Business Report 2007

triglavRE

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Contents

Highlights

	2007 in EUR	2006 in EUR
Gross Premium	87,625,291	76,715,594
Net Premium	50,317,442	39,579,151
Gross Losses	44,833,529	30,652,620
Net Losses	28,155,302	18,775,965
Gross Technical Provisions*	60,224,888	47,330,156
Net Technical Provisions*	40,407,672	34,038,567
Retention Ratio	57.4%	51.6%
Net Technical Provisions as % of Net Premium Written*	80.3%	86.0%
Loss Ratio	67.6%	61.2%
Expense Ratio	24.3%	22.7%
Combined Ratio	91.9%	83.8%
Operating expenses as % of Gross Premium	2.5%	2.3%
Number of Employees (as at 31.12.)	29	24
Shareholders' funds*	33,813,935	28,643,408
Profit before tax*	6,098,416	8,694,193
Return on Equity*	13.4%	20.1%

* Triglav Re adopted International Financial Reporting Standards in the year 2007, therefore values for the year 2006 are stated in accordance with IFRS and differ compared to values stated in Business report 2006.

Chairman´s Message

Dear shareholders and business partners,

The financial year 2007 was again a very successful one for Triglav Re. While we experienced some large losses, both on group and non-group portfolio and further softening of the reinsurance market, we nevertheless produced very favourable net results.))

((Our mother company Triglav Insurance Company continued with expansion in South-Eastern Europe by the acquisition of Krajina Kopaonik, the insurer in Bosnia and Herzegovina, followed by the take over of Macedonian market leader Vardar Insurance Company. Both these new members are already successfully consolidated in the Group reinsurance protection.

Our strategic commitment to provide best possible reinsurance service to companies within the Triglav Group on one hand and further diversification of our operations in foreign markets on the other was proven again. It is noteworthy that 40 percent of the net premium was generated from non-group cedents.

Gross premium written in 2007 increased by 14 percent to EUR 87.6 million. As in the previous years the growth was mainly driven by the non-group acceptances which can be seen in a 27 percent increase of the net premium written. Despite a not so favourable year in terms of loss intensity it is pleasing that we achieved a profit before tax of EUR 6.1 million, a similar level as in 2006, a year considered as outstanding by results. The overall loss ratio was 67.6 percent, which is a deterioration compared to 61.2 percent in the year 2006 and combined ratio was 91.9 percent. The strong financial position of the company is reflected in a capital adequacy ratio that reached 270.4 percent at the end of 2007.

In the year under review we managed to enter some new markets such as Israel, UAE and mainland China. At the same time we increased our presence in Turkey, South Korea and Russia. However, it is still the European Union that is our major non-group territory, representing around 50 percent of the non-group business.

Notwithstanding the above and despite the sizeable increase in premium written in foreign markets, Slovenia remained our largest market also in 2007. Business coming from Slovenian cedents accounted for 64.1 percent of our gross premium written.

During the year 2007, we introduced a new marketing approach by appointing client managers to deal with individual territories in order to intensify business relations with our present and potential cedents. With the aim of further diversification of Triglav Re's portfolio we put extra care to selective territories that promise healthy underwriting results.

After the year 2006, considered as one of the most favourable years in the reinsurance industry, we need to point out the most important event on the non-group portfolio loss side in 2007. Our strong presence in Austrian and German markets led to the biggest loss ever in Triglav Re's non-group business, caused by windstorm Kyrill that hit Europe in February. The loss figure for our share is estimated at EUR 2,1 million. Furthermore we were also involved to some extent in natural disaster losses like the South Korea typhoon, Cyclone Gonu in the Middle East and the United Kingdom floods.

On the Group side it is worth mentioning the catastrophic event in September 2007, when the vast area of North West and North East Slovenia was hit by heavy rain and flash floods. This event is considered as the biggest Cat loss that Triglav Group has sustained in its long history. Due to Group catastrophe cover that has been triggered the impact of the loss on Triglav Re's result was limited.

As we reflect upon the past year, I want to acknowledge the hard work and motivation of Triglav Re's employees and the support of our clients and shareholders. In order to ensure successful future development of the company I count on your continuous trust and dedication.

Gojko Kavčič
Chairman of the Board of Management
Triglav Re, Reinsurance Company Ltd.

Report by the President of the Supervisory Board

Throughout the year, the Supervisory Board of the Triglav Re d.d., Reinsurance Company regularly and actively monitored the operations of the company. Its members have carried out the supervisory duties in accordance with the valid legislation, with adherence to the recommendations of the Association of the Supervisory Board Members, and adherence to the valid principles of management within the Triglav Group.))

((The Supervisory Board carried out its supervisory function predominantly at their meetings, its successful implementation was aided considerably by a detailed and timely reports submitted by the Management. The reports contained all the information on company operations according to the areas, and comparisons with the past years and with the plans for the current year. This data enabled an overview of the entire operations of the reinsurance company. The members of the Supervisory Board were able to follow the company operations with up-to-date information. The Management and the Supervisory Boards were in continuous communication and creative cooperation; the latter is considered very successful.

The Supervisory Board assessed the operations of Triglav Re in 2007 as good. The company increased its net revenue from premiums by more than a quarter. In a very loss intensive year, in spite of 40 % increase of expenses for losses because of catastrophic weather conditions, the company created € 6.1m profit. It also made progress regarding the implementation of its strategic goal – an increase in the share of businesses, concluded outside the Triglav Group. In 2007, these businesses increased by 47 %.

Supervisory Board meetings and more important resolutions
The Supervisory Board worked with the same structure throughout the year: Andrej Kocič MBA, President; Borut Eržen, PhD, Vice President; and members Mateja Perger and Boštjan Kramberger. The members, usually all were present, met in 14 meetings; two of these were correspondence meetings. We dedicated a lot of attention to the areas of internal auditing, risk management and actuarial services, in accordance with the orientation of the Triglav Group towards standardisation of internal processes within the group, thus increasing the efficiency of operations of all its parts.

In the Supervisory Board meetings we adopted the following resolutions:

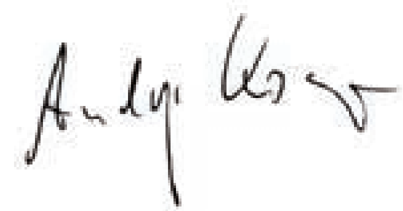
- we appointed Gojko Kavčič the President of the Management Board for the period of five years;
- we examined the Annual Report on internal audit and confirmed it with a positive opinion;
- we examined the Successfulness Coefficient Calculation Criteria for the annual Management Board award and confirmed them;
- we examined the audited Annual Report of Triglav Re d.d., Reinsurance Company, for the business year 2006, and confirmed it;
- we examined the Report by the authorised actuary, dated 31 December 2006, and the opinion of the authorised actuary on the audited Annual Report of the Triglav Re d.d., Reinsurance Company for the business year 2006;
- we confirmed the report of the Supervisory Board on the result of audit of the Annual Report of Triglav Re, d.d., Reinsurance Company for the business year 2006, and the proposal for the allocation of balance profit;
- we examined the proposal of Plan of Operations of Triglav Re, d.d., Reinsurance Company for the business year 2007 and appointed the Management Board to amend it within the framework of adopted guidelines, and confirmed it at the next meeting;

- issued a permission for transfer of 300 shares of Triglav Re, d.d., Reinsurance Company owned by the company Kovinoplastika Lož, to the company Maksima Holding, d.d.;
- examined the state of risk management and activities for meeting the targets, connected to the risks;
- examined the proposal of the Strategic Plan of Internal Audit of Triglav Re, d.d., Reinsurance Company for the period of 2008 – 2011;
- confirmed the materials for the Shareholders General Meeting, which was held on 25 January 2008.

Ratification of the Annual Report for 2006 and proposal of allocation of balance profit
The Supervisory Board verified the formal perspectives in connection with the Annual Report of Triglav Re, d.d., Reinsurance Company for the business year 2006. We established it was made within the legally specified deadline and that it contains all the required components. The accuracy of insurance-technical reservations was confirmed by the authorised actuary and auditor. After the performed verification we unanimously confirmed the Annual Report at our 13th meeting, on 25 April 2007.

Formally we also verified the proposal of the Management Board for the distribution of balance profit and established that the profit was allocated in accordance with regulations. The Management and the Supervisory Boards, after this proposal, proposed to the Shareholders General Meeting the adoption of the resolution on the allocation of the profit.

The reinsurance company actively contributed to the growth of the Triglav Group and to its development toward the leading insurance and financial group in the South-Eastern Europe. Its strategic goals and group targets were successfully met by the solid support to the companies when entering new markets, and by the active contribution to the utilisation of synergies within the group. Furthermore, it helped expand its operations on the world reinsurance market. In the future, the effective operations of the Triglav Re reinsurance company shall undoubtedly significantly contribute to the success and strength of the entire Triglav Group.



Andrej Kocič, MBA
President of the Supervisory Board
Triglav Re, Reinsurance Company Ltd.

1. General Economic Environment

In the supportive international environment, the strong economic growth from 2006 (5.7%) accelerated to 6.1% in 2007 and was the highest since Slovenia gained independence. GDP at current prices amounted to EUR 33,542 million (10.2 percent more than in 2006) or EUR 16,616 per capita (9.6 percent more than in 2006). In addition to strong economic fundamentals, the economic growth was supported by the effects of adopted reforms, particularly in the field of taxation. Exports of goods and services and high investment activity were the main drivers of economic growth. Looking at specific activities, the main contributors to growth were manufacturing and construction; the favourable trends in both activities also had a positive effect on the growth of certain market services.

Slovenia's economy flourished in the run-up to the adoption of the Euro. According to the Eurostat's November 2007 calculations, Slovenia has achieved 88.5 percent of the EU 27 average GDP per capita in purchasing power parity, and is thus ranked in the first half among the EU 27 as regards this standard measure.

As in previous years, Slovenia's most important trading partners come from EU countries accounting for 71% of total exports and 78% of all imports. Exports of goods also increased in these markets, mainly thanks to strong sales to the traditional trading countries such as Germany, Italy, France, Austria and Great Britain.

Exports of goods and services remained the most important factor for the GDP growth for the fourth year in a row. In 2007, it increased by 13.0 percent which contributed 8.8 percentage points to the GDP growth. In the first three quarters the exports growth was very high but in the fourth there was much more modest increase. The same holds true for almost all other GDP categories. Imports increased slightly more than exports (14.1 percent in 2007 compared to 2006).

During the whole of 2007, favourable economic conditions also had a positive effect on employment growth. According to the national accounts estimate, the total employment in 2007 amounted to 959,600 persons or 2.7 percent more than in 2006, the highest after 1991. For the first time after 2001 employment increased also in the manufacturing sector (0.7 percent).

Favourable economic indicators were distorted by inflation. Consumer prices in Slovenia increased by 5.6% in 2007 which is double the growth if compared to the year before. Acceleration in domestic inflation was largely caused by faster growth in the prices of food and liquid fuels for transport and heating, and partly by the rounding up of prices upon the euro changeover at the beginning of 2007.

Main Economic Indicators for Slovenia

	2007	2006
GDP (billion Euro)	33,5	30,5
GDP per capita	16,616	15,160
GDP per capita (PPS)	22,300	20,700
GDP annual growth (%)	6.1	5.7
Export growth (% in real terms)	13.0	12.3
Import growth (% in real terms)	14.1	12.2
Inflation rate (%)	5.6	2.8
Unemployment rate (% - ILO)	4,9	6.0

2. Slovene Insurance and Reinsurance Market in 2007

The Slovene insurance market is in the process of consolidation and privatisation. On the other hand, after the entry into the European Union, a number of insurance companies from EU member countries, which have established their subsidiaries or offer insurance services and products on a direct basis, has considerably increased. As a result, competition between insurance companies is getting fiercer. Beside Wiener Staedtische and Victoria-Volksbanken who already operate in Slovenia as a branch office of an insurance company registered in other EU countries, it was unveiled that Allianz Hungary will open its branch office in Slovenia as well. Despite increased presence of foreign companies, their combined market share remains relatively small, 7.5 percent in 2007.

At the end of the year 2007, there were 15 insurance companies and 2 reinsurance companies registered in the Republic of Slovenia. Among 15 insurance companies performing direct insurance operations there are 9 composite companies, the others are specialized in either life, health or non-life insurance.

In 2007, all insurance companies headquartered in Slovenia together with Victoria-Volksbanken branch office collected EUR 1,768.7 million of gross premium written, an increase of 9.5 percent if compared to 2006. In non-life, the gross premium written amounted to EUR 1,284.8 million (growth index of 108) and in life insurance EUR 483.8 million (growth index of 114).

Following the strategy of becoming the biggest provider of insurance services in South-Eastern Europe, Triglav Insurance Company acquired Vardar Insurance Company in 2007, the market leader in Macedonia, and Krajina Kopaonik Insurance Company in Bosnia and Herzegovina. Thus, Triglav completed its presence in all the countries of former Yugoslavia.

Triglav Insurance Company retained its leading position in the Slovenian insurance market with a 40 percent market share. Triglav Insurance Company leads the market in both non-life and life insurance with a 37.5 percent and a 46.5 percent market share, respectively.

The combined market share of Triglav Insurance Company and Triglav Health Insurance Company was 42.9%.

The reinsurance market growth was in line with the growth of the direct insurance market. Reinsurance gross premium written amounted to EUR 206.1 million in 2007, which represents an increase of 14.1 percent compared to the year 2006. Triglav Re's market share remained 42.5 percent.

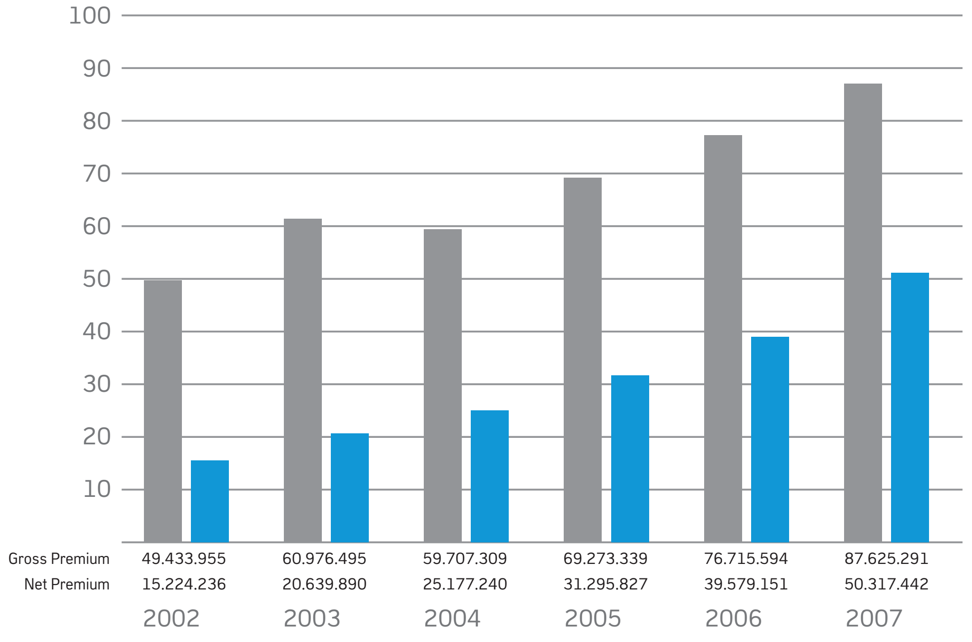
3. Business Review

Premium

Gross premium written in the 2007 financial year amounted to EUR 87.6 million. This represents an increase of 14.2 percent in comparison to the year before. The main reason for the increase is a strong growth in premium received from cedents outside the Triglav Group (Non- Group Business), while the business ceded from our parent company, Triglav Insurance Slovenia, remained stable.

The impact on the growth of non-group business on net premium was even stronger due to the fact that non-group business is almost completely retained net. Net premium written rose by 27 percent compared to the previous year and amounted to EUR 50.3 million. The retention rate in 2007 amounted to 57.4 percent which represented an increase of 5.8 percentage points if compared to the 2006 year.

Gross and Net Premium Written in the period 2002-2007 (in EUR)



Premium Structure by Origin

A major part of the premium in 2007 originated from our parent company. Cessions from Triglav Insurance Slovenia represented 62.5 percent of the gross premium written in 2007, a decrease of 7 percentage points compared to the previous year. Business received from Triglav's subsidiary companies in Croatia, the Czech Republic and Bosnia & Herzegovina provided a further 13.2 percent and the remaining 24.3 percent came from our acceptances outside the Triglav Group.

The depiction of premium by origin changes considerably when observing our net account. In 2007, non-group acceptances accounted for 39.3 percent of net premium written and the Triglav Group business accounted for 60.7 percent. Comparison with the figures from a year before shows further shift in the structure in favour of non-group business. The trend of non-group portfolio growth is in line with Triglav Re's long term strategy of increasing business originating from outside the group, while continuing to serve the reinsurance needs of our parent company and its affiliated companies.

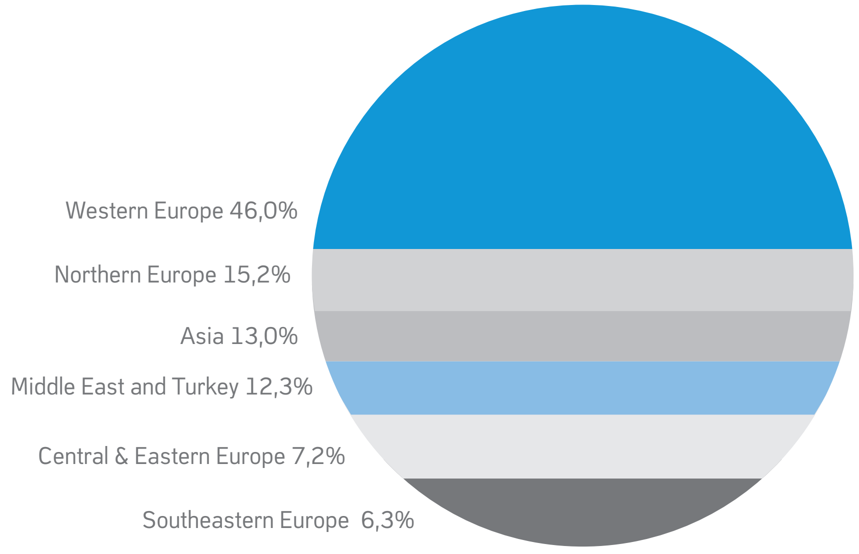
Premium Structure by Origin

	Gross Premium Written		Net Premium Written	
	Group business	Non group business	Group business	Non group business
2006	81,1%	18,9%	64,4%	35,6%
2007	75,7%	24,3%	60,7%	39,3%

Premium Structure by Territory

Due to the above, Slovenia remained our key market in 2007. Business coming from Slovenian cedents (which beside Triglav includes also minor cessions from other insurance and reinsurance companies) accounted for 64.1 percent of our gross premium written. Other important European markets of Triglav Re in 2007 were the countries of former Yugoslavia, Austria, Spain, Germany, Scandinavian countries and some markets in Central & Eastern Europe. From non-European business it is worth mentioning our increased presence in Asian markets, especially the markets of South Korea, India and Hong Kong. As part of our initiative for growth outside the Triglav Group, we entered into a few new markets outside the EU, e.g. Israel, Turkey, United Arab Emirates and China.

Non Group Gross Premium Written by region in 2007



Premium Structure by Class

In 2007, the strongest business segment of Triglav Re remained Property. Property lines of business accounted for 52.1 percent of gross premium written (a slight decrease from the year before) and are followed by Motor and Casualty with 36.5 percent and 4.6 percent respectively. The largest growth was recorded within Motor and Property lines of business with 22 percent and 12 percent respectively followed by Casualty with 10 percent increase. On the other hand the segment of Marine & Aviation shows a 7 percent decrease in comparison to the 2006 year.

Breakdown of Gross Premium Written by Class

Class	2007 in EUR	2006 in EUR	Share in 2007	Index 2007/2006
Accident	1.859.896	1.713.600	2,12%	109
Health	49.662	31.505	0,06%	158
Land vehicles	14.343.219	9.586.616	16,37%	150
Railway rolling stock	651.459	724.670	0,74%	90
Aircraft	964.926	637.829	1,10%	151
Ships	408.835	477.032	0,47%	86
Goods in transit	1.136.234	1.304.996	1,30%	87
Fire and natural forces	27.643.929	25.276.236	31,55%	109
Other damage to property	15.474.746	13.193.605	17,66%	117
Motor vehicle liability	17.668.561	16.734.305	20,16%	106
Aircraft liability	789.314	1.146.376	0,90%	69
Liability for ships	99.303	86.490	0,11%	115
General liability	2.140.632	1.953.351	2,44%	110
Credit	1.665.763	1.474.191	1,90%	113
Suretyship	356.753	508.861	0,41%	70
Miscellaneous financial loss	1.852.871	1.457.899	2,11%	127
Legal expenses	47.839	31.282	0,05%	153
Assistance	291.877	211.202	0,33%	138
Life	179.472	165.550	0,20%	108
TOTAL	87.625.291	76.715.594	100,0%	114

The growth engine in 2007 were Motor vehicle classes of insurance, which expanded their premium volume by a substantial 30 percent in comparison to the year before and retained their dominant position in the structure of our net premium written, accounting for exactly 50 percent of the total figure. Property remains the second most important business segment on the net side and accounted for 39.1 percent of total retained premium. Compared to the structure of gross premium, the share of Marine & Aviation in total is considerably less important on the net side, due to the fact that the bulk of this business is retroceded. The volume of Marine & Aviation remained on the same level as a year before.

Breakdown of Net Premium Written by Class

Class	2007 in EUR	2006 in EUR	Share in 2007	Index 2007/2006
Accident	1.643.970	1.508.193	3,27%	109
Health	49.662	31.505	0,10%	158
Land vehicles	10.101.071	6.580.733	20,07%	153
Railway rolling stock	3.819	5.308	0,01%	72
Aircraft	231.645	128.230	0,46%	181
Ships	381.992	454.991	0,76%	84
Goods in transit	515.798	543.100	1,03%	95
Fire and natural forces	9.783.179	7.506.873	19,44%	130
Other damage to property	9.356.525	7.339.299	18,59%	127
Motor vehicle liability	15.035.637	12.826.074	29,88%	117
Aircraft liability	87.523	86.639	0,17%	101
Liability for ships	70.200	74.505	0,14%	94
General liability	1.111.353	1.007.017	2,21%	110
Credit	1.111.339	971.965	2,21%	114
Suretyship	94.392	49.381	0,19%	191
Miscellaneous financial loss	515.897	355.401	1,03%	145
Legal expenses	47.839	31.282	0,10%	153
Assistance	172.935	75.930	0,34%	228
Life	2.667	2.723	0,01%	98
TOTAL	50.317.442	39.579.150	100,0%	127

Losses

The overall claims situation for Triglav Re in the 2007 year was less favourable than the year before. Gross losses paid in 2007 amounted to EUR 44.8 million, which represents an increase of 46 percent compared to the year before. Further, net losses paid increased by even more, i.e. 50 percent.

The biggest impact on the gross losses paid figure was heavy rain and flood in Slovenia that took place in September 2007. Up to 300mm of rain fell in just a few hours across the country, with swollen rivers, torrential streams and landslides sweeping away cars, houses, bridges and sections of roads. The final estimated loss for Triglav Re is EUR 9.5 million. Though, the impact of the loss on the net loss result is limited in accordance with the outward reinsurance programme.

The most important event on the non-group portfolio loss side in the 2007 year was the winter storm Kyrill that hit Europe in February and will result in estimated loss of approximately EUR 2,1 million, mainly related to business written in Germany and Austria. Beside the Kyrill loss we should mention losses due to heavy rain in the United Kingdom (June and July), fire at Hirviset Oy in Finland (June), hail in South Korea (June) and a typhoon in South Korea (August).

Breakdown of Gross Losses Paid by Class

Class	2007 in EUR	2006 in EUR	Share in 2007	Index 2007/2006
Accident	748.579	734.463	1,67%	102
Health	40.251	25.358	0,09%	159
Land vehicles	8.378.309	5.526.326	18,69%	152
Railway rolling stock	0	0	0,00%	0
Aircraft	206.528	30.577	0,46%	675
Ships	96.304	87.977	0,21%	109
Goods in transit	283.912	173.735	0,63%	163
Fire and natural forces	13.998.059	9.810.090	31,22%	143
Other damage to property	10.967.737	5.765.462	24,46%	190
Motor vehicle liability	7.329.775	6.668.718	16,35%	110
Aircraft liability	33.039	33.211	0,07%	99
Liability for ships	20.367	11.061	0,05%	184
General liability	808.374	760.497	1,80%	106
Credit	429.910	565.756	0,96%	76
Suretyship	23.232	-2.851	0,05%	-815
Miscellaneous financial loss	1.163.867	323.575	2,60%	360
Legal expenses	1.269	120	0,00%	1.062
Assistance	179.202	65.636	0,40%	273
Life	124.815	72.909	0,28%	171
TOTAL	44.833.529	30.652.620	100,0%	146

Breakdown of Net Losses Paid by Class

Class	2007 in EUR	2006 in EUR	Share in 2007	Index 2007/2006
Accident	685.893	668.400	2,44%	103
Health	40.251	25.358	0,14%	159
Land vehicles	6.745.042	3.973.142	23,96%	170
Railway rolling stock	0	0	0,00%	0
Aircraft	133.643	30.577	0,47%	437
Ships	96.304	97.683	0,34%	99
Goods in transit	259.224	186.616	0,92%	139
Fire and natural forces	7.013.409	3.935.916	24,91%	178
Other damage to property	4.971.374	3.633.809	17,66%	137
Motor vehicle liability	6.645.127	4.949.372	23,60%	134
Aircraft liability	18.907	23.137	0,07%	82
Liability for ships	20.367	12.695	0,07%	160
General liability	719.701	648.334	2,56%	111
Credit	225.512	406.659	0,80%	55
Suretyship	7.555	1.652	0,03%	457
Miscellaneous financial loss	440.235	162.961	1,56%	270
Legal expenses	1.264	117	0,00%	1.084
Assistance	130.421	19.408	0,46%	672
Life	1.072	129	0,00%	833
TOTAL	28.155.302	18.775.965	100,0%	150

Technical Provisions

Net provisions for unearned premium increased by 12.4 percent in comparison to the previous year. The growth of net provisions for outstanding losses & IBNR was, on the other hand, more significant in 2007. These provisions increased by 20.7 percent. Equalization provisions (as at 31 December 2007 the figure stands at EUR 812.364) are according to IFRS part of Reserves in Capital, therefore are excluded from net technical provisions. Provisions for bonuses and rebates were established exclusively in credit insurance and on the basis of information reported by the cedants. Other technical provisions (Unexpired risk reserve) amounted to EUR 133.433. As at 31 December 2007 total net technical provisions increased by 18,7 percent compared to the applied IFRS 2006 year.

Breakdown of Net Technical Provisions

	2007 in EUR	2006* in EUR	Index 2007/2006*
Net provisions for unearned premium	11.021.696	9.808.268	112
Net provisions for outstanding losses & IBNR	29.241.456	24.227.211	121
Provisions for Bonuses and Rebates	11.086	3.088	359
Other Technical Provisions	133.433	0	0
- Provisions for Unexpired Risks	133.433	0	0
TOTAL	40.407.672	34.038.567	119

*Year 2006 according to IFRS

Capital Adequacy

The capital adequacy figures were calculated in accordance with Slovenian insurance regulation. At the end of 2007, the minimum capital requirement stood at EUR 9.8 million whereas the insurance undertaking's capital of Triglav Re amounted to EUR 26.5 million.

Capital Adequacy

	EUR 2007	EUR 2006
Insurance undertaking's Capital	26.548.703	16.550.196
Minimum capital Requirements	9.824.398	8.761.254
Surplus	16.724.305	7.788.942

Reinsurance

Triglav Re arranges reinsurance protection for the Triglav Group, and also acts as a professional reinsurer for companies outside the group. The group premium represents 75.7 percent of the total gross premium.

The level of retrocession in 2007 shows a decrease to 42.6 percent from 48.4 percent in the last year, which results from the increase in non-group acceptances as well as increased retention level of group business. Since the premium earned outside the Triglav Group is mainly retained net, it has strong impact to retention. The retention ratio in 2007 is 57.4 percent, but it varies considerably in different classes, mainly depending on types of risks ceded to us from the Triglav Group.

Retention Ratio by Class in 2007

Class	Gross Premium Written in EUR	Net Premium Written in EUR	Retention Ratio
Accident	1.859.896	1.643.970	88,39%
Health	49.662	49.662	100,00%
Land vehicles	14.343.219	10.101.071	70,42%
Railway rolling stock	651.459	3.819	0,59%
Aircraft	964.926	231.645	24,01%
Ships	408.835	381.992	93,43%
Goods in transit	1.136.234	515.798	45,40%
Fire and natural forces	27.643.929	9.783.179	35,39%
Other damage to property	15.474.746	9.356.525	60,46%
Motor vehicle liability	17.668.561	15.035.637	85,10%
Aircraft liability	789.314	87.523	11,09%
Liability for ships	99.303	70.200	70,69%
General liability	2.140.632	1.111.353	51,92%
Credit	1.665.763	1.111.339	66,72%
Suretyship	356.753	94.392	26,46%
Miscellaneous financial loss	1.852.871	515.897	27,84%
Legal expenses	47.839	47.839	100,00%
Assistance	291.877	172.935	59,25%
NON-LIFE INSURANCE TOTAL	87.445.819	50.314.775	57,54%
Life	179.472	2.667	1,49%
NON-LIFE AND LIFE INSURANCE TOTAL	87.625.291	50.317.442	57,42%

Due to the before mentioned retrocession levels, we place particularly strong emphasis on the financial strength of our retrocessionaires, especially in respect of long-tail business. As far as markets are concerned we work with many continental reinsurers, the London market and also, but to a limited extent, with the Bermudan market.

Underwriting Result

Due to intensive loss pattern, the 2007 underwriting result of our company was not as satisfactory as last year but still within the range of our target underwriting result. The overall loss ratio (measured by net incurred losses to net earned premium) was 67.5 percent, which is a deterioration compared to 61.2 percent in the 2006 year. Among the more important classes, the most profitable were Motor Vehicle Third Party Liability with the loss ratio of 58.2 percent, Other Property with 63.6 percent (both loss ratios distinctly higher as in 2006) and Fire with the loss ratio of 75.9 percent (a deterioration compared to a year before by 10 percentage points).

In 2007, a general deterioration of loss result was recorded compared to the year before. One reason lies in increased competition in the Slovenian insurance market and price reductions in international markets. However, the net result of most important line of business i.e. Motor Vehicle Third Party Liability, has a very satisfactory loss result of 58.2 percent. With the introduction of the new road traffic safety law introduced in 2008, we expect this line of business to be positive also in the future despite stronger competition in the direct market.

Despite the significantly heavier claims burden from natural catastrophes we posted a combined ratio of 91.9 percent.

Loss Ratio by Class

Class	Loss Ratio 2007	Loss Ratio 2006
Accident	48,6%	45,8%
Health	159,2%	10,1%
Land vehicles	76,3%	66,4%
Railway rolling stock	0,0%	0,0%
Aircraft	73,6%	31,8%
Ships	58,1%	45,4%
Goods in transit	76,8%	29,9%
Fire and natural forces	75,9%	65,9%
Other damage to property	63,6%	61,9%
Motor vehicle liability	58,2%	52,8%
Aircraft liability	72,1%	34,9%
Liability for ships	29,0%	32,4%
General liability	106,9%	150,2%
Credit	42,2%	52,6%
Suretyship	37,5%	-5,1%
Miscellaneous financial loss	112,8%	86,5%
Legal expenses	12,6%	5,0%
Assistance	56,9%	105,0%
Life	68,2%	9,0%
TOTAL	67,5%	61,2%

Marketing

We write our reinsurance business either in direct collaboration with the primary insurers and regional reinsurers or via brokers. The latter is especially true for markets outside our home region.

In the year under review, the company has implemented client focused organisation. Each client manager is dealing with individual territories with the aim to intensify business relations with insurance and reinsurance companies there. In order to further diversify Triglav Re's portfolio we put extra care to selective territories that promise healthy underwriting results. After 2008 renewals we can see that this proactive approach has already brought some results. Beside increased engagement in foreign markets our important role is to support Triglav Group's acquisitions with the expected level of service and knowledge.

Financial Result

In year 2007 Triglav Re net premium earned amounted to EUR 49.1 million (index of 127 compared to 2006). Net earned claims totaled EUR 33.2 million (index of 140 compared to 2006), that is EUR 10.5 million more than in business year 2006. Operating expenses remained at the same level as previous years, i.e. under 2.5% of gross premium written.

Despite unfavorable loss occurrence, Triglav Re made profit before tax in amount of EUR 6.1 million (index of 70 compared to 2006, when gross profit totaled EUR 8.5 million adjusted to IFRS – profit before tax in Income statement 2006 was EUR 6.6 million). Profit after tax for the business year 2007 equaled EUR 4.2 million (index of 59 compared to 2006). The deterioration of financial results in the business year 2007 compared to the year before can be assigned to some major catastrophic losses in the year 2007, which led to unfavorable net earned loss result.

As at 31 December, 2007, balance sheet profit totaled EUR 21.7 million and also included net profit brought forward from previous years of EUR 12.2 million, equalization provisions and nuclear risk reserve, which Triglav Re formed in previous years, but accordingly to new IFRS standards they are not acknowledged anymore.

Net reinsurance commission in the business year 2007 amounted to EUR 9.8 million (compared to EUR 7.0 million in the business year 2006), and the growth can be assigned to expanding Triglav Re's business on international reinsurance markets.

Financial Result Indicators

	2007	2006
Loss Ratio	67,5%	61,2%
Share of operating expenses in gross premium	2,5%	2,3%
Share of operating expenses in net premium	4,3%	4,5%
Share of net commission in net premium	19,4%	17,6%
Gross premium written per employee (in '000 EUR)	3.392	3.153
Return on investment per average total investment	3,6%	4,6%

Financial Position

International Financial Reporting Standards (IFRS) which entered into force on 1 January, 2007, substituted Slovene Accounting Standards "SRS(2006)". Due to changes which are the consequences of new IFRS, the data for year 2006 are disclosed in two columns of the balance sheet. The first column contains the data according to IFRS (The data as at 31 December, 2006), and in the second column according to SRS 2006 (The data as at 31 December, 2006). To enable useful comparisons in the continuation, all growth indices are based on the relationship between 31 December, 2007, IFRS and 31 December, 2006, IFRS.

The balance sheet total assets as at 31 December, 2007, equalled EUR 128 million and compared to 2006 it increased by 22%. This indicates the improved financial situation of Triglav Re in 2007.

As at 31 December, 2007, total capital stood at EUR 33.8 million, meaning that it increased by 18 percent in comparison to 2006. In total assets in 2007, the share of capital rose to 26,4 percent.

Gross technical provisions (without equalization reserve for credit risk in total amount of EUR 812 thousand), as at 31 December, 2007, amounted to EUR 60.2 million, which represented an increase of 27 percent compared to the year before. Net technical provisions as at 31 December, 2007, totaled EUR 40.4 million (index of 119 compared to 2006).

Financial Position Indicators

	2007	2006
Capital in total liabilities	26,4%	27,3%
Available capital as a % of minimum capital	270,2%	188,9%
Net premium written as a % of average capital	161,1%	160,4%
Return on equity	13,4%	20,1%
Net technical provisions as a % of total liabilities	31,6%	32,5%
Net technical provisions as a % of net premium	80,3%	86,0%
Investment as a % of total assets	57,4%	58,7%
Ratio between investments and net technical provisions	181,8%	180,8%

4. Financial Statements of Triglav Re

Balance sheet
As at 31 December 2007

	Note	2007 EUR'000	2006 EUR'000
Assets			
Property and equipment	1.10	72	68
Intangible assets	1.11	152	140
Available-for-sale financial assets	1.12	64,698	52,878
Financial assets at fair value through profit or loss	1.12	3,183	3,031
Loans and receivables	1.12	5,561	5,637
Reinsurers' share of insurance contract provisions	1.13	19,817	13,292
Insurance and other receivables	1.15	34,442	29,752
Cash and cash equivalents		57	5
Total assets		127,982	104,803
Liabilities			
Insurance contract provisions	1.16	60,224	47,330
Provisions for jubilee benefits and termination benefits		81	81
Insurance and other payables	1.17	31,249	25,450
Deferred tax liability	1.14	2,253	2,782
Current income tax liability		361	516
Total liabilities		94,168	76,159
Shareholders' equity			
Share capital	1.18	3,130	3,130
Fair value reserve	1.18	5,909	4,623
Capital surplus	1.18	1,147	1,147
Revenue reserve	1.18	1,952	1,819
Retained earnings	1.18	21,676	17,925
Total equity		33,814	28,644
Total liabilities and equity		127,982	104,803

Income statement
For the year ended 31 December 2007

	Note	2007 EUR'000	2006 EUR'000
Gross premiums written	1.19	87,625	76,716
Written premiums ceded to reinsurers	1.19	-37,308	-37,136
Net premiums written		50,317	39,580
Change in the gross provision for unearned premiums	1.19	-1,424	-1,575
Reinsurers' share of change in the provision for unearned premiums	1.19	212	687
Net earned premiums		49,105	38,692
Fee and commission income	1.20	6,773	7,316
Financial income	1.21	3,487	3,116
Other operating income	1.21	6	11
Net income		10,266	10,443
Gross claims incurred	1.25	-44,834	-30,653
Reinsurers' share of claims incurred	1.25	16,678	11,877
Change in the gross provision for claims outstanding	1.25	-11,329	-5,839
Reinsurers' share of change in the provision for claims outstanding	1.25	6,315	954
Net claims and benefits incurred		-33,170	- 23,661
Acquisition costs	1.26	-818	-638
Administrative expenses	1.27	-1,243	-1,053
Other operating expenses	1.22	-16,824	-14,561
Change in other technical provisions		-141	95
Financial expenses	1.23	-1,076	-608
Profit before income tax		6,099	8,710
Income tax expense	1.24	-1,921	-1,671
Profit for the period		4,178	7,039
Earnings per share			
Basic and diluted earnings per share in EUR		279	468

Statement of changes in equity

For the year ended 31 December 2007

	Share capital	Fair value reserve	Capital surplus	Revenue reserve	Retained earnings	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance at 1 January 2006	3,130	2,201	1,147	1,702	12,522	20,702
Change in fair value reserve	0	2,422	0	0	0	2,422
Profit for 2006	0	0	0	0	7,039	7,039
Appropriation to revenue reserve	0	0	0	117	0	117
Dividend payout	0	0	0	0	-413	-413
Other decrease in equity components by deferred taxes	0	0	0	0	-1,224	-1,224
Balance at 31 December 2006	3,130	4,623	1,147	1,819	17,924	28,643
Balance at 1 January 2007	3,130	4,623	1,147	1,819	17,924	28,643
Change in fair value reserve	0	3,722	0	0	0	3,722
Profit for 2007	0	0	0	0	4,045	4,045
Appropriation to revenue reserve	0	0	0	133	0	133
Other increase in equity components - revaluation	0	0	0	0	694	694
Dividend payout	0	0	0	0	-758	-758
Other decrease in equity components - revaluation	0	-2,436	0	0	-229	-2,665
Balance at 31 December 2007	3,130	5,909	1,147	1,952	21,676	33,814

Statement of cash flows

For the year ended 31 December 2007

	2007	2006
	EUR'000	EUR'000
Cash flows from operating activities		
Insurance premiums received	87,625	76,716
Reinsurance premiums paid	-37,307	-37,136
Fees and commissions received	6,773	7,316
Interest received	2,365	2,198
Dividends received	122	88
Claims and benefits paid	-44,834	-30,653
Claims recoveries received	16,678	11,877
Payments to employees	-896	-750
Other operating costs	-302	-256
Other operating cash flows	-26,542	-16,996
Dividends paid	-758	-413
Net acquisition/disposal of operating assets		
- Equities	2,260	-1,408
- Debt securities	5,892	-2,501
- Units in investment funds	2,994	-166
- Deposits and loans	333	4,075
Income taxes paid	-1,894	-1,681
Net cash from operating activities	12,509	10,310
Cash flow from investing activities		
Increase in investments	-12,445	-10,243
Acquisition of property and equipment	-61	-8
Acquisition of intangible assets	-68	-55
Net cash from investing activities	-12,574	-10,306
Net increase/decrease in cash and cash equivalents	51	4
Cash and cash equivalents – opening balance	5	1
Cash and cash equivalents - closing balance	56	5

5. Audit Report

KPMG

Independent's Auditor's Report

To the Management and the Supervisory Board of Pozavarovalnica Triglav Re, d.d., Ljubljana

We have audited the accompanying financial statements of the company Pozavarovalnica Triglav Re, d.d., Ljubljana which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

This auditor's report is a translation of the original auditor's report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pozavarovalnica Triglav Re, d.d., Ljubljana as at 31 December 2007, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by Slovenia's Companies Act we herewith confirm that information in the business report is in conformity with the audited financial statements.

Without qualifying our opinion, we draw attention to the Note 1.3 (u) and 1.18 to the financial statements. In compliance with International Financial Reporting Standards as adopted by European Union, equalisation provisions are set up and recorded in the financial statements under reserves within equity. If the financial statements had been prepared in line with the requirements of the Insurance Act, the respective provisions would have been charged against profit or loss and recorded under technical provisions.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Katarina Sitar Šuštar, B.Sc.Ec.
Certified Auditor

Marjan Mahnič, B.Sc.Ec.
Certified Auditor
Partner

Ljubljana, 9 June 2008

KPMG Slovenija, d.o.o.
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This auditor's report is a translation of the original auditor's report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only.

6. Notes to the Financial Statements

1.1 Reporting entity

Triglav Re, Reinsurance company, Ltd. (the "Company") is a joint stock company incorporated and domiciled in Ljubljana, Miklošičeva 19. The Company is a reinsurance company reinsuring non-life and life (only death risk) insurance in compliance with the provisions of the Insurance Act.

The Company's major shareholder (87% of voting rights) and ultimate parent company is Triglav Insurance Company, Ltd., which is domiciled in Ljubljana, Miklošičeva 19, Slovenija.

Triglav Re is a member company of the Triglav Group. The consolidated annual report for the Triglav Group is prepared in the registered office of Triglav Insurance Company. The consolidated annual report is available for inspection in the registered office of Triglav Insurance Company.

1.2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company is the first time adopter of IFRS and, accordingly, IFRS 1 "First-time adoption of IFRS" has been applied. The effect of this fact is described in note 1.4.

The 2007 financial statements were authorised for issue by the Management Board on 25 April 2008.

(b) Functional and presentation currency

The financial statements are presented in euro, which is the currency of the primary economic environment in which the Company operates, i.e. Republic of Slovenia. The transition from Tolar to Euro became effective in Slovenia as of 1 January 2007. As at 1 January 2007, the conversion rate was set at EUR 1 = SIT 239.64. In the financial statements, the amounts are rounded to the nearest thousand.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis and adequately adjusted for measurement of financial assets (except those classified as held-to-maturity) at fair value.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and information available at the date of preparation of the financial statements, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Such estimates may change the profit or loss.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

The estimates and judgements are mostly used in the measurement of technical provisions. Discussed in note 1.5.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to euro at exchange rates of the Bank of Slovenia, which are announced on the web site of NLB, effective at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euro at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to euro at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss or in equity depending on the classification of separate non-monetary asset.

The most significant foreign currency in which the Company holds its assets and liabilities is USD. The exchange rates used for translation at 31 December 2007 and 31 December 2006 were USD 1 = EUR 0.6806 (2006: USD 1 = EUR 0.7592).

Adjustments to the new or amended standards with effect from 1 January 2008

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments introduces "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowings costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company.

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions requires a share-based payment arrangement in which the Company receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company's 2008 financial statements, with rectroactive application required.

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

- IFRIC 13 Customer Loyalty Programmes addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when an MFR might give rise to a liability.

1.3 Significant accounting policies

(a) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives are as follows:

	2007	2006
Equipment	4 years	4 years
Fixtures, fittings and motor vehicles	8 years	8 years

Residual values are not taken into account. Depreciation methods and useful lives are reassessed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the income statement.

(b) Intangible assets
Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

The estimated useful lives are as follows:

	2007	2006
Software	5 years	5 years

Residual values are not taken into account. The assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the income statement.

(c) Financial instruments

Classification and recognition
The Company classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets, and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of financial assets and financial liabilities at initial recognition.

(d) **Financial assets and financial liabilities at fair value through profit or loss**
Financial assets and liabilities at fair value through profit or loss are financial assets which are classified as held for trading or on initial recognition designated by the Company as at fair value through profit or loss. Derivatives are classified as held for trading.

As stated above this category has two sub-categories: financial instruments held for trading, and those designated by management as at fair value through profit or loss at inception. Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables arise when the Company provides money to a debtor with no intention of trading with the receivable, and include loans to customers and deposits with banks.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets designated as available for sale are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in

interest rates, foreign exchange rates, or equity prices. Available-for-sale financial assets include debt securities and equity securities.

Recognition and derecognition
Purchases and sales of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised on the trade date which is the date when the Company commits to purchase or sell the instrument. Loans and receivables and financial liabilities at amortised cost are recognised when advanced to borrowers or received from lenders.

The Company derecognises financial assets (in full or part) when the contractual rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights on those financial assets. This occurs when the Company transfers substantially all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered or have expired. The Company derecognises financial liabilities only when the financial liability ceases to exist, i.e. when it is discharged, cancelled or has expired. If the terms of a financial liability change, the Company will cease recognising that liability and will instantaneously recognise a new financial liability, with new terms and conditions.

Initial and subsequent measurement
Financial assets and liabilities are recognised initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Company measures financial instruments at fair value through profit or loss and available for sale at their fair value, without any deduction for selling costs. Equity instruments classified as available for sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment.

Loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses.

Gains and losses
Gains and losses arising from a change in the fair value of financial assets or financial liabilities at fair value through profit or loss are recognised in the income statement.
Gains and losses from a change in the fair value of available-for-sale assets are recognised directly in a fair value reserve within equity and are disclosed in the statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method, on available-for-sale monetary assets are recognised in the income statement.

Dividend income is recognised in the income statement. Upon sale or other derecognition of available-for-sale assets, any cumulative gains or losses are transferred to the income statement.

Gains and losses on financial instruments carried at amortised cost may also arise, and are recognised in the income statement, when a financial instrument is derecognised or when its value is impaired.

Fair value measurement principles
The fair value of financial assets and liabilities at fair value through profit or loss and financial assets available for sale is their quoted bid market price at the balance sheet date without any deductions for selling costs. If the market for a financial asset is not active (and for unlisted securities), or if, for any other reason, the fair value cannot be reliably measured by market price, the Company establishes fair value by using valuation techniques. These include the use of prices achieved in recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of non-exchange-traded derivatives is estimated at the amount that the Company would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Impairment of financial assets
At each balance sheet date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence

demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are individually assessed for impairment. All individually significant assets which are not assessed as impaired are then collectively assessed for any impairment that has been incurred but not yet identified at the balance sheet date.

In assessing collective impairment the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rates. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest income on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Debt securities
Debt securities are classified as financial assets at fair value through profit or loss, held to maturity, or available for sale, depending on the purpose for which the debt security was acquired.

(f) Trade and other receivables
Trade and other receivables are stated at their amortised cost less impairment losses.

(g) Trade and other payables
Trade and other payables are initially recognised at fair value and then subsequently at amortised cost.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(h) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank balances.

(i) Employee benefits
Employee benefits are all forms of compensation that are provided to the employees in return for their contribution to the Company.

Employee benefits include:
1) Short-term employee benefits, which are payable within 12 months after the end of the period of the employee's service, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (such as medical care and cars).

2) Other employee benefits, such as jubilee benefits and termination benefits upon retirement. The calculation of liabilities to employees arising from jubilee benefits and termination benefits upon retirement is based on the actuarial calculations using the following assumptions:

- The development of mortality or survivorship will be in accordance with average life expectancy set out in the Mortality Tables.

- The retirement age and pensionable employment of men and women are in agreement with Articles 36, 52, and 396.a of the Pension and Disability Insurance Act.
- The average salary of an individual.

- The growth of salaries in the following years is estimated at an average of 4.7 % per annum.

- The amount of termination benefit upon retirement is either equal to three average salaries of the employee or, in compliance with the law, equal to the amount of two average salaries of an employee in the Company or two average salaries in the Republic of Slovenia, whichever is higher.

- The amount of jubilee benefits is in compliance with the internal regulations of the Company.

- The discount rate is 4.1%.

(j) Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.
Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted and are classified as non-current.

(k) Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Equity

Share capital
Share capital comprises no par value shares. The shares are ordinary shares and give the holder the voting right and, based on the resolution of the shareholders' meeting, the right to dividends. The Company does not record any subscribed shares not paid-in.

Reserves
The Company presents capitals surplus. Upon transition to SAS 2006, general capital revaluation adjustment and other capital paid in under the Articles of Association were transferred to capital surplus.

Revenue reserves comprise legal reserve and other revenue reserves, which are set up in accordance with the resolution of the Management Board and the resolution of the Shareholders' Meeting and strengthen, on a long-term basis, the capital adequacy of the Company. These are:
Statutory reserves which represent accumulated appropriations from retained earnings in accordance with the Articles of Association and the Companies Act (ZGD-1).

Legal and statutory reserves may be used:
- to cover net loss for the period if it cannot be covered by charging it against retained earnings or other revenue reserves;
- to cover retained loss if it cannot be covered by charging it against net profit for the period or other revenue reserves.

In compliance with IFRS, the Company does not set up equalisation provision. In accordance with the Insurance Act, the Company is liable to make provision for credit risks and catastrophe losses. To comply with the statutory requirements, the Company records this provision as revenue reserve under credit risk equalisation reserve, and set it up based on the appropriation of net profit in compliance with the resolution of the Management Board.

Fair value reserve
The fair value reserve represents unrealised net gains and losses arising from a change in the fair value of available-for-sale financial assets, net of deferred tax.

Retained earnings
Any profit for the year retained after appropriations to reserves remains unappropriated.

(m) Impairment
The carrying amounts of the Company's assets, financial assets (see accounting policy 1.3.(d)) and deferred tax assets (see accounting policy 1.14) are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Revenue
Other reinsurance revenue (expenses) is an item of the income statement in which reinsurance commission income and reinsurance commission expenses are recorded.

Premiums
Gross written reinsurance premiums from cessions or retrocessions assumed in the observed period are reinsurance premiums written in the observed period on the basis of reinsurance contracts concluded with cedents and retrocedants. Retroceded portion of gross written reinsurance premiums from assumed cessions or retrocessions is ceded for reinsurance in accordance with the retrocession contracts concluded with the Company's retrocessionaires. Net written reinsurance premium from cessions or retrocessions assumed in the reporting period is the amount of gross written reinsurance premium from assumed cessions or retrocession less the amount of gross written reinsurance premium of assumed cessions or retrocessions ceded for retrocession of assumed cessions or retrocessions.

Investment income
Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy in relation to financial income recognition is disclosed in note 1.3 (d) under "Gains and losses".

(o) Expenses

Operating expenses
Operating expenses consists of policy acquisition costs and administration costs, other operating expenses and financial expenses.

Expenses are recorded by type when incurred. In the financial statements, expenses are classified by functional group. These are: appraisal costs, asset management costs, policy acquisition costs, and other operating costs. Due to the manner of claims handling in the Company, no costs arise in connection with the assessment of the entitlement to the amount of claim therefore they are not classified under the functional group of appraisal costs. A portion of costs by type may be directly classified to a functional group, while other costs are classified to a functional group on the key basis. The key represents the consumption of working time by employees for a separate function and accordingly allocated costs of wages and salaries of the respective employees. Based on such a structure of wages and salaries, other operating costs are allocated to a functional group.

Operating expenses include only that part of costs which are, following the above mentioned classification, allocated to policy acquisition costs and other operating costs.

(p) Classification of contracts
Contracts under which the Company or a reinsurer accepts a part or the whole of reinsurance risk from another party (cedent or retrocedent) by agreeing to compensate the cedent or retrocedent if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as reinsurance contracts. Reinsurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reinsurance contracts may also transfer some financial risk.

Contracts with discretionary participation features
No such contracts are disclosed by the Company.

(r) Unearned premium provision
The provision for unearned premiums comprises the proportion of gross premiums written in the reinsurance period after the end of the financial year under review. Unearned premium is computed using pro-rata temporis method or fraction method adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(s) Unexpired risk provision
Provision for unexpired risks is made on the basis and in compliance with Article 6 of the Decision on Detailed Rules and Minimum Standards to be applied in the calculation of technical provisions (Official Gazette of RS, No. 3/2001). The provision is defined as the difference between the actual amount required to cover unexpired risks and the unearned premiums. The provision for unexpired risks is made for those classes of business in which the average combined ratio in the last three years (current year and two previous years) exceeded 100%. The unexpired risk provision was additionally made at 31 December 2007 (in 2006 it amounted to 0 EUR) because the average combined ratio in the last three years exceeded 100% in certain classes of business.

(t) Non-life insurance provision
The technical provisions comprise unearned premium provision, provision for incurred and reported claims, provision for incurred but not reported claims (IBNR provision), provision for bonuses, rebates and cancellations, and provision for unexpired risks. Gross unearned premiums were set on the basis of notifications made by cedents.

Unearned premium provision was made for retrocession business and for retrocedents that failed to present the statement of account of unearned premium, in compliance with the Company's rules and regulations and by use of the fraction method. The provisions for incurred but not reported claims (IBNR provision) and for incurred but not enough reported claims (IBNER provision) were made on the basis of notifications made by cedents. A part of provisions was made on the basis of the Company's calculations. A projection was prepared using the triangle method for cumulative ultimately settled active, passive and net claims by class of business, or by group of classes of business when the volume of premiums or claims is too small. When preparing the triangles with data on claims settled, by contract year, for the projection of future payments of claims incurred, extremely high claims paid in the years 2000 to 2007 were eliminated.

To supplement the underdeveloped years, the Company supplemented the chain ladder method used in the previous year with the Bornhueter-Ferguson method at the level of separate class of business or separate group of classes of business. The IBNR claims thus computed by class of business or by group of classes of insurance were compared with the IBNR claims computed on the basis of data submitted by cedents. As the final result for the class of business or the group of classes of insurance, the higher result was considered.

The provision for bonuses and rebates was made on the basis of the notification presented by the cedent, with whom a contract on export credit reinsurance was concluded.

(u) Equalisation provision
Pursuant to Article 54 of the Companies Act, insurance companies shall prepare their financial statements in compliance with International Financial Reporting Standards as adopted by European Union. Pursuant to Article 155 of the Insurance Act, insurance companies shall observe the provisions of the Companies Act when accounting. Pursuant to Article 133 of the Companies Act, technical provisions also include equalisation provisions. The provisions defined under Article 113 and Article 118 of the Insurance Act are in contradiction with the requirements of International Financial Reporting Standards as adopted by European Union. In compliance with International Financial Reporting Stan-

dards as adopted by European Union, the Company presents equalisation provisions under reserves in the item of equity.

Life assurance provision
The life assurance provision is not made by the Company because the classes of business classified in items 20 to 24 under Article 2 of the Insurance Act are not recorded by the Company in its portfolio. The Company's life assurance portfolio includes only the type of life assurance classified in item 19 under paragraph 2, Article 2 of the Insurance Act. Pure endowment risk, however, is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured. For this reason, only unearned premium provision and claims provision for death risk, critical illness risk and supplementary accident insurance are made.

(v) Claims
Claims arising from non-life business
Net claims incurred consist of gross claims (reinsurance proceeds) less retrocedents' shares (reinsurers' shares) and changes in gross claims provisions adjusted by the retrocedents' share in the change in gross claims provisions.

(w) Reinsurance
Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its cedents and retrocedents.

Ceded premiums and claims are presented in the income statement and balance sheet on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance contracts. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue and accounted as if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. The Company records an allowance for estimated irrecoverable reinsurance assets, if any.

The cost of reinsurance related to life assurance contracts is accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

Reinsurance commissions and profit participations
Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

(z) Liabilities and related assets under liability adequacy test
Reinsurance contracts are tested for liability adequacy. Where a shortfall is identified, an additional provision is made and the Company recognises the deficiency in the income statement.

The assumptions of the liability adequacy test and the test itself are described in detail in note 1.7.

1.4 First time adoption of IFRS

Explanation of transition to IFRS
As stated in note 1.2, these are the Company's first financial statements prepared in accordance with IFRS.

The Company previously prepared its financial statements in accordance with Slovenian Accounting Standards 2006. The main difference between IFRS and the previous accounting framework relates to the previous presentation of equalisation provisions or credit risk equalisation reserves. Under SAS 2006, these provisions were recorded under technical provisions. Under IFRS, these provisions are recorded as credit insurance equalisation reserves under equity as explained in item 1.18 hereof. Other differences are only presentational and comprise various reclassifications as well as additional disclosures.

The accounting policies set out in note 1.3 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of an opening IFRS balance sheet at 1 January 2006 (the Company's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the previous basis of accounting. An explanation of how the transition from the previous basis of accounting to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Explanation of Transition to IFRS

	Note	Old accounting framework 1.1. 06 EUR'000	IFRS 1.1.06 EUR'000	Old accounting framework 31.12.06 EUR'000	IFRS 31.12.06 EUR'000	IFRS 31.12.07 EUR'000
Assets						
Property and equipment	a)	83	83	68	68	72
Intangible assets	b)	141	141	140	140	151
Available-for-sale financial assets	c)	41,948	42,881	51,782	52,878	64,698
Financial assets at fair value through profit or loss	d)	-	-	3,031	3,031	3,183
Loans and receivables	d)	5,052	5,052	5,637	5,637	5,561
Reinsurers' share of insurance contract provisions	k)	11,650	11,650	13,291	13,291	19,817
Deferred tax asset		26	26	36	36	17
Insurance and other receivables	f)	19,708	18,775	30,802	29,716	34,426
Cash and cash equivalents	h)	1	1	5	5	57
Total assets		78,609	78,609	104,792	104,802	127,982
Liabilities						
Insurance contract provisions	k)	44,745	40,071	54,082	47,330	60,306
Insurance and other payables and deferred income	g)	17,102	17,162	26,046	26,046	31,609
Deferred tax liability		734	733	1,447	2,783	2,253
Total liabilities		62,581	57,907	81,575	76,159	94,168
Shareholders' equity						
Share capital	l)	3,130	3,130	3,130	3,130	3,130
Fair value reserve	l)	2,201	2,201	4,843	4,623	5,909
Statutory reserve	l)	2,286	2,848	2,286	2,965	3,099
Retained earnings		8,411	12,523	12,958	17,925	21,676
Total equity		16,028	20,702	23,217	28,643	33,814
Total liabilities and equity		78,609	78,609	104,792	104,802	127,982

Due to the transition to IFRS, equalisation provision and nuclear risk provision were reversed as from 1 January 2006. They were transferred to retained earnings and deferred tax liability was accounted for.

Because a new securities valuation software programme was implemented, the calculation of the effective interest rate was more accurate, which resulted in retained profit. The movement is reflected under Other decrease in equity components and valuation of investments in 2007.

The movement in fair value reserve includes increase and decrease as a result of securities valuation in 2006 and 2007. Revenue reserve increased in 2006 and 2007 by the amount of credit risk equalisation provision.

In 2006 and 2007, changes were due to valuation on the asset side under IFRS. Under SAS, interest income from investments was recorded under deferred costs and accrued revenue. Under IFRS, however, interest income was recorded under investments.

The cash flow statement under SAS does not show significant differences compared to the cash flow statement under IFRS

Reconciliation of the profit for 2006

	Former Slovene Acc. Standards	Effect of transition to IFRS	IFRS
	EUR'000	EUR'000	EUR'000
Gross premiums written	76,716	-	76,716
Written premiums ceded to reinsurers	-37,136	-	-37,136
Net premiums written	39,580	-	39,580
Change in the gross provision for unearned premiums	-1,575	-	-1,575
Reinsurers' share of change in the provision for unearned premiums	687	-	687
Net earned premiums	-888	-	-888
Fee and commission income	7,316	-	7,316
Financial income	3,116	-	3,116
Other operating income	9	2	11
Net income	10,441	-	10,443
Claims and benefits incurred	-30,653	-	-30,653
Reinsurers' share of claims and benefits incurred	11,877	-	11,877
Change in the gross provision for claims	-7,821	2,078	-5,743
Reinsurers' share of change in the provision for claims	954	-	954
Net policyholder claims and benefits incurred	-25,643	2,078	-23,565
Acquisition costs	-638	-	-638
Administrative expenses	-1,053	-	-1,053
Other operating expenses	-14,559	-	-14,559
Net expenses	-16,250	-	-16,250
Operating profit	7,240	2,080	9,320
Financial expenses	-610	-	-610
Profit before income tax	6,630	2,080	8,710
Income tax	1,671	-	1,671
Profit for the period	4,959	2,080	7,039
Earnings per share			
Basic and diluted earnings per share (in EUR)	331	-	468

1.5 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (note 1.30) and insurance risk management (note 1.29).

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.5.1 Key sources of estimation uncertainty

Allowances for credit losses
The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Determining fair value
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1.3 (d). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Estimation of uncertainty in relation to reserving
The most significant estimates in relation to the Company's financial statements relate to reserving. The Company takes a reasonably prudent approach to reserving and applies Insurance Regulator regulations. The Company employs a certified actuary.

The Company's policy is to make provision for unexpired risks arising from non-life insurance business in those classes of business in which the average combined ratio in the last three year (current year and two previous years) exceeded 100%.

Management believes that the current level of technical reserves is sufficient.

Insurance risk management is discussed in detail in note 1.29, whilst reinsurance contract provisions are analysed in note 1.16.

Tax
The Company provides for tax liabilities in accordance with the tax laws of the Republic of Slovenia. Tax returns are subject to the approval of the tax authorities who are entitled to carry out subsequent inspections of taxpayers' records.

1.5.2 Critical accounting judgements in applying the Company's accounting policies

Critical accounting judgements made in applying the Company's accounting policies include:

Financial asset and liability classification
The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances. In classifying financial assets or liabilities as "trading", the Company has determined that it meets the description of trading assets and liabilities set out in accounting policy 1.3 (d). In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met one of the criteria for this designation set out in accounting policy 1.3 (d).

Useful economic life of equipment and intangible assets
The Company continues to use certain equipment and intangible assets which have been fully depreciated. Amortisation/depreciation rates were initially determined in accordance with the best estimate of the useful life of this equipment and intangible assets.

Management believes this is appropriate as the use of these assets will be soon discontinued.

1.6 Principal assumptions that have the greatest effect on recognised reinsurance assets, liabilities, income and expenses

Provision is made at the balance sheet date for claims reported but not settled. In addition, provisions were made for claims incurred but not reported (IBNR provisions).

The liability for reported claims (RBNS provisions) is reported on a separate case-by-case basis with due regard to the claim circumstances, based on the statement of account. Case reserves are monitored regularly and are updated as and when new information arises.

The estimation of claims incurred but not reported (IBNR provisions) is generally subject to a greater degree of uncertainty than reported claims. IBNR provisions, computation and estimation of claims incurred but not reported were reviewed and assessed by the Company's certified actuary using statistical techniques such as a blend of the chain ladder method and Bornhuetter-Ferguson method.

The blend of methods uses settled claims development information and assumes that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by deducting major settled claims, arising from catastrophe or irregular events and not expected to recur from year to year, from settled claims taken into account as they developed.

The assumption which has the greatest effect on the measurement of non-life reinsurance liabilities is:

Expected claims ratio
The expected claims ratio represents the ratio of expected claims incurred to reinsurance premiums earned. The assumptions in respect of expected claims ratios for the most recent accident year, per class of business, have the most influence on the level of IBNR provisions.

Because the risks requiring setting-up mathematical provisions have not yet been underwritten for reinsurance, any information relating to life assurance is stated together with the information on non-life insurance.

1.7 Liability adequacy test - LAT

The Company makes provisions for unexpired risk, thus complying among other things with the criteria of the liability adequacy test (LAT). The liability adequacy test has been carried out in compliance with Directive No. 1 of the Council of Experts of the Slovenian Association of Actuaries, which is recommendable and helpful in the course of implementing IFRS 4, as well as in association with all substantive and technical issues arising in connection with the implementation of the respective standard. For non-life insurance, the liabilities are subject to a liability adequacy test only for unearned premium provisions, while the provisions for claims outstanding and the provisions for bonuses and rebates are deemed to be made in the adequate amount, therefore the application of the liability adequacy test is not needed. Equalisation provisions are used as a buffer in adverse cases and are not a liability under the reinsurance contracts in force in compliance with IFRS 4. Unexpired risk provisions are made on the basis of the liability adequacy test for unearned premium liability, since additional provisions are higher than unearned premium provisions by the amount set aside with respect to risks to be borne after the end of the accounting period and to provide for all claims and expenses in connection with reinsurance contracts in force.

The liability adequacy test for unearned premium provisions is undertaken to determine the difference between the sum of expected claims and the expected expense, i.e. in our case between the combined ratio and unearned premium provisions. Unexpired risk provisions are calculated in compliance with the internal Regulations on Establishing Other Technical Provisions. In line with these Regulations, provisions are made for those classes of business with an average combined ratio in the last three years (the current period and the previous two periods are taken into account) exceeding 100%. The combined ratio consists of the claims ratio and the expense ratio therefore it is a relevant indicator of a possible inadequacy of provisioning. At 31

December 2007, net unearned premium provisions amounted to EUR 133,433. For the Company, the liability adequacy test is the calculation of unexpired risk provisions, because the deficit is recognised as an increase in liabilities (provisions) in the profit or loss for the current period. IFRS 4.16 does not specify that the test shall be performed on net liabilities therefore a liability adequacy test for unearned premium provisions based on gross items has been carried out to provide for an additional control or comparison. The calculation shows that the adequate amount of provisions would be EUR 311. The actual unexpired risk provisions at 31 December 2007 are made in an adequate amount, therefore the calculation based on net items, which gives a higher amount, has been taken into account in the balance sheet.

The test of adequacy of life assurance provision was implemented within the Company's non-life insurance. It was found that there was no need for setting up additional life assurance provisions.

1.8 The sensitivity of present value of future profits to changes in significant variables

In non-life the insurance variables which would have the greatest impact on insurance liabilities relate to motor third party liability (MTPL) court claims. Court claims related liabilities are sensitive to legal, judicial, political, economic and social trends. Management believes it is not practical to quantify the sensitivity of non-life provisions to changes in these variables.

1.9 Reinsurance contracts that have a material effect on uncertainty of future cash flows

Non-life insurance
The Company offers all types of non-life reinsurance: motor, property, liability, marine, aviation, transport, and accident reinsurance. Contracts may be concluded for a fixed term of one year or on a continuous basis with either party having the option to cancel at 3 months' notice. The Company is therefore able to re-price the risk under a contract at intervals of not more than one year. Reinsurance claims are the main source of uncertainty which influences the amount and the timing of future cash flows. The amount of particular claim payments is limited by limit of coverage which is defined in the reinsurance contract.
A special attention is paid to motor reinsurance and liability reinsurance as described below:

Motor reinsurance
The Company motor reinsurance portfolio comprises both motor third party liability reinsurance and motor hull reinsurance. Motor third party liability reinsurance covers bodily injury claims and property claims in the cedent's country (i.e. domestic claims) as well as claims caused abroad by insured party (Green Card system).

Property damage (e.g. on a vehicle) is generally reported and settled within a short period of the accident occurring. Reporting and payments relating to bodily injury claims, however, take longer to finalise and are more difficult to estimate. Such claims may be settled in the form of a lump-sum settlement or an annuity.

Liability reinsurance
Liability reinsurance covers all types of liability insurance: general and product liability insurance, liability insurance of members of the Management Board and members of the Supervisory Board, and professional liability insurance.

Life assurance
None of the classes of business set out under Items 20 through 24, Paragraph 2, Article 2 of the Insurance Act is recorded in the Company's portfolio. Only life assurance set out under Item 19, Paragraph 2, Article 2 of the Insurance Act is recorded in the life assurance portfolio. Pure endowment risk is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured.

1.10 Property and equipment

	Motor vehicles EUR'000	Equipment and furniture EUR'000	Under construction EUR'000	Total EUR'000
Cost				
Balance at 1 January 2006	96	176	0	272
Transfer into use	0	0	-25	-25
Additions	22	3	25	50
Disposals	-26	0	0	-26
Balance at 31 December 2006	92	179	0	271
Balance at 1 January 2007	92	179	0	271
Transfer into use	0	0	-61	-61
Additions	40	21	61	123
Disposals	-46	-5	0	-51
Balance at 31 December 2007	86	196	0	282
Depreciation and impairment losses				
Balance at 1 January 2006	33	156	0	189
Depreciation charge for the period	9	15	0	24
Disposals	-9	0	0	-9
Balance at 31 December 2006	33	171	0	204
Balance at 1 January 2007	33	171	0	204
Depreciation charge for the period	9	13	0	22
Disposals	-11	-5	0	-16
Balance at 31 December 2007	31	179	0	210
Carrying amounts				
At 1 January 2006	63	20	0	83
At 31 December 2006	59	8	0	67
At 1 January 2007	59	8	0	67
At 31 December 2007	55	17	0	72

The depreciation charge is recognised under operating expenses in the income statement.

Liabilities arising from acquired property and equipment are not recorded under liabilities.

1.11 Intangible assets

	Computer software EUR'000	Computer software under development EUR'000	Total EUR'000
Cost			
Balance at 1 January 2006	298	0	298
Additions	55	55	110
Transfer into use	0	-55	-55
Disposal	0	0	0
Balance at 31 December 2006	353	0	353
Balance at 1 January 2007	353	0	353
Additions	69	69	138
Transfer into use	0	-69	-69
Disposal	0	0	0
Balance at 31 December 2007	422	0	422
Amortisation and impairment losses			
Balance at 1 January 2006	157	0	157
Amortisation charge for the period	56	0	56
Balance at 31 December 2006	213	0	213
Balance at 1 January 2007	213	0	213
Amortisation charge for the period	57	0	57
Disposal	0	0	0
Balance at 31 December 2007	270	0	217
Carrying amounts			
At 1 January 2006	141	0	141
At 31 December 2006	140	0	140
At 1 January 2007	140	0	140
At 31 December 2007	152	0	152

The amortisation charge is recognised under Administrative expenses in the income statement.

Liabilities arising from acquired intangible assets are not recorded under liabilities.

1.12 Financial assets

	2007	2006
	EUR'000	EUR'000
Available-for-sale financial assets	64,698	52,878
Financial assets at fair value through profit or loss	3,183	3,031
Loans and receivables	5,561	5,637
	73,442	61,546

	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total
	EUR'000	EUR'000	EUR'000	EUR'000
2006				
Listed	5,661	-	-	5,661
Unlisted	856	-	-	856
Equity securities	6,517	-	-	6,517
Government bonds	24,156	-	-	24,156
Corporate bonds	17,527	3,031	-	20,558
Debt securities	41,683	3,031	-	44,714
Open ended	2,391	-	-	2,391
Closed ended	2,287	-	-	2,287
Investment funds	4,678	-	-	4,678
Deposits with banks	-	-	5,637	5,637
Loans and receivables	-	-	5,637	5,637
TOTAL 2006:	52,878	3,031	5,637	61,546
2007				
Listed	7,774	-	-	7,774
Unlisted	1,387	-	-	1,387
Equity securities	9,161	-	-	9,161
Government bonds	24,433	-	-	24,433
Corporate bonds	23,400	3,183	-	26,583
Debt securities	47,833	3,183	-	51,016
Open ended	3,907	-	-	3,907
Closed ended	3,797	-	-	3,797
Investment funds	7,704	-	-	7,704
Deposits with banks	-	-	5,561	5,561
Loans and receivables	-	-	5,561	5,561
TOTAL 2007:	64,698	3,183	5,561	73,442

Financial assets at fair value through profit or loss were classified into the group when acquired.

Change in fair value of securities	Available--for-sale	Fair value through profit or loss	Loans and receivables
	EUR '000	EUR '000	EUR '000
Balance at 1 January 2006	34,558	0	12,442
Increase due to acquisition	19,723	3,031	0
Increase / Decrease due to a change in fair value	2,422	0	0
Decrease due to disposal	-3,825	0	-6,805
Balance at 31 December 2006	52,878	3,031	5,637
Balance at 1 January 2007	52,878	3,031	5,637
Increase due to acquisition	20,217	0	0
Increase / Decrease due to a change in fair value	1,134	152	0
Decrease due to disposal	-9,531	0	-76
Balance at 31 December 2007	64,698	3,183	5,561

1.13 Reinsurance share of insurance contracts provisions

	2007	2006
	EUR'000	EUR'000
Non-life		
Reinsurance share in unearned premium reserve	4,656	4,446
Reinsurance share in notified outstanding claims reserves	14,315	8,239
Reinsurance share in incurred but not reported claims reserve	846	607
	19,817	13,292

1.14 Deferred tax asset and liability

Deferred tax asset

	2007	2006
	EUR'000	EUR'000
Tax losses		
Balance at 1 January	36	26
Tax assets	-19	10
Balance at 31 December	17	36

Deferred tax liability

	2007	2006
	EUR'000	EUR'000
Available-for-sale financial assets under fair value reserve		
Balance at 1 January	2,783	733
Decrease / increase recognised in equity	-530	2,050
Balance at 31 December	2,253	2,783

1.15 Insurance and other receivables

	2007 EUR'000	2006 EUR'000
Premium receivables from assumed reinsurance	23,625	20,174
- wereof receivables due from related companies	17,010	17,392
Receivables from reinsurance		
- for claims recoveries	9,017	6,363
- for reinsurance commission	1,749	3,113
Deferred tax assets and other receivables	51	102
	34,442	29,752

1.16 Reinsurance contract provisions

Gross provisions

	2007 EUR '000	2006 EUR '000
Non-life insurance		
Provision for unearned premiums	15,678	14,254
Notified outstanding claims reserve (reserve after bordereaux)	26,335	18,723
Incurred but not reported claims reserve (IBNR)	18,067	14,350
Other provisions	145	3
	60,225	47,330

Net provisions

	2007 EUR '000	2006 EUR '000
Non-life insurance		
Provision for unearned premiums	11,022	9,808
Notified outstanding claims reserve (reserve after bordereaux)	12,123	10,484
Incurred but not reported claims reserve (IBNR)	17,118	13,743
Other provisions	145	3
	40,408	34,038

a) Analysis of movement in unearned premium provision

	2007 Gross EUR'000	2007 Retroceded EUR'000	2007 Net EUR'000	2006 Gross EUR'000	2006 Retroceded EUR'000	2006 Net EUR'000
Non-life insurance						
Balance at 1 January	14,254	4,446	9,808	12,679	3,758	8,921
Change in unearned premiums (+/-)	1,424	210	1,214	1,575	688	887
Balance at 31 December	15,678	4,656	11,022	14,254	4,446	9,808

b) Analysis of movement in notified outstanding claims reserve (reserve after bordereaux)

	2007 Gross EUR'000	2007 Retroceded EUR'000	2007 Net EUR'000	2006 Gross EUR'000	2006 Retroceded EUR'000	2006 Net EUR'000
Non-life insurance						
Balance at 1 January	18,723	8,239	10,484	14,566	7,548	7,019
Change in unearned premiums (+/-)	7,612	5,973	1,639	4,157	691	3,465
Balance at 31 December	26,335	14,212	12,123	18,723	8,239	10,484

c) Analysis of movement incurred but not reported claims reserve (IBNR claims)

	2007 Gross EUR'000	2007 Retroceded EUR'000	2007 Net EUR'000	2006 Gross EUR'000	2006 Retroceded EUR'000	2006 Net EUR'000
Non-life insurance						
Balance at 1 January	14,350	607	13,742	12,668	344	12,324
Change in unearned premiums (+/-)	3,717	342	3,376	1,682	263	1,418
Balance at 31 December	18,067	949	17,118	14,350	607	13,742

d) Life assurance provisions and provision arising from liability adequacy test

As mentioned above, life assurance provision is not made by the Company because the classes of business classified in items 20 to 24 under Article 2 of the Insurance Act are not recorded by the Company in its portfolio. The Company's life assurance portfolio includes only the type of life assurance classified in item 19 under paragraph 2, Article 2 of the Insurance Act. Pure endowment risk, however, is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured.

e) Development of claims settled

Shown below is the development of claims settled because the development of claims reported by policyholders is not directly presented by the Company as a reinsurance company. Shown below is the adequacy of gross and net provisions for 2007 and 2006. Originally assessed provisions shown in the tables below comprise claims reserve (including IBNR provision) and unearned premiums.

Adequacy of gross provisions for 2007:

in 000 EUR

Class of business	Gross claims 31 Dec 2006	Gross unearned premiums 31 Dec 2006	Gross provisions 31 Dec 2006	Total gross proceeds during the year for 2006 and earlier	Gross provisions 31 Dec 2007 for 2006 and earlier	Difference	Share
1	a	b	2=a+b	3	4	5=2-3-4	6=5/2
Non-life	32,999	14,253	47,252	20,403	25,462	1,386	2.9%
Life	74	1	75	79	1	-5	-6.9%
Total	33,073	14,254	47,327	20,483	25,463	1,381	2.9%

Adequacy of net provisions for 2007:

in 000 EUR

Class of business	Gross claims 31 Dec 2006	Gross unearned premiums 31 Dec 2006	Gross provisions 31 Dec 2006	Total gross proceeds during the year for 2006 and earlier	Gross provisions 31 Dec 2007 for 2006 and earlier	Difference	Share
1	a	b	2=a+b	3	4	5=2-3-4	6=5/2
Non-life	24,227	9,807	34,034	16,339	14,914	2,781	8.2%
Life	0	1	1	1	1	0	-30.0%
Total	24,227	9,808	34,035	16,340	14,915	2,781	8.2%

Adequacy of gross provisions for 2006:

in 000 EUR

Class of business	Gross claims 31 Dec 2006	Gross unearned premiums 31 Dec 2006	Gross provisions 31 Dec 2006	Total gross proceeds during the year for 2006 and earlier	Gross provisions 31 Dec 2007 for 2006 and earlier	Difference	Share
1	a	b	2=a+b	3	4	5=2-3-4	6=5/2
Non-life	27,159	12,677	39,836	17,263	22,013	561	1.4%
Life	75	2	77	20	0	57	73.4%
Total	27,234	12,679	39,913	17,283	22,013	617	1.6%

Adequacy of net provisions for 2006:

in 000 EUR

Class of business	Gross claims 31 Dec 2006	Gross unearned premiums 31 Dec 2006	Gross provisions 31 Dec 2006	Total gross proceeds during the year for 2006 and earlier	Gross provisions 31 Dec 2007 for 2006 and earlier	Difference	Share
1	a	b	2=a+b	3	4	5=2-3-4	6=5/2
Non-life	19,342	8,919	28,261	11,990	14,388	1,883	6.7%
Life	0	2	2	0	0	1	76.3%
Total	19,343	8,921	28,263	11,990	14,389	1,884	6.7%

The table below summarizes the adequacy of gross and net provision for claims outstanding for the last 5 years as at 31 December 2007 in the form of a triangle (see note 1.30 – Risk of adequacy of technical provisions for a more detailed discussion on the adequacy of gross and net provision for claims outstanding).

Gross provision for claims outstanding + unearned premium

as at 31 december

in EUR 000

	2002	2003	2004	2005	2006	2007
Originally assessed	31.663	30.994	34.253	39.913	47.327	60.080
Reassessed after 1 year	32.750	29.534	30.610	39.296	45.946	
Reassessed after 2 years	30.453	26.638	28.926	38.092		
Reassessed after 3 years	30.051	27.566	30.027			
Reassessed after 4 years	31.202	28.458				
Reassessed after 5 years	31.587					
Cumulative excess	76	2.536	4.226	1.822	1.381	

Cumulative gross claims paid					
After 1 year	19.209	13.059	12.783	17.283	20.483
After 2 years	22.493	16.918	17.309	22.515	
After 3 years	24.563	19.391	18.580		
After 4 years	26.255	20.180			
After 5 years	26.649				

Note: The amounts are translated from tolar to euro at the rate of 1 EUR = 239.64 SIT.

Net provision for claims outstanding + unearned premium

as at 31 december

in EUR 000

	2002	2003	2004	2005	2006	2007
Originally assessed	15.521	19.937	22.698	28.263	34.035	40.263
Reassessed after 1 year	17.144	18.607	20.751	26.379	31.255	
Reassessed after 2 years	14.252	15.542	16.788	23.133		
Reassessed after 3 years	13.587	14.557	16.057			
Reassessed after 4 years	13.114	14.321				
Reassessed after 5 years	12.898					
Cumulative excess	2.623	5.617	6.641	5.130	2.781	

Cumulative net claims paid					
After 1 year	8.418	8.735	9.141	11.990	16.340
After 2 years	10.278	10.662	11.371	15.998	
After 3 years	10.992	11.432	11.994		
After 4 years	11.244	11.770			
After 5 years	11.372				

Note: The amounts are translated from tolar to euro at the rate of 1 EUR = 239.64 SIT.

Classes of non-life insurance and life assurance:
Classes of non-life insurance include classes from 01 to 18:

01: Accident insurance
02: Health insurance
03: Land motor vehicle insurance
04: Railway rolling stock insurance
05: Aircraft insurance
06: Ships insurance
07: Goods in transit insurance
08: Fire and natural forces insurance
09: Insurance of other damage to property
10: Liability insurance for motor vehicles
11: Liability insurance for aircraft
12: Liability insurance for ships
13: General liability insurance
14: Credit insurance
15: Suretyship insurance
16: Miscellaneous financial loss insurance
17: Legal expense insurance
18: Assistance insurance

Classes of life assurance include class 19:

19: Life assurance

1.17 Reinsurance and other payables

	2007	2006
	EUR'000	EUR'000
Reinsurance contract payables	30,841	25,085
- whereof payables to related companies	17,734	13,305
Provision for bonuses (dividend payout) to employees	163	167
Liabilities for salaries	120	100
Other payables and accrued expenses	125	98
- whereof other payables to related companies	27	0
	31,249	25,450

Reinsurance contract payables are of current nature. They include payables to insurance companies arising from reinsurance share in claims and commissions. Payables are stated at historical cost which equals fair value.

1.18 Equity

Shareholders' equity

	2007	2006
	EUR'000	EUR'000
Share capital	3.130	3.130
Fair value reserve	5.909	4.623
Capital surplus	1.147	1.147
Revenue reserve	1.952	1.819
Retained earnings	21.676	17.925
Total	33.814	28.644

Ordinary shares

	2007	2006
	EUR'000	EUR'000
Issued and fully paid shares		
15,000 (2006: 15,000) ordinary shares of EUR 208,65	3,130	3,130
	3,130	3,130

The share capital of the Company is denominated in EUR. The nominal value of each share issued by the Company is EUR 209. During 2007 there were no new shares issued. All shares are fully paid.

The shareholders of the Company at year end are as follows:

	2007	2006
	% ownership	% ownership
Triglav Insurance Company, Ltd	87.00	87.00
Nova Ljubljanska banka d.d.	5.00	5.00
FMR d.d., Idrija	1.33	1.33
Petrol d.d.	2.00	2.00
Kovinoplastika Lož d.d.	0.00	2.00
Maksima Holding d.d.	2.00	0.00
Sava d.d.	2.00	2.00
Helios Domžale d.d.	0.67	0.67
	100.0	100.0

The anticipated dividend per share for 2007 shall amount to EUR 90 or 4% of the equity. The dividend will be declared at the shareholders' meeting of the Company.

Fair value reserve

	2007	2006
	EUR'000	EUR'000
Balance at 1 January	4,623	2,201
Increase / decrease due to valuation	1,587	2,642
Increase / decrease due to disposal	-301	-220
Balance at 31 December	5,909	4,623

Capital surplus

	2007	2006
	EUR'000	EUR'000
Paid-in capital surplus	543	543
Other paid-in capital under the Articles of Association	604	604
	1.147	1.147

Revenue reserve

	2007	2006
	EUR'000	EUR'000
Legal reserve	262	262
Statutory reserve	258	258
Credit risk equalisation reserve	812	679
Other revenue reserve	620	620
	1.952	1.819

In accordance with International Financial Reporting Standards as adopted by European Union, equalisation provisions are recorded in the financial statements under reserves in the item of equity.

If the financial statements had been prepared in compliance with the requirements of the Insurance Act, net profit or loss for 2007 would have been lower by EUR 133 thousand (2006: EUR 2,080 thousand) and would have amounted to EUR 4,045 thousand (2006: EUR 4,959 thousand). The amounts of credit insurance equalisation reserves recorded under equity would not have been a part of equity in the financial statements prepared in compliance with the requirements of the Insurance Act, but would have increased gross technical provisions. These would have amounted to EUR 61,037 thousand as at 31 December 2007 (1 January 2007: EUR 48,009 thousand) if they had included credit risk equalisation provision.

Earnings per share

For the purposes of calculating earnings per share, earnings are calculated as the profit for the period attributable to equity holders of the Company. Earnings per share amount to EUR 279 in 2007 (2006: EUR 468). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. The number of ordinary shares used for basic earnings per share was 15,000 (2005: 15,000). Given that there is no effect of options, convertible bonds or similar effect, the diluted earnings per share are the same as basic earnings per share.

1.19 Premiums

	2007	2006
Non-life insurance	EUR'000	EUR'000
Gross premium written	87,625	76,716
Thereof:		
- Premium received from insurance companies	66,327	62,236
- Premium received from reinsurance companies	21,298	14,479
Written premiums ceded to reinsurers	-37,308	-37,136
Change in earned premiums, gross	-1,424	-1,575
Change in earned premiums, reinsurance share	211	687
Total premium income net, earned from non-life insurance	49,104	38,691

Analysis of premiums by class of business

An analysis of gross reinsurance premiums written and gross claims settled by class of business is set out below.

For the year ended 31 December 2007

	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisition and administrative expenses
	EUR'000	EUR'000	EUR'000	EUR'000
Non-life insurance				
Accident	1,860	1,840	863	67
Health	50	41	65	2
Land vehicles	14,343	13,755	9,103	414
Railway rolling stock	651	651	0	0
Aircraft	965	894	109	9
Ships	409	440	240	16
Goods in transit	1,136	1,168	437	21
Fire and natural forces	27,644	27,213	15,327	401
Other damage to property	15,475	15,534	12,874	383
Motor vehicle liability	17,669	17,221	10,555	616
Aircraft liability	789	840	558	4
Liability for ships	99	91	20	3
General liability	2,141	2,221	1,404	46
Credit	1,666	1,539	1,004	46
Suretyship	357	429	88	4
Miscellaneous financial loss	1,853	1,827	3,219	21
Legal expenses	48	43	5	2
Assistance	292	276	166	7
Life	179	178	125	0
Total non-life insurance	87,625	86,201	56,163	2,061

For the year ended 31 December 2006

	Gross premiums written	Gross premiums earned	Gross claims incurred	Acquisition and administrative expenses
	EUR'000	EUR'000	EUR'000	EUR'000
Non-life insurance				
Accident	1,714	1,688	746	64
Health	32	38	4	1
Land vehicles	9,587	9,508	6,053	281
Railway rolling stock	725	725	0	0
Aircraft	638	517	149	5
Ships	477	433	177	19
Goods in transit	1305	1,286	140	23
Fire and natural forces	25,276	25,224	10,780	321
Other damage to property	13,194	12,571	5,417	314
Motor vehicle liability	16,734	16,350	9,006	548
Aircraft liability	1,146	1,196	55	4
Liability for ships	86	84	22	3
General liability	1,953	1,928	2,488	43
Credit	1,474	1,435	549	42
Suretyship	509	324	-12	2
Miscellaneous financial loss	1,458	1,451	732	15
Legal expenses	31	26	1	1
Assistance	211	193	113	3
Life	166	166	72	0
Total non-life insurance	76,716	75,141	36,492	1,692

1.20 Fee and commission income (expense)

	2007	2006
	EUR'000	EUR'000
Commission income	6,773	7,316
Commission expense	16,553	14,301
Difference	-9,780	-6,985

The operating costs in an insurance company are decreased by reinsurance commission. Due to the nature of the Company's activity, i.e. the writing of active reinsurance business, the amount of commission increases the Company's operating costs. The reinsurance commission income (2007: EUR 6,773 thousand) is accounted for in connection with passive reinsurance business (i.e. reinsurance business retroceded to other reinsurance companies) and represents the Company's income; the reinsurance commission expense (2007: EUR 16,553 thousand) is accounted for in connection with active reinsurance business (i.e. reinsurance business ceded to the Company by cedents and retrocedants) and represents the Company's expense. The reinsurance commission expense exceeds the reinsurance commission income and has a negative impact on the result, i.e. it increases the Company's operating costs (in 2007: EUR 9,780 thousand).

1.21 Financial income

	2007	2006
	EUR'000	EUR'000
Interest income:		
- Available-for-sale financial assets	2,341	1,995
- Loans and receivables	27	203
Dividend income	122	88
Other income from investments	191	204
Net realised gains from available-for-sale financial assets	806	626
	3,487	3,116

Upon disposal of assets, net realised gains from available-for-sale assets were transferred from fair value reserve under equity and recognised in profit or loss in the amount of EUR 301 thousand.

No unrealised gains are recorded in the income statement, which would be the result of valuation of investments at fair value through profit or loss.

1.22 Other operating expenses

	2007	2006
	EUR'000	EUR'000
Other net insurance expenses	91	89
Other expenses	180	170
Commission expense	16,553	14,302
	16,824	14,561

1.23 Financial expenses

	2007	2006
	EUR'000	EUR'000
Interest expense	195	273
Net foreign exchange translation loss	330	238
Loss on disposal of available-for-sale financial assets	12	0
Loss on valuation of financial assets through profit or loss	348	3
Other expenses	191	94
	1,076	608

When recording loss on disposal of available-for-sale financial assets, a portion of assets in the amount of EUR 94 thousand was transferred from fair value reserve in the income statement.

1.24 Income taxes

	2007	2006
	EUR'000	EUR'000
Current tax expense	1,902	1,681
Deferred tax expense	19	-10
Total income tax expense	1,921	1,671

Reconciliation of accounting profit for the period to income tax expense

	2007	2006
	EUR'000	EUR'000
Accounting profit for the period before income taxes	6,098	8,694
Income tax at 23%, or 25% for 2006	1,403	2,173
Differences:		
- non-deductible expenses	28	44
- income that increases taxable base	-4	-6
- tax incentives	-13	-530
- change in temporary differences	487	-10
- expenses for deferred taxes arising from writedown of deferred tax assets previously not allowed for tax purposes	19	0
Total income tax recognised in the income statement	1,921	1,671

In accordance with the Income Tax Act, the company taxation decreases by gradual reduction in tax rates. The effective income tax rate in 2007 is 23%. The income tax rate will be 22% in 2008, 21% in 2009, and 20% in 2010. Pursuant to the Income Tax Act, other amendments in respect of tax base determination have been introduced, such as abolition of double taxation, non-deductible expenses are clearly defined, losses may be covered in the following tax periods without limitation, and other.

Deferred tax liabilities are recorded under equity in the amount of EUR 2,253 thousand.

1.25 Net claims and reinsurance benefits incurred

	2007	2006
	EUR'000	EUR'000
Non-life insurance		
Claims paid		
Gross amount	44,834	30,653
Reinsurers' share	-16,678	-11,877
Change in notified outstanding claims reserve		
Gross amount	7,583	4,383
Reinsurers' share	-6,076	-470
Change in incurred but not reported claims reserve		
Gross amount	3,745	1,456
Reinsurers' share	-238	-484
Total net claims incurred from non-life insurance	33,170	23,661

1.26 Acquisition costs

	2007	2006
	EUR'000	EUR'000
Non-life insurance		
Acquisition costs	818	638
Total acquisition costs, non-life	818	638

1.27 Operating costs

Costs are classified by type and by functional groups. In the financial statements, costs are classified by functional groups. These are: acquisitions costs, appraisal costs (not recorded by the Company due to its nature of work), asset management costs, and other costs. A portion of costs by type may be directly classified to a functional group, while other costs are classified to a functional group on the key basis. The key represents the consumption of working time by employees for a separate function. The classification is stated below as follows:

Classification of costs by functional group and by type:

in '000 EUR

Item	Total	Acquisition costs	Appraisal costs	Asset management costs	Other
Total costs in 2007	2,173	818	0	112	1,243
Depreciation of assets needed for operation	79	30	0	4	45
Personnel expenses	1,567	590	0	81	896
Wages and salaries	1,112	419	0	57	636
Social security costs	195	73	0	10	111
Other personnel expenses	260	98	0	13	149
Costs of services provided by individuals not engaged in business activity	42	16	0	2	24
Other operating costs	485	183	0	25	278

In 2007, the average number of employees was 26 (2006: 24).

Gross emoluments paid to the Management Board members in 2007 amounted to EUR 370,583 (2006: EUR 301,577), including fixed salary and 2006 profit share.

Gross emoluments paid to the Supervisory Board members in 2007 amounted to EUR 43,479, whereof EUR 22,074 to the members of the Management Board of Triglav Insurance Company.

The costs of audit services amounted in 2007 to EUR 25 thousand (2006: EUR 23 thousand).

1.28 Related parties

The key shareholder of the Company is Triglav Insurance Company, Ltd., with the holding of 87% (2006: 87%) of the Company's share capital at year end. The Company has an immediate related party relationship with the ultimate parent of its key shareholder and its subsidiaries; the Supervisory Board members, Management Board members and other executive management (together: key management personnel); entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members, in accordance with the definitions contained in International Accounting Standard 24 »Related Party Disclosures« (IAS 24).

The business concluded with Triglav Insurance Company in 2007:

- the major business concluded between Triglav Insurance Company and the Company is a reinsurance contract for 2007 which incorporates an overall specification of the reinsurance programme for Triglav Insurance Company, both in respect of proportional and non-proportional reinsurance of the assumed non-life insurance and life assurance portfolios of Triglav Insurance Company;
- various facultative reinsurance contracts;
- accident insurance and pension insurance contracts for the Company's employees;
- a property insurance contract for electronic equipment owned by the Company;
- a motor insurance contract (motor third-party liability and motor hull insurance) for motor vehicles owned by the Company;
- a lease contract for business premises at Miklošičeva 19, including the lease of equipment and two car parking lots.

Specification of revenue and expenses arising from transactions with Triglav Insurance Company

	Year 2007 (in 000 EUR)
Earned premium income	54,788
Fee and commission expense	9,492
Incurred claims	27,839
Change in the provision for unearned premiums	-741
Change in the provision for claims outstanding	6,602
Rental costs	65
Asset management costs	65
Costs of property, accident and pension insurance premiums	38

The business concluded between the Company and the related entities of the controlling company (Triglav Insurance Company):

The business concluded with the insurance company Triglav Osiguranje, d.d., Rijeka, Republic of Croatia:

- a reinsurance contract for 2007, which regulates the reinsurance of the insurance company's portfolio, and
- various facultative reinsurance contracts.

Specification of revenue and expenses arising from transactions with Triglav Osiguranje

	Year 2007 (in 000 EUR)
Earned premium income	1,332
Fee and commission expense	74
Incurred claims	507
Change in the provision for unearned premiums	56
Change in the provision for claims outstanding	26

The business concluded with Triglav BH Osiguranje, d.d., Sarajevo, Bosnia and Herzegovina:

- separate reinsurance contracts relating in particular to the cover of the insurance company's retention in respect of property insurance (CAT property treaty), and
- various facultative reinsurance contracts.

Specification of revenue and expenses arising from transactions with Triglav BH Osiguranje

	Year 2007 (in 000 EUR)
Earned premium income	27

The business concluded with Triglav pojišťovna, a.s., Brno, Czech Republic:

- separate reinsurance contracts relating in particular to the cover of the insurance company's retention in respect of property insurance (CAT property treaty).

Specification of revenue and expenses arising from transactions with Triglav pojišťovna

	Year 2007 (in 000 EUR)
Earned premium income	10,090
Fee and commission expense	2,263
Incurred claims	3,888
Change in the provision for unearned premiums	506
Change in the provision for claims outstanding	1,872

The business concluded with Lovčen RE, Podgorica, Montenegro:

- separate reinsurance contracts relating in particular to the cover of the insurance company's retention in respect of property insurance (CAT property treaty).

Specification of revenue and expenses arising from transactions with Lovčen RE

	Year 2007 (in 000 EUR)
Earned premium income	70
Fee and commission expense	14

The business concluded with A banka Vipa, d.d., Ljubljana:

- a long-term deposit in the amount of EUR 417,293 deposited in 2004, and
- an interest rate swap contract in the amount of EUR 347,800.

Legal transactions that were concluded in 2007 with other aforementioned related entities of the controlling company Triglav Insurance Company were entered into for a consideration therefore no direct decrease in the Company's assets was recorded. The Company did not commit any act or omission that would in any way, directly or indirectly, have an impact on a decrease in assets or profit of the Company.

1.29 Insurance Risk management

The Company aims to implement a comprehensive risk management system as a key component of good management and effective yield management. It incorporates: the awareness that risk is an essential part of the corporate and business planning as well as the work of individual departments; the compliance with the requirements of Solvency II; the advancement of well-thought-out and responsible risk exposure as a legitimate answer to opportunity and uncertainty; the attainment of better operating results by assessment of challenges, in real terms, faced by the Company, by improved decision-making and planned risk management and control system management; the establishment, strengthening and replication of good business practices in respect of risk management; and the quality risk management, both at the level of the Company and at the level of the Triglav Group, coordinated by the Risk Management Department of Triglav Insurance Company.

The Company is exposed to risks arising from all lines of business, such as insurance risk (reinsurance business), operational risk and financial risk. The Company as a dynamic entity generates, by the nature of things, new risks that are to be controlled and managed. The Company aims to proactively identify, understand and manage risks arising from the operation of divisions and services and associated with the Company's plans and strategy to advance well-thought-out and responsible risk exposure. The Company does not support a reckless risk exposure.

The Company defines the risk in its Risk Management Policy as "the danger or probability that an act or event could have a negative or a positive impact on the Company's ability to attain its goals." Risk management is a carefully planned and systematic approach to identification, assessment, management and control of risks. Risk management includes assessment of measures applied by the Company with a view to manage identified risks, and recommendation of actions to be implemented by the Company in order to efficiently manage these risks. Risk management may reduce the probability of a risk event occurring or limit its consequence by implementation of control mechanism.

Insurance risk relates to the uncertainty of the reinsurance business. The most significant components of Insurance risk are the insurance premium risk and the reserve risk. Insurance premium risk is the risk that expenses and incurred losses will be higher than the insurance premium received. Reserve risk represents the risk that the absolute level of the technical provisions is misestimated or that the actual claims will fluctuate around the statistical mean value. Non-life insurance risk includes also the risk of a large number of claims from a single loss event (catastrophe risk), which streams from irregular events that are not sufficiently reinsured, and underreserving risk.

Management of risks
The Company manages its insurance risk through observance of retention limits from the Table of Retentions, approval procedures for transactions, testing of the adequacy of reinsurance premiums, verification of the cedents' technical results, and reinsurance underwriting.

The Company reinsurance underwriting strategy seeks diversity to ensure a balanced portfolio. A balanced portfolio is a portfolio of similar risks, which reduces the variability of the outcome. As a rule, the reinsurance contracts are annual in nature and the Company has the right to refuse renewal or to change the terms and conditions of the contract at renewal.

The Company concludes outwards reinsurance agreements (retrocession agreements) for a portion of the risks it reinsures in order to control its exposure to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate retrocession agreements to reduce its exposure so as to comply with the amounts in the Table of Retentions. To hedge against the accumulation of a greater number of losses arising out of one occurrence (e.g. natural disaster), the Company buys non-proportional catastrophe cover.

Retroceded reinsurance contains credit risk which occurs if the reinsurer fails to meet contractual obligations. The Company monitors the financial conditions of reinsurers and, as a rule, enters into retrocession reinsurance agreements only with A graded reinsurers in case of liability reinsurance, and with BBB+ graded reinsurers in case of other classes of reinsurance.

Concentration of reinsurance risk
A key aspect of the reinsurance risk faced by the Company is the concentration of reinsurance risk arising from a particular event or series of events. Such concentration may arise through a number of reinsurance contracts with the same territorial scope of cover. It could also arise from the accumulation of risks within a number of different insurance classes.

Concentrations of risk can arise in low frequency loss events (such as natural disasters), in situations where the Company is exposed to unexpected changes in trends (e.g. unexpected changes in human mortality) or unexpected changes in legislation which could have an impact on policy proceeds or damages.

The greatest likelihood of significant losses to the Company arises from catastrophe events. The risks are controlled by measurement of geographical accumulations and assessment of probable maximum losses caused by a natural disaster. Based on the analysis of observations, the Company buys retrocession reinsurance cover for net claims paid on net premium.

The table below shows the accumulation of reinsurance risk by country in 2007:

The assessment of risk exposure by country in 2007*:	(in mio EUR)
Israel	8.7
Austria	7.2
South Korea	7.1
Turkey	7.0
Romania	6.4
Germany	6.3
Finland	4.9
Greece	4.5
China	4.3
Chile	3.8
Indonesia	3.7
Great Britain	3.7
France	3.6
Bosnia and Herzegovina	3.4
Japan	2.9
Serbia	2.9
Italy	2.8
Columbia	2.7
Portugal	2.6
Taiwan	2.6

* Retention by loss event amounts to EUR 1.5 million because the Company is hedged by retrocession reinsurance contract (Retro CAT XL).

1.30 Financial Risk Management

Transactions with financial instruments result in the Company assuming financial risks. These include market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

Market risk
The Company's investment portfolio is exposed to market variables on which the Company has not influence. These market variables are market interest rates and with them related prices of debt instruments, prices of equity securities and investment funds, foreign currency exchange rates, and other factors having direct or indirect impact on the valuation of investments in the portfolio.

Asset/liability matching
The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the after-tax, risk-adjusted investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash-flow and duration basis. Due attention is given to the compliance with the rules established by the Law.

The Company establishes target asset portfolios for each major insurance product, which represents the investment strategies used to fund profitably its liabilities within acceptable levels of risk. These strategies include objectives for effective duration, yield curve, sensitivity, liquidity, asset sector concentration and credit quality.

The structure of assets by cash flow and the structure of liabilities by maturity are analysed below as follows:

STRUCTURE OF ASSETS

Securities by class and by cash flow maturity

2007					
Class of securities	Undefined	Less than 1 year	1-5 years	More than 5 years	Total
		EUR'000	EUR'000	EUR'000	EUR'000
Total:	16,868	6,892	18,982	26,949	69,691
Securities – in the country	0	1,669	8,764	18,723	29,156
Securities of financial institutions	0	79	2,480	3,250	5,809
Securities of corporations	0	0	7,321	2,926	10,247
Combined securities	0	0	0	2,050	2,050
Deposits	0	5,144	417	0	5,561
Other equity securities	16,868	0	0	0	16,868

Reinsurers' share of insurance contract provisions by maturity

2007				
	Less than 1 year	1-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Retroceded technical provisions	10,101	7,871	1,845	19,817
Provision for unearned premiums	3,328	1,075	253	4,656
Notified outstanding claims reserve (reserve after bordereaux) & incurred but not reported reserve (IBNR reserve)	6,773	6,796	1,592	15,161
Other technical provisions*	0	0	0	0

STRUCTURE OF LIABILITIES

The liabilities are estimated based on the maturity of up to 1 year, the maturity from 1 to 5 years, and the maturity of more than 5 years. The liabilities are not discounted; they are estimated as the sum of expected future cash flows.

2007				
	Less than 1 year	1-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Gross technical provisions	37,492	17,196	5,537	60,225
Provision for unearned premiums	12,770	2,496	412	15,678
Notified outstanding claims reserve (reserve after bordereaux) & incurred but not reported reserve (IBNR reserve)	24,577	14,700	5,125	44,402
Other technical provisions*	145	0	0	145

2007				
	Less than 1 year	1-5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Net technical provisions	27,391	9,325	3,692	40,408
Provision for unearned premiums	9,442	1,421	159	11,022
Notified outstanding claims reserve (reserve after bordereaux) & incurred but not reported reserve (IBNR reserve)	17,804	7,904	3,533	29,241
Other technical provisions*	145	0	0	145

*Other technical provisions do not include equalisation provision in the amount of EUR 812 thousand, because it is not recorded in the balance sheet under technical provisions; it is recorded under equity. Gross (Net) technical provisions including equalisation provision would have amounted to EUR 61,037 thousand (EUR 41,220 thousand).

Interest rate risk
Interest rate risk is the risk that the value of an investment will fluctuate because of changes in market interest rate. Interest rate risk is defined as a sensitivity of the value of an investment to changes in market interest rates. Investment duration is the measure of risk. The interest rate risk is managed on a global level by strategic diversification of investments into fixed-return investments (debt securities), variable-return investments (shares and other investments) and provisions covering these investments. The Company also controls the interest rate risk by derivative financial instruments, i.e. swap contracts. The Company is presently contractually committed to hedge against interest rate risk on a bond investment in the contract amount of EUR 347,800.

The Company's exposure to market risk for changes in interest rates is concentrated in its investment portfolio. The Company's operations are subject to the risk of interest rate fluctuation to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. In 2007, cash was deposited at the interest rate ranging from 2.90% to 5.25%. The interest rate was subject to the amount and maturity of time deposits.

The Company is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. This risk, is, however, limited considering that the majority of the Company's interest bearing investments at the balance sheet date bear fixed interest rates.

The Company does not have any debt obligations and interest rate changes also do not influence the level of non-life provisions. The prescribed interest rate, to some extent, reflects expected movement in interest yields over a longer period of time.

The Company monitors this exposure through periodic reviews of its asset and liability positions. In addition, estimates of cash flows, as well as the impact of interest rate fluctuations relating to investment portfolio and insurance reserves, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Equity price risk
The Company's portfolio of marketable equity securities carried in the balance sheet at fair value gives exposure to price risk. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company's objective is to earn competitive returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by senior management, as well as by statutory requirements.

Foreign exchange risk
The Company is exposed to currency risk through transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises mainly from investment activities. The Company manages foreign currency risk by trying to ensure matching of investments and liabilities or technical provisions linked to foreign currency. The structure of investments as at 31 December 2007 reflects matching of investments and liabilities within the statutory limitations.

Due to the floating of foreign exchange rates, the Company is exposed to currency risk through liabilities and receivables, particularly those arising from reinsurance abroad. Foreign currency exposure arising from receivables and liabilities is reduced by ensuring currency matching of receivables due from and liabilities due to the same client.

The currency analysis for the Company's liability fund investments and net technical provisions:

Balance at 31 December 2007 (in EUR):

Liability fund investments		
Currency	Amount	Percentage
EUR	59,668,341	99.55%
USD	208,215	0.35%
Other	55,166	0.10%
Total	59,931,722	100%

Balance at 31 December 2006 (in EUR):

Liability fund investments		
Currency	Amount	Percentage
Other	48,622,117	98.28%
USD	797,157	1.61%
EUR	54,721	0.11%
Total	49,473,995	100%

Balance at 31 December 2007 (in EUR):

Net technical provisions		
Currency	Amount	Percentage
EUR	37,315,714	92.35%
USD	937,194	2.32%
Other	2.154.764	5,3%
Total	40,407,672	100%

Balance at 31 December 2006 (in EUR):

Net technical provisions		
Currency	Amount	Percentage
SIT	23,512,358	69.08%
EUR	5,651,143	16.60%
USD	935,124	2.75%
Other	3.939.942	11,6%
Total	34,038,567	100%

Credit risk

The credit risk is the risk that a party to a financial instrument contract will fail to discharge an obligation and cause the Company to incur a financial loss. Credit risk arises in connection with investment in equity securities, debt securities, loans, and deposits.

The Company manages the credit risk in accordance with the principle of diversification of investments. The greatest total investment in a single financial organisation as at 31 December 2007 amounts to EUR 486 thousand. The investments in domestic securities make up, due to statutory limitations, by far the greatest portion of the portfolio. Owing to the principle of diversification of investments, however, the share of investments in foreign securities increases.

Presently, the investments in foreign securities amount to EUR 20.8 million. In the international markets, the Company mainly invests in securities with Aa3 rating.

Domestic securities are largely guaranteed by the Republic of Slovenia, which was assigned the AA rating by the Moody's rating agency as at 31 December 2007. Investments in the securities of the Republic of Slovenia represent 40% of the Company's liability fund.

Receivables and liabilities are also subject to credit risk. The Company manages this risk by mutual offset of receivables and liabilities relating to the same reinsurer (offset of premium receivable and claims and commission payable in the active reinsurance, and offset of claims and commission receivable and premium payable in the passive reinsurance). Management has a credit policy in place and exposure to credit risk is monitored on a ongoing basis.

The Company has adopted a conservative risk management policy.

Credit risk exposure of bond portfolio within the liability fund and own funds:

	Liability fund	Own funds
A1	4.9%	0.0%
A2	7.6%	6.8%
A3	7.2%	0.0%
Aa1	0.8%	1.7%
Aa2-	0.0%	0.0%
Aa3	50.7%	0.0%
Aaa-	1.2%	0.0%
Baa2	2.5%	0.0%
Ba2	0.0%	0.0%
BBB	2.8%	0.0%
without rating	22.3%	91.5%
	100.0%	100.0%

The risks retroceded to a reinsurer include the credit risk which occurs if the reinsurer fails to meet contractual obligations. To mitigate the risk of reinsurance counterparties not paying amounts due, business and financial standards for reinsurer approval are established, incorporating ratings by major rating agencies and considering current market information. The Company monitors the financial conditions of reinsurers and, as a rule, enters into retrocession reinsurance contracts only with A- graded reinsurers in case of liability reinsurance, and with BBB+ graded reinsurers in case of other classes of reinsurance.

The following are the top three reinsurers by reinsurance receivables as at 31 December 2007. In our case these are: Aon, Guy Carpenter, and Heath Lambert, which are reinsurance brokers and therefore do not have a rating. From the point of view of a credit risk, the rating of the reinsurer, to whom the reinsurance business has been mediated, is important. Stated under each reinsurance broker in the below table are retrocedants and their ratings.

2007	EUR'000	Reinsurance rating (S&P's)
Aon Ltd.:	3,234	
Swiss Re		AA-
Lloyd´s of London		A+
Sirius		A-
Aspen Re		A (acc. To A.M.Best)
Hannover Re		AA-
Guy Carpenter GmbH:	1,044	
Swiss Re		AA-
Mapfre Re		AA-
XL Re		A+
Heath Lambert Ltd.:	444	
Munich Re		AA-
Swiss Re		AA-
Hannover Re		AA-
Odyssey Re		A-
Mapfre Re		AA-
	4,722	

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Company holds a portfolio of liquid assets as part of its liquidity risk management strategy, to ensure continuous operations and compliance with the legal requirements.

The Company's liquidity position is good and all statutory requirements for claims settlement were met in time during the year.

Fair value

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. Financial assets available for sale and financial assets and liabilities at fair value through profit or loss are measured at fair value. Loans and receivables are measured at amortised cost less impairment. Management believes that the carrying value of these instruments is not significantly different from their fair value, assuming that all payments on unimpaired exposures will be collected as contracted.

Passive retrocession programme

The Company manages insurance risks to which it is exposed by retroceding a portion of its business under its (passive) retrocession contracts.

The tables below show the reinsurance result from passive retrocession transactions in 2007 and 2006. Incurred loss ratio including commissions amounted to 75.8 % in 2007 and 44.0 % in 2006. Incurred loss ratio excluding commissions amounted to 62.0 % in 2007 and 35.2 % in 2006. The fluctuation of these results does not increase the Company's risk exposure because the differences are due to emergence of large claims or catastrophe claims that are mostly retroceded to foreign business partners. In 2007, large claims were recorded due to the floods in the central and northern part of Slovenia in September 2007. Because of the level of claims, non-proportional reinsurance was used to protect its retention against catastrophe events, i.e. the amount of loss in excess of joint priority of the cedent and the Company.

Passive Retrocession Result, Including Commission, in 2007 (in EUR)

Class of business	Premiums written in 2007	Passive commission 2007	Passive premiums written less commission in 2007	Change in unearned premiums from 2006 to 2007	Premiums earned in 2007	Claims settled in 2007	Change in claims reserve from 2006 to 2007	Incurred claims in 2007	Technical result - amount	Technical result - %	Incurred loss ratio - %
1	2	3	4=2-3	5	6=4-5	7	8	9=7+8	10=6-9	11=10/6	12=9/6
01: Accident	215.926	29.999	185.927	3.327	182.600	62.686	9.142	71.829	110.772	60,7%	39,3%
02: Health	0	0	0	0	0	0	0	0	0	~	~
03: Land vehicles	4.242.148	227.544	4.014.603	124.761	3.889.842	1.633.267	118.339	1.751.605	2.138.237	55,0%	45,0%
04: Railway rolling stock	647.640	0	647.640	0	647.640	0	0	0	647.640	100,0%	0,0%
05: Aircraft	733.281	89.220	644.062	43.377	600.684	72.885	-113.824	-40.940	641.624	106,8%	-6,8%
06: Ships	26.843	0	26.843	0	26.843	0	-1	-1	26.844	100,0%	0,0%
07: Goods in transit	620.436	32.396	588.040	-19.223	607.263	24.688	7.489	32.177	575.086	94,7%	5,3%
08: Fire and natural forces	17.860.749	4.004.946	13.855.803	299.495	13.556.308	6.984.649	1.017.879	8.002.528	5.553.781	41,0%	59,0%
09: Other damage to property	6.118.221	1.310.061	4.808.160	-169.262	4.977.422	5.996.364	994.426	6.990.790	-2.013.368	-40,5%	140,5%
10: Motor vehicle liability	2.632.924	277.871	2.355.053	68.242	2.286.810	684.648	1.333.340	2.017.988	268.822	11,8%	88,2%
11: Aircraft liability	701.791	49.779	652.011	-36.811	688.823	14.132	471.347	485.479	203.344	29,5%	70,5%
12: Liability for ships	29.103	0	29.103	7.907	21.196	0	-23	-23	21.219	100,1%	-0,1%
13: General liability	1.029.280	135.283	893.996	-81.851	975.847	88.673	127.492	216.165	759.682	77,8%	22,2%
14: Credit	554.425	158.591	395.834	24.769	371.064	204.398	373.951	578.350	-207.285	-55,9%	155,9%
15: Suretyship	262.361	87.469	174.892	-96.005	270.897	15.677	46.085	61.762	209.135	77,2%	22,8%
16: Miscellaneous financial loss	1.336.974	351.611	985.362	31.038	954.325	723.632	1.907.236	2.630.868	-1.676.543	-175,7%	275,7%
17: Legal expense	0	0	0	0	0	5	-1	4	-4	~	~
18: Assistance	118.942	50	118.893	9.460	109.433	48.780	22.669	71.450	37.983	34,7%	65,3%
19: Life	176.805	18.219	158.587	1.341	157.246	123.743	-486	123.257	33.989	21,6%	78,4%
TOTAL	37.307.849	6.773.040	30.534.810	210.566	30.324.244	16.678.227	6.315.061	22.993.288	7.330.956	24,2%	75,8%

Passive Retrocession Result, Including Commission, in 2006 (in EUR)

Class of business	Premiums written in 2006	Passive commission 2006	Passive premiums written less commission in 2006	Change in unearned premiums from 2005 to 2006	Premiums earned in 2006	Claims settled in 2006	Change in claims reserve from 2005 to 2006	Incurred claims in 2006	Technical result - amount	Technical result - %	Incurred loss ratio - %
1	2	3	4=2-3	5	6=4-5	7	8	9=7+8	10=6-9	11=10/6	12=9/6
01: Accident	205.407	28.855	176.552	-2.205	178.758	66.063	2.156	68.218	110.539	61,8%	38,2%
02: Health	0	0	0	0	0	0	0	0	0	~	~
03: Land vehicles	3.005.883	120.364	2.885.518	69.956	2.815.562	1.553.184	139.125	1.692.309	1.123.253	39,9%	60,1%
04: Railway rolling stock	719.362	0	719.362	0	719.362	0	0	0	719.362	100,0%	0,0%
05: Aircraft	509.598	25.424	484.174	102.574	381.600	0	113.824	113.824	267.776	70,2%	29,8%
06: Ships	22.040	51	21.989	0	21.989	-9.706	53	-9.653	31.642	143,9%	-43,9%
07: Goods in transit	761.896	19.913	741.983	-11.124	753.106	-12.881	-286	-13.167	766.273	101,7%	-1,7%
08: Fire and natural forces	17.769.362	5.090.506	12.678.856	1.907	12.676.950	5.874.174	-7.898	5.866.277	6.810.673	53,7%	46,3%
09: Other damage to property	5.854.306	1.050.798	4.803.508	311.015	4.492.493	2.131.653	-1.066.474	1.065.179	3.427.314	76,3%	23,7%
10: Motor vehicle liability	3.908.231	170.457	3.737.774	128.021	3.609.753	1.719.346	652.186	2.371.532	1.238.221	34,3%	65,7%
11: Aircraft liability	1.059.736	50.916	1.008.820	-70.194	1.079.014	10.074	21.889	31.963	1.047.051	97,0%	3,0%
12: Liability for ships	11.985	0	11.985	0	11.985	-1.634	-61	-1.695	13.680	114,1%	-14,1%
13: General liability	946.333	86.384	859.949	-9.328	869.278	112.162	915.714	1.027.877	-158.599	-18,2%	118,2%
14: Credit	502.225	175.309	326.917	-25.878	352.795	159.097	-87.515	71.582	281.213	79,7%	20,3%
15: Suretyship	459.480	119.720	339.760	192.767	146.993	-4.502	-4.846	-9.349	156.342	106,4%	-6,4%
16: Miscellaneous financial loss	1.102.498	372.541	729.957	687	729.270	160.614	269.671	430.285	298.985	41,0%	59,0%
17: Legal expense	0	0	0	0	0	3	-34	-31	31	~	~
18: Assistance	135.272	52	135.220	-1.174	136.394	46.228	7.974	54.202	82.192	60,3%	39,7%
19: Life	162.827	5.173	157.654	0	157.654	72.780	-1.224	71.556	86.098	54,6%	45,4%
TOTAL	37.136.443	7.316.464	29.819.979	687.023	29.132.956	11.876.655	954.255	12.830.910	16.302.046	56,0%	44,0%

Capital adequacy risk
In compliance with the Insurance Act and other implementing regulations, the Company is liable to ensure capital adequacy with regard to the volume and class of its reinsurance business. The required minimum capital amounted to EUR 9,824,398 as at 31 December 2007 (2006: EUR 8,761,254) and the available capital to EUR 26,548,703 (2006: EUR 16,550,196). The excess of available capital over the required minimum capital was high (EUR 16,724,305 as at 31 December 2007 and EUR 7,788,942 as at 31 December 2006). Therefore the risk of capital inadequacy may be considered negligible. The excess of available capital over the required minimum capital increased in 2007 by 115 % over the previous year's figure. The available capital exceeded the required minimum capital by more than 70 % as at 31 December 2007. Based on this, the Company considers that the risk management is adequate and the risk of capital inadequacy effectively minimised.

Risk of adequacy of technical provisions
Provisioning risk is the risk of technical provisions proving inadequate in light of later events. The Company manages this risk by consistently complying with all statutory requirements, implementing regulations, and resolutions concerning technical provisions. In addition, provisions for incurred but not reported claims (IBNR provisions) are made periodically using the relevant actuarial methods. Due to the particularity of the Company's operations, the triangle of claims paid that is prepared on the basis of the occurrence of loss event cannot be used as the basis for the actuarial assessment of provisions for claims outstanding. Instead, the data on claims settled is prepared by underwriting (contract) year and then, by use of the relevant actuarial methods, expected future liabilities per contract year are assessed. Provisions for claims outstanding are not discounted. The test of adequacy of gross and net technical provisions is shown in the table in note 1.16 (e). The test is performed by taking into account unearned premiums because, as a rule, assessed liabilities of reinsurers are classified by underwriting (contract) year and include liabilities for the settlement of which unearned premiums are intended. In the upper triangle of the table, originally assessed provision and its subsequent reassessment (up to 5 years later) are shown by financial year. In the lower triangle of the table, the amount of cumulative claims settled or paid is shown. The relevant amount is lower than provision meaning that the provisioning is adequate. The cumulative excess provision (= originally assessed provision less last reassessed provision) was positive in all years meaning that the risk of adequacy of technical provisions was managed also in 2007.

1.31 Events after the balance sheet date

In the first quarter of 2008, adverse changes in market conditions affected the valuation of investments. These changes were due to a loan crisis which had an impact on the valuation of both bond investments and share investments. The effect of price changes on the value of the Company's portfolio is -EUR 3.2 million or more than -4.5 %.

7. General Information

REGISTERED OFFICE
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SUPERVISORY BOARD OF TRIGLAV RE
Chairman - Andrej Kocič
Members - Borut Eržen, Mateja Perger,
Boštjan Kramberger (until 28.7.2008)

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:

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Publisher: Triglav Re, Reinsurance Company Ltd.
Production: Triglav Re, Reinsurance Company Ltd.
Design: Nuit d.o.o., AD Mateja Jenič
Photo: Lorenka Stropnik
Print: Bograf d.o.o.
Print run: 150

Ljubljana, august 2008

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