of tangible fixed assets for 2006 the following depreciation rates were used – these did not change from the 2005 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 2006.

FINANCIAL INVESTMENTS

At initial recognition, financial investments are classified in the following groups of financial investments:

- financial assets at fair value through profit and loss
- financial investments held until maturity
- financial investments in loans
- financial investments available for sale.

Financial investments are initially recognised at fair value. Initially recognised values include transaction costs directly arising from the sale or issue of the asset. This does not apply to financial investments classified as assets carried at fair value through profit or loss.

With the purchase or sale of financial assets the trade date is taken into account.

Financial assets measured according to their fair value through profit and loss include financial assets used for trading and financial assets for which a market exists and whose value can be reliably measured. This group also includes derivative financial instruments. After initial recognition, financial investments need to be measured according to fair value and evidenced profit or loss is recognised in the profit and loss account via financial income and expenses. All dividends and interest received are also recognised in the profit and loss account. Financial investments in foreign currency are also restated and recognised in net financial cash flow.

Held-to-maturity financial investments are investments with fixed or determinable payments and fixed maturities that are held to maturity. After initial recognition, these investments are measured by using the effective interest method. Interest is recognised in the profit and loss account.

Financial investments in loans are non-derivative financial assets with fixed or determinable payments not quoted in an active market. These are investments in financial debts of other companies, the government or other issuers. After initial recognition these financial investments are measured at amortised cost using the effective interest method. Interest is recognised in the profit and loss account. The conversion of financial assets expressed in foreign currency is recognised in net financial cash flow.

After the initial recognition, financial investments classified as available for sale are measured based on their fair value. In such cases the profit or loss arising from the change of the fair value is recognised directly in capital as an increase (profit) or decrease (loss) of the surplus from revaluation. For financial investments in financial instruments whose price is not published by one of the functioning stock exchanges and whose fair value can not be reliably measured, financial investments are measured at their purchase value. The conversion of assets in foreign currency that are monetary items (debt securities and other securities with fixed return) is recognised in the profit and loss account. The conversions of other financial assets in foreign currency are disclosed directly in capital as surplus from revaluation.

Financial investments are disclosed as long-term or short-term in the balance sheet. Investments that are due within 12 months of the balance sheet date (31 December) are classified as short-term.

Revaluation of Financial Investments due to Impairment

If there is objective evidence on potential impairment of a financial investment (objective evidence on impairment due to events that impact estimated future financial flows, which can be reliably assessed), this financial investment is revalued due to impairment.

With financial investments carried at amortised cost, loss due to impairment is measured as the difference between the book value of the financial investment and the present value of anticipated future cash flows discounted according to the original effective interest rate. Any loss due to impairment is recognised in the profit and loss account as revalued financial outflow. If, in next period, the loss due to impairment increases (events after the recognition of impairment), this is recognised in the profit and loss account as revaluating financial income.

In financial investments in capital instruments where prices are not quoted in an active market, the loss due to impairment is measured as the difference between the book value of a financial investment and the present value of expected financial flows discounted by the current market yield of comparable financial investments. In the profit and loss account an impairment loss is recognised as revalued financial expense. Such impairment losses can not be cancelled.

In financial investments that are evaluated at fair value and are available for trading, the negative surplus from revaluation is reduced by the impairment loss and revaluating financial expenses are recognised.

Financial investments in assets covering non-life insurance provisions that are not financed from technical provisions are classified as:

- assets available for sale,
- financial investments in loans,
- and financial investment measured at fair value through profit and loss account.

Financial investments are revalued quarterly. The last valuation was carried out on 31 December, 2006.

FINANCIAL INVESTMENTS FROM REINSURANCE CONTRACTS WITH CEDANTS

Triglav Re has no financial investments from reinsurance contracts with cedants within the country; however it has them with two partners from retrocession received from abroad. 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 balance date.

RECEIVABLES

Receivables are initially recognised as assets arising from adequate documents, under the assumption that they will be paid.

Receivables denominated in foreign currencies were calculated into tolar according to the mean exchange rate of the Bank of Slovenia on the balance date. Collectibility of receivables was verified individually on the basis of the credit status of individual debtors and the maturity of receivables. In addition, the individual assessment of whether revaluation of receivables due to impairment is necessary is based on the data on partner's performance of obligations to the reinsurance company in the past. In this manner, it was established that balance date adjustments were not necessary.

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

CASH AT BANK AND IN HAND

Cash at bank and in hand denominated in the local currency is carried at nominal value. Foreign currency denominations and foreign cash are converted into tolar at the exchange rate as at the day they are received. Balances of foreign-currency accounts are converted at the mean exchange rate of the Bank of Slovenia as at the balance sheet date.

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

SHORT-TERM DEFERRALS

Short-term deferred items include short-term deferred expenses and temporarily uncharged income. Short-term deferred expenses are those amounts which, upon their occurrence, have influence on operating results. Temporarily uncharged income arises if the calculation of operating profit or loss duly took into account the income which still has to be charged and is therefore unrealised. Uncharged income comprises earnings on bonds and other fixed yield debt securities for the period from the last coupon maturity until the balance sheet date. In the calculations, the coupon market value as at the balance sheet date is taken into account. Differences between budgeted and earned income only arise due to exchange rate differentials if interest is denominated in a foreign currency.

Deferred items 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. Short-term accrued expenses include the 2006 audit fee provisions and provisions for the publication costs of the 2006 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 or non-cash contributions of capital subscribers are received. 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% 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, and unexpired risks, incurred but unreported losses (IBNR), incurred but under reported losses (IBNER) and provisions for bonuses and rebates were established in 2006.

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 only the risk of death is reinsured for life insurance and this 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 not reported losses (IBNR) and for incurred but not enough 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-C, Off. Journal of RS, No109/2006 and ZZavar-A, Off. 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 for the insurance class of credit insurance on 31 December 2006 was applied in compliance with the requirements of Article 9 of the above mentioned Decision (Off. Journal of RS No.85/2005). With other insurance classes the prescribed methodology of forming equalisation provisions on 31 December, 2006, for the previous financial year changed in accordance with ZZavar-C which, in Article 118, stipulates that equalisation provisions should only be formed for credit insurance. The transitional provisions of the same act also define that a reinsurance company needs to reduce equalisation provisions (except for credit insurance) to zero on 1 January, 2007. On 31 December 2006, Triglav Re formed equalisation provisions in the following manner: equalisation provisions as at 31 December 2007 equalled equalisation provisions as at 30 June 2006 (when ZZavar-C was not in force).

This did not apply to those insurance classes that were then written back. In accordance with the Act Amending the Insurance Act (ZZavar-A), Official Journal, no 21/2002, equalisation provisions for the insurance classes: accident insurance, health insurance, land motor vehicle insurance, motor TPL insurance, legal expenses insurance and travel assistance were no longer required and in some classes the conditions are no longer met. With insurance classes where the formation of equalisation provisions in line with paragraphs two and four, article 118 of the ZZavar is not necessary any more, Triglav Re wrote back 20% or 1/5. A five-year period of writing back was completed in 2005 for the insurance classes: land motor vehicle insurance, aircraft insurance and aircraft liability insurance. Writing back in insurance classes: accident insurance, railway insurance, motor TPL insurance, marine liability insurance, suretyship insurance, legal expenses insurance and travel assistance insurance was completed at the end of 2006 since the conditions for forming equalisation provisions in any of these insurance classes were not met again.

As at 31 December 2006 equalisation provisions were identical to formed equalisation provisions for credit insurance as at 31 Dec. 2006 and equalisation provisions as at 30 June, 2006, in the following insurance classes: marine insurance, fire and natural forces insurance, insurance of crops and fruits, other damage to property, general liability insurance and miscellaneous financial loss insurance.

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% of annual formation from 25% of value of assumed risks, which can increase by 50% 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. Compared to the previous year, the methodology of forming nuclear risks provisions in 2006 did not change.

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 the provision for unearned premiums. This provision was formed in insurance classes where the average share of claims exceeded 100% in the last three years. As at 31 December, 2006, an unexpired risk provision was not formed since the average share of claims in Triglav Re in the last three years did not exceed 100% in any of the insurance classes.

LIABILITIES

Liabilities are initially recognised at values arising from relevant underlying documents. Liabilities are reduced by amounts paid and any other settlements agreed with creditors and are increased by applicable interest (long-term borrowings).

Borrowings denominated in foreign currencies were calculated into tolar according to the mean exchange rate of the Bank of Slovenia on 31 December 2006. Liabilities from reinsurance business need to be settled according to underlying reinsurance contracts. Under these items, receivables from reinsurers for claims incurred and commissions due from reinsurers may be offset against liabilities for reinsurance premiums if all these categories involve the same reinsurer. The liabilities and receivables whose balances are offset must fall due on the same day. These receivables are regularly serviced and bear no interest. Other short-term liabilities are those to employees and from financing.

Liabilities are exposed to foreign exchange risk, but not to credit or interest risk. Liabilities for deferred tax are disclosed separately. These liabilities are not discounted.

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 value and profits on disposal of investments.

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 other 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 from reinsurance operations from ordinary activities, whereas net profit or loss for the accounting period is established on the basis described in the continuation.

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

Financial Investments

With the opening balance as at 1 January, 2006, Triglav Re classified all its financial investments with the exception of deposits into assets available for sale and valued them according to their market value. In the case of financial investments in financial instruments whose price is not published by one of the functioning stock exchanges and whose fair value can not be reliably measured, financial investments are measured at purchase value. Deposits were classified as financial investments in loans and were valued at amortised cost.

The difference between the purchase value and market value was recognised in capital as a surplus from revaluation. The sum of all surpluses from revaluation was subject to a value adjustment of surplus from revaluation of deferred taxes and a liability for deferred taxes was formed. Thus the difference between the position of financial investments as at 31 December, 2006, measured in line with SRS (2002) that were applicable in 2005 and in line with which financial statements for 2005 were prepared, and the investments measured in accordance with SRS(2006) amounted to SIT 703,230 thousand. As at 31 December, 2005, financial investments totalled SIT 10,318,566 thousand and when valued in accordance with changed accounting standards on 1 January, 2006, they equalled SIT 11,021,796 thousand. For these reasons, the changes were reflected in capital and amounted to SIT 527,422 thousand (the surplus from revaluation was SIT 703,230 thousand and the value adjustment of surplus from revaluation of deferred taxes equalled SIT 175,807 thousand) and in the item titled other liabilities the amount of SIT 175,807 thousand represented liabilities for deferred taxes.

As at 31 December, 2006, Triglav Re disclosed financial investments of SIT 14,231,029 thousand that were divided in three groups: financial investments available for sale, financial investments in loans and financial investments at fair value through profit and loss (structured debt securities).

In accordance with SRS 3 (2006), Triglav Re calculated interest from investments in debt securities classified as available for sale by using the effective interest method. The amount of adjustment in the financial year of 2006 totalled SIT 16,795 thousand.

Provisions for Jubilee Rewards and Redundancy Payments (at Retirement)

In 2006, provisions for jubilee rewards and redundancy payments (at retirement) were formed. The calculation of these provisions is made by using the actuarial evaluation method and by taking into account Slovene Accounting Standard 10 and International Accounting standard 19 and by taking into account the following actuarial assumptions:

- demographic assumptions (mortality rate and fluctuation) and
- financial assumptions (discount rate, inflation, increase in salaries).

Provisions were formed at the beginning of the year amounting to SIT 14,423 thousand and at the end of the year additional provisions of SIT 5,031 thousand were formed. Thus as at the balance sheet date, there were provisions totalling SIT 19,454 thousand of which SIT 1,159 thousand refer to jubilee rewards and SIT 18,294 thousand refer to redundancy payments (at retirement).

EQUALISATION PROVISION

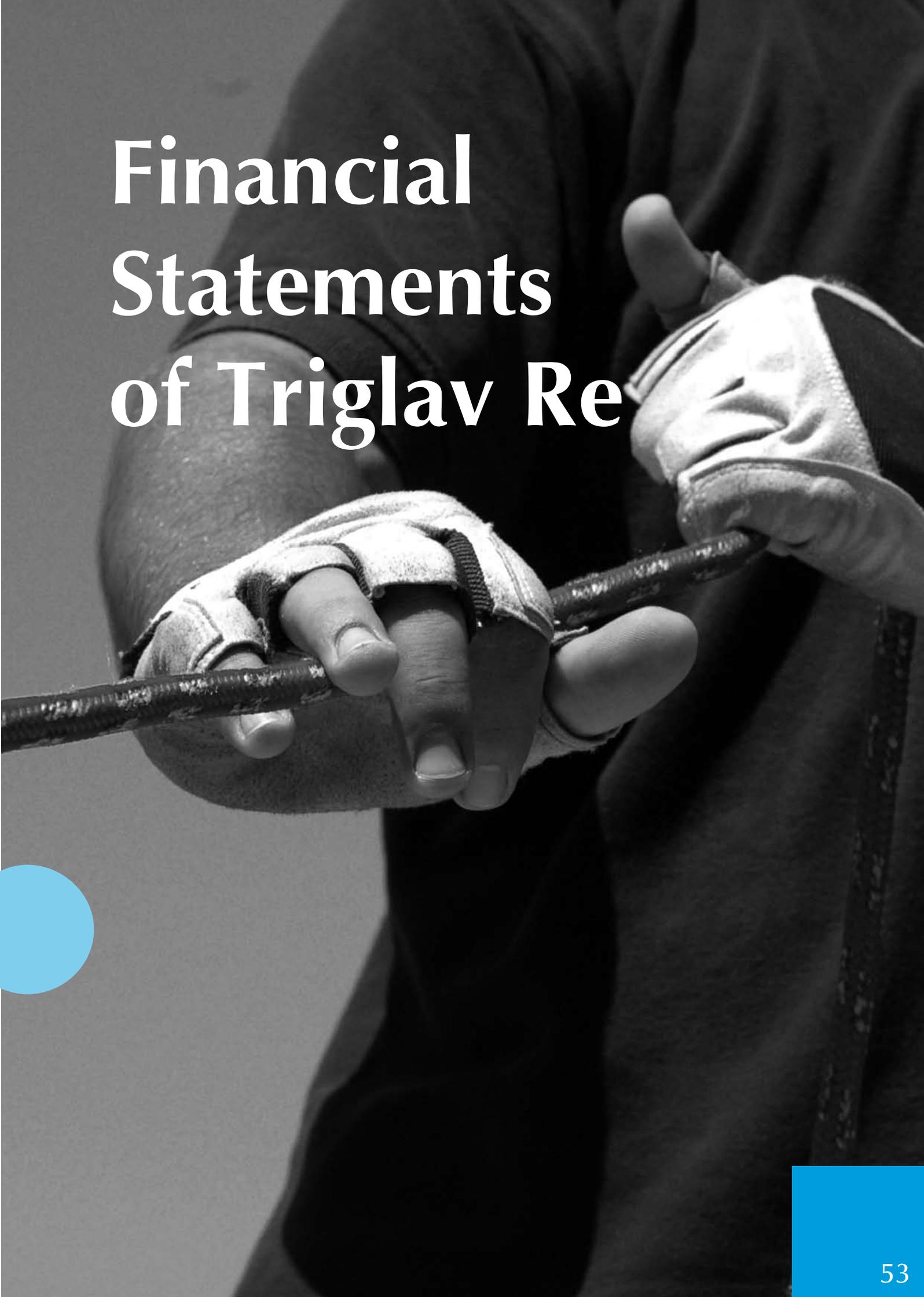
An equalisation provision was formed in compliance with the Act Amending the Insurance Act (ZZavar-C) that came into force on 28 July 2006 in the following way: equalisation provisions as at 31 December, 2006, are consistent with equalisation provisions as at 30 June, 2006, except for equalisation provisions in those insurance classes that were then written down. Writing down in the following insurance classes: accident insurance, railway insurance, motor TPL insurance, marine liability insurance, suretyship insurance legal expenses insurance and travel assistance insurance was completed at the end of 2006.

As at 31 December, 2006, equalisation provisions amounting to SIT 1,282,556 thousand equalled equalisation provisions for credit insurance that were formed (performed in compliance with ZZavar-C and the provisions of Article 9 of the Decision on detailed rules and minimum standards to be applied in the calculation of technical provisions – Off. Journal of RS, No 85/2005) on 31 December, 2006, (SIT 162,716 thousand) and the position of equalisation provisions as at 30 June, 2006, in the following insurance classes: marine insurance, fire and natural forces insurance, insurance of crops and fruits, other damage to property insurance, general liability insurance and miscellaneous financial loss insurance (total amount: SIT 1,119,840 thousand). Equalisation provisions in other insurance classes were written down by the end of the year or equalled zero at the beginning of the year and were not formed during 2006.

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

The term of office of president of the Board, Mr Benjamin Polak, expired on 26 February, 2006. Therefore, at its meeting on 9 January, 2007 the Supervisory Board, appointed a new chairman of the Board of management, Mr Gojko Kavčič, for a period of five years. On 5 March, 2007, the Insurance Supervision Agency awarded a licence to Gojko Kavčič to perform the function of chairman of the Board of management. Mr Polak continued to hold the office of chairman of the Board of management up to that date.

5



Financial Statements of Triglav Re

5. Financial Statements of Triglav Re

BALANCE SHEET AS AT 31 DECEMBER 2006

	in '000 of SIT as at 31/12-2006	in '000 of SIT as at 01/01-2006	in '000 of SIT as at 31/12-2005	index 31.12.06/ 1.1.06
ASSETS	21,927,193	16.046.135	15.342.905	137
A Intangible fixed assets	33,580	33.808	33.808	99
B Land, buildings and financial investments	14,486,095	11,263,108	10.559.878	129
I. Land and buildings	0	0	0	0
a) for direct insurance operations	0	0	0	0
b) other	0	0	0	0
II. Investments in the group and as sociated companies	0	0	0	0
III. Other financial investments	14,231,029	11,021,796	10.318.566	129
IV. Deposits with cedants	255,066	241.312	241.312	106
C Unit - linked investments	0	0	0	0
D Receivables	7,125,540	4.502.112	4.502.112	158
I. Receivables arising out of direct insurance operations	0	0	0	0
II. Receivables from co-insurance and reinsurance	7,105,081	4.476.720	4.476.720	159
III. Other receivables and receivables for deferred taxes	20,459	25.392	25.392	81
IV. Unpaid subscribed capital	0	0	0	0
E Other assets	17,490	20.170	20.170	87
I. Tangible fixed assets, except land and buildings	16,291	19.985	19.985	82
II. Cash	1,199	186	186	645
III. Own shares	0	0	0	0
IV. Inventories and other assets	0	0	0	0
F Deferred costs and accrued income	264,488	226.936	226.936	117
G Off- balance sheet items	83,347	0	0	0

BALANCE SHEET AS AT 31 DECEMBER 2006

	in '000 of SIT as at 31/12-2006	in '000 of SIT as at 01/01-2006	in '000 of SIT as at 31/12-2005	index 31.12.06/ 1.1.06
LIABILITIES	21,927,193	16,046,135	15,342,905	137
A Capital	5,563,775	3,840,910	3,327,911	145
I. Subscribed capital	750,000	750,000	750,000	100
II. Capital reserves	274,796	274,796	274,796	100
III. Reserves	273,123	273,123	273,123	100
IV. Equity revaluation adjustment	1,160,544	527,422	0	220
V. Retained net profit or loss carried forward from previous years	1,916,569	2,015,569	1,171,286	95
VI. Undistributed net profit/loss for the accounting period	1,188,743	0	858,706	0
B Subordinated liabilities	0	0	0	0
C Net technical provisions	9,775,015	7,916,686	7,916,686	123
I. Net provisions for unearned premiums	2,350,453	2,137,713	2,137,713	110
II. Net mathematical provisions	0	0	0	0
III. Net provisions for outstanding claims	5,805,809	4,635,273	4,635,273	125
IV. Net provisions for bonuses and discounts	740	192	192	385
V. Equalization provisions	1,282,556	788,326	788,326	163
VI. Other net technical provisions	335,457	355,182	355,182	94
D Net technical provisions - unit linked	0	0	0	0
E Provisions for other risks and expenses	19,454	14,423	0	135
F Liabilities for financial investments from reinsurers, based on reinsurance contracts with cedants	0	0	0	0
G Other liabilities	6,564,940	4,268,454	4,092,646	154
I. Liabilities arising out of direct insurance operations	0	0	0	0
II. Liabilities from co-insurance and reinsurance	6,011,381	3,915,986	3,915,986	154
III. Loans secured by debt securities with a fixed yield	0	0	0	0
IV. Bank loans	0	0	0	0
V. Other liabilities	553,559	352,468	176,660	157
H Accrued costs and deferred income	4,009	5,662	5,662	71
I Off-balance sheet items	83,347	0	0	0

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	in '000 of SIT 2006	in '000 of SIT 2005	index 06/05
A Technical account - non-life insurance, except health insurance			
I. Net premiums earned	9,272,007	7,192,391	129
II. Allocated investment return transferred from the non-technical account	520,129	475,222	109
III. Other net insurance income	0	0	0
IV. Net claims incurred	5,670,009	4,778,431	119
V. Change in other net technical provisions	-19,725	-44,311	45
VI. Net expenses for bonuses and discounts	548	-115	-
VII. Net operating expenses	2,079,246	1,568,888	133
VIII. Other net insurance expenses	21,113	19,535	108
IX. Change in equalization provisions	494,230	177,768	278
X. Result of the technical account for non-life insurance, except health insurance (I+II+III-IV+/-V-VI-VII-VIII+/-IX)	1,546,715	1,167,417	132
B Technical account - life insurance			
C Technical account - health insurance			
D Non technical account			
I. Result of the technical account for non-life insurance, except health insurance	1,546,715	1,167,417	132
II. Result of the technical account for life insurance	0	0	0
III. Result of the technical account for health insurance	0	0	0
IV. Investment income	746,669	580,908	129
V. Allocated investment return transferred from the technical account of life insurance	0	0	0
VI. Allocated investment return transferred from the technical account of health insurance	0	0	0
VII. Investment expenses	146,219	76,451	191
VIII. Allocated investment return transferred to the technical account of non-life insurance, except health insurance	520,129	475,222	109
IX. Other operating income	0	0	0
X. Other operating expenses	0	0	0
XI. Other income	2,385	1,836	130
XII. Other expenses	40,175	41,039	98
XIII. Corporate income tax	402,930	304,854	132
XIV. Other taxes not included in preceding items	2,427	6,111	40
XV. Net profit or net loss for the accounting period	1,188,743	858,706	138

6



Audit Report



6. Audit Report

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers d.o.o.

Cesta v Kleče 15, 1000 Ljubljana

Telefon: (01) 583 6000

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AUDIOTOR'S REPORT INTENDEND FOR PUBLIC ANNOUNCEMENT OF SUMMARIZED FINANCIAL STATEMENTS

We have audited the financial statements of the Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2006, in accordance with the International Standards on Auditing. In our report dated 19 April 2007 we expressed an unqualified opinion on the financial statements, from which the summarized financial statements were derived, that those in all material respects present a true and fair value of the financial position of Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2006, and of the results of its operations and changes in financial position for the year then ended in accordance with Slovenian Accounting Standards.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

Ljubljana, 30 July 2007

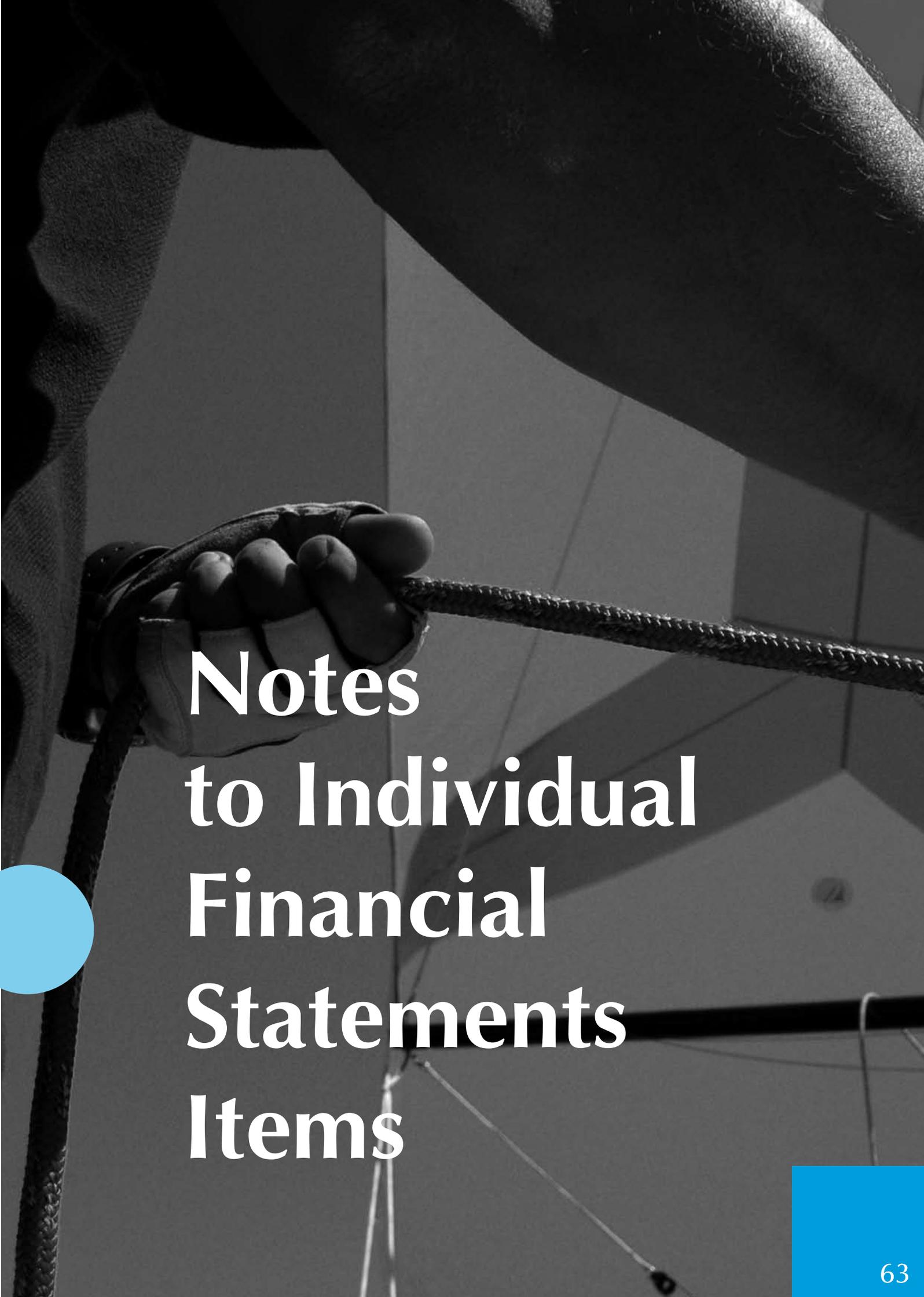
PricewaterhouseCoopers d.o.o.

Jože Plevnik

Member of the board / Certified Auditor

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





Notes to Individual Financial Statements Items

7.

Notes to Individual Financial Statements Items

7.1. BALANCE SHEET ON 31 DECEMBER 2006

7.1.1. INTANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS				
	in '000 SIT Historical cost	in '000 SIT Value adjustment	in '000 SIT Residual value	% Depreciation rate
31 Dec., 2006				
Software	84,735	-51,155	33,580	20
Other intangible fixed assets	0	0	0	0
Total - 2006	84,735	-51,155	33,580	20
31 Dec., 2005				
Software	71,519	-37,711	33,808	20
Other intangible fixed assets	0	0	0	0
Total - 2005	71,519	-37,711	33,808	20

As at 31 December, 2006, the net book value of other intangible assets totalled SIT 33,580 thousand and is related to software for performing specific functions. In 2005, the value was SIT 33,808 thousand.

MOVEMENTS OF INTANGIBLE FIXED ASSETS

	in '000 SIT
As at 31 Dec., 2005	33,808
Acquisition	13,216
Disposal	0
Depreciation	-13,444
As at 31 Dec., 2006	33,580

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

7.1.2. OTHER FINANCIAL INVESTMENTS

OTHER FINANCIAL INVESTMENTS							
	31 Dec., 2006		1 Jan., 2006		31 Dec., 2005		Index 31 Dec./ 1 Jan. 06
	in '000 SIT	in %	in '000 SIT	in %	in '000 SIT	in %	
Investments in shares, other							
floating rate securities,	2,175,602	15.29	767,748	7.0	571,683	5.6	283.4
Debt and other fixed rate							
securities	10,454,935	73.47	8,746,102	79.4	8,306,257	80.5	189.5
Participation in investment funds	504,745	3.54	338,538	3.1	271,218	2.6	149.1
Mortgage loans	0	0	0	0	0	0	0
Loans collateralised by other							
pledged assets	0	0	0	0	0	0	0
Other loans	0	0	0	0	0	0	0
Deposits with banks	1,095,747	7.70	1,169,408	10.6	1,169,408	11.3	93.7
Other financial investments	0	0	0	0	0	0	0
Total other financial investments	14,231,029	100.00	11,021,796	100	10,318,566	100.0	129.1

The largest total investment into one financial organisation (Factor banka d.d.) is SIT 706,860 thousand and consists of two bonds issued (FB14 in FB10) and two deposits.

Investments with related companies were SIT 547,082 thousand, of which the investment with Abanka Vipa d.d. amounts to SIT 448,900 thousand (deposit: SIT 200,000 thousand, bond AB11: SIT 248,900 thousand). The total investment with Triglav Insurance Company Ltd. amounts to SIT 98,182 thousand (the Steber 1 Mutual Fund SIT 16,835 thousand, and the Evropa Mutual Fund SIT 81,347 thousand).

MOVEMENTS OF FINANCIAL INVESTMENTS

	in '000 SIT Shares and funds	in '000 SIT Bonds	in '000 SIT Deposits
PURCHASE VALUE			
As at 1 Jan., 2006	842,901	8,306,257	1,169,409
Increase	611,116	5,008,234	13,165,532
Decrease	-59,951	-2,893,629	-13,234,705
Revaluation to market value	1,286,281	36,589	0
Other revaluation	0	-2,517	-4,489
As at 31 Dec., 2006	2,680,347	10,454,935	1,095,747
RESIDUAL VALUE			
As at 31 Dec., 2005	842,901	8,306,257	1,169,409
As at 31 Dec., 2006	2,680,347	10,454,935	1,095,747

Costs of investment purchases are added to the purchase value of a security.

7.1.2.1. Shares and other floating rate securities

SHARES AND OTHER FLOATING RATE SECURITIES		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	1 Jan., 2006
Purchase value	1,019,787	571,683
Value adjustment	1,155,815	196,065
Net value	2,175,602	767,748
Investments in shares in Slovenia	657,761	101,558
Investments in shares abroad	1,517,841	366,190
- in EU member states	582,696	147,355
- in OECD member states	0	0
- in other countries	935,145	218,835
Total	2,175,602	767,748

At the cut-off date of 31 December 2006, Triglav Re did not have any capital investments which exceeded a 10% 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% share in the capital, the investment in Metals banka a.d., Novi Sad represents the most significant share. Our share of Metals banka a.d is 2.19% of capital.

The largest total investment in shares and other variable return securities amounts to SIT 808,889 thousand, namely investment in shares of Metals banka whose value significantly increased in December 2006 when it was quoted on the Belgrade Stock Exchange. Investments in shares are subject to foreign exchange, interest rate and credit risk (see point 2.3.).

7.1.2.2. Shares in investment funds

SHARES IN INVESTMENT FUNDS			
	in '000 SIT		
	31 Dec., 2006		in '000 SIT
			1 Jan., 2006
Purchase value	400,160		271,218
Value adjustment	104,585		67,320
Net value	504,745		338,538
Shares in investment funds in Slovenia	237.867		209.297
Shares in investment funds abroad	266.878		129.240
- in EU member states	231.881		109.151
- in OECD member states	0		0
- in other countries	34.997		20.090
Total	504.745		338.538

In 2006, investment fund investments disclosed in the balance sheet were SIT 504,745 thousand.

The largest amount within investments in investment funds is the investment in the NF1N Investment Fund of SIT 141,202 thousand. In the overall structure, the largest share is represented by investments in Slovene investment companies.

Investments in shares of investment funds are subject to foreign exchange, interest rate and credit risk (see point 2.3.).

7.1.2.3. Debt securities and other fixed rate securities

DEBT SECURITIES AND OTHER FIXED RATE SECURITIES		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	1 Jan., 2006
Purchase value	10.265.451	8.306.257
Value adjustment	189.484	439.845
Net value	10.454.935	8.746.102
Investments in debt securities in Slovenia	8,044,839	8,264,587
Investments in debt securities abroad	2,410,096	481,514
- in EU member states	1,735,155	418,071
- in OECD member states	414,323	0
- in other countries	260,618	63,443
Total	10,454,935	8,746,102

Debt securities increased by 19.56% compared to last year and they represent the largest share of all financial investments. As at 31 December, 2006, they amounted to 73.5%. Structurally, the largest share of all debt securities is represented by bonds issued by the Republic of Slovenia; these are followed by bonds of foreign issuers and bonds issued by banks.

Investments in debt securities abroad are represented by bonds of eighteen foreign issuers. The bond BYIF12 issued by Bayer AG is the biggest and equals SIT 385,054 thousand. Among foreign bonds there are 6 structured securities totalling SIT 726,301 thousand (CHESS16A, NOVAKBM49, PEMBR41F, CORTEX13, CLOVE16, BACA13).

The largest investment in debt securities refers to two debt securities of one issuer (Factor banka d.d.) and amounts to SIT 509,760 thousand.

Investments in debt securities are subject to foreign exchange, interest rate and credit risk (see point 2.3.).

7.1.2.4. Bank deposits

BANK DEPOSIT		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Short-term		
- purchase value	995,747	569,408
- value adjustment	0	0
- net value	995,747	569,408
Long-term	100,000	600,000
Total	1,095,747	1,169,408
Deposits given to banks in the Republic of Slovenia	1,078,972	1,169,408
Deposits given to banks abroad	16,775	0
- in a member state of the EU	16,775	0
- in a member country of the OECD, which are not members of the EU	0	0
- in third countries	0	0
Total	1,095,747	1,169,408

Deposits decreased by 6.3% this year and they represent 7.7% of all other financial investments.

Taking into account the legal restrictions, deposits were given to eight 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 agreed nominal interest rates ranging from 2.85% to 4.65% depending on the amount and maturity of deposited assets. Two deposits were long-term when concluded, but as at balance sheet date they were classified as short-term due to the fact that they were to fall due the following year. They are also valued according to the base interest rate determined by the Bank of Slovenia. At the end of the year there were also two foreign currency deposits with interest rates from 2.90 % and 4.65%. The short-term deposit portfolio also includes a Certificate of deposit amounting to SIT 200,000 thousand.

There is a long-term deposit of SIT 100,000 thousand with 4.10% interest rate. As at 31 December 2006, the largest deposit investment with a single bank is SIT 300,000 thousand.

Investments in deposits are also subject to foreign exchange, interest rate and credit risk (see point 2.3.).

7.1.2.5. Financial investments which represent subordinated instruments with the issuer

At the end of the year there are three investments in the company's portfolio which represent subordinated instruments with the issuer, i.e. the Postal Bank of Slovenia 2nd edition bond (PBS2) of SIT 29,250 thousand, ING Bank bond (NOVKBM49) of SIT 71,748 thousand and Banka Domžale bond (BDOM13) of SIT 83,347 thousand.

7.1.2.6 Due Receivables from Financial Investments

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. 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 or Supervisory Board.

7.1.2.8. 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 11,881,901 thousand whereas net technical provisions amount to SIT 9,775,014 thousand. Therefore it can be established that assets covering technical provisions exceed the legally prescribed minimum amount of investments by SIT 2,106,887 thousand. It also needs to be considered that as at 31 December, 2006, 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 is otherwise allowed according to the Insurance Act and secondary legislation. This year Triglav Re also includes provisionally uncharged revenues from interest on investments covering technical provisions and the position of sight accounts.

STRUCTURE OF INVESTMENTS COVERING TECHNICAL PROVISIONS

Type of Investment	31 Dec., 2006		1 Jan., 2006	
	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	11,637,958	97.9	10,294,232	100.0
1. Shares and other floating rate return securities and coupons in mutual funds	850,374	7.2	567,194	5.5
1. Shares in investment funds	469,748	4.0	300,167	2.9
2. Bonds issued by the Republic of Slovenia	6,254,833	52.6	6,624,294	64.3
3. Bonds of commercial banks	942,694	7.9	1,151,188	11.2
4. Bonds of other companies	249,410	2.1	481,981	4.7
5. Foreign bonds	1,775,152	14.9	0	0
6. Certificates of deposit	200,000	1.7	200,000	1.9
7. Deposits	895,747	7.5	969,408	9.4
Accrued interest from securities	242,745	2.0	0	0
Sight accounts	1,198	0.0	0	0
Total	11,881,901	100.0	10,294,232	100.0

It is evident from the structure of investments covering technical provisions that the investment policies of Triglav Re are 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 2006 amounts to 4.74% and is calculated in the following manner:

$$(\text{Revenues} - \text{expenditures from investments from technical provisions}) * 100 / \text{average value of investments covering technical provisions} = \text{SIT } 520,129 \text{ thousand} * 100 / \text{SIT } 10,966,694 \text{ thousand} = 4.74\%$$

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.

The average value of investments is calculated as an arithmetic mean of the value of investments of assets covering technical provisions according to fair value and excluding accrued interest from securities.

In the structure of all technical provision investments, 89.4% are on-market investments and the balance is off-market investments. These include securities which are not quoted on regulated Stock Exchanges, representing 0.7% of all technical provision investments and, bonds, representing 0.7% of all technical provision investments for which, in the prospectus, the issuer declared that they would be quoted on the Stock Exchange but as of 31 December, 2006, this was not the case. The third off-market investment group is deposits representing 9.2% 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 bonds BYIF12 totalling SIT 385,054 thousand.

7.1.2.9. Disclosure of the difference between the market and the purchase value of investments

DISCLOSURE OF THE DIFFERENCE BETWEEN THE MARKET AND THE PURCHASE VALUE OF INVESTMENTS			
	in '000 SIT	in '000 SIT	in '000 SIT
	Purchase value as at 31 Dec., 2006	Fair value as at 31 Dec., 2006	Surplus from revaluation
Security			
EUR4	200,776	221,623	20,847
EUR5	238,657	253,803	15,145
RS18	72,323	76,709	4,385
RS26	14,049	15,169	1,120
RS29	1,319	1,416	97
RS31	324,900	302,850	-22,050
RS38	12,017	13,276	1,259
RS54	935,566	1,000,798	65,232
RS56	200,259	205,800	5,541
RS57	348,201	368,585	20,384
RS58	397,330	396,800	-530
RS59	1,010,156	1,002,981	-7,175
RS60	400,360	394,040	-6,320
RS61	756,591	768,144	11,553
RS62	1,213,834	1,232,840	19,006
AB11	248,900	248,900	0
FB10	150,000	150,300	300
KBM7	148,665	152,550	3,885
NLB8	77,918	76,132	-1,785
NLB15	196,560	202,215	5,655
PBS2	29,120	29,250	130
SOS2E	206,097	249,410	43,313
CITMOS	99,741	99,107	-633
JPM21	96,005	94,457	-1,548
CAF11	60,114	60,126	12
DT11a	118,316	117,747	-569
DCX09	119,874	118,861	-1,013
ALZ12	192,441	205,592	13,151
BYIF12	392,850	385,054	-7,797
ELEPOR16	118,797	120,910	2,114
GS15	79,779	81,509	1,729
NLB	35,548	76,213	40,665
AELG	10,649	14,274	3,625
CICG	9,849	10,638	789
GRVG	3,032	9,260	6,228
IEKG	12,658	14,485	1,827
IFFR	2,275	2,868	593
KRKG	63,665	271,930	208,265
LKPG	9,984	13,565	3,581
MER	10,263	15,325	5,062
PETG	11,030	41,426	30,397

DISCLOSURE OF THE DIFFERENCE BETWEEN THE MARKET AND THE PURCHASE VALUE OF INVESTMENTS

	in '000 SIT Purchase value as at 31 Dec., 2006	in '000 SIT Fair value as at 31 Dec., 2006	in '000 SIT Surplus from revaluation
Security			
PILR	15,640	24,402	8,762
ZTOG	2,780	4,302	1,522
IFHR	507	266	-241
IFDR	669	1,137	468
IFIR	21,292	22,872	1,580
KDIR	20,588	21,907	1,319
MAIR	20,111	22,953	2,842
NF1N	80,964	141,202	60,238
SN0G	20,266	25,075	4,809
ZVIR	826	2,720	1,894
MDAXEX	120,102	128,759	8,657
IJPN	95,176	103,122	7,946
VSRZBOST	141,045	192,613	51,569
PBGS	20,879	50,657	29,778
VSSTEBER	12,854	16,835	3,980
VSEVROPA	68,965	81,347	12,382
LBSACH07	200,100	199,940	-160
A2007	3,928	4,586	658
A2008	3,929	4,651	723
A2009	3,929	4,777	849
A2010	4,894	5,977	1,082
A2011	4,601	5,859	1,258
A2012	5,870	7,662	1,792
A2013	5,879	8,041	2,162
A2014	6,502	9,229	2,727
A2015	5,854	8,239	2,385
BRAZIL12	145,872	141,471	-4,400
ADRSPA	4,787	6,968	2,181
BHTSR	4,778	14,401	9,623
BOSNARE	6,126	7,964	1,838
BSNLRR	14,476	41,946	27,470
ERNTRA	8,993	27,298	18,305
MTLC	1,836	6,510	4,674
PODRRAPL	9,398	21,169	11,771
EFNFR	445	386	-59
HRBFR	9,643	18,696	9,053
NPRFRK1	10,079	15,915	5,836
DWSBPLC	233,918	273,258	39,340
METAB	177,062	808,889	631,828
Skupaj	10,146,026	11,600,939	1,454,913

In the chart above there is a list of all investments quoted on regulated stock exchanges and their value can be determined respectively. As at 31 December, 2006, the difference between the market and book value of investments equalled SIT 1,449,883 thousand.

The difference between the purchase value and fair value of structured debt securities totalling a negative sum of SIT 5,030 thousand is not included in the chart since it is already included in profit and loss account for 2006. In 2006, the impact of the use of effective interest rate amounted to SIT 16,795 thousand upon the recognition of the interest of investments in bonds.

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 securities that are not quoted on the Stock Exchange and their fair value cannot be determined, the purchase value is considered to be the fair value. Fair value for deposits is the original deposit value using the effective interest method.

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

No assets were pledged.

7.1.3. RECEIVABLES FROM REINSURANCE

RECEIVABLES FROM REINSURANCE		
	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Receivables from reinsurance premium		
- gross value	4,185,920	2,018,825
- value adjustment	0	0
- residual value	4,185,920	2,018,825
Receivables from reinsurance premium from retrocession		
- gross value	666,597	1,215,626
- value adjustment	0	0
- residual value	666,597	1,215,626
Receivables from commission against the reinsurance companies		
- gross value	727,724	431,957
- value adjustment	0	0
- residual value	727,724	431,957
Receivables from participation in claims		
- gross value	1,524,839	810,312
- value adjustment	0	0
- residual value	1,524,839	810,312
Total	7,105,080	4,476,720
Receivables from reinsurance premium		
- from companies in the group	4,167,633	2,012,740
- from associated companies	0	0
- from third parties	18,287	6,085
Receivables from reinsurance premium from retrocession		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	666,597	1,215,626
Receivables from commission from reinsurance companies		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	727,724	431,957
Receivables from participation in claims		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	1,524,839	810,312
Total	7,105,080	4,476,720

RECEIVABLES FROM REINSURANCE

	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Receivables from reinsurance premium	4,185,920	2,018,825
- in Slovenia	2,598,852	2,005,746
- abroad	1,587,068	13,097
Receivables from reinsurance premium from retrocession	666,597	1,215,626
- in Slovenia	13,161	18,031
- abroad	653,436	1,197,595
Receivables from commission from reinsurance companies	727,724	431,957
- in Slovenia	53,534	28,445
- abroad	674,190	403,512
Receivables from participation in claims	1,524,839	810,312
- in Slovenia	65,563	35,186
- abroad	1,459,276	775,126
Total	7,105,080	4,476,720

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 receivable 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.

7.1.3.1 Maturity of Receivables from Reinsurance

MATURITY OF RECEIVABLES FROM REINSURANCE

	in '000 SIT 31 Dec., 2006	in '000 SIT as a %
up to 30 days		
from 31 to 90 days	165,439	2,3%
over 90 days	6,939,056	97,7%
TOTAL	586	0,0
	7,105,080	100,0

7.1.4. OTHER RECEIVABLES AND DEFERRED TAXES

OTHER RECEIVABLES AND DEFERRED TAXES		
	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Other short-term receivables from reinsurance operations		
- gross value	5	5
- value adjustment	0	0
- residual value	5	5
Short-term receivables from financing		
- gross value	11,868	7,808
- value adjustment	0	0
- residual value	11,868	7,808
Other short-term receivables		
- gross value	48	11,468
- value adjustment	0	0
- residual value	48	11,468
Long-term receivables		
- gross value	0	0
- value adjustment	0	0
- residual value	0	0
Deferred taxes		
- gross value	8,538	6,111
- value adjustment	0	0
- residual value	8,538	6,111
Total	20,459	25,392
Other short-term receivables from reinsurance operations		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	5	5
Short-term receivables from financing		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	11,868	7,808
Other short-term receivables		
- from companies in the group	48	48
- from associated companies	0	0
- from third parties	0	11,420
Long-term receivables		
- from companies in the group	0	0
- from associated companies	0	0
- from third parties	0	0
Deferred Taxes		
	8,538	6,111
Total	20,459	25,392

OTHER RECEIVABLES AND DEFERRED TAXES

	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Other short-term receivables from reinsurance operations	5	5
- in Slovenia	0	0
- abroad	5	5
Short-term receivables from financing	11,868	7,808
- in Slovenia	11,868	7,808
- abroad	0	0
Other short-term receivables	48	11,468
- in Slovenia	48	11,468
- abroad	0	0
Long-term receivables	0	0
- in Slovenia	0	0
- abroad	0	0
Deferred receivables for taxes	8,538	6,111
Total	20,459	25,392

Receivables are short-term. Triglav Re impairs receivables based on individual assessments of the financial position and solvency of debtors. As at 31 December, 2006, impairment of receivables was not necessary. Triglav Re reports deferred taxes of SIT 8,538 thousand arising from temporary differences due to revaluation of financial investments. A part amounting to SIT 4,348 thousand refers to temporary differences due to revaluation and the other part is related to the temporary difference in forming provisions for jubilee rewards and redundancy payments (at retirement). The amount of SIT 4,190 thousand refers to temporary differences due to revaluation of financial investments in 2005.

7.1.4.1 Maturity of other Receivables and Deferred Taxes

MATURITY OF RECEIVABLES FROM REINSURANCE

	in '000 SIT 31 Dec., 2006	in '000 SIT as a %
up to 30 days		
from 31 to 90 days	11,921	58.3%
over 90 days	0	0%
TOTAL	8,538	41.7%
	20,459	100.0%

7.1.5. TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS

7.1.5.1. Tangible Fixed Assets except Land and Buildings

TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS		
	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Equipment		
- purchase value	65,027	65,226
- value adjustment	-48,736	-45,241
- residual value	16,291	19,985
Other inventory		
- purchase value	2,502	1,624
- value adjustment	-2,502	-1,624
- 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
Total	16,291	19,985

7.1.5.2. 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., 2005	19,985
Acquisitions	6,076
Disposals	-4,217
Depreciation	-5,553
As at 31 Dec., 2006	16,291

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.

7.1.6. CASH IN BANK AND IN HAND

CASH IN BANK AND IN HAND		
	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Foreign currency accounts	459	171
Cash in giro and current accounts	740	10
Tolar cash in hand	0	5
Total	1,199	186

7.1.7. DEFERRED ITEMS

DEFERRED ITEMS		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Accrued interest	260,508	223,529
Deferred cost of insurance contract acquisition	0	0
Other deferred items	3,980	3,407
Total	264,488	226,936

Among the short-term deferred items, deferred interest on deposits and securities totalling SIT 260,508 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 2007 amounting to SIT 3,447 thousand.

At the end of last year, deferred items consisting temporarily uncharged interest income totalled SIT 223,529 thousand and were charged upon actual payments of interest on individual investments. The major part of other deferred items disclosed there is the first part of the membership fee to the Slovenian Insurance Association for 2006.

7.1.8 OFF-BALANCE SHEET ITEMS

Off-balance sheet items include potential liabilities and receivables of Triglav Re amounting to SIT 83,347 thousand that refer to the contract on interest rate swap whose purpose is to hedge interest rate risk of one of the investments in bonds.

7.1.9 CAPITAL

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

Net profit of 2005 amounted to SIT 858,706 thousand. According to the General Meeting resolution of 30 June, 2006, SIT 99,000 thousand was distributed in dividend payments from unallocated profit from 2001 and 2002. Dividends paid out represent a 4% dividend calculated according to capital. The General Meeting adopted a resolution that the remaining part of balance sheet profit remained unallocated.

Net profit for 2006 amounts to SIT 1,188,743 thousand. The statement of capital movement is shown in 1.5 of this report and the statement of distribution of balance sheet profit is presented in 1.4 of this report. Capital adjustment for preserving the purchasing power of the capital:

CAPITAL ADJUSTMENT FOR PRESERVING THE PURCHASING POWER OF THE CAPITAL

	As at 1 Jan., 2006	Revaluation with the value of EUR 0.0003	Revaluation with Consumer Price Index 0.028
Capital	750,000	225	21,000
Capital reserves	274,796	82	7,694
Reserves from profit	273,123	82	7,647
General capital revaluation adjustment	1,160,544	348	32,495
Net profit brought forward from previous years	2,029,992	609	56,840
Payments of remunerations and dividends	-99,000	-30	-2,772
Provisions for jubilee awards and redundancy payments	-14,423	-4	-404
TOTAL CAPITAL	4,375,032	0	0
General revaluation adjustment		1,312	122,500

Assuming that provisions for jubilee rewards and redundancy payments were set aside on 1 January, 2006 and dividends paid out on 1 January, 2006, profit/loss was calculated according to the value of EUR and the growth of consumer goods prices in 2006. Since the value of EUR did not increase by more than 5.5% in 2006, the purchasing power of capital did not change. Assuming that the capital in 2005 had been revalued in accordance with the value of EUR, the profit would have decreased by SIT 1,312 thousand, and if a general capital revaluation adjustment based on the growth of consumer goods prices had been made, the business result would have been reduced by SIT 122,500 thousand.

Triglav Re has capital reserves formed in the amount of SIT 274,796 thousand. Profit reserves at the end of 2006 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. Statutory reserves can be formed up to 20% of the share capital of the company. They are formed by the Board by allocating 5% 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. Statutory reserves can be used for covering the net loss of the financial year, for reserves for its own treasury share or to increase share capital from the company's assets. Other profit reserves were formed to strengthen capital adequacy. Triglav Re has capital reserves formed of SIT 130,135 thousand representing share premiums received. The amount of SIT 144,661 thousand represents a revaluation adjustment of share capital that on 1 January, 2006, was shifted under capital reserves due to changed accounting standards.

The Management Board of Triglav Re is authorised to increase subscribed capital by 50% 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 2006.

7.1.9.1 Net technical provisions

NET TECHNICAL PROVISIONS					
	31 Dec., 2006		31 Dec., 2005		Index (06/05)
	in '000 SIT	in %	in '000 SIT	in %	
Net unearned premiums	2,350,453	24.0	2,137,713	27.0	110
Net provisions for outstanding losses	5,805,809	59.4	4,635,273	58.5	125
Net provisions for bonuses and rebates	740	0.0	192	0.0	385
Equalisation provisions	1,282,556	13.1	788,326	10.0	163
Other net technical provisions	335,457	3.5	355,182	4.5	94
TOTAL NET TECHNICAL PROVISIONS	9,775,014	100.0	7,916,686	100.0	123

7.1.9.2 Net Unearned Premium

NET UNEARNED PREMIUM		
	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2006
Unearned premiums before reduction		
by costs of insurance acquisition	3,415,776	3,038,397
Reduction by proportional share of costs of insurance acquisition	0	0
Provisions from accepted co-insurance	0	0
Reinsurers' share	-1,065,323	-900,684
Net unearned premium	2,350,453	2,137,713

7.1.9.3 Net Provisions for Outstanding Losses

NET PROVISIONS FOR OUTSTANDING LOSSES		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Claims provisions for IBNR		
- gross provisions	3,438,875	3,033,390
- reinsurers' share	-145,531	-29,377
- net provisions	3,293,344	3,004,012
Provision for reported claims		
- gross provisions	4,486,808	3,493,079
- reinsurers' share	-1,974,343	-1,861,819
- net provisions	2,512,465	1,631,260
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
Total gross provisions for outstanding losses	7,925,683	6,526,469
Total reinsurers' share	-2,119,874	-1,891,196
Total net provisions for outstanding losses	5,805,809	4,635,273

7.1.9.4 Equalisation Provision

EQUALISATION PROVISION		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Initial status of equalisation provisions (as at 1 January)	788,326	610,558
Increase	561,993	249,677
Decrease	-67,763	-71,909
Final status of equalisation provisions (as at 31 December)	1,282,556	788,326

As at 31 December, 2006, equalisation provisions generally increased due to augmenting these provisions in the insurance categories: cargo insurance (SIT 25,128 thousand), fire and natural forces insurance (SIT 272,921 thousand), other damage to property insurance excluding fire and natural forces insurance (SIT 214,733 thousand), general liability insurance (SIT 54,472 thousand) and miscellaneous financial loss insurance (SIT 12,061 thousand). The reduction of equalisation provisions in the period is attributed to the write backs (SIT -67,763 thousand) in line with the Insurance Act and SIT -45,273 thousand refers to the reduction of other damage to property insurance - insurance of crops and fruits. Equalisation provisions of credit insurance increased by SIT 27,951 thousand and as at 31 December, 2006, thus account for SIT 162,716 thousand.

7.1.9.5 Other Net Technical Provisions

OTHER NET TECHNICAL PROVISIONS		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Provisions for nuclear risk	335,457	331,754
Provisions for outstanding risks	0	23,428
Total	335,457	355,182

Compared to 2005, provisions for nuclear threat increased by SIT 3,703 thousand and as at 31 December, 2006, equalled SIT 335,457 thousand whereas provisions for outstanding risks were written back so that on 31 December, 2006, there were no such provisions.

7.1.9.6 Provisions for other Risks and Costs

PROVISIONS FOR OTHER RISKS AND COSTS		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Provisions for nuclear risk	19,454	0
Provisions for outstanding risks	0	0
Total	19,454	0

Provisions for pensions consist of provisions for jubilee rewards totalling SIT 1,159 thousand and redundancy payments (at retirement) totalling SIT 18,294 thousand. They were first formed on 1 January 2006, equalling SIT 14,423 thousand and during the year additional provisions were formed amounting to SIT 5,031 thousand.

7.1.10. LIABILITIES FROM REINSURANCE

LIABILITIES FROM REINSURANCE		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	31 Dec., 2005
Liabilities to reinsurance companies for reinsurance premiums	2,335,468	1,371,325
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	2,335,468	1,371,325
Liabilities to insurance companies for commissions	924,669	459,187
- to companies in the group	924,659	458,067
- to associated companies	0	0
- to third parties	10	1,120
Liabilities to reinsurance companies for commissions	197,469	296,969
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	197,469	296,969
Liabilities to insurance companies for shares in losses	2,263,859	1,151,503
- to companies in the group	2,263,859	1,150,664
- to associated companies	0	0
- to third parties	0	839
Liabilities to reinsurance companies for shares in losses	272,061	491,339
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	272,061	491,339
Other liabilities from direct reinsurance operations to other companies	17,856	145,662
- to companies in the group	0	0
- to associated companies	0	0
- to third parties	17,856	145,662
TOTAL	6,011,382	3,915,986

LIABILITIES FROM REINSURANCE

	in '000 SIT 31 Dec., 2006	in '000 SIT 31 Dec., 2005
Liabilities to reinsurance companies for insurance premium	2,335,468	1,371,325
- in Slovenia	0	125,698
- abroad	2,335,468	1,245,627
Liabilities to insurance companies for commissions	924,669	459,187
- in Slovenia	601,462	456,810
- abroad	323,207	2,377
Liabilities to reinsurance companies for commissions	197,469	296,969
- in Slovenia	1,753	2,727
- abroad	195,716	294,242
Liabilities to insurance companies for shares in losses	2,263,858	1,151,503
- in Slovenia	1,872,421	1,137,598
- abroad	391,437	13,905
Liabilities to reinsurance companies for shares in losses	272,061	491,339
- in Slovenia	5,588	2,887
- abroad	266,473	488,452
Other liabilities from direct reinsurance operations to other companies	17,856	145,662
- in Slovenia	0	0
- abroad	17,856	145,662
TOTAL	6,011,382	3,915,986

Liabilities from co-insurance and reinsurance operations are of a short-term character. Among its reinsurance liabilities, Triglav Re discloses liabilities to the Group company, Triglav Insurance Company, Ltd, amounting to SIT 601,452 thousand as liabilities to insurance companies for commissions, and SIT 1,872,421 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 40,485 thousand, and liabilities for shares in losses of SIT 6,362 thousand are included. Liabilities to Triglav BH Osiguranje for commissions total SIT 282,722 thousand whereas liabilities for shares in losses account for SIT 385,075 thousand.

7.1.11. OTHER LIABILITIES

OTHER LIABILITIES		
	in '000 SIT	in '000 SIT
	31 Dec., 2006	1 Jan., 2006
Other long-term liabilities		
- long-term liabilities from financial leasing	0	0
- other long-term liabilities	0	0
- deferred tax	346,656	175,807
Other short-term liabilities		
- short-term liabilities to employees	63,570	57,172
- other short-term liabilities from insurance operations	0	0
- short-term liabilities from financing	1,870	525
- other short-term liabilities	141,464	118,963
Total	553,559	352,468

Short-term liabilities to employees of SIT 63,570 thousand represent liabilities for salaries for December, salary provisions, unpaid salaries for 2006 and liabilities to employees for reimbursement of other work related costs. Among the disclosed employee liabilities, there is an amount of SIT 22,771 thousand for December 2006 salaries which include the Management Board. The amount of SIT 21,000 thousand is profit sharing due to employees.

Other short-term liabilities totalling SIT 141,464 thousand represent trade payables of SIT 6,242 thousand, liabilities arising from contracts of SIT 1,408 thousand, liabilities for employee salary deductions of SIT 3,730 thousand, short-term liabilities to Triglav Insurance Company of SIT 3,804 thousand and liabilities for taxes and corporate income tax of SIT 5,139 thousand.

Among short-term liabilities, a liability to a group company, that is, Triglav Insurance Company is disclosed totalling SIT 3,804 thousand. Liabilities are disclosed according to their original 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, 2006	113,335
Recognised taxes in the current year	483,332
Paid taxes in the current year	-467,244
Liabilities as at 31 December, 2006	129,423

Liabilities from taxes have not yet become due. Most of this liability relates to liabilities from corporate income tax (SIT 123,481 thousand). Other liabilities from tax in 2006 of SIT 5,942 thousand refer to taxes on salaries and taxes on employment contracts.

7.1.12. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income accounting for SIT 4,009 thousand refer to estimated audit costs and costs for the publication of the financial statements for 2006 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.

At the end of last year accrued expenses and deferred income amounted to SIT 5,662 thousand and were used when statements were published in newspapers and after the Agency for Public Records reported.

7.1.13. OVERVIEW OF ASSETS AND LIABILITIES ACCORDING TO FOREIGN CURRENCIES

7.1.13.1. Assets and Liabilities denominated in Foreign Currencies and calculated into Tolars

ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES AND CALCULATED INTO TOLARS			
	in '000 SIT	in '000 SIT	in '000 SIT
	Part of item denominated in foreign currencies	Part of item with currency clause	Part of item denominated in SIT
ASSETS	8,155,307	1,206,475	12,565,411
Intangible fixed assets	0	0	33,580
Investments in land, buildings	0	0	0
Financial investments	4,632,317	1,185,109	8,413,603
Financial investments of the reinsurance company			
from reinsurance contracts with cedants	255,066	0	0
Receivables	3,210,692	0	3,914,847
Miscellaneous assets	459	0	17,032
Deferred items	56,773	21,366	186,349
LIABILITIES	5,385,258	40,124	16,501,811
Capital and reserves	612,043	37,393	4,914,339
Subordinated liabilities	0	0	0
Net technical provisions	2,857,957	0	6,917,057
Provisions for other risks and costs	0	0	19,454
Liabilities for financial investments from reinsurance contracts with cedants	0	0	0
Other liabilities	1,915,258	0	4,649,683
Accrued expenses and deferred income	0	2,731	1,278

7.1.14. OFF-BALANCE SHEET ITEMS

See point 3.1.8.

7.2. PROFIT AND LOSS ACCOUNT FOR 2006

7.2.1. NET PREMIUM EARNED

NET PREMIUM EARNED		
	in '000 SIT	in '000 SIT
	2006	2005
Gross written reinsurance premium	18,384,125	16,600,663
- premiums arising from contracts concluded in Slovenia	12,831,827	13,196,851
- premiums arising from contracts concluded in EU member states	2,465,584	3,033,555
- premiums arising from contracts concluded in other countries	3,086,713	370,257
Co-insurance written premium	0	0
- in Slovenia	0	0
- abroad	0	0
Shares of retrocessionaires in reinsurance premiums	-8,899,377	-9,100,931
- in Slovenia	-435,458	-217,439
- abroad	-8,463,919	-8,883,492
Change in gross premium reserves	-377,379	-438,660
- in Slovenia	-95,090	-162,358
- abroad	-282,288	-276,303
Change of shares of retrocessionaires in unearned premiums	164,638	131,319
- in Slovenia	100,434	4,786
- abroad	64,204	126,533
TOTAL	9,272,007	7,192,391
Gross written reinsurance premium	18,384,125	16,600,663
- in companies in the group	14,901,072	13,487,571
- in associated companies	0	0
- in third parties	3,483,052	3,113,092
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 retrocessionaires in reinsurance premiums	-8,899,377	-9,100,931
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	-8,899,377	-9,100,931
Change in gross premium reserves	-377,379	-438,660
- in companies in the group	-404,673	-159,296
- in associated companies	0	0
- in third parties	27,295	-279,364
Change of shares of retrocessionaires in unearned premiums	164,638	131,319
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	164,638	131,319
TOTAL	9,272,007	7,192,391

SPLIT OF WRITTEN PREMIUM IN 2006

	in '000 SIT Gross written premium	in '000 SIT Reinsurers' share	in '000 SIT Net premium
Non-life	18,344,453	-8,860,358	9,484,095
Life	39,672	-39,019	653
TOTAL	18,384,125	-8,899,377	9,484,748

SPLIT OF EARNED PREMIUM IN 2006

	in '000 SIT Gross income from premiums	in '000 SIT Reinsurers' share	in '000 SIT Net income from premiums
Non-life	17,967,229	8,695,719	9,271,510
Life	39,517	39,020	497
TOTAL	18,006,746	8,734,739	9,272,007

7.2.2. NET CLAIMS INCURRED

NET CLAIMS INCURRED		
	in '000 SIT 2006	in '000 SIT 2005
Gross claims settled	7,345,594	5.468.438
- in Slovenia	5,476,568	4.305.287
- abroad	1,869,027	1.163.151
Shares of retrocessionaires in indemnities	-2,846,122	-1.716.328
- in Slovenia	-99,538	-47.638
- abroad	-2,746,584	-1.668.690
Changes of gross provision for outstanding losses	1,399,214	917.859
- in Slovenia	527,989	284.408
- abroad	871,225	633.451
Changes in provisions for outstanding losses from retrocession	-228,678	108.462
- in Slovenia	-28,697	-25.354
- abroad	-199,981	133.816
TOTAL	5,670,009	4.778.431
Gross claims settled	7,345,594	5,468,438
- in companies in the group	5,462,366	4,305,890
- in associated companies	0	0
- in third parties	1,883,228	1,162,548
Shares of retrocessionaires in indemnities	-2,846,122	-1,716,328
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	-2,846,122	-1,716,328
Changes of gross provision for outstanding losses	1,399,214	917,859
- in companies in the group	837,864	255,621
- in associated companies	0	0
- in third parties	561,350	662,238
Changes of provisions for outstanding losses from retrocession	-228,678	108,462
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	-228,678	108,462
TOTAL	5,670,009	4,778,431

SPLIT OF GROSS AND NET CLAIMS INCURRED IN 2006

	in '000 SIT Gross claims incurred	in '000 SIT Reinsurers' shares	in '000 SIT Net claims incurred
Non-life	8,727,588	3,057,652	5,669,936
Life	17,220	17,147	73
TOTAL	8,744,808	3,074,799	5,670,009

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

	in '000 SIT Provisions as at 1 January	in '000 SIT Payments	in '000 SIT Provisions as at 31 December	in '000 SIT Difference	in % Share
1	2	3	4	5=2-3-4	6 = 5/2
Non-life	6,772,552	2,873,243	3,448,040	451,269	6.66%
Life	432	18	84	330	76.25%
TOTAL	6,772,984	2,873,261	3,448,124	451,599	6.67%

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 2005 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 2005 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 PROVISIONS FOR OUTSTANDING LOSSES

	in '000 SIT 2006	in '000 SIT 2005
Reported claims	1,050,255	515,696
IBNR claims	348,959	402,163
Supplementary provisions for outstanding losses	0	0
TOTAL CHANGES IN GROSS PROVISIONS FOR OUTSTANDING LOSSES	1,399,214	917,859

7.2.3. CHANGE IN OTHER NET TECHNICAL PROVISIONS

CHANGE IN OTHER NET TECHNICAL PROVISIONS

	in '000 SIT 2006	in '000 SIT 2005
Change in provisions for unexpired risk	-23,428	-53,052
Change in provisions for nuclear risks	3,702	8,741
TOTAL	-19,725	-44,311

7.2.4. OTHER OPERATING EXPENSES

OTHER OPERATING EXPENSES		
	in '000 SIT 2006	in '000 SIT 2005
Depreciation of assets used in insurance business	11,370	10,193
Labour costs	179,800	181,954
- wages and salaries	125,924	128,275
- social security and pension insurance costs	24,722	23,950
- other labour costs	29,153	29,728
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	2,348	2,146
Other operating expenses	58,856	58,619
TOTAL OTHER OPERATING EXPENSES	252,373	252,912

Of labour costs, SIT 125,924 thousand refers to salary costs, SIT 21,918 thousand to social insurance, and SIT 2,804 thousand relates to pension insurance.

BREAKDOWN OF OPERATING EXPENSES BY FUNCTIONAL AND NATURAL GROUPS

Type of expense	in '000 SIT Total	in '000 SIT Cost of insurance contract acquisition	in '000 SIT Assessment costs	in '000 SIT Asset management	in '000 SIT Other operating expenses
Total operating expenses	421,676	152,984	0	16,319	252,373
Depreciation of assets used in insurance business	18,997	6,892	0	735	11,370
Labour costs	300,417	108,991	0	11,626	179,800
- Wages and salaries	210,400	76,333	0	8,142	125,924
- Social security and pension insurance costs	41,306	14,986	0	1,598	24,722
- Other labour costs	48,711	17,672	0	1,885	29,153
Costs of services provided by outsourced natural persons	3,923	1,423	0	152	2,348
Other operating expenses	98,339	35,677	0	3,806	58,856

BREAKDOWN OF INSURANCE ACQUISITION COSTS IN 2006 AND 2005

Insurance class	in '000 SIT Cost of insurance contract acquisition in 2006	in '000 SIT Cost of insurance contract acquisition in 2005
01 Accident insurance	3,417	3,097
02 Health insurance	63	74
03 Land motor vehicle insurance	19,117	14,892
04 Railway insurance	1,445	1,481
05 Aircraft insurance	1,272	4,192
06 Marine insurance	951	485
07 Cargo insurance	2,602	2,715
08 Fire and natural forces insurance	50,405	44,392
09 Other damage to property	26,310	24,740
10 Motor TPL	33,372	28,413
11 Aircraft liability insurance	2,286	2,307
12 Marine liability insurance	172	108
13 General liability insurance	3,895	4,698
14 Credit insurance	2,941	2,845
15 Suretyship insurance	1,015	658
16 Miscellaneous financial loss insurance	2,908	2,597
17 Legal expenses insurance	62	42
18 Travel assistance insurance	421	258
TOTAL NON-LIFE INSURANCE (1-18)	152,654	137,994
19 Life insurance	330	360
TOTAL NON-LIFE AND LIFE INSURANCE	152,984	138,355

7.2.4.1. Labour costs

The average number of employees in 2006 was 24.33.

Number of employees as at 31 December, 2006, and their level of education:

BREAKDOWN OF EMPLOYEES BY LEVEL OF EDUCATION

Educational level	No. of employees 2006	No. of employees 2005
I	0	0
II	0	0
III	0	0
IV	0	0
V	5	6
VI	0	1
VII	16	15
VIII	3	3
IX	0	0
Total	24	25

7.2.4.2. Other operating costs

OTHER OPERATING COSTS		
	in '000 SIT	in '000 SIT
	2006	2005
Banking services costs	7,709	7,701
Reimbursements of costs connected to work	11,173	10,085
Costs of entertainment, advertising and fairs	5,290	4,233
Costs of services and material	6,679	4,965
Rents	15,533	15,497
- Rents related to companies in the group	14,765	14,737
Costs of stationery and forms	2,750	1,961
Costs of intellectual and personal services	6,939	7,175
Costs of professional training	0	596
Costs of insurance premiums	2,032	3,973
Maintenance costs	15,182	16,702
Costs of other services	25,053	20,440
TOTAL OTHER OPERATING COSTS	98,339	93,328

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

7.2.4.3. 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 2006 amounted to SIT 72,270 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 116,342 thousand in 2006. Payments include gross salaries and other remuneration paid during the year. The Supervisory Board received payments totalling SIT 687 thousand represented by, mainly, directors' fees.

There were no other long-term earning schemes for Triglav Re employees in 2006. 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.

7.2.4.4. Breakdown of Gross Operating Costs according to Insurance Groups

Gross costs accounted according to natural categories totalled SIT 421,676 thousand in the current year, of which SIT 420,766 thousand (99.78%), related to non-life insurance with the residual 0.22% (SIT 910 thousand), related to life insurance.

Total costs of insurance contract acquisition amounts to SIT 152,984 thousand, of which SIT 152,654 thousand relates to non-life insurance, and SIT 330 thousand relates to life insurance. Operating costs in the narrower sense total SIT 252,373 thousand, of which SIT 251,828 thousand relates to non-life insurance, and SIT 545 thousand relates to life insurance. The costs of asset management were SIT 16,319 thousand, of which SIT 16,284 thousand relates to non-life insurance, and SIT 35 thousand relates to life insurance.

7.2.5. INCOME FROM REINSURANCE COMMISSIONS AND PARTICIPATION IN PROFIT

INCOME FROM REINSURANCE COMMISSIONS AND PARTICIPATION IN PROFIT			
	in '000 SIT		in '000 SIT
	2006		2005
Collected reinsurance commissions	-1,753,317		-1,686,429
from retrocessionaires in Slovenia	-72,439		-48,555
from retrocessionaires abroad	-1,680,878		-1,637,874
Given reinsurance commissions to insurance companies	2,601,644		2,109,417
to cedants in Slovenia	2,190,344		2,037,794
to cedants abroad	411,300		71,623
Given reinsurance commissions to reinsurance companies	825,562		754,632
to retrocedants in Slovenia	0		0
to retrocedants abroad	825,562		754,632
TOTAL	1,673,889		1,177,621
Collected reinsurance commissions	-1,753,317		-1,686,429
in related companies	0		0
in third parties	-1,753,317		-1,686,429
Given reinsurance commissions to insurance companies	2,601,644		2,109,417
in related companies	2,585,030		2,093,399
in third parties	16,614		16,018
Given reinsurance commissions to reinsurance companies	825,562		754,632
in related companies	0		0
in third parties	825,562		754,632
TOTAL	1,673,889		1,177,621

SPLIT OF REVENUES FROM REINSURANCE COMMISSIONS IN 2006

	in '000 SIT	in '000 SIT	in '000 SIT
	Participation	Income from	Total
	in profit	reinsurance	
		commissions	
Non-life	0	-1,670,277	-1,670,277
Life	0	-3,612	-3,612
TOTAL	0	-1,673,889	-1,673,889

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

Allocated return on technical provision investments totalled SIT 520,129 thousand and is calculated as the difference between the income from investments from assets covering technical provisions of SIT 615,995 thousand and expenses of investments from assets covering technical provisions of SIT 95,866 thousand (see points 7.3.1 and 7.3.2).

7.3. CALCULATION OF PROFIT/LOSS FROM REGULAR OPERATIONS

7.3.1. INCOME FROM INVESTMENTS

INCOME FROM INVESTMENTS		
	in '000 SIT	in '000 SIT
	2006	2005
Income from participations	21,130	18,778
- in Slovenia	18,976	1,964
- abroad	2,153	16,814
Income from other investments	575,519	514,024
1. Income from land and buildings	0	0
- in Slovenia	0	0
- abroad	0	0
2. Interest income	526,713	492,158
- in Slovenia	458,880	481,378
- abroad	67,833	10,780
3. Other income from investments	48,806	21,866
3.1 Financial income from revaluation	48,020	20,917
- in Slovenia	17,169	15,874
- abroad	30,851	5,043
3.2 Other financial income	786	950
- in Slovenia	778	950
- abroad	8	0
Income from investment value adjustments	0	0
- in Slovenia	0	0
- abroad	0	0
Profit from disposal of investments	150,020	48,106
- in Slovenia	132,743	48,106
- abroad	17,277	0
TOTAL	746,668	580,908

INCOME FROM INVESTMENTS

	in '000 SIT	in '000 SIT
	2006	2005
Income from participations	21,130	18,778
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	21,130	18,788
Income from other investments	575,519	514,024
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	526,713	492,158
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	526,713	492,158
3. Other income from investments	48,806	21,866
3.1 Financial income from revaluation	48,020	20,917
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	48,020	20,917
3.2 Other financial income	786	950
- in companies in the group	0	0
- in associated companies	0	0
- in third parties	786	950
Income from asset revaluations	0	0
Profit from disposal of investments	150,020	48,106
Total	746,668	580,908

BREAKDOWN OF INTEREST INCOME

	in '000 SIT	in '000 SIT
	2006	2005
Interest income on securities	481,569	453,442
Interest income on deposits	45,065	38,603
Income on a vista assets	79	113
Other interest income	0	0
TOTAL	526,713	492,158

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

	in '000 SIT 2006 Investments which are not financed from technical provisions	in '000 SIT 2006 Assets covering technical provisions	in '000 SIT 2005 Investments which are not financed from technical provisions	in '000 SIT 2005 Assets covering technical provisions
Income from investments				
Income from capital investments	1,622	19,507	1,964	16,815
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	1,622	19,507	1,964	16,815
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	76,871	449,842	39,060	453,098
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	76,871	449,842	39,060	453,098
Other income from investments	32,964	15,842	14,641	7,226
Financial income from revaluation	32,462	15,558	13,963	6,954
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	32,462	15,558	13,963	6,954
Other financial income	502	284	678	272
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in third parties	502	284	678	272
Income from investment value adjustments	0	0	0	0
Profit from disposal of investments	19,217	130,803	3	48,102
TOTAL	130,674	615,994	55,668	525,241

Income from investments in 2006 was SIT 746,668 thousand and is 28.5% 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.

In 2006, interest income from investments was calculated using the effective interest method. Upon the recognition of total interest income with effective interest rate, the actual amount was a negative sum of 16,795 SIT.

7.3.2. EXPENSES FROM INVESTMENTS

EXPENSES FROM INVESTMENTS		
	in '000 SIT	in '000 SIT
	2006	2005
Depreciation of assets not used in operations	0	0
- in Slovenia	0	0
- abroad	0	0
Interest expenses and other cost of investments	146,219	64,189
Expenses arising from asset management, interest expenses and other financial expenses	88,384	43,348
- in Slovenia	56,102	42,894
- abroad	32,282	454
Revaluation financial expenses	57,162	20,842
- in Slovenia	22,713	13,728
- abroad	34,448	6,573
Write-offs of investments	0	0
- in Slovenia	0	0
- abroad	0	0
Loss on disposal of investments	672	12,262
- in Slovenia	672	12,262
- abroad	0	0
TOTAL	146,219	76,451

BREAKDOWN OF EXPENSES FROM INVESTMENTS BY TYPE OF ASSETS

	in '000 SIT	in '000 SIT
	2006	2005
Depreciation of assets not used in operations	0	0
Interest expenses and other costs of investments	146,219	64,189
- Expenses arising from asset management, interest expenses and other financial expenses	88,384	43,348
- Revaluation financial expenses	57,162	20,842
Write-offs of investments	0	0
Loss on disposal of investments	672	12,262
TOTAL	146,219	76,451

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

	in '000 SIT 2006 Investments which are not financed from technical provisions	in '000 SIT 2006 Assets covering technical provisions	in '000 SIT 2005 Investments which are not financed from technical provisions	in '000 SIT 2005 Assets covering technical provisions
Expenses from investments				
Depreciation of assets not used in operations	0	0	0	0
Interest expenses and other costs of investments	50,353	95,094	22,484	41,705
1. Expenses arising from asset management, interest expenses and other financial expenses	9,802	78,582	14,464	27,286
2. Revaluation financial expenses	40,551	16,612	8,020	14,419
Write-offs of investments and investment adjustment	0	0	0	0
Loss on disposal of investments	0	672	3,949	8,313
TOTAL	50,353	95,866	26,433	50,018

In 2006, total investment expenses amounted to SIT 146,219 thousand; increasing by 75.4% compared to the previous year. The largest share of investment expenses is represented by asset management expenses, interest expenses and other financial expenses.

7.3.3. OTHER OPERATING EXPENSES

Other operating expenses include revaluation operating expenses of labour costs of SIT 40,000 thousand, relating to salaries, bonuses and related costs for employees of SIT 21,000 thousand and remuneration to the Management Board of SIT 19,000 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 1,223,993 thousand after tax and/or SIT 1,629,246 thousand before tax. The share of revalued operating expenses in the extended profit accounts for 3.2%.

7.3.4 AUDITING SERVICES

In 2006, Triglav Re spent SIT 5,463 thousand on auditing fees. Of this amount, SIT 2,732 thousand was paid and the rest amounting to SIT 2,731 is included under deferred items. The entire amount is related to the costs of auditing the annual report. The auditor did not perform any other services.

7.4. PROFIT/LOSS FROM REINSURANCE OPERATIONS

7.4.1. BREAKDOWN OF PREMIUMS, CLAIMS AND EXPENSES

GROSS WRITTEN PREMIUM IN 2006		
Insurance class	in '000 SIT Gross premium earned 2006	in '000 SIT Gross premium earned 2005
01 Accident insurance	410,647	371,575
02 Health insurance	7,550	8,877
03 Land motor vehicle insurance	2,297,337	1,786,836
04 Railway insurance	173,660	177,703
05 Aircraft insurance	152,849	502,953
06 Marine insurance	114,316	58,235
07 Cargo insurance	312,730	325,709
08 Fire and natural forces insurance	6,057,197	5,326,470
09 Other damage to property	3,161,715	2,968,420
10 Motor TPL	4,010,209	3,409,195
11 Aircraft liability insurance	274,717	276,851
12 Marine liability insurance	20,726	12,966
13 General liability insurance	468,101	563,675
14 Credit insurance	353,275	341,343
15 Suretyship insurance	121,943	78,971
16 Miscellaneous financial loss insurance	349,371	311,566
17 Legal expenses insurance	7,497	5,069
18 Travel assistance insurance	50,613	31,010
19 Life insurance	39,672	43,239
TOTAL	18,384,125	16,600,663

Gross written premium was 11 percent higher in 2006 than in the previous year.

GROSS PREMIUM EARNED IN 2006		
Insurance class	in '000 SIT Gross premiums + changes in unearned premiums in 2006	in '000 SIT Gross premiums + changes in unearned premiums in 2005
01 Accident insurance	404,565	368,945
02 Health insurance	9,026	8,010
03 Land motor vehicle insurance	2,278,405	1,652,940
04 Railway insurance	173,660	177,703
05 Aircraft insurance	123,817	507,646
06 Marine insurance	103,647	58,652
07 Cargo insurance	308,176	320,387
08 Fire and natural forces insurance	6,044,691	5,158,182
09 Other damage to property	3,012,573	2,973,949
10 Motor TPL	3,918,005	3,303,731
11 Aircraft liability insurance	286,653	257,953
12 Marine liability insurance	20,088	12,830
13 General liability insurance	461,958	574,925
14 Credit insurance	343,933	319,768
15 Suretyship insurance	77,546	63,343
16 Miscellaneous financial loss insurance	347,709	324,896
17 Legal expenses insurance	6,274	4,443
18 Travel assistance insurance	46,194	30,594
19 Life insurance	39,827	43,105
TOTAL	18,006,746	16,162,002

Gross reinsurance premium earned, comprised of gross premiums and changes in unearned premiums, is 11.4% higher in 2006 compared to 2005.

GROSS CLAIMS INCURRED IN 2006

	in '000 SIT Gross incurred losses + changes in gross provision for outstanding claims in 2006	in '000 SIT Gross incurred losses + changes in gross provision for outstanding claims in 2005
Insurance class	178,770	210,383
01 Accident insurance	916	8,342
02 Health insurance	1,521,021	945,809
03 Land motor vehicle insurance	0	0
04 Railway insurance	36,347	16,230
05 Aircraft insurance	39,029	15,417
06 Marine insurance	36,743	65,970
07 Cargo insurance	2,581,502	1,556,785
08 Fire and natural forces insurance	1,335,396	1,624,919
09 Other damage to property	2,087,262	1,654,926
10 Motor TPL	13,202	-3,387
11 Aircraft liability insurance	4,870	-962
12 Marine liability insurance	596,159	289,491
13 General liability insurance	131,477	129,082
14 Credit insurance	-2,935	20,325
15 Suretyship insurance	175,781	-182,519
16 Miscellaneous financial loss insurance	307	56
17 Legal expenses insurance	27,165	17,843
18 Travel assistance insurance	17,221	17,587
19 Life insurance	8,780,230	6,386,297
TOTAL		

Gross claims incurred, consisting of gross incurred losses and changes in gross provision for outstanding claims, were 37.4% higher than in 2005.

BREAKDOWN OF GROSS OPERATING EXPENSES IN 2006

Insurance class	in '000 SIT Gross operating expenses in 2006	in '000 SIT Gross operating expenses in 2005
01 Accident insurance	9,419	9,013
02 Health insurance	174	215
03 Land motor vehicle insurance	52,693	43,341
04 Railway insurance	3,983	4,310
05 Aircraft insurance	3,506	12,200
06 Marine insurance	2,621	1,413
07 Cargo insurance	7,173	7,900
08 Fire and natural forces insurance	138,934	129,198
09 Other damage to property	72,519	72,001
10 Motor TPL	91,983	82,693
11 Aircraft liability insurance	6,301	6,715
12 Marine liability insurance	475	315
13 General liability insurance	10,737	13,672
14 Credit insurance	8,105	8,280
15 Suretyship insurance	2,796	1,915
16 Miscellaneous financial loss insurance	8,014	7,557
17 Legal expenses insurance	172	123
18 Travel assistance insurance	1,161	752
19 Life insurance	910	1,049
TOTAL	421,676	402,662

Gross operating expenses are 4.7% higher than in 2005.

NET PROFIT/LOSS FROM REINSURANCE OPERATIONS IN 2006

Net profit/loss from reinsurance operations in 2006 was calculated on the basis of the following items:

1. Shares of retrocessionaires in reinsurance premiums:	SIT 8,899,377 thousand
2. Change of shares of retrocessionaires in unearned premiums:	SIT -164,638 thousand
3. Shares of retrocessionaires in indemnities:	SIT -2,846,122 thousand
4. Changes in provisions for outstanding losses from retrocession:	SIT -228,677 thousand
Net profit/loss	SIT 5,659,940 thousand

**NET PROFIT FROM REINSURANCE OPERATIONS;
PARTICIPATION IN EXPENSES AND PROFIT/LOSS FROM PASSIVE OPERATIONS
AND GROSS PROFIT/LOSS IN 2006**

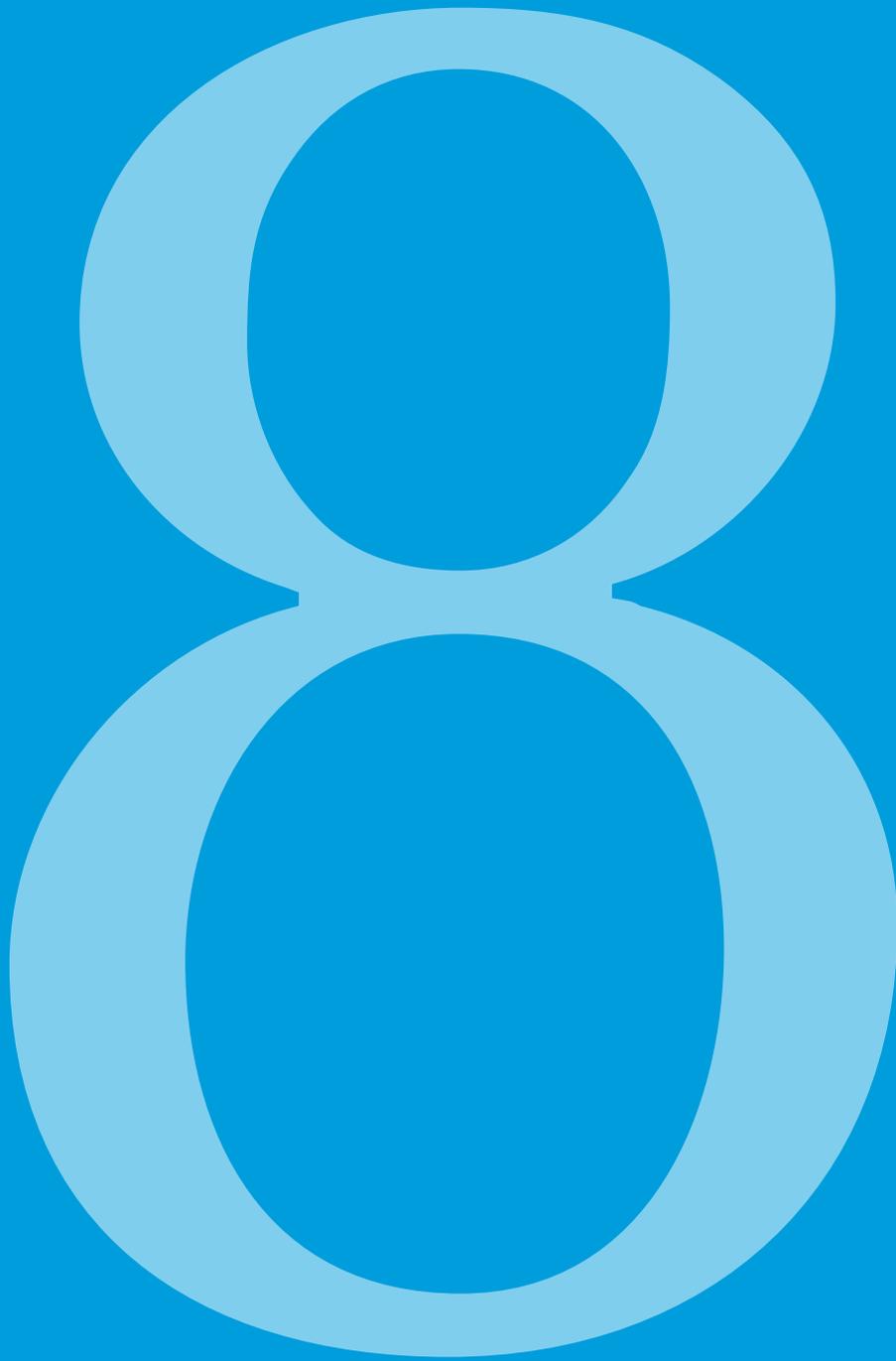
Insurance class	in '000 SIT Net profit/loss from reinsurance in 2006	in '000 SIT Participation in expenses and profit/loss from passive operations in 2006	in '000 SIT Gross profit/loss in 2006
01 Accident insurance	33,404	6,915	26,489
02 Health insurance	0	0	0
03 Land motor vehicle insurance	298,020	28,844	269,176
04 Railway insurance	172,388	0	172,388
05 Aircraft insurance	70,262	6,093	64,169
06 Marine insurance	7,595	12	7,583
07 Cargo insurance	188,402	4,772	183,630
08 Fire and natural forces insurance	2,851,999	1,219,889	1,632,110
09 Other damage to property	1,073,135	251,813	821,322
10 Motor TPL	337,576	40,848	296,728
11 Aircraft liability insurance	263,117	12,202	250,915
12 Marine liability insurance	3,278	0	3,278
13 General liability insurance	-17,306	20,701	-38,007
14 Credit insurance	109,401	42,011	67,390
15 Suretyship insurance	66,156	28,690	37,466
16 Miscellaneous financial loss insurance	160,924	89,276	71,648
17 Legal expenses insurance	8	0	8
18 Travel assistance insurance	19,709	13	19,696
19 Life insurance	21,872	1,240	20,632
TOTAL	5,659,940	1,753,319	3,906,621

In 2006, gross profit/loss from reinsurance was 31.2% lower than in 2005.

**NET PROFIT FROM REINSURANCE OPERATIONS;
PARTICIPATION IN EXPENSES AND PROFIT/LOSS FROM PASSIVE OPERATIONS
AND GROSS PROFIT/LOSS IN 2005**

Insurance class	in '000 SIT Net profit/loss from reinsurance in 2005	in '000 SIT Participation in expenses and profit/loss from passive operations in 2005	in '000 SIT Gross profit/loss in 2005
01 Accident insurance	30,185	6,499	23,686
02 Health insurance	0	0	0
03 Land motor vehicle insurance	422,250	22,279	399,971
04 Railway insurance	176,634	0	176,634
05 Aircraft insurance	494,821	101,285	393,536
06 Marine insurance	5,788	0	5,788
07 Cargo insurance	212,744	8,627	204,117
08 Fire and natural forces insurance	2,976,576	1,030,460	1,946,116
09 Other damage to property	977,997	307,428	670,569
10 Motor TPL	833,200	20,708	812,492
11 Aircraft liability insurance	243,851	8,340	235,511
12 Marine liability insurance	3,963	0	3,963
13 General liability insurance	372,014	52,781	319,233
14 Credit insurance	40,695	36,455	4,240
15 Suretyship insurance	66,854	19,482	47,372
16 Miscellaneous financial loss insurance	466,057	70,797	395,260
17 Legal expenses insurance	-10	0	-10
18 Travel assistance insurance	13,385	85	13,300
19 Life insurance	24,739	1,203	23,536
TOTAL	7,361,743	1,686,429	5,675,314

Net profit/loss from reinsurance was 23% lower than in 2005, expenses and profit/loss from passive operations was 4% higher whereas gross profit/loss from reinsurance was 31% lower than the previous year.





General Information

8.

General Information

REGISTERED OFFICE

Triglav Re, Reinsurance Company Ltd.
Miklošičeva 19, 1000 Ljubljana, Slovenia
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Fax: + 386 1 433 14 19,
e-mail: mail@triglavre.si
web page: <http://www.triglavre.si>

SUPERVISORY BOARD OF TRIGLAV RE

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

BOARD OF MANAGEMENT OF TRIGLAV RE

Gojko Kavčič - President of the Management Board
Milena Uršič - Member of the Management Board

The following companies within the Triglav Group are consolidated:

Triglav Insurance Company, Ltd.

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

Triglav Health Insurance

Ferrarska 10, Slovenia - 6000 Koper
Phone: + 386 5 66 22 000, Fax: + 386 5 66 22 002
Management Board: Danijel Starman - President,
Ivan Gracar, Simon Vidmar, Gregor Strmčnik
Equity Stake of Zavarovalnica Triglav: 99.43%

Triglav Osiguranje

Republike Austrije 1, Croatia - 10 002 Zagreb
Phone: + 385 1 344 410 0, Fax: + 385 1 344 417 3
Management Board: Berislav Trogrlič - President,
Uroš Klenovšek
Equity Stake of Zavarovalnica Triglav: 98.04%

Triglav BH Osiguranje

Ul. Augusta Brauna br. 2, BiH - 71000 Sarajevo
Phone: + 387 33 252 110, Fax: + 387 33 252 117
Management Board: Fejsal Hrustanović - President,
Edib Galijatović, Aida Lačević;
Equity Stake of Zavarovalnica Triglav: 68.94%

Triglav Pojišťovna

Novobranska 544/1, Czech Republic - 602 00 Brno
Phone: + 420 5 422 122 16,
Fax: + 420 5 422 179 10
Management Board: Vaclav Stix - President,
Miloš Kubin
Equity Stake of Zavarovalnica Triglav: 100.00%

Lovćen Osiguranje

Ulica Slobode 13a, Montenegro - 81 000 Podgorica
Phone: + 382 81 404 400, Fax: + 382 81 665 281
Board of Directors: Dejan Bajič - President,
Damjan Mihevc, Andrej Kocič, Borut Eržen,
Mišo Dubljevič, Dragoljub Rašović, Radoje Žugić
Management Board: Radenko Purić,
Executive Director
Equity Stake of Zavarovalnica Triglav: 48.15%

Triglav Kopaonik

Kralja Petra 28, Serbia - 11 000 Belgrade
Phone: + 381 11 33 05 100, Fax: + 381 11 33 05 138
Board of Directors: Milan Skok - President,
Andreja Pelc, Andrej Naglič
Management Board: Zoran Lučič - Director
Equity Stake of Zavarovalnica Triglav: 100.00%

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