triglav*RE*

ANNUAL REPORT 2013

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STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The Management Board confirms that the Annual Report of Triglav Re d.d. with all its components is in accordance with the Companies Act and International Financial Reporting Standards.

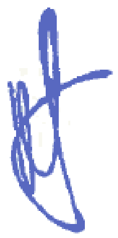
The Management is responsible for preparing the annual report so that it gives a true and fair view of the Company's financial position and its operating results for the year ended 31 December 2013.

The Management Board also confirms that the appropriate accounting policies have been consistently applied and that accounting estimates have been prepared with due care and diligence. Furthermore, the Management Board affirms that the financial statements together with related notes have been prepared on the basis of the assumption on further operating activities and in accordance with the applicable law and International Accounting Standards.

The Management is also responsible for keeping proper and adequate accounting, for taking reasonable asset protection measures and measures for prevention and detection of fraud and irregularities.

The tax authorities may at any time within 5 years from the date on which the tax was charged, check the company's operations, which may result in additional tax liabilities, interest on arrears, penalties from corporate income tax or other taxes and duties. The Management Board further states that they are not aware of any circumstances which may give rise to a potential material liability in this respect.

Member of the
Management Board:
Tomaž ROTAR



President of the
Management Board:
Gregor STRAŽAR, MBA
(Econ)

MANAGEMENT REPORT

ANNUAL REPORT 2013

1 OPERATING PERFORMANCE AND EVENTS IN 2013

1

OPERATING PERFORMANCE AND EVENTS IN 2013

1.1 Business highlights

in EUR

	YEAR 2013	YEAR 2012	INDEX
Gross reinsurance premium written	105,015,611	116,352,810	90
Gross claims paid	61,177,268	53,408,612	115
Gross operating expenses	2,778,308	2,716,969	102
Technical provisions	131,430,434	144,420,922	91
Equity	52,949,850	46,589,339	114
Net profit	6,679,057	5,837,929	114
Number of employees at the year-end	42	41	102

1.2 Significant events in 2013

FEBRUARY
On 13 February 2013, Standard and Poor's Ratings Services downgraded the Company's long-term credit rating from "A -" to "BBB +", removed the warning about the potential negative change and issued a positive medium-term outlook.

MARCH
On 21 March 2013, A.M. Best Company issued the credit rating "A -" with the stable medium term outlook for the Company.

JULY
On 4 July 2013, Standard and Poor's upgraded the Company's credit rating by one notch to "A -" with a stable medium-term outlook.

AUGUST
At the meeting held on 20 August 2013 the Works Council of Triglav Re adopted a decision, based on the conducted elections for the workers' representatives in the Supervisory Board, that Sebastjan Debevc was elected. A four-year mandate begins on 28 August 2013 and expires on 28 August 2017.

OCTOBER
On 18 October 2013, A.M. Best Re again granted the credit rating of the Company's financial strength "A -" (positive). At the same time, the A.M. Best also confirmed the credit rating of creditworthiness "A -". Credit assessments have a stable medium-term outlook.

DECEMBER
At the 24th General Meeting of Triglav Re, the shareholders elected Andrej Slapar and Tomaž Žust the members of the Supervisory Board of Triglav Re for a four-year term. The mandate of the members of the Supervisory Board of Triglav Re began on 18 December 2013 and expires on 18 December 2017.

1.3 Significant events after the end of 2013

After the end of 2013, there were no significant events that could affect Company's performance.

1.4 Address by the President of the Management Board

Our Company finished the year 2013 with remarkable results despite the fact that the world and especially the domestic economy remained weak and uncertain. By following the vision and strategic direction for profitable business, we recorded at the end of the year a net profit of EUR 6.68 million representing an increase of 14 percent over the previous year. The combined ratio has improved and reached the rate of 92.7 percent.

According to the latest report of the European Commission of 25 February 2014, Slovenia's GDP in 2013 declined by 1.6 percent. Decline in GDP reflects a weaker foreign demand, restrictive fiscal consolidation measures, the worse situation on the labor market, deleveraging of the private sector and continued problems with the access to financial resources. The inflation fell to 1.9 percent; the state budget deficit totaled 14.9 percent of GDP. Despite the more positive forecasts for the European Union for 2014, Slovenia, however, will still be in recession.

In 2013, the global growth in non-life insurance premiums grew stronger along with the improvements in economic activity and with the gradual improvement in premium rates in key markets. Profitability was still challenged by low interest rates, but the relatively low losses from catastrophic events strengthened the underwriting profitability.

Due to the downgrade of Slovenia's credit rating assigned by Standard & Poor's in February 2013, the rating of our Company also temporarily lowered. In accordance with the earlier warning about the potential negative change in the credit rating at the end of 2012, we developed a revised business plan for 2013, in which the amounts of premiums, commissions and claims for the operations outside the Triglav Group were adpoted. Due to the unfavorable trends in credit rating, the Company faced particular difficulties in obtaining new business in the renewal period in January and also in April 2013. Despite a downgraded credit rating at the beginning of the year, the Standard & Poor's in July 2013 again raised the credit rating to the baseline situation "A -" with stable outlook, but it was then too late to avoid a decline in the Company's business.

One of the important events for the Company took place in March 2013, when A.M. Best issued the financial strength and credit worthiness rating of "A -" with a stable outlook. Both assessments were crucial for the Company's business continuation and development.

Claims experience in the financial year 2013 was marked by catastrophic floods in June, hail storms in Central and Eastern Europe and one of the strongest tropical storms in history, which devastated the Philippines. Nevertheless, the global losses from natural disasters were more moderate than in the previous years. According to the information provided by Munich Re the total economic damage occurred due to natural disasters was estimated at USD 125 billion, whereas the insured losses at USD 31 billion which is significantly lower than the average of the last ten years amounting to USD 184 billion in economic damage and to USD 56 billion in the insured losses.

In accordance with the mission and values of our Company, as well as the entire Triglav Group, we follow an effective system of governance which provides sound and prudent business activities and thereby creates a secure future. The equity at the end of 2013 compared with the previous year increased by 14 percent to EUR 52.9 million; the capital adequacy during the year remained at a high level and increased compared to 2012. Index of coverage of the solvency margin to available capital was 307, indicating that the risk of capital inadequacy under the Solvency I is small.

Due to the increased volume of business in 2013, we also strengthen the Company's personnel, and I am very proud of extremely high level of education of our employees, since we all know that well-trained, motivated and highly qualified employees remain the key factor in the implementation of the Company's strategy, as well as in the continued growth and achieving the competitive advantages in the market. I would take this opportunity to thank all employees for a successful and dedicated work and demonstrated loyalty.

According to the forecasts, the business environment in 2014 will remain challenging and uncertain. Our Company will continue to follow its mission and vision, and pursuing the strategic objectives. With a great deal of optimism and confidence in the professionalism of our employees, I believe that we will continue to make profit and provide a safe and sound business. We have been successful so far and I am sure we will continue to do so in the future.

President of the
Management Board:
Gregor STRAŽAR, MBA
(Econ)

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REPORT OF THE SUPERVISORY BOARD

2
REPORT OF THE SUPERVISORY BOARD

The Supervisory Board of Triglav Re, d.d. (hereinafter "the Company") was actively monitoring the performance of the Company throughout the year and held regular meetings. The members controlled the Company's performance, reviewed the implementation of the long-term objectives, issued recommendations and provided opinions to the important business decisions of the Company's Management Board which kept the Supervisory Board updated on the progress of new developments and changes in business policy.

The Supervisory Board was acting in accordance with its power and competence defined by the statutory provisions, the Articles of Association and Rules of Procedure of the Supervisory Board, and took account of the directions of the corporative governance of Zavarovalnica Triglav, d.d. as the parent company of the Triglav Group.

Based on the provisions of the Companies Act and the Insurance Act, the Supervisory Board reviewed the Annual Report of the Company for the year 2013 and in this regard, provided the present report. The Supervisory Board took also note of the Opinion of the certified actuary, which forms an integral part of the report. Furthermore, the Supervisory Board discussed and approved the Annual report on internal audit of Triglav Re, d.d.

1. Formal Aspect

1.1. Annual Report

The Supervisory Board reviewed the formal aspects relating to the Annual report of the Company for 2013.

The Supervisory Board concluded that the Annual Report for the financial year 2013 was produced within the statutory time limit. Based on the assurance of the Management Board, of the external auditor (Ernst & Young, Ltd.) and the authorised actuary Milan Stjepanović, M.Sc., the Supervisory Board confirms that the report includes all elements required by the Companies Act, the Insurance Act and statutory instruments.

The Annual report shall include:
- Accounting report: financial statements (balance sheet, income statement, statement of equity changes and statement of cash flows) and notes to the financial statements;
- Management report.

The Annual report shall be accompanied by:
- Auditor's report,
- Opinion of the certified actuary.

All minimum elements required by the law are contained in the Annual report.

The Company established technical provisions and other provisions from the profit. The adequacy of technical provisions was confirmed by the certified actuary and external auditor.

The external auditor Ernst & Young, based on the decision of the General Meeting of the Company on the appointment of the statutory auditor for the financial year 2013, carried out an audit of the balance sheet as at 31 December 2013, the income statement, statement of changes in equity and cash flow statement for the year then ended, and of the summary of the important accounting policies and other explanatory notes. On this basis, Ernst & Young issued Auditor's report on 31 March 2014.

In accordance with the requirements of the Insurance Act, the certified actuary of the Company, Milan Stjepanović M.Sc., actuarially verified the Company's operations for 2013. On 14 March 2014, he produced a Report of the certified actuary and Opinion of the certified actuary to the Annual report for 2013.

In accordance with the provisions of the Paragraph 3, Article 272 of the Companies Act, the Management Board of the Company presented the Annual report including Auditor's report and Opinion of the certified actuary to the Supervisory Board to review it.

1.2 Proposal for the distribution of balance sheet profit as at 31 December 2013

The Supervisory Board reviewed, from a formal point of view, the proposal of the Management Board relating to the distribution of the balance sheet profit as at 31 December 2013.

The Supervisory Board agrees with the proposal on the use of the balance sheet profit and will submit a motion to the general meeting to adopt a decisionon for the distribution of the balance sheet profit as at 31 December 2013.

2. Substantive aspect

At the end of 2013, the members of the Supervisory Board were Andrej Slapar (President), Tomaž Žust (Deputy President) and Sebastjan Debevc. At the beginning of 2013, the members of the Supervisory Board were Andrej Slapar (President), Aleksandra Vuković Kačar (Deputy President) and Nadja Pivk. The mandate of Nadja Pivk ended on 27 August 2013. The Company's Works Council elected Sebastjan Debevc for the employees' representative in the Supervisory Board. His four-year mandate started on 28 August 2013 and will end on 28 August 2017. The mandate of the members of Supervisory Board, Andrej Slapar and Aleksandra Vuković Kačar, ended on 17 December 2013, and at the 24th general meeting of Triglav Re, a decision was adopted that Andrej Slapar and Tomaž Žust were elected and appointed the members of the Supervisory Board for a four-year mandate starting from 18 December 2013 until 18 December 2017.

In 2013, the supervisors held seven meetings, of which one was correspondent. With respect to the internal policies and procedures adopted by the Company, the audit committee assisted the Supervisory Board.

2.1. Method and scope of the Company's management control

2.1.1. Meetings of the Supervisory Board

The Supervisory Board performed its supervisory function mainly at the Supervisory Board meetings.

2.1.2. Activities of the Supervisory Board:

In supervising the Company's management and monitoring business operations, the

Supervisory Board adopted the following major decisions and conclusions:

- approved the audited Annual Report of Triglav Re for the year 2012, made a proposal for distribution of the balance sheet profit and proposed to the general meeting the appointment of the auditor for the year 2013;
- took note of the Management Report of Triglav Re for the period from 1 January 2012 to 31 December 2012, and regularly reviewed the quarterly financial reports for the year 2013;
- took note of the Auditor's report, Report of the certified actuary related to the Company's Annual report for 2012, Auditor's appendices to the Annual Report for 2012 and of the Letter to the Management on the findings of financial statements audit for the year 2012;
- approved the Annual Report on Internal Audit in 2012, and monitored quarterly reports on internal audit for the year 2013;
- adopted the medium-term plan for the internal audit of Triglav Re for the period from 2013 to 2015, and the annual internal audit plan of Triglav Re for the year 2013;
- took note of the Report of the certified actuary and Report on diversification of insurance risks;
- took note of quarterly reports on the management of liquidity, solvency, capital adequacy and coverage of technical provisions with investments.

The audit committee performed its duties in accordance with the Article 280 of the Companies Act.

2.1.3. Opinion on the Annual report of the Internal Auditing Department

At its meeting on 27 February 2014, the Supervisory Board discussed and approved the Annual Report on Internal Audit in 2013, which was prepared by the internal audit on the basis of the performed activities in 2013. The Supervisory Board confirms that the internal audit service of Triglav Re carried out its work in accordance with the adopted Internal Audit Programme.

2.1.4. Reporting of the Management Board

The Supervisory Board considers that, based on the reports of the Management Board, it was able to appropriately monitor and supervise the Company's management and operations. The cooperation with the Management Board is considered as appropriate and in accordance with the law.

3. Auditor's Report

In accordance with the responsibility under the law and with the Articles of Association, the Supervisory Board took note of the Auditor's report whereby the auditors ensured that the financial statements for 2013 in all respects present a true and fair picture of the financial position of Triglav Re and are prepared in accordance with the International Financial Reporting Standards.

4. Opinion of the certified actuary

In accordance with the responsibility under the law and with the Articles of Association, the Supervisory Board took note of the opinion of the certified actuary who confirmed that the amount of premiums written by Triglav Re in 2013, and the level of technical provisions established as at 31 December 2013, are appropriate, and, with the reasonable actuarial expectations, ensured the Company's continuous fulfilment of all liabilities from the reinsurance contracts, and that assets covering technical provisions exceed the level of technical provisions and that the assets are invested and dispersed in accordance with the regulations. The actuary also confirmed that Triglav Re meets the regulatory requirements on capital adequacy. He presented his opinion to the Supervisory Board in the report on the Company's operations in 2013.

5. Comments of the Supervisory Board to the Annual Report for 2013

The Supervisory Board has no comments to the Annual Report for 2013, which would retain the adoption of a decision to approve the Annual Report of Triglav Re.

6. Approval of the Annual Report for 2013

The Supervisory Board approved the Annual Report for the year 2013 within the prescribed period, that is, before the expiry of one month from the submission of the Annual report for 2013 to the Supervisory Board. The Management Board submitted the Annual Report on 9 April 2014.

Ljubljana, 25 April 2014

President of the Supervisory Board of
Triglav Re d.d.
Andrej Slapar

3 PROFILE OF TRIGLAV RE, REINSURANCE COMPANY LTD.

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PROFILE OF TRIGLAV RE, REINSURANCE COMPANY LTD.

Company Name:	Triglav Re, Reinsurance Company Ltd.
Short name:	Triglav Re, Ltd.
Legal form:	Company limited by shares
Registered seat:	Miklošičeva 19, 1000 Ljubljana, Slovenia
Web site:	www.triglavre.si
E-mail address:	mail@triglavre.si
Company identification number:	13 62 992
Tax number:	16465423
Entered in the Companies Register:	District Court in Ljubljana, Entry No. 1/31/403/00
Share capital:	EUR 4,950,000.00
President of the Management Board:	Gregor Stražar, MBA (Econ)
President of the Supervisory Board:	Andrej Slapar
Activity according to the Standard Classification of Activities:	Reinsurance
Credit rating:	Standard & Poor's: A -
	A.M. Best: A -
Ownership structure:	Triglav Insurance Company, Ltd. (100 %).
	Triglav Re is a part of Triglav Group.

3.1 Overview of the development of Triglav Re

3.1.1 History of Triglav Re

The Company was founded in 1998. In the first year of its operating activities the Company only reinsured the portfolio of Zavarovalnica Triglav d.d. and reached a positive operating result. The Company fulfilled the founders' expectations and had a significant impact on the risk equalisation and risk management in the Slovenian market. In 2000, the Company started its operations on the international market for the first time.

On the basis of careful and conservative consideration of risk assumption and risk management, and the recapitalisation in 2001, the Company has in the following years developed into a reliable partner in the European reinsurance market, especially in the area of Central Europe.

The year 2008 marked a turning point for the company's development efforts, since Standard & Poor's (hereinafter S&P) assigned it an "A -" rating. In 2009 the rating was upgraded to an "A" with stable outlook, which the Company retained in 2011 despite tense market conditions. In 2012, S&P downgraded the credit rating to "A -" as a consequence of the drop in the credit rating of the Republic of Slovenia. In November 2012, Standard and Poor's issued a warning about the potential negative change in the credit rating of the Republic of Slovenia, and consequently also a warning about the potential negative change for Triglav Re. In February 2013, S&P actually downgraded the long-term credit rating "A -" of Triglav Re by one notch to "BBB +", removed the warning about a possible downgrade, and issued a positive medium-term outlook.

In February 2013, S&P downgraded the long-term credit rating of Triglav Re "A-" by one notch to "BBB +" removed the warning about a possible downgrade of credit rating, and issued a positive medium-term outlook. But already in early July 2013, S&P upgraded the Company by one notch on the "A-" and issued a stable medium-term outlook.

On 21 March 2013, the rating agency A.M. Best assessed the Company "A -" with stable medium-term outlook. In October 2013, A.M. Best again issued the Company's financial strength of "A -" (positive). At the same time, A. M. Best also confirmed the credit rating of creditworthiness as an "A -". Both credit ratings have a stable medium-term outlook.

3.1.2 Anticipated development of Triglav Re in 2014

Despite turbulent market and economic conditions over the last few years, Triglav Re expects a favourable future development. One of the Company's goals in 2014 is to maintain the current credit ratening "A -" assessed by S&P and A.M. Best. Namely, the credit rating "A -" enables the access to the reinsurance markets, which have historically conditioned the cooperation with the appropriate level of credit ratings, either due to the requirements of the local insurance market regulator or due to the internal rules of the company.

In accordance with the business plan for 2014, Triglav Re will, along with the realisation of the reinsurance programme within the Triglav Group both in Slovenia and abroad, continue to increase the reinsurance activities with the Cedants outside the Group. The growth will be focused on the conservative underwriting policy and further preservation of a stable and profit-generating portfolio, as it has been so far.

3.2 Information on Triglav Group

Triglav Re, d.d. is a subsidiary of Zavarovalnica Triglav, d.d., Ljubljana, Miklošičeva 19.

In addition to Triglav Re, the Triglav Group comprised the following companies in 2013:
- Zavarovalnica Triglav, d.d., Ljubljana, Slovenia
- Triglav, Zdravstvena zavarovalnica, d.d., Koper, Slovenia
- Triglav Osiguranje, d.d., Zagreb, Croatia,
- Triglav Osiguranje, d.d., Sarajevo, Bosnia and Herzegovina,
- Triglav Osiguranje, a.d., Banja Luka, Bosnia and Herzegovina,
- Triglav Osiguranje, a.d.o., Novi Beograd, Serbia,
- Triglav Pojišťovna, a.s., Brno, Czech Republic,
- Lovćen Osiguranje, a.d., Podgorica, Montenegro,
- Triglav Osiguruvanje AD, Skopje, Macedonia,
- Triglav Naložbe, finančna družba, d.d., Ljubljana, Slovenia,
- Triglav, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami, d.d., Ljubljana, Slovenia,

- Triglav Svetovanje, zavarovalno zastopanje, d.o.o., Domžale, Slovenia,
- AS Triglav-servis in trgovina, d.o.o., Ljubljana, Slovenia,
- Triglav nepremičnine, upravljanje, svetovanje in trgovanje z lastnimi nepremičninami, d.d., Ljubljana, Slovenia,
- Triglav Skladi, družba za upravljanje, d.o.o., Ljubljana, Slovenia,
- Slovenijales, d.d., Ljubljana, Slovenia,
- Triglav INT, d.d., holdinška družba.

3.3 Shareholders' equity and shareholders of Triglav Re

As at 31 December 2013, the total equity of Triglav Re amounted to EUR 52,949,850. The share capital of EUR 4,950,000 is divided into 15,000 ordinary registered no-par value shares. Each share amounted to EUR 330.00 representing an equal portion and the corresponding amount in the share capital.

Shareholders of Triglav Re at 31 December 2013

	"EQUITY STAKE (IN %)"	NUMBER OF SHARES
Zavarovalnica Triglav, d.d.	100.00	15,000
TOTAL	100.00	15,000

3.4 Credit rating of Triglav Re

On 13 February 2013, Standard & Poor's downgraded the long-term Company's rating "A -" by one notch to "BBB +", removed the warning about a possible downgrade and issued a positive medium-term outlook. The reason for downgrading was a fall in the state's rating by one notch from "A" to "A -" which was issued by S&P on 12 February 2013. S&P in accordance with its methodology established that a reduced financial ability of the State could have a negative impact on the Triglav Group which is majority state-owned, especially if the Group might require an exceptional financial assistance.

In July 2013, the S&P raised a long-term rating of the Triglav Group and thus also of Triglav Re, by one level from "BBB +" to "A -" and issued a stable medium-term outlook. The upgrade of credit rating is considered a consequence of the S&P's opinion that the Triglav Group is able to maintain capital adequacy and profitability at high levels. Beside the favourable assessment of S&P, the Triglav Group is also distinguished by a prudent formation of technical provisions for non-life business and a continuous growth in retained earnings. The credit rating "A -" reflects an acceptable level of the Group's business risk supported by its leading position in the Slovenian insurance market and a strong financial profile of the Group. A stable medium-term outlook reflects the S&P's expectation that the Triglav Group will maintain a strong competitive position and a high level of capital adequacy and profitability.

On 21 March 2013 Triglav Re, in line with the set objectives, obtained a credit rating "A -'' with a stable medium-term outlook issued by the credit rating agency A.M. Best. In October 2013, A.M. Best confirmed the Company's rating "A -'' for its financial strength, and at the same time, A.M. Best also confirmed the rating "A -" for the Company's creditworthiness. Both ratings have a stable medium-term outlook .

4 GENERAL ECONOMIC ENVIRONMENT IN 2013

4

GENERAL ECONOMIC ENVIRONMENT IN 2013

4.1 Economic environment in 2013[1]

Although the economic activity during 2013 shows some signs of stabilization in the developed economies and even slightly accelerated growth in the emerging market economies, it was clear that the continued recovery of different region in the near future will be slow and patchy. However, some serious threats to the recovery in the global economy during the year were eliminated, financial stability has strengthened, but growth prospects remained low.

According to the available data from November 2013, the world's gross domestic product grew by 2.1 percent and was lower than the baseline projections, which stood at 2.4 percent. The most developed economies continued to struggle with long-term consequences of the financial crisis and in particular with the challenges facing the adoption of appropriate measures in fiscal and monetary policy. The number of emerging economies, which have experienced a noticeable slowdown in the last two years, had to face some new negative trends in international and domestic environment also in 2013. Some signs of recovery have emerged only recently: the Eurozone is finally lifted out of a long recession, and a gross domestic product for the region as a whole is growing again. Some large emerging economies, including China, stopped further slowdown and are ready to strengthen.

At the end of 2013, indicators showed a further stabilization of the economic activity in Slovenia. Current activities in industry and private service were weak, but indicates, however, the absence of the new negative shocks in domestic and foreign demand. The rapid growth of the value of construction put in place continued in November 2013, also due to slightly increased public expenditure on infrastructure investments. Uncertainty in the economy remains rather strong despite the favorable economic developments and better confidence.

In January 2013, the number of registered unemployed in Slovenia was the highest since 1994; in November 2013, the number of persons employed was increasing for the three consecutive months, which shows that the high unemployment was gradually decreasing mainly due to some structural changes in the labor market which took place in 2013.

In 2013, the average inflation rate in Slovenia, as measured by the HICP, was 1.9 percent, which means by 0.9 percentage points less than in the previous year. The overall inflation rate was mainly a consequence of rather high prices of food and services. The increase in price of services was mainly due to the fiscal and administrative measures which also increased the narrowest indicator of basic inflation, which remained at a low level and below the Eurozone average.

1 Standard & Poors Global Rensurance Highlights 2013; United Nations, World Economic Situation and Prospects 2013; The Bank of Slovenia, Economic and Financial Developments, February 2014

The deficit in the budget of the Republic of Slovenia in 2013 amounted to EUR 1.5 billion, or 4.4 percent of the estimated GDP, and was in accordance with the planned in the supplementary budget in July 2013. The surplus on the current account of the payment balance started to reduce towards the end of 2013 due to the gradual stabilization of domestic demand and the temporary weakening of exports of goods and services. In November 2013, the net external debt stood at EUR 12.5 billion, and compared to the end of 2012 it decreased by EUR 1.8 billion, while the net debt of the country increased by EUR 3.4 billion. Net debt of banks decreased by EUR 2.5 billion.

Economic trends

	Real GDP Growth			Consumer Price Index			Unemployment		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Advanced Economies	1.5	1.2	2.0	2.0	1.4	1.8	8.0	8.1	8.0
Euro Area	-0.6	-0.4	1.0	2.5	1.5	1.5	11.4	12.3	12.2
Spain	-1.6	-1.3	0.2	2.4	1.8	1.5	25.0	26.9	26.7
Sweden	1.0	0.9	2.3	0.9	0.2	1.6	8.0	8.0	7.7
Slovenia	-2.5	-2.4	-0.8	2.6	2.0	1.9	8.9	10.7	11.0
Israel	3.4	3.8	3.3	1.7	1.6	2.1	6.9	6.8	6.8
South Korea	2.0	2.8	3.7	2.2	1.4	2.3	3.2	3.2	3.2
Germany	2.0	2.0	1.2	0.0	0.0	2.9	4.4	4.2	4.3
Italy	2.8	1.6	2.6	2.1	1.4	1.5	8.1	7.6	7.4
Austria	0.9	0.4	1.6	2.6	2.2	1.8	4.3	4.8	4.8
China	7.7	7.6	7.3	2.7	2.7	3.0	4.1	4.1	4.1
Turkey	2.2	3.8	3.5	8.9	7.7	6.5	9.2	9.4	9.5

Source: IMF, World Economic Outlook (October 2013); IMAD (UMAR) Autumn Forecast of Economic Trends (2013)

Macroeconomic environment in Slovenia shows that the economy in 2014 will not recover yet, which will cause a rather poor development of the insurance premium in the Slovenian market and, consequently, of the reinsurance premium of the Company. The rest of the world is waking up from the recession, which enables the premium growth; and furthermore, a smaller number of cat events over the last few years represents the excess of reinsurance capacity and lower business profitability despite an increase in the premium volume.

4.2 Capital market[2]

The Ljubljana Stock Exchange marked a moderate growth in 2013 since SBI TOP index ended the year again positive. It is encouraging that the market liquidity increased, as the turnover increased by 9.00 percent compared to the last year and amounted to EUR 392 million. The largest volume of turnover represented the shares, i.e. EUR 299 million or 76 percent of the total turnover. In the breakdown structure of turnover, the bonds with 22 percent and commercial papers with a 1 percent followed. The most traded shares in 2013 were those of Krka, Zavarovalnica Triglav and Telekom Slovenia. The market capitalization of all shares on the Ljubljana Stock Exchange again increased and amounted to EUR 5,173 million at the end of the year.

The operations of the banking system in 2013 were mainly influenced by the continuation of bank deleveraging, unfavorable economic conditions and limited bank lending. The balance sheet total and also individual balance sheet categories at the end of 2013, the changes in the structure of balance sheets as well as the total operating profit were strongly influenced by the measures adopted in December 2013 by the government of the Republic of Slovenia and the Bank of Slovenia in order to stabilize the banking system, in particular, with recapitalization and purchases of bad debts and transfer to the Bank Assets Management Company (BAMC).

2 Source: Ljubljana Stock Exchange, Ltd.;The Central Bank of Slovenia, Economic and financial trends, and banks operations, February 2014; ECB Monthly Bulletin, December 2013.

Due to increased confidence and falling interest rates, the main indices of European stock exchanges in 2013 increased, reflecting the optimism among investors who were satisfied with the economic recovery. In 2013, the Frankfurt DAX index gained more than 25 percent, while the Paris CAC 40 gained 17 percent and the London FTSE 100 14 percent.

The year 2013 was an exceptionally prosperous year for the Tokyo Stock Exchange. The Nikkei increased by 57 per cent at the annual level, while the broader index Topix by 52 percent . The highest growth of Japanese shares in 2013 began after the appointment of the new government, and in particular the appointment of the new governor of the Bank of Japan. The Central Bank of Japan has announced the aggressive buying of Japanese government bonds and other instruments, and set the aim to achieve a two percent inflation.

Similarly, the U.S. FED with a continuous redemption of bonds on a monthly basis increased the liquidity of the U.S. capital markets, which historically raised all the major U.S. stock indices. Since all the other major central banks joined the printing of money, the main European indices also reached the record levels as already mentioned above. The Dow Jones index reached a growth of 27 percent in 2013, the broader Standard & Poor's 500 index increased by 30 percent and the technological index Nasdaq Composite by 38 percent.

4.3 Insurance market[3]

Trends in insurance markets varied between the countries and thus reflected different economic and financial situation, different competitive environment and level of development. Insurance markets in some countries are still suffering the consequences of the financial and economic crisis. Unfavorable macroeconomic environment (i.e. low GDP growth, cost-saving measures, high unemployment, economic insecurity and significant competitive pressures) was still producing a negative premium growth in life and non-life insurance. In some cases, new tax measures related to insurance were also introduced.

In 2013, Europe again slightly weakened its share in the global insurance market. According to the latest official figures of Swiss Re for 2013, Europe collected more than 33 percent of the global insurance premium, or 1.7 percentage points less than the previous year. In 2013, North and South America were for 0.6 percentage points ahead the previously leading Europe, and had almost a 34 percent global share which shows an increase of 2.8 percent in the collected premium over a previous year. Asia has again strengthened its position. Its share grew by 6.9 percentage points to 29 percent. Africa and Oceania also slightly increased their share and collected together nearly 4 percent of the world's insurance premium volume. On the global insurance scale for 2013, the Slovenian insurance market ranks 55th on the scale and represents 0.06 percent of the total world market (in 2012 also 0.06 percent). Considering the premium per capita in 2013, Slovenia is ranked 28th (one place higher than the previous year) on the global scale and 25th in insurance penetration, i.e. a share of premium in GDP (the same as in 2012).

4.4 Insurance market in Slovenia

In 2013, 13 insurance companies and 4 foreign branches operated in the Slovenian insurance market. Among them, there were 10 composite insurance undertakings and 7 specialized (i.e. for life, health and property insurance). They collected EUR 1.962 billion of gross premium written what is slightly less than in the previous year (index 95.6).

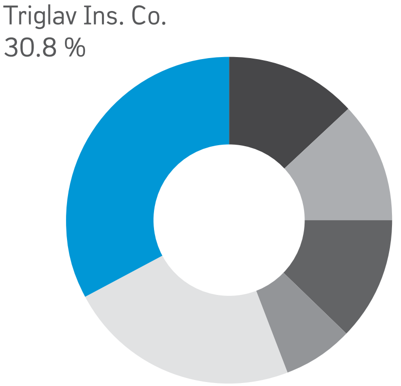
3 Source: Swiss Re, Sigma No 3/2013; OECD, Global Insurance Market Trends 2013.

In the collected premium volume, non-life insurance premium represents a share of 73 percent, and life insurance of 27 percent. As regards both the non-life and life premium (index of 98.0 and 89.8), a decrease was recorded in comparison to the previous year. These figures do not include data on insurance activities carried out directly by the insurance companies from other EU Member States. Their share is gradually increasing, but is still, according to our estimation, negligible.

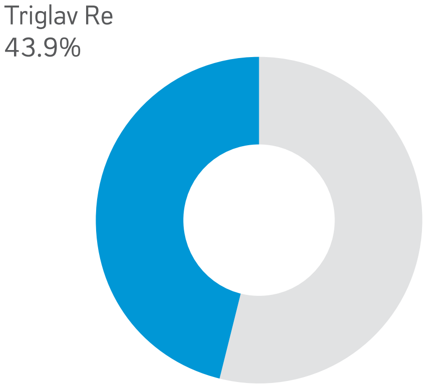
The four largest insurance companies controlled 72.9 percent of the Slovenian insurance market (in 2012, 71.3 percent). Zavarovalnica Triglav d.d. maintained a leading position with a market share of 30.8 percent, and Adriatic Slovenica d.d. ranks second. Insurance companies with majority foreign capital such as Generali, Merkur, Grawe, Wiener Städtische, Allianz, Ergo, Ergo Life Insurance Arag SE, collected EUR 211.9 million of insurance premium, and thus increased their market share from 10.2 percent in 2012 to 10.8 percent in 2013.

In the life insurance market, Zavarovalnica Triglav reached a share of 33.6 percent, while in non-life market of 29.7 percent . At 31 December 2013, the market share of Triglav Re stood at 43.9 percent and compared to the previous year it increased by 0.7 percentage points.

MARKET SHARES OF INSURANCE COMPANIES IN 2013



MARKET SHARES OF REINSURANCE COMPANIES IN 2013



5

RISK MANAGEMENT

5
RISK MANAGEMENT

This chapter gives a general description of the risk management implamanted by Triglav Re, while a detailed analysis of diferent risks management is presented in the Accounting Part of the Annual report.

Risk management has become one of the most important priorities in the insurance and reinsurance business. Due to the implementation of Solvency II regime, an increasing amount of time is devoted to the risk management, which is gradually introducing in all business processes. In accordance with the Insurance Act and other regulations, it is fully guaranteed that in the normal business operations as well as in the planning and implementation of the long-term goals, the Company:

- has at its disposal the adequate capital in respect of the volume and class of reinsurance business being performed, and manages to a maximum extent the risks to which it is exposed in such classes of business (capital adequacy of Triglav Re);
- duly meets its matured liabilities (operating liquidity) and is permanently capable of fulfilling all of its liabilities (operating solvency);
- manages the risks to which the Company is exposed in an individual or all classes of the reinsurance business and takes care that they do not exceed the legally prescribed limits.

In compliance with statutory provisions and deadlines, the Company calculates and determines:

- capital and capital requirements;
- capital adequacy;
- level of technical provisions;
- level of assets covering technical provisions;
- type, dispersion, consistency and location of placements of assets covering technical provisions;
- other statistical insurance data.

Triglav Re recognises the risks related to all of the above mentioned items. The level of the required and available capital is verified in compliance with statutory provisions; furthermore, the Company calculates its capital adequacy at least once a year, and checks the levels of various types of risks by applying the S&P capital adequacy model and the quantitative impact study on Solvency II. Based on these calculations, Triglav Re then adopts and implements appropriate risk mitigation measures and, at the same time, monitors the trends and behaviour of each type of risk. The Company and its operational management is responsible for monitoring the realization of the program for risk assumption, and for assets and investment management in such a way as to ensure the capital adequacy, solvency and liquidity of the Company's operations.

The Internal Auditing Department plays an important role in risk management since it assists the Management Board in identifying the risk and in risk assessment and management.

In 2013, the Risk Management Board continued to perform its tasks, i.e. to survey and control all risks assumed by the Company. The main responsibilities of the Board in 2013 comprised the monitoring of activities in relation to Solvency II, the S&P capital adequacy model, reconciliation between the assets and liabilities, risk-related information, preparation of the internal measures related to risk management and implementation of Tagetik II project.

5.1 Capital and capital requirements

Triglav Re calculates capital and capital requirements in line with the Insurance Act, IFRS and other regulations relating to the method and scope of individual items included in the calculation of the Company's capital and capital adequacy, to the more detailed characteristics and types of items to be considered in the calculation of capital and capital adequacy, to the more detailed characteristics of subordinated debt instruments and illiquid assets and the more detailed rules for the calculation of the minimum capital of Triglav Re.

Triglav Re calculates the capital adequacy only for the classes of non-life insurance, because the Company does not deal with the life insurance except for the reinsurance of the risk of death (excluding the savings part), and it retrocedes the majority of the assumed risks to foreign reinsurance companies.

The capital adequacy of the Company is also calculated within the Standard & Poor's requirements as a part of the credit rating assignment or the current review process.

The Company is making the necessary preparations to introduce a new method of the capital adequacy calculation to meet the requirements of Solvency II emphasising the importance of the sound risk management and internal control. In 2013, the Company used the standard formula of Solvency II to calculate the capital adequacy.
When making decisions about capital management the results of all capital models shall be considered. Assessment of capital requirement in relation to the S&P capital model continues to be an essential part of assigning a credit rating. Capital requirements of the S&P capital model are generally higher than those required under applicable law. In the process of decision-making in relation to capital management the Company considers the results of all capital models. Furthermore, the Company considers the fact that the legal requirements are binding and meeting the capital requirements of the credit rating agencies is one of its main strategic goals.

In 2013, the Company continued preparations for the new solvency regime (Solvency II), which shall enter into force on 1 January 2016. In 2013, the European association of EIOPA issued interim guidelines for the introduction of Solvency II where it is stipulated that, irrespective of the above-mentioned validity date, the requirements especially from the 2nd and 3rd pillar (the management system, own risk and solvency assessment and reporting by forms QRT) shall be partially applied by the (re)insurance companies as from 1 January 2014. The Company follows the Solvency II project plan of the parent company. The project aim is to make the process of calculating the capital requirements (quantitative and qualitative) under Solvency II and reporting to supervisory authorities set on time within certain deadlines and also automated and smooth. In order to carry out the reporting process smooth and automated as far as possible, the software tool Tagetik was upgraded with an additional module,which comprises the necessary functionality for reporting in accordance with the requirements of Solvency II. With the successful implementation of this module, the Company will ensure compliance with the regulatory requirements under the 3rd pillar of Solvency II.

5.2 Technical Provisions

Triglav Re sets aside technical provisions, appropriate by substance and amount, for all assumed reinsurance business, both for the reinsurance business assumed in the current year and for that assumed for equalisation since the Company's establishment. The risk related to technical provisions is the possible risk that technical provisions are smaller than they should be. This risk has been managed primarily by comparing previous provisions for outstanding claims and subsequent actual liabilities incurred, by applying actuarial methods in formation of specific technical provisions, and by the prudent formation of provisions for outstanding claims.

Pursuant to the Insurance Act and implementing regulations on the more detailed rules and minimum standards for the calculation of technical provisions, Triglav Re makes provisions for unearned premiums, provisions for outstanding claims, equalisation provisions for credit insurance (recorded under equity), provisions for bonuses, rebates and cancellations, and other technical provisions, such as provisions for unexpired risks. Such calculated provisions constitute the basis for the preparation of financial statements in compliance with the IFRS. The level of the set-aside technical provisions is verified with the liability adequacy test (LAT). In case of non-life insurance, liabilities are subject to a liability adequacy test only for unearned premium provisions, while the provisions for outstanding claims and provisions for bonuses and rebates are deemed to be made in an adequate amount, and therefore the application of the liability adequacy test is not needed. In the adequacy tests of provisions for unearned premiums, Triglav Re considers the difference between the sum of expected claims and expected expenses, i.e. between the combined ratio and unearned premium provisions.

The thus formed technical provisions shall be adequate and sufficient to ensure a permanent capacity to meet all liabilities of Triglav Re from reinsurance contracts, and has to comply with statutory requirements. The adequacy of the provisions is also audited and approved by the appointed certified actuary of Triglav Re.

5.3 Reinsurance Risks

Reinsurance risks refer to the uncertainty of reinsurance events. These are the risks that reinsurance claims are higher than expected and/or that premiums earned are lower than expected.

Premium risk management is the responsibility of the heads of departments who underwrite reinsurance transactions. They take care that all the procedures related to the conclusion of the reinsurance contracts are carried out at a highly professional level. In addition, they are responsible for designing a strategy regarding the reinsurance portfolio exposure to particular catastrophe events and regions.

A key aspect of the reinsurance risk faced by Triglav Re is the concentration of reinsurance risk arising from a particular event or series of events. Such a 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 in which the Company is exposed to unexpected changes in trends (e.g. unexpected changes in human mortality) or unexpected changes in legislation that could have an impact on policy proceeds or damages.

It is very difficult to estimate the amount of claims, since the settlement of loss incurred prior to the balance sheet date depends on future events and their development. In this context, the provisioning risk arises. The amount of provisions for claims is calculated in compliance with the actuarial practice based on realisable assumptions, methods and estimates, while the assumptions are regularly tested and adjusted.

5.4 Financial assets and liabilities from reinsurance contracts

Triglav Re forms appropriate assets backing liabilities for the purpose of meeting future liabilities from completed reinsurance business, on the basis of which the Company is required to set up technical provisions. For the purpose of preserving and upgrading the value of its assets backing liabilities, Triglav Re consistently observes the principles of safety, profitability and marketability of investments, and simultaneously provides for the adequate maturity, diversity and dispersion of its investment portfolio. Triglav Re intends to continue pursuing such an investment policy in the future. Triglav Re has evaluated the assets backing liabilities in accordance with the International Accounting Standards, the Insurance Act, and the relevant implementing regulations governing this sphere of activity.

5.5 Retrocession

With an appropriate reinsurance programme, Triglav Re covers the portion of risks underwritten that exceeds its own shares in the risk equalisation specified in the Company's tables of maximum coverage. The tables of maximum coverage contain the pre-set limits for each class of insurance, whereby the level of maximum coverage varies from one class of insurance to another.

Triglav Re manages retrocession risk by selecting the Reinsurers with low credit risk. The selection of a Reinsurer is based on the credit rating assigned to him by one of the major credit rating agencies.

5.6 Operational risk

Triglav Re devotes continual attention to the management of operational risks in particular. Operational risks are divided into:
- organisation and business process risks (disturbances in the work process, lack of information, disruption in continuous operation, inappropriate cost management, poorly organised and controlled documentation, inadequate management of internal changes, etc.);
- staffing risk (inappropriate human resource management, inadequate staffing, unsuitable internal rules, etc.);
- information technology risk (inappropriate IT applications and IT infrastructure, technical tools, etc.); and
- legal risk (changes in legislation, loss of credit rating, competition, etc.).

Efficient management of operational risks is based on a system of internal controls that are improved and upgraded from year to year. Triglav Re manages the organisation and business process risks by the adjustment of internal organisation, delimitation of responsibilities and the gradual computerisation of business processes; and the staffing risks by applying a system of knowledge transfer among the employees and with consistent education and training. The key element of managing information technology risk is the restructuring of the information system that will support all reinsurance processes, while the key part of legal risk management lies in the continuous monitoring of new legislation and the active participation of a legal expert in all business decisions.

5.7 Financial Risks

Financial risks comprise liquidity risk, credit risk and market risk. The theoretical part of financial risks is presented below, while its quantitative impact is explained under the item 13.4.

Liquidity risk
Triglav Re ensures its liquidity with investments in a manner allowing it to meet, at any given moment, all of its matured liabilities. Within the scope of liquidity management, the Company provides for the regular fulfilment of its obligations; the Company regularly monitors its liquidity position, and calculates the liquidity ratio on a weekly basis.

Credit risk
Credit risk (the so-called Counterparty default risk) is defined as the risk of losses incurred by Triglav Re as a consequence of the changed financial situation of its business partners, issuers of securities and other debtors with outstanding liabilities to Triglav Re. In compliance with the Insurance Act, implementing regulations issued by the Insurance Supervision Agency, and its own internal rules, Triglav Re manages its credit risks by investing its funds surplus in bank deposits and/or debt securities of companies with proper credit ratings, regularly monitored by the Company. In accordance with the Company's Regulation on reinsurance underwriting, the credit rating of a reinsurer (a retrocessionaire) shall not be lower than "BBB +" assessed by Standard and Poor's or than "B ++" if assessed by A.M. Best other than for passive reinsurance of liability insurances and motor third party liability insurance where the credit rating should not be lower than "A -".

Market risk
Market risk is the risk of loss arising from adverse changes in market variables (price, interest rate, foreign currency exchange rate). Triglav Re devotes much attention to all three types of market risk that can have substantial impact on the market value of investments.

6

FINANCIAL RESULTS

6

FINANCIAL RESULTS

In 2013, Triglav Re generated net profit amounting to EUR 6,679,057 which primarily resulted from favourable claims developments on a global scale.

6.1 Reinsurance premiums

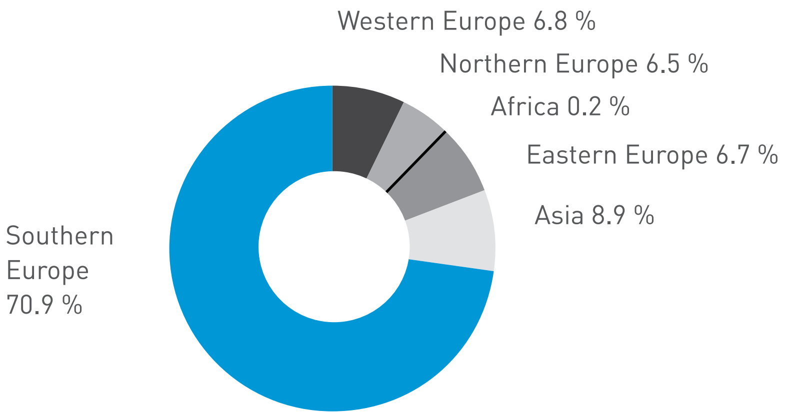
In 2013, the gross reinsurance premium amounted to EUR 105,015,611 and decreased by 10.0 percent compared to 2012, primarly due to the lower gross reinsurance premiums from operations outside the Triglav Group (growth index of 81.7) and also in the Triglav Group (growth index of 95.1).

Reinsurance premium in 2013 compared to 2012

in EUR

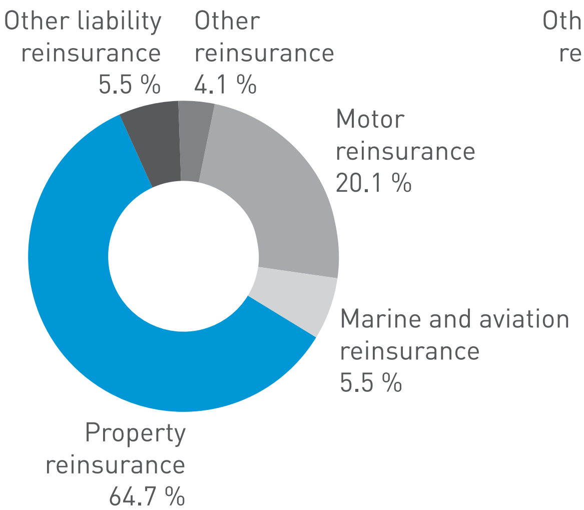
	YEAR 2013	YEAR 2012	INDEX	PLAN 2013	"INDEX TO PLAN"
GROSS PREMIUM	105,015,611	116,352,810	90	110,954,965	94.6
NET PREMIUM	56,581,753	63,575,648	89	56,531,565	100.1

GROSS REINSURANCE PREMIUM BY TERRITORIES

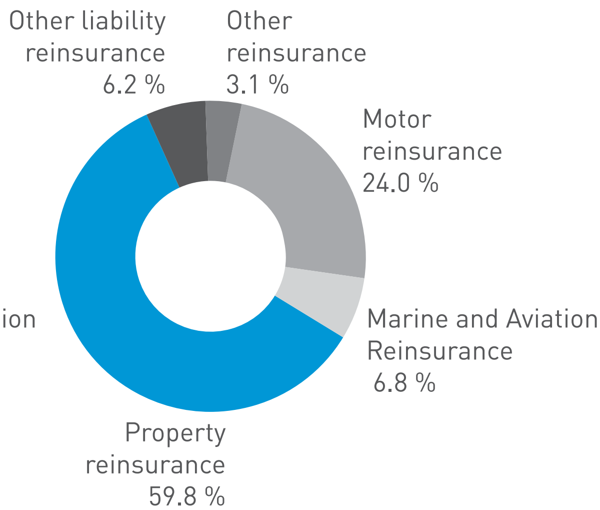


Net premium in 2013 fell by 11.0 percent as a consequence of a reduction in the inward and outward reinsurance operations compared to the previous year.

STRUCTURE OF GROSS REINSURANCE PREMIUM IN 2013



STRUCTURE OF NET REINSURANCE PREMIUM IN 2013



Note: Gross reinsurance premium by lines of business is presented in the Appendix on performance indicators.

The largest portion in the structure of gross reinsurance premium is represented by the property reinsurance and it increased by 1.0 percentage point compared to 2012. The share of motor reinsurance also increased by 0.7 percentage point and of other non-life reinsurance lines by 0.3 percentage point. On the other hand, the portion of ship and aircraft reinsurance decreased by 0.7 percentage point in 2013 and of other liability reinsurance by 0.3 percentage points.

In the net reinsurance premium structure, the share of motor reinsurance increased by 0.5 percentage point, of ship and aircraft reinsurance by 0.4 percentage point and other reinsurance by 0.1 percentage point, while the share of property reinsurance fell by 0.3 percentage point and of other liability reinsurance by 0.9 percententage point.

Net reinsurance premium income (calculated from gross reinsurance premiums, reduced by reinsurers' share and adjusted by the change in gross unearned premium corrected for the reinsurers' share in unearned premium) reached EUR 57,277,631 in 2013 and it decreased by 11.1 percent compared to 2012.

6.2 Reinsurance claims

In comparison with the preceding year, the gross claims increased by 14.5 percent and amounted to EUR 61,177,268 in 2013. The increase in claims is mainly due to the larger number of catastrophic weather events, particularly in Slovenia as well as around the world. In 2013, the gross claims were by 19.1 percent above the planned level, while the net claims were by 8.9 percent above the planned value.

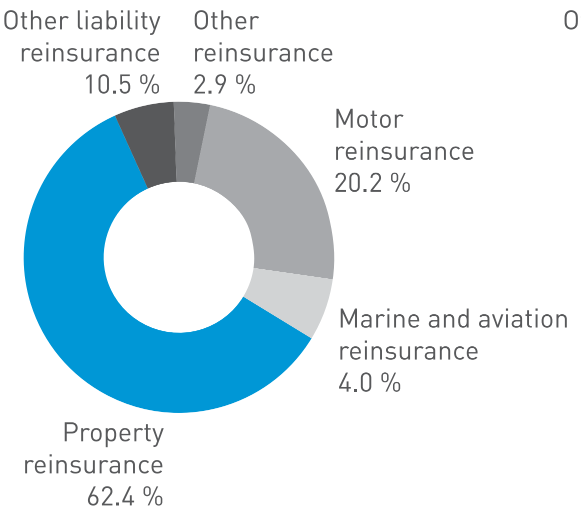
Settled claims in 2013 compared to 2012

in EUR

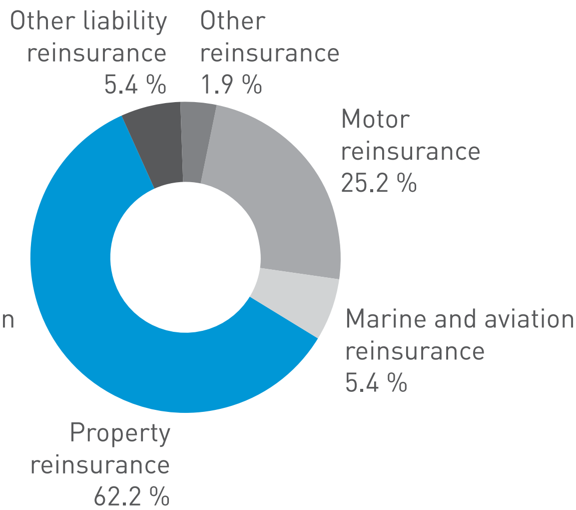
	YEAR 2013	YEAR 2012	INDEX	PLAN 2013	"INDEX TO PLAN"
GROSS CLAIMS	61,177,268	53,408,612	114.5	51,384,584	119.1
NET CLAIMS	37,711,205	38,987,846	96.7	34,624,233	108.9

In 2013, the majority of gross claims affected the property and motor reinsurance. Compared to 2012, the highest increase in gross claims, i.e. by 4.4 percentage point, was recorded in other liability reinsurance, while the share of gross claims in aircraft and ship reinsurance fell by 2.9 percentage point.

STRUCTURE OF GROSS REINSURANCE CLAIMS IN 2013



STRUCTURE OF NET REINSURANCE CLAIMS IN 2013



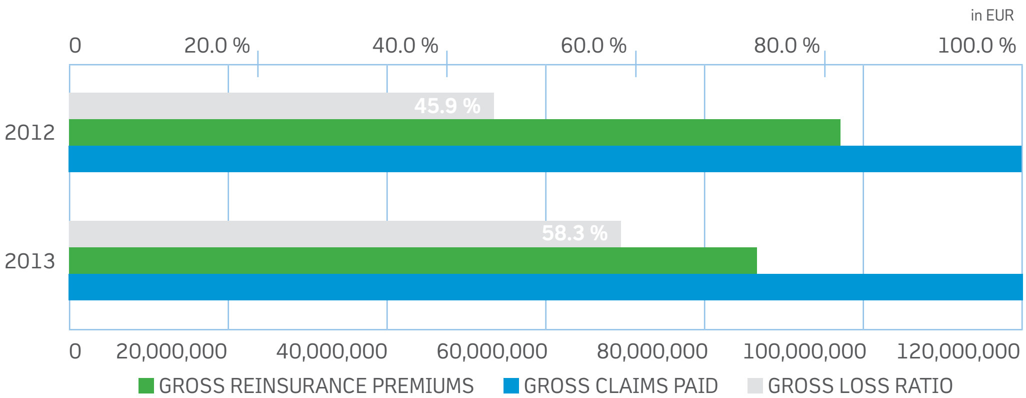
Note: Gross reinsurance claims by lines of business are presented in the Chapter on performance indicators.

The structure of net claims in 2013 is similar, since the majority of net claims is also related to property reinsurance (62.2 %) and 25.2 percent to motor reinsurance.

In 2013, net claims incurred (gross claims incurred, reduced by reinsurers' share and adjusted by the change in gross provisions for claims corrected for the reinsurers' share in these provisions) amounted to EUR 37,814,780 and were by 12.1 percent lower than the net claims incurred in 2012.

6.3 Gross loss ratio

Gross loss ratio, representing the ratio of gross claims paid and gross premiums written, increased by 12.4 percentage point in 2013, mainly due to lower gross premiums written in 2013 compared to 2012.



6.4 Commission income and expenses

Commission income in 2013 amounted to EUR 8,596,581 and compared to the previous year decreased by 10.7 percent. On the other hand, commission expenses amounted to EUR 20,913,598 and fell by 12.1 percent, so that the net commission expenses in 2013 amounted to EUR 12,317,017.

6.5 Financial income and expenses

The balance of financial investments as at 31 December 2013 amounted to EUR 127,535, 415 and in comparison with the previous year it increased by 4.1 percent or EUR 5,039,065.

STRUCTURE OF FINANCIAL INVESTMENTS

in EUR

	31. 12. 2013	"STRUCTURE in %"	31. 12. 2012	"STRUCTURE in %"	INDEX
Shares and other variable yield securities	1,179,530	1%	1,105,566	1%	106.7
Debt securities and other fixed yield securities	116,601,712	91%	110,391,132	90%	105.6
Shares in investment funds	982,177	1%	1,625,983	1%	60.4
Bank deposits	4,591,525	4%	5,176,688	4%	88.7
Financial derivatives	3,623	0%	1,103	0%	328.5
Other financial investments	10,000	0%	10,000	0%	100.0
Reinsurers' investments from reinsurance contracts	4,166,848	3%	4,185,878	3%	99.5
TOTAL FINANCIAL INVESTMENTS	127,535,415	100%	122,496,350	100%	104.1

The Company reported the following investment structure by maturity as at 31 December 2013:

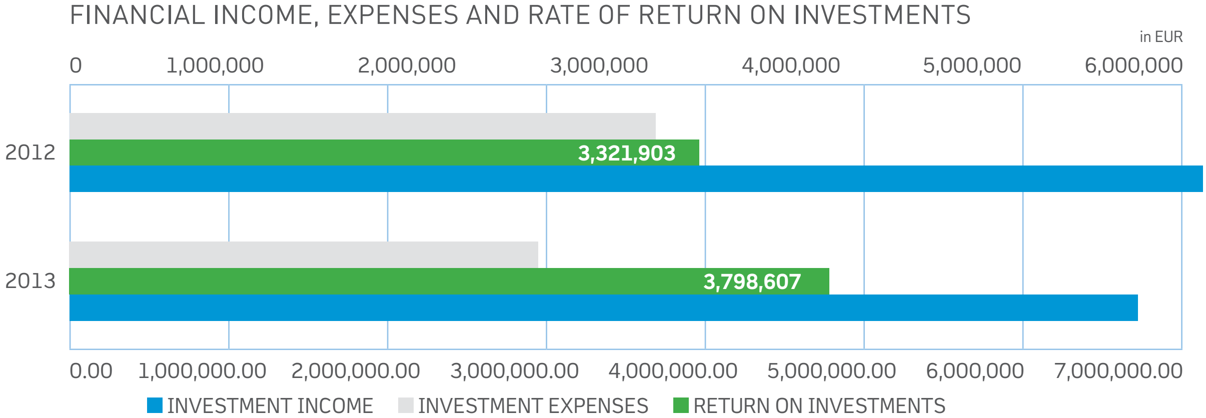
- long-term financial investmnets amounting to EUR 115,205,915;
- short-term financial investmnets amounting to EUR 6,450,399;
- financial investmnets in the Triglav Group companies amounting to EUR 1,712,253;
- retained premiums at Cedants earned from reinsurance treaties amounting to EUR 4,166,848.

The largest part of investments is represented by debt securities, followed by deposits with banks and financial investments of Reinsurers from reinsurance contracts. The portion in investment funds and the shares represents the lowest proportion in the investments structure.

The structure of a certain type of investments remains the similar to that of the previous year; the share of debt securities increased by one percentage point. The shares of investment funds, of shares and of financial investments made from reinsurance contracts remain at the level of the previous year.

The carrying return of the entire investment portfolio amounted to 3.0 percent in 2013, while in 2012 to 2.9 percent.

FINANCIAL INCOME, EXPENSES AND RATE OF RETURN ON INVESTMENTS



Financial income in 2013 amounted to EUR 6,764,985, while financial expenses to EUR 2,966,378. The total return amounted to EUR 3,798,607, which is 14.4 percent more than in the previous year.

Company's investment policy in 2013 was conservative, and taking into account the principles of security, profitability and marketability, the structure of investment portfolio has been optimized by the appropriate, diversified and spread investments of the assets covering technical provisions and own resources. In 2014, the Company will continue to monitor the unstable financial situation and will accordingly invest the funds in less risky and correspondingly profitable investments.

6.6 Operating expenses

Gross operating expenses in 2013 compared to the previous year increased by only 0.5 percent. Amortisation costs, compared to 2012, decreased by 10.4 percent, mainly due to unrealized purchases of software and hardware systems. Other operating expenses also decreased by 12.3 percent. However, labor costs increased by 6.4 percent as a result of new employments and services provided by natural persons. Asset management expenses for the year 2013 amounted to EUR 232,103 (in 2012 to EUR 278,587) and are recognized in the income statement under financial expenses.

Breakdown of operating expenses

in EUR

	YEAR 2013	YEAR 2012	INDEX
Depreciation of operating assets	68,238	76,168	89.6
Labour costs	2,155,459	2,025,823	106.4
Costs of services provided by individuals not engaged in business activity, including contributions	4,070	1,335	304.8
Other operating costs	782,643	892,230	87.7
TOTAL OPERATING COSTS	3,010,410	2,995,556	100.5

6.7 Indicators of financial result

	YEAR 2013	YEAR 2012
Retention rate	53.9%	54.6%
Share of gross premium written outside the Group to gross premium total	32.6%	36.0%
Share of net operating expenses to gross premium	2.9%	2.6%
Loss ratio*	65.7%	67.3%
Expense ratio*	27.0%	26.6%
Combined ratio	92.7%	93.9%

* Calculated according to the methodology of the S & P

7 FINANCIAL POSITION

7

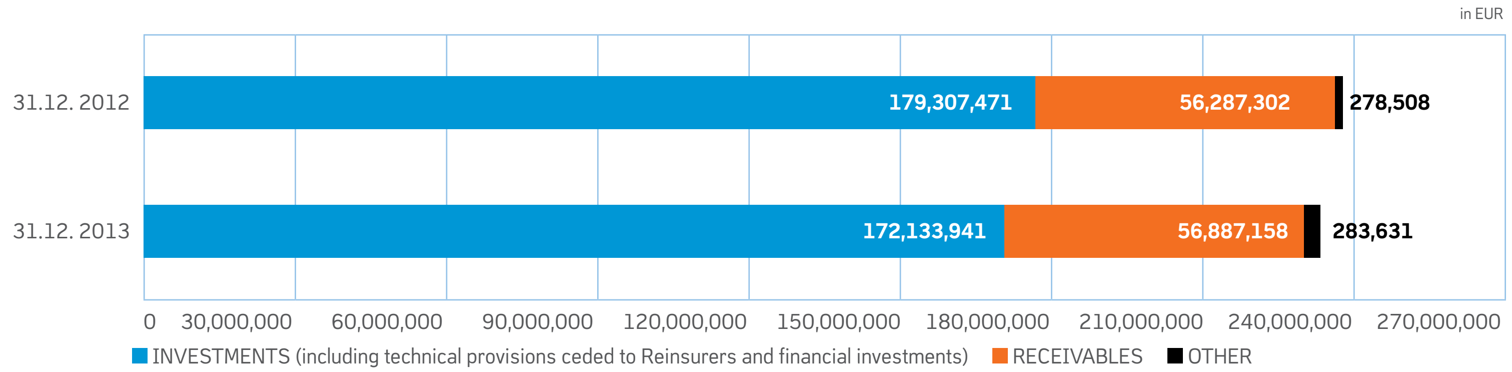
FINANCIAL POSITION

As at 31 December 2013, the balance sheet total of Triglav Re amounted to EUR 229,304,729 and fell by 2.8 percent compared to 31 December 2012.

7.1 Financial assets

As at 31 December 2013, the financial assets, which constitute 75.1 percent of the total assets, decreased by 4.0 percent compared to 31 December 2012; whereas the receivables representing 24.8 percent of the total assets increased by 1.1 percent. Other assets also increased, but the intangible fixed assets recorded a slight decrease in 2013.

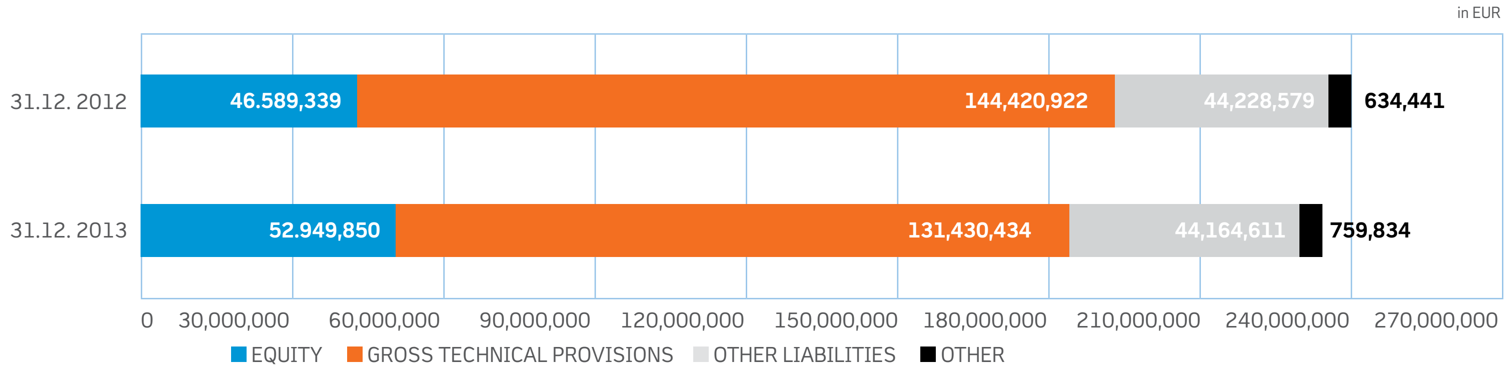
STRUCTURE OF ASSETS



7.2 Financial liabilities

The largest portion of liabilities represents gross technical provisions, reaching as much as 57.3 percent. As at 31 December 2013, the total equity of the Company amounted to EUR 52,949,850 and increased by 13.7 percent in comparison to 31 December 2012. A substantial share of liabilities is represented by other liabilities which at 31 December 2013 amounted to EUR 44,164,611 or 19.3 percent, and were mainly related to the liabilities from the reinsurance activities.

STRUCTURE OF LIABILITIES



7.3 Indicators of financial position

	YEAR 2013	YEAR 2012
Proportion of capital in total liabilities	23.1%	19.8%
Return on equity	13.4%	14.1%
Proportion of gross technical provisions in total liabilities	57.3%	61.2%
Proportion of financial assets in total assets	55.6%	51.9%
Capital surplus	28,452,459	22,727,173

8

SIGNIFICANT EVENTS AFTER THE END OF ACCOUNTING PERIOD, TRANSPARENCY OF FINANCIAL RELATIONS

8

SIGNIFICANT EVENTS AFTER THE END OF ACCOUNTING PERIOD, TRANSPARENCY OF FINANCIAL RELATIONS

8.1 Significant events after the end of accounting period

After the end of accounting period, there were no significant events that could affect the Company's position.

8.2 Transparency of financial relations

According to the Act on transparency of financial relations and separate accounts for various activities, the Company is listed in the group of public companies and public credit institutions.

In 2013, the Company did not receive any public funds as set out in the said Act.

ACCOUNTING REPORT

ANNUAL REPORT 2013

triglavRE

Building a better working world

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the users of the summary Annual Report of Pozavarovalnica Triglav Re, d.d.

The accompanying summary financial statements, which comprise the summary balance sheet as at 31 December 2013, the summary income statement, summary statement of comprehensive income, summary cash flow statement, and summary statement of changes in equity and for the year then ended, are derived from the audited financial statements of Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 31st March 2014.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the EU. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Pozavarovalnica Triglav Re, d.d.

Management's Responsibility for the Summary Financial Statements
Management is responsible for the preparation of a summary balance sheet as at December 31, 2013, summary income statement, summary statement of comprehensive income, summary cash flow statement and summary statement of changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion
In our opinion, the summary financial statements derived from the audited financial statements of Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2013 are consistent, in all material respects, with those financial statements.

Ljubljana, 31st March 2014

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska cesta 111

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Primož Kovačič
Certified Auditor

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FINANCIAL STATEMENTS

9 FINANCIAL STATEMENTS

9.1 Statement of financial position

in EUR

	NOTE	"BALANCE AS AT 31. 12. 2013"	"BALANCE AS AT 31. 12. 2012"
ASSETS		**229,304,729**	**235,873,281**
Intangible assets	15.1	24,686	27,675
Property, plant & equipment	15.2	182,483	167,357
Financial investments in Group's companies	15.4	1,712,253	1,695,733
Financial investments in other companies	15.4	125,823,162	120,800,617
- loans and deposits		9,288,204	12,576,309
- available for sale		116,323,919	106,936,495
- recognized at fair value		211,039	1,287,813
Technical provisions ceded to Reinsurers	15.5	44,598,526	56,811,121
Receivables	15.6	56,887,158	56,287,302
- receivables from reinsurance and co-insurance		56,882,838	56,227,823
- other receivables		4,319	59,480
Other assets		64,878	68,124
Cash and cash equivalents		11,584	15,353
EQUITY AND LIABILITIES		**229,304,729**	**235,873,281**
Equity	15.7	52,949,850	46,589,339
- share capital		4,950,000	4,950,000
- share premium		1,146,704	1,146,704
- reserves from profit		2,828,169	2,700,578
- revaluation surplus		2,593,847	2,912,392
- retained earnings		34,879,665	29,167,124
- net profit for the year		6,551,466	5,712,541
Technical provisions	15.8	131,430,434	144,420,922
- unearned premiums		21,093,821	23,947,338
- provisions for outstanding claims		109,850,372	119,801,751
- other technical provisions		486,241	671,832
Other provisions	15.9	132,410	122,648
Deferred tax liabilies	15.3	104,037	158,164
Operating liabilities	15.10	44,060,574	44,070,416
- liabilities from reinsurance and co-insurance		43,739,381	43,705,350
- current tax liabilities		321,193	365,066
Other liabilities	15.10	627,424	511,793

Notes to financial statements are an integral part of the financial statements and shall be read in conjunction with them.

9.2 Income statement

in EUR

	NOTE	YEAR 2013	YEAR 2012
NET PREMIUMS EARNED	16.1	57,277,631	64,412,949
- gross reinsurance premiums written		105,015,611	116,352,810
- premiums written ceded for retrocession		-48,433,858	-52,777,161
- change in unearned premiums		695,877	837,300
TOTAL INCOME FROM FINANCIAL ASSETS	16.2	6,764,985	7,102,907
- income from financial assets in related companies		98,801	36,353
- income from financial assets in other companies		6,666,184	7,066,554
OTHER REINSURANCE INCOME	16.3	8,596,581	9,622,924
- commission income		8,596,581	9,622,924
OTHER INCOME		28,662	24,407
NET CLAIMS INCURRED	16.4	-37,814,780	-43,015,383
- gross claims paid		-61,177,268	-53,408,612
- retrocessionaires' share of claims paid		23,466,064	14,420,766
- change in provisions for outstanding claims		-103,575	-4,027,538
CHANGE IN OTHER TECHNICAL PROVISIONS		185,137	-345,636
EXPENSES FOR BONUSES AND REBATES		454	-4,667
OPERATING EXPENSES	16.5	-2,778,308	-2,716,969
- insurance acquisition costs		-995,543	-995,124
- other operating expenses		-1,782,765	-1,721,846
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	16.2	-2,966,378	-3,781,005
- Expenses from financial assests in other companies		-2,966,378	-3,781,005
- impairment of financial assets other than recognized at fair value through profit or loss		-408,523	-298,223
- losses on disposal of investments		-662,595	-1,468,600
- expenses from chainge in fair value		0	-239,846
- other financial expenses		-1,895,260	-1,774,336
OTHER REINSURANCE EXPENSES		-21,279,623	-24,035,413
- commission expenses	16.3.	-20,913,598	-23,800,859
- other expenses		-366,025	-234,554
OTHER EXPENSES		-23,415	-1,901
PROFIT BEFORE TAX		7,990,945	7,262,212
TAX EXPENSES	16.6	-1,311,889	-1,424,283
NET PROFIT FOR THE PERIOD		6,679,057	5,837,929
Basic net earnings per share		445 Euros/share	389 Euros/share
Diluted net earnings per share		445 Euros/share	389 Euros/share

Notes to financial statements form an integral part of financial statements and shall be read in conjunction with them.

9.3 Statement of comprehensive income

in EUR

	Note	YEAR 2013	YEAR 2012
Net profit/loss for the year after tax		6,679,057	5,837,929
Other comprehensive income after tax		-318,546	4,662,440
Net gains/losses from the remeasurement of available-for-sale financial assets		-301,228	5,613,903
- gains/losses recognized in fair value reserve		333,646	3,877,044
- transfer of gains/losses from fair value reserve to profit or loss		-634,874	1,736,859
Tax on other comprehensive income	16.6.	-17,318	-951,463
Comprehensive income for the year after tax		6,360,511	10,500,369
Basic net earnings per share		445 Euros/share	389 Euros/share
Diluted net earnings per share		445 Euros/share	389 Euros/share

Notes to financial statements form an integral part of financial statements and shall be read in conjunction with them.

9.4 Statement of cash flows

in EUR

	YEAR 2013	YEAR 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income statement items	6,998,631	9,729,931
Net written premiums for the period	56,581,753	63,575,649
Investment income (excluding financial income), arising from:	5,440,164	5,834,823
- technical provisions	5,385,155	5,561,588
- other sources	55,009	273,235
Other operating income (excluding revaluation and provisions' reductions) and financial income from operating receivables	28,662	24,407
Net claims for the period	-37,711,204	-38,987,846
Bonuses and rebates paid	453	-4,667
Net operating expenses excluding depreciation charges and accrued insurance acquisition expenses	-15,032,349	-16,825,820
Investment expenses (excluding amortization and financial expenses) financed from:	-880,682	-2,467,603
- technical sources	-861,089	-1,669,223
- other sources	-19,593	-798,379
Other operating expenses excluding depreciation (except for revaluation and without increase in provisions)	-366,025	-234,554
Income tax and other taxes excluded from operating expenses	-1,062,141	-1,184,459
Changes in net operating assets (insurance receivables, other receivables, other assets and deferred tax assets and liabilities) - operating items from the statement of financial position	-548,191	1,453,305
- opening less closing reinsurance receivables	-799,773	-209,709
- opening less closing other receivables from (re)insurance operations	175,403	
- opening less closing other receivables and assets	24,516	342,801
- opening less closing deferred tax assets	0	990,725
- closing less opening reinsurance liabilities	34,031	-167,379
- closing less other liabilities (excluding unearned premiums)	71,758	338,703
- closing less opening deferred tax liabilities	-54,126	158,164
Net cash from operating activities	6,450,440	11,183,236
CASH FLOW FROM INVESTING ACTIVITIES		
Cash inflows from investing activities	198,452,152	212,823,271
Interest received from investing activities	4,460,930	4,524,882
- investments financed from technical provisions	4,389,669	4,304,760
- other investments	71,261	220,122
Cash inflows from profit sharing related to investing activities	32,092	36,047
- investments financed from technical provisions	32,092	31,401
- other investments		4,646
Cash inflows from the disposal of intangible assets financed from	0	0
- technical provisions	0	0
- other sources	0	0
Proceeds from disposal of property, plant and equipment items financed from:	23,107	8,980
- technical provisions	0	0
- other sources	23,107	8,980
Proceeds from disposal of long-term financial investments financed from:	76,418,108	71,462,362
- technical provisions	75,210,303	69,890,765
- other sources	1,207,805	1,571,597
Proceeds from disposal of short-term financial investments, financed from:	117,517,915	136,791,001
- technical provisions	117,517,915	136,791,001
- other sources	0	0
Cash outflows from investing activities	-204,906,360	-224,021,581
Payments for acquisition of intangible assets	-18,041	0

Payments for acquisition of property, plant and equipment items financed from:	-88,801	-23,778
- technical provisions	0	0
- other sources	-88,801	-23,778
Payments for acquisition of non-current investments, financed from:	-87,880,188	-86,281,908
- technical provisions	-87,880,188	-85,115,331
- other sources	0	-1,166,577
Payments for acquisition of current investments, financed from:	-116,919,330	-137,715,895
- technical provisions	-116,919,330	-137,715,895
- other sources	0	
Net cash from investing activities	-6,454,208	-11,198,309
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflows from financing activities	0	0
Payments for dividends and other shares in profit	0	0
Net cash from financing activities	0	0
Closing balance of cash and cash equivalents	11,584	15,353
x) Net cash for the period	-3,769	-15,073
y) Opening balance of cash and cash equivalents	15,353	30,426

Notes to financial statements form an integral part of financial statements and shall be read in conjunction with them.

9.5 Statement of changes in equity

in EUR

	I. Share capital	II. Share premium	III. Reserves from profit			IV. Revaluation surplus	V. Retained earnings	VI. Net profit/loss	TOTAL EQUITY
			Legal and statutory	Credit risk reserves	Other reserves			Net profit/ loss for the year	
Opening balance 1 January 2012	4,950,000	1,146,704	519,762	1,435,467	619,961	-1,750,049	26,333,795	2,833,328	36,088,971
Comprehensive income for the year after tax						4,662,441		5,837,929	10,500,370
Subscribed or paid-in additional capital									0
Redemption of equity									0
Net purchase/sale of treasury shares									0
Payment of dividend/ bonus shares									0
Payment of dividends									0
Net profit allocation from profit to reserves				125,388				-125,388	0
Covering of losses from previous years									0
Creation and use of reserves for credit risk and cat. losses									0
Other							2,833,328	-2,833,328	0
Closing balance 31 December 2012	4,950,000	1,146,704	519,762	1,560,855	619,961	2,912,392	29,167,124	5,712,541	46,589,339
Opening balance 1 January 2013	4,950,000	1,146,704	519,762	1,560,855	619,961	2,912,392	29,167,124	5,712,541	46,589,339
Comprehensive income for the year after tax						-318,545		6,679,057	6,360,512
Subscribed or paid-in additional capital									0
Redemption of equity									0
Net purchase/sale of treasury shares									0
Payment of dividend/ bonus shares									0
Payment of dividends									0
Net profit allocation from profit to reserves				127,591				-127,591	0
Covering of losses from previous years									0
Formation and use of reserves for credit risk and cat. losses									0
Other							5,712,541	-5,712,541	0
Closing balance 31 December 2013	4,950,000	1,146,704	519,762	1,688,446	619,961	2,593,847	34,879,665	6,551,466	52,949,850

Notes to financial statements form an integral part of financial statements and shall be read in conjunction with them.

10 NOTES TO FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS

10.1 Reporting entity

Triglav Re is a company limited by shares, with its registered seat at Miklošičeva c. 19, Ljubljana. 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 sole and ultimate shareholder is Zavarovalnica Triglav d.d. with its registered office at Miklošičeva c. 19, in Ljubljana, Slovenia.

Triglav Re is a member company of the Triglav Group. The consolidated annual report for the Triglav Group is prepared by Zavarovalnica Triglav d.d. The annual report of the Triglav Group is available at the headquarters of Zavarovalnica Triglav d.d., Miklošičeva c. 19, Ljubljana, Slovenia.

10.2 Basis for preparation

10.2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, with the Companies Act and Insurance Act. The 2013 financial statements were authorised for issue by the Management Board of Triglav Re on 20 February 2014.

The audited 2013 financial statements were adopted by the Supervisory Board of Triglav Re in compliance with the Articles of Association, the Companies Act and IAS 10, and together with the Report of the Supervisory Board presented to the Shareholders' Meeting of Triglav Re for information. The owner of Triglav Re is allowed to subsequently change the financial statements of Triglav Re.

The financial statements of Triglav Re represent separate financial statements.

10.2.2 Functional and presentation currency

The financial statements are presented in euros which is the currency of the primary economic environment, i.e. the Republic of Slovenia, in which the Company operates. In the financial statement, the amounts are rounded to one euro.

10.2.3 Basis for currency

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value.

10.2.4 Use of the accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires that the Management Board provides 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 considered to be reasonable in the circumstances, and on information available at the date of preparation of the financial statements, and form the basis of making the judgments on carrying values of assets and liabilities that are not clearly evident from other sources. Such estimates may change the profit or loss.

The estimates and assumptions are regularly reviewed. Corrections to accounting estimates are recognised in the period in which the estimate was corrected and all future periods which will be affected.

The accounting judgements and estimates are mostly used in the assessment of premiums, commissions and provisions for reinsurance contracts.

10.2.5 New standards and interpretations which have not yet entered into force

The accounting policies, used in the preparation of the financial statements are consistent with those of the annual financial statements for the year ended 31 December 2012, except for the new and amended standards and interpretations entered into force on 1 January 2013, as presented below.

New standards and interpretations

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*

The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognized in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the Company's financial position or performance.

IAS 19 *Employee benefits (revised)*

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed; there are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. This standard is effective for annual periods beginning on or after January 1, 2013. Revised standard has no impact on the Company's financial position or performance.

IFRS 7 *Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)*

The amendment is effective for annual periods beginning on or after January 1, 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendment has no impact on the Company's financial position or performance.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an 'exit price'). 'Fair value' as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:
- Concepts of 'highest and best use' and 'valuation premise' are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard has no impact on the Company's financial position or performance.

New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Company will have to apply in future periods the following amended and revised standards and interpretations. The Company is currently assessing the potential impacts of the new and revised standards and interpretations that will come into force or adopted by the EU on 1 January 2014 or later.

IAS 28 *Investments in Associate and Joint Ventures (revised)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group. The standard has no impact on the Company's financial position or performance.

IAS 32 *Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)*

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The Company does not expect the amendment will have an impact on the Company's financial statements.

IAS 36 *Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)*

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after 1January 2014. The Company does not expect the amendment will have an impact on the Company's financial statements.

IAS 39 *Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)*

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:
- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties

- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after 1 January 2014. The Company does not expect the amendment will have an impact on the Company's financial statements.

IFRS 9 *Financial Instruments – Classification and measurement*

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets
Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows

and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting
A new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee

and

- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014. The Company does not expect the standard will have a significant impact on current Company's interests in entities, but may affect the treatment of future acquisitions.

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The Company does not expect the standard will have a significant impact on current Company's interests in other entities, but may affect the treatment of future arrangements.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The standard affects presentation only and there is no impact on the Company's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after 1 January 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Company is currently assessing the impact that this standard could have on the Company's financial position and performance.

IFRIC 21 *Levies*

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Company is currently assessing the impact that this interpretation could have on the Company's financial position and performance.

10.3 Significant accounting policies

The Company shall prepare the financial statements on a going concern basis. This report is a summarized version of the Annual report of Triglav Re, d.d. for the year 2013, published in the Slovene language. Referring to the full report, it highlights information assessed by Management as significant and important.

10.3.1 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at the cost less accumulated depreciation and impairment losses, if any.

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 life of each part of an item of property and equipment.

The estimated useful lives are as follows:

- Equipment **4 years**
- Fixtures, fittings and motor vehicles **8 years**

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.

10.3.2 Intangible assets

Recognition and measurement
Intangible assets that are acquired by Triglav Re and have finite useful lives are measured at the cost less accumulated amortisation and accumulated impairment losses.

Subsequent costs
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:

- Software **5 years**

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 amounts and are included in the income statement.

10.3.3 Financial instruments

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

Financial assets and liabilities at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets that are classified as held for trading or on initial recognition designated by the Company as at fair value through profit or loss. Derivative financial instruments are always classified as financial instruments held for trading.

As stated above, financial assets at fair value through profit or loss are classified in two sub-categories: financial instruments held for trading, and those designated by the management as at fair value through profit or loss at inception. Assets held for trading are those assets that the Company acquires or takes over 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 Triglav Re provides money to a debtor with no intention of trading with the receivable and include loans to customers, deposits with banks and debt securities for which no active market exists and have been reclassified into this category, pursuant to IAS 39.50E.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale financial assets 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 i.e. 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.

Triglav Re 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 substantially transfers all the risks and rewards of ownership to another business entity or when the rights are realised, surrendered or have expired. Triglav Re 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, or transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, Triglav Re measures financial instruments at fair value through profit or loss and available for sale at their fair value, without any deduction for selling costs, whereby the effects of a change in the fair value are recognised in the statement of comprehensive income. 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, unless their value exceeds EUR 500,000. The total value of such assets is lower than 1 percent of the Company's investment in securities.

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

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 comprehensive income statement. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on monetary items are recognised in the income statement.

Upon disposal or other derecognition of available-for-sale assets, any accumulated gains or losses are recognised in the income statement.

Losses on financial instruments carried at amortised cost are recognised in the income statement, when their 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 reporting date. If the market for a financial asset is not active, the Company establishes fair value by using various 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.

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. The fair value is determined on the basis of the latest transactions or by using another pricing model (discounting of expected cash flow, or the Black-Scholes option pricing model).

Impairment of financial assets
Triglav Re quarterly 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.

Impairment of financial assets carried at amortised cost – loans and receivables
Triglav Re considers evidence of impairment at both a specific asset and a collective level. All individually significant financial assets are individually assessed for signs of impairment at the reporting date. All individually significant assets that are not assessed as impaired are then collectively assessed for impairment, based on the classification by similar credit risk.

Impairment losses on assets carried at amortised cost (debt securities, receivables and loans) 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 the profit or loss and reflected in an allowance account against loans and advances. Income is recognised at the effective interest rate in the income statement. When a subsequent event causes the amount of impairment loss on a debt security to decrease, the impairment loss is reversed through profit or loss.

Impairment of financial assets classified as available-for sale
Triglav Re impairs the available-for-sale financial assets, the fair value of which decreased substantially below their value at cost or has remained lower than their value at cost, for a period of nine months. A decrease of 40 percent (or more) in the fair value of a financial asset compared to its initial cost is considered substantial. Reversal through profit or loss of impairment losses for equity securities is not possible.

Debt securities classified as available-for-sale are impaired in case that their issuer violates contractual provisions and fails to meet its coupon liabilities on time or in case of the debtor's bankruptcy. Such impairment is recognised in the income statement. Impairment loss may be reversed if such reversal can be objectively linked to an event occurring after the impairment has been recognised. The impairment loss is reversed through profit or loss.

Grouping of financial assets measured at fair value into levels by reference to published price quotations in an active market in determining their fair value:

Triglav Re groups financial assets measured at fair value (financial assets at fair value through profit or loss and available-for-sale financial assets) into three levels regarding the determination of their fair value:

- Level 1: financial assets valued by applying the unadjusted published price quotations in an active market for the relevant financial instrument;
- Level 2: financial assets valued by applying the valuation models that take into consideration known market parameters; and
- Level 3: financial assets valued by applying the valuation models that take into consideration significant non-market parameters, including known market parameters that require significant adjustments.

10.3.4 Business and other liabilities

Recognition and measurement
Business and other liabilities are initially recognised at fair value and subsequently at amortised cost.

Assets and liabilities are not balanced in the balance sheet.

10.3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank.

10.3.6 Employee benefits

Employee benefits are all forms of compensation that are provided to the employees in return for their work in 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 salaries and social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (such as cars).
2) Provisions for employees comprise provisions for jubilee benefits, termination benefits upon retirement and for untaken holidays. In accordance with IAS 19, 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:
   - demographic assumptions (mortality and early terminations of employment),
   - financial assumptions:
   - discount rate,
   - wage growth, taking into account inflation, age, promotions and other factors.

The Company noted no effect on the comprehensive income in 2013.

10.3.7 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, taking into consideration the 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.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset 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.

10.3.8 Other provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation and if it is probable that an outflow of economic benefits will be required to settle the obligation. The policies for the recognition of employee benefit provisions are explained in the Item 10.3.6 (Employee benefits). Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

10.3.9 Equity

Share equity
The share capital of the Company comprises no-par value shares. The shares are ordinary shares and give the holder a voting right and, based on the decision of the Shareholder's Meeting, the right to dividends. Triglav Re does not record any subscribed shares not paid-in.

Reserves
Triglav Re records share premium which comprises other capital paid in under the Articles of Association.

Reserves from profit comprise legal reserve and other reserve from profit, which are set up in accordance with the decision of the Management Board of Triglav Re and the resolution of the Shareholders' Meeting, and strengthen the capital adequacy of the Company. Reserves from the profit comprise statutory reserves and credit insurance equalisation reserves.

Statutory reserves represent accumulated appropriations from retained earnings in accordance with the Articles of Association and the Companies Act.

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 reserve from profit;
- to cover retained loss if it cannot be covered by charging it against the net profit for the period or other reserve from profit.

In compliance with IFRS, Triglav Re does not set up equalisation provision as part of insurance contract provisions. In accordance with the Insurance Act, however, the Company is liable to make equalisation provision for its credit insurance business. To comply with the statutory requirements, Triglav Re thus records this provision as revenue reserve under credit risk equalisation reserve. Such reserves are charged against profit in equity.

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.

10.3.10 Income

Net income from gross reinsurance premiums written
Premiums on reinsurance assumed are recognised as income and accounted as if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance premiums related to life assurance contracts are accounted for over the life of the underlying insurance policies using assumptions consistent with those used to account for the underlying policies.

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 cedants and retrocedants. The retroceded portion of gross written reinsurance premiums from assumed cessions or retrocessions is ceded for reinsurance in accordance with the retrocession contracts that Triglav Re concluded with its retrocessionaires. The 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. The criterion for the recognition of income is the premium written on the basis of cedants' or retrocedants' statements of account with partners within the Triglav Group. The criterion for the recognition of income with other partners, however, is the estimated premium on the basis of reinsurance contracts made with cedants.

Financial income
Interest income is recognised in the income statement using the effective interest rate method. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy in relation to the capital gains recognition is disclosed in the Item "Gains and losses".

10.3.11 Costs and expenses

Triglav Re records its expenses according to their type, when incurred. In financial statements, expenses are classified by functional group. These are: appraisal costs, asset management costs, policy acquisition costs and other operating expenses. Due to the manner of claim handling in Triglav Re, 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 nature may be directly classified to a functional group, while other costs are classified to a functional group on the basis of a key. The key represents the consumption of working time by employees for an individual 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.

10.3.12 Classification of contracts

A reinsurance contract is a contract under which the Company or a reinsurer accepts, against payment, a part or the whole of reinsurance risk from another party (a cedant or a retrocedant) by agreeing to compensate the cedant or retrocedant if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Reinsurance risk is defined as 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. Certain financial risk can be also transferred by the reinsurance contracts.

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. All reinsurance contracts of Triglav Re are classified as insurance contracts in the sense as provided by IFRS 4. Triglav Re has no liabilities from financial contracts and, thus, the risks disclosed only arise from insurance contracts. According to the definition stated above, an insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. A financial contract, however, is by definition a contract exposing the issuer to financial risk without a significant insurance risk involved. Insurance contracts, thus, transfer a significant portion of risk. When deciding upon the classification of contracts pursuant to IFRS 4, Triglav Re defines as contracts transferring significant risk all those reinsurance contracts for which uncertainty exists regarding the future insured event, since its occurrence is independent of an individual's will. The risk uncertainty exists as to whether a (re)insurance event will occur, when it will occur and how much the (re) insurer will need to pay if it occurs. According to the IFRS 4 definition, insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The (re)insurance company shall assess the significance of insurance risk on a case-to-case basis and not by referring to the significance of financial statements; hence, insurance risk may be significant even in cases with minimum probability that the insured event from a (re) insurance contract might occur.

The Company has no contracts with discretionary participation features.

10.3.13 Liabilities from reinsurance contracts

Non-life insurance provisions
The liabilities of Triglav Re under reinsurance contracts comprise unearned premium provision, provision for incurred and reported but not settled claims (RBNS provision), provision for incurred but not reported claims (IBNR provision), provision for bonuses, rebates and cancellations, unexpired risk provision, and equalisation provision.

Provisions for unearned premiums
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 the pro-rata temporis method or the fraction method adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Gross unearned premiums were set on the basis of notifications made by cedants. Unearned premium provision for retrocession business and for retrocedants that failed to present the statement of account of unearned premium is made in compliance with the Company's rules and regulations and by use of the fraction method. In addition, for reinsurance business with cedants outside the Triglav Group, gross unearned premium is estimated for the part that refers to the estimated part of gross written premium calculated according to the fraction method.

Unexpired risk provisions
The 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 amounts 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 percent. When computing the unexpired risk provision and testing the adequacy of unearned premiums, Triglav Re takes into account that net unearned premium multiplied by the average combined ratio has to contain a portion needed to cover future or expected expenses; therefore, net unearned premiums are increased by a cost margin for the current year.

Provisions for outstanding claims

Provision for incurred and reported claims is made on the basis of lists submitted by cedants and notifications made by retrocedants. Provision for incurred but not-reported claims (IBNR provision) and provision for incurred but not-enough-reported claims (IBNER provision) are made on the basis of notifications made by cedants, while a part of provisions (IBNER and IBNR) was made on the basis of the Company's own calculations. A part of claims provision for contracts with cedants outside the Triglav Group is foreseen on the basis of the estimated loss ratios of reinsurance contracts, while the provision for business within the Triglav Group is made on the basis of using the triangle method for cumulative ultimately settled 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 underwriting year for the projection of future payments of claims incurred, extremely high claims are eliminated. To supplement the underdeveloped years, the Company supplements the chain ladder method with the Bornhueter-Ferguson method at the level of individual class of business or individual group of classes of business. The thus computed IBNR claims by class of business or by group of classes of insurance are then compared with the IBNR claims computed on the basis of data submitted by the cedants from the Triglav Group. As the final result for a class of business or a group of classes of insurance, Triglav Re considers the higher result.

Provisions for bonuses and rebates

Provision for bonuses and rebates was made on the basis of the notification presented by the cedant with whom Triglav Re concluded a contract on export credit reinsurance.

Equalisation provisions

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

Life reinsurance provisions

Triglav Re sets up no mathematical provisions for life reinsurance because it has in its portfolio none of the classes of business classified in items 20 to 24 under Article 2, paragraph 2 of the Insurance Act (marriage assurance or birth assurance, life assurance related to investment fund units, tontines, capital redemption insurance, insurance of loss of income due to accident or illness). In its life reinsurance portfolio, Triglav Re has only the type of life reinsurance classified in item 19 under Article 2, paragraph 2 of the Insurance Act (life assurance), but endowment risk is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured. For this reason, only unearned premium provisions and claims provision for death risk, critical illness risk and supplementary accident insurance are made.

10.3.14 Outward reinsurance

Triglav Re cedes reinsurance in the normal course of business for the purpose of dispersion of its risks and limitation of its net loss potential. However, outward reinsurance arrangements do not relieve Triglav Re from its direct obligations to the cedants and retrocedants.

Premiums ceded and reimbursement claims are presented in the income statement and balance sheet on a gross basis.

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 Triglav Re cannot recover all amounts due and that the event has a reliably measurable impact on the amounts that Triglav Re will receive from the reinsurer.

Amounts recoverable under reinsurance contracts are assessed 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 reinsurance contract provisions. Reinsurance assets relating to reinsurance contract provision are established based on the terms of reinsurance contracts and valued on the same basis as the related reinsured liabilities. Triglav Re records an allowance for estimated irrecoverable reinsurance assets, if any.

10.3.15 Liabilities and their related assets under liability adequacy test (LAT)

Reinsurance contracts are tested for liability adequacy. If a deficit is established, an additional provision is made, and Triglav Re recognises the deficiency in the income statement.

The assumptions of the liability adequacy test and the test itself are described in detail in the Item 14.7.

Triglav Re did not change any accounting policies in 2013.

10.4 Accounting judgements and estimates

These disclosures supplement the commentary on financial risk management (Note 13.4.) and reinsurance risk management (Note 13.1.).

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 impact on financial statements are discussed below.

10.4.1 Key sources of uncertainty estimation

Impairment of financial assets
Impairments of loans and receivables are evaluated individually on the basis of the best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, the Management Board makes judgements about

a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed separately.

Equity securities classified as available-for-sale are impaired if their fair value has fallen below their value at cost or remained below that value for a period of at least nine months. A decrease of 40 percent (or more) in the fair value of a financial asset compared to its initial cost is considered substantial. Such impairment is recognised in the income statement.

Determining the fair values for non-marketable financial assets and liabilities
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 under the Item 10.3.3. For financial instruments that are not traded on the organised market, the determination of 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.

Uncertainty estimation relating to recognition of income and expenses from reinsurance contracts
One of the key sources of estimation uncertainty in relation to the financial statements of Triglav Re relates to the recognition of income and expenses from reinsurance contracts with cedants outside the Triglav Group. In 2009, the Company changed its accounting policy and started to estimate a part of income and expenses on the basis of concluded reinsurance contracts with cedants outside the Triglav Group. The amounts of individual accounting items, i.e. gross premium, commission paid, amount of claims incurred, provision for claims outstanding and the amount of unearned premiums, are estimated on the basis of each individual contract concluded with a cedant outside the Triglav Group. Income and expenses are recognised in the accounting period to which the reinsurance contract relates and no longer depend on the time lag in reporting from business partners. Reinsurance risk management is discussed in detail in the Note 13.1, while reinsurance contract provisions are analysed in the Note 13.2.

Uncertainty estimation relating to recognising liabilities for reinsurance contracts
The most significant estimates in relation to the financial statements of Triglav Re relate to provisioning for reinsurance contracts and to the estimation of the amounts of reserve for reinsurance business with cedants outside the Triglav Group. The Company verifies the sufficiency of provisions made by applying LAT tests; in addition, the run-off results are regularly analysed. In setting up its reserve for liabilities from reinsurance contracts, Triglav Re applies the regulations issued by the Insurance Supervision Agency. A certified actuary is also employed in the Company. The Management Board of Triglav Re believes that the present amount of provisions for liabilities from reinsurance contracts is sufficient.

Tax
Triglav Re accounts 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.

10.4.2 Key accounting judgements in applying the Company's accounting polices

Key accounting judgements in applying the accounting policies of the Company include:

Classification and reclassification of financial assets and liabilities
The Company's accounting policies provide scope for assets and liabilities to be designated on their inception into different accounting categories of assets and liabilities in certain circumstances. In classifying financial assets or liabilities as "trading", Triglav Re has determined that it meets the description of trading assets

and liabilities set out in accounting policy. In designating financial assets or liabilities at fair value through profit or loss, Triglav Re has determined that it has met one of the criteria for this designation set out in accounting policy. In designating financial assets or liabilities classified under Loans and receivables, Triglav Re has decided on such classification if the financial instrument meets one of the criteria set out in accounting policy.

10.5 Principal assumptions with the greatest impact on the recognised net reinsurance assets, liabilities, income and expenses

10.5.1 Non-Life reinsurance

At the date of reporting, provision is made for claims reported but not settled. In addition, Triglav Re made provisions for claims incurred but not reported (IBNR provisions).

The liability for claims reported but not settled (RBNS provisions) is recorded separately on a case-by-case basis and based on the statement of account. Case reserves are monitored regularly and are updated as and when new information arises.

In 2013, Triglav Re continued to estimate the incurred but not reported claims (IBNR provisions) on the basis of specific data or estimates for reinsurance contracts with cedants outside the Triglav Group; in addition, Triglav Re created an adequate amount of IBNR provisions for business within the Triglav Group, as assessed by the Company's certified actuary.

The chain ladder method and the Bornhuetter-Ferguson method use settled claims' development information and assume that the historical claims development pattern will occur again in the future. There are reasons 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 that are 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 the 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. The ultimate loss ratio, in contrast, has the most influence on the estimate of provisioned claims in the assessment of reinsurance business abroad. Further impact, in addition to claims ratio, is the result of expense ratio (which affects the commission amount) and the amount of estimated gross reinsurance premiums for reinsurance contracts with cedants outside the Triglav Group.

10.5.2 Life reinsurance

Since Triglav Re has not assumed so far any risks that would require the setting-up of mathematical provisions, any information relating to life reinsurance is stated together with the information on non-life reinsurance.

10.6 Liability adequacy test (LAT)

10.6.1 Non-life reinsurance

Triglav Re makes provisions for unexpired risks, thus complying, inter alia, with the criteria of the LAT test. 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.

Triglav Re undertakes the liability adequacy test for unearned premium provisions to determine the difference between the sum of expected claims and the expected expense, i.e. in this 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 percent. The combined ratio consists of the claims ratio and the expense ratio; therefore, it is a relevant indicator of a possible inadequacy of provisioning. When computing the unexpired risk provision and carrying out the liability adequacy test for unearned premiums, Triglav Re took into account that net unearned premium multiplied by the average combined ratio has to contain a portion needed to cover future or expected expenses; therefore, net unearned premiums are increased by a cost margin for the current year. Triglav Re applies the liability adequacy test to calculate the provision for unexpired risks, and the deficit is recognised as an increase in liabilities (provisions) in the profit or loss for the current accounting period.

10.6.2 Life reinsurance

Triglav Re carried out the adequacy test of life reinsurance provisions within the frame of its non-life reinsurance and found that there was no need yet to set up any additional life reinsurance provisions.

10.7 Sensitivity of the present value of future liabilities to change in significant variables

10.7.1 Non-life reinsurance

In non-life reinsurance, the insurance variables that would have the greatest impact on insurance liabilities relate to the motor liability court claims. Liabilities under the court related claims are sensitive to legal, judicial, political, economic and social trends. The Management believes it is not practical to quantify the sensitivity of non-life provisions to changes in these variables.

10.7.2 Life reinsurance

The sensitivity of the present value of future liabilities to changes in the significant variables of life reinsurance is not calculated, because none of the classes of business set out under the Items 20 through 24 of Article 2, Paragraph 2 of the Insurance Act (marriage assurance or birth assurance, unit-linked life assurance, tontine, capital redemption insurance, insurance of loss of income due to accident or illness) is recorded in the Company's portfolio. In its life reinsurance portfolio, Triglav Re has only the type of life reinsurance classified in the Item 19 under Article 2, Paragraph 2 of the Insurance Act (life assurance), but endowment risk is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured.

10.8 Reinsurance contracts having significant impact on the future cash flow uncertainty

10.8.1 Non-life reinsurance

Triglav Re offers all types of non-life reinsurance: different property and liability reinsurance covers; motor, ship, aviation, transport and accident covers. Contracts may be concluded for a fixed term of one year or on a continuous basis, with either party having the option to cancel a contract with three months' notice. Triglav Re is therefore able to reassess 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 the limit of coverage, which is defined in the reinsurance contract.

Special attention is paid to the motor reinsurance and different lines of liability reinsurance covers as described below.

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

Property damage (e.g. on a vehicle) is generally reported and settled within a short period from 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 different types of liability: General Third Party Liability (GTPL), Product Liability (including extended PLI), Product Recall, different Professional Liability covers including Directors and Officers Liability (D&O), Medical Malpractice.

10.8.2 Life reinsurance

Triglav Re has not set up any mathematical provisions for life reinsurance, because there is none of the following lines of business included in its portfolio: marriage assurance or birth assurance, unit-linked life assurance, tontine, capital redemption insurance, insurance of loss of income due to accident or illness. Only life reinsurance is recorded in the life reinsurance portfolio. Pure endowment risk cannot be reinsured; only death risk, critical illness risk and supplementary accident insurance are reinsured. For this reason, the unearned premium provisions and claims provisions for death risk, critical illness risk and supplementary accident insurance are made.

11 DISCLOSURES TO THE STATEMENT OF FINANCIAL POSITION

11

DISCLOSURES TO THE STATEMENT OF FINANCIAL POSITION

11.1 Intangible assets

in EUR

	SOFTWARE
COST	
Balance at 1 January 2012	431,352
- acquisitions	0
- disposals	0
- other	0
Balance at 31 December 2012	431,352
- acquisitions	18,041
- disposals	0
Balance at 31 December 2013	449,393
ACCUMULATED DEPRECIATION	
Balance at 1 January 2012	373,807
- increases	29,869
- disposals	0
Balance at 31 December 2012	403,676
- increases	21,030
- disposals	0
Balance at 31 December 2013	424,706
CARRYING AMOUNT	
Balance at 31 December 2012	27,675
Balance at 31 December 2013	24,686

Depreciation costs are recognised under the operating expenses in the income statement. Liabilities arising from the acquired intangible fixed assets are set to zero; and moreover, the company did not pledge its assets in order to cover the settlements of liabilities. The Company still uses the intangible assets that have been definitively written off.

11.2 Property, plant and equipment

in EUR

	MOTOR VEHICLES	EQUIPMENT & FURNITURE	TOTAL
COST			
Balance at 1 January 2012	245,147	226,551	471,698
- acquisitions	0	29,327	29,327
- disposals	-27,455	-22,764	-50,219
- other	0	-18,014	-18,014
Balance at 31 December 2012	217,692	215,100	432,792
- acquisitions	73,468	9,784	83,252
- disposals	-28,740	-477	-29,217
- other	0		0
Balance at 31 December 2013	262,420	224,407	486,827
ACCUMULATED DEPRECIATION			
Balance at 1 January 2012	64,263	194,216	258,479
-increases	38,365	18,810	57,175
- disposals	-27,455	-22,764	-50,219
Balance at 31 December 2012	75,173	190,262	265,435
- increases	29,921	17,287	47,208
- disposals	-7,822	-476	-8,299
Balance at 31 December 2013	97,272	207,072	304,344
CARRYING AMOUNT			
Balance at 31 December 2012	142,519	24,838	167,357
Balance at 31 December 2013	165,148	17,334	182,483

The depreciation charge is recognised under operating expenses in the income statement. Liabilities arising from acquired property, plant and equipment are not recorded under liabilities. The Company still uses the tangible assets that have been definitively written off.

11.3 Deferred tax assets and liabilities

in EUR

	YEAR 2012	Changes	YEAR 2013
DEFERRED TAX ASSETS			
Recognized in profit or loss	355,788	71,445	427,234
Recognized in equity	0	0	0
BALANCE at 31 December	355,788	71,445	427,234
DEFERRED TAX LIABILITIES			
Recognized in profit or loss	0	0	0
Recognized in equity	513,952	17,318	531,271
BALANCE at 31 December	513,952	17,318	531,271
OFFSET OF ASSETS/LIABILITIES			
DEFERRED TAX ASSETS		0	
DEFERRED TAX LIABILITIES	158,164	-54,126	104,037

In 2013, Triglav Re increased the receivables for deferred tax assets for non-deductible investment impairments, since in 2013 they were set up in the amount of EUR 421,905 (in 2012 of EUR 351,867) and for the provisions for jubilee and termination benefits in the amount of EUR 5,328 (in 2012 of EUR 3,921). In 2013, Triglav Re set up deferred tax liabilities for the revaluation surplus in investments in the amount of EUR 531,271 (in 2012 of EUR 513,952). Deferred tax assests and liabilities are calculated at a tax rate of 17.0%. If the tax rate remained on the level of 15.0% as it was in 2012, the offset deferred tax liabilities would amount to EUR 91,798 and the profit after tax would be reduced by EUR 50,262 due to the effect of deferred taxes.

11.4 Financial assets

in EUR

	YEAR 2013	YEAR 2012
Available for sale	118,036,172	106,936,495
At fair value in profit or loss	211,039	1,287,813
Loans and receivables	9,288,204	14,272,042
TOTAL	127,535,415	122,496,350

in EUR

YEAR 2013	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equity securities	1,179,530	0	0	1,179,530
- listed	1,179,530	0	0	1,179,530
- unlisted	0	0	0	0
Debt securities	115,874,465	207,417	519,830	116,601,712
- government securities	39,986,748	207,417	0	40,194,165
- corporate securities	75,887,717	0	519,830	76,407,547
Investment funds	982,177	0	0	982,177
- open-end	387,564	0	0	387,564
- closed-end	594,613	0	0	594,613
Loans and receivables	0	0	8,758,373	8,758,373
- bank deposits	0	0	4,591,525	4,591,525
- financial investments from reinsurance contracts with cedants	0	0	4,166,848	4,166,848
Financial derivatives	0	3,623	0	3,623
Other investments	0	0	10,000	10,000
TOTAL	118,036,172	211,040	9,288,203	127,535,415

in EUR

YEAR 2012	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equity securities	1,105,566	0	0	1,105,566
- listed	1,064,796	0	0	1,064,796
- unlisted	40,770	0	0	40,770
Debt securities	104,204,946	1,286,710	4,899,476	110,391,132
- government securities	62,943,709	244,696	2,692,044	65,880,450
- corporate securities	41,261,237	1,042,014	2,207,432	44,510,682
Investment funds	1,625,983	0	0	1,625,983
- open-end	384,249	0	0	384,249
- closed-end	1,241,735	0	0	1,241,735
Loans and receivables	0	0	9,362,566	9,362,566
- bank deposits	0	0	5,176,688	5,176,688
- financial investments from reinsurance contracts with cedants	0	0	4,185,878	4,185,878
Financial derivatives	0	1,103	0	1,103
Other investments	0	0	10,000	10,000
TOTAL	106,936,495	1,287,813	14,272,042	122,496,350

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

In compliance with the accounting policy, the amount of EUR 86,892 (in 2012 of EUR 298,223) was transferred from the provision for change in fair value into the income statement due to the impairment of financial assets. In 2013, the impairment of debt securities was also performed, and classified in the line "Loans and receivables" amounting to EUR 321,632.

The book amount represents the fair value at the balance sheet date of the available-for-sale financial assets and financial assets at fair value through profit or loss.

Loans and receivables comprise all debt securities reclassified into this category in 2008 in compliance with Articles 50E and 54 of IAS 39; in 2009 two further debt securities were classified into this category upon acquisition; in 2010 one debt security from this category was sold and one matured. In 2011, one security from this category matured, and in 2012 two securities were disposed of. In 2013, the remaining two securities from this category matured. The carrying value of these reclassified assets that were in 2009 transferred from the available-for-sale category into the loans and receivables category amounted on 1 July 2008, when the reclassification was made, in total to EUR 7,211,989; and at 31 December 2013, there were no securities from this category in the portfolio (in 2012 of EUR 551,391). Their carrying value represented the fair value of the assets at the date of their reclassification. The fair value of these securities as at 31 December 2012 amounted to EUR 546,792. The revaluation surplus of the reclassified assets amounted to negative EUR 85,828 as at the reclassification date, i.e. 1 July 2008. The effective interest rate for the reclassified assets was 4.91 percent on the reclassification date.

No reclassifications of securities in other groups were made in 2013.

Fair value of financial assets and liabilities

In accordance with IFRS 13, Triglav Re discloses market price levels of the financial assets and liabilities.

Market prices for financial assets and liabilities

in EUR

YEAR 2013	Level 1	Level 2	Level 3	TOTAL
FINANCIAL ASSETS	117,085,253	6,151,552	4,298,610	127,535,415
Assets measured at fair value	117,085,253	1,040,197	121,762	118,247,212
Available for sale	116,874,213	1,040,197	121,762	118,036,172
- debt securities	114,834,267	1,040,197	0	115,874,464
- equity securities	2,039,946	0	121,762	2,161,708
Recognized at fair value through profit or loss	211,040	0	0	211,040
- debt securities	207,417	0	0	207,417
- derivative securities	3,623	0	0	3,623
Assets for which fair value is disclosed	0	5,111,355	4,176,848	9,288,203
Loans and deposits	0	5,111,355	4,176,848	9,288,203
- debt securities	0	519,830	0	519,830
- bank deposits	0	4,591,525	0	4,591,525
- investments from reinsurance contracts with cedants	0	0	4,166,848	4,166,848
- other investments	0	0	10,000	10,000
FINANCIAL LIABILITIES	0	0	131,430,434	131,430,434
Technical provisions	0	0	131,430,434	131,430,434

in EUR

YEAR 2012	Level 1	Level 2	Level 3	TOTAL
FINANCIAL ASSETS	101,155,089	16,985,997	4,355,265	122,496,350
Assets measured at fair value	101,155,089	6,909,833	159,387	108,224,309
Available for sale	100,909,290	5,867,819	159,387	106,936,496
- debt securities	98,337,128	5,867,819	0	104,204,947
- equity securities	2,572,162	0	159,374	2,731,536
Recognized at fair value through profit or loss	245,799	1,042,014	0	1,287,813
- debt securities	244,696	1,042,014	0	1,286,710
- derivative securities	1,103	0	0	1,103
Assets for which fair value is disclosed	0	10,076,164	4,195,878	14,272,042
Loans and deposits	0	10,076,164	4,195,878	14,272,042
- debt securities	0	4,899,476	0	4,899,476
- bank deposits	0	5,176,688	0	5,176,688
- investments from reinsurance contracts with cedants	0	0	4,185,878	4,185,878
- other investments	0	0	10,000	10,000
FINANCIAL LIABILITIES	0	0	144,420,921	144,420,921
Technical provisions	0	0	144,420,921	144,420,921

Changes in the investments that are classified in the Level 3 and measured at fair value are shown in the following table. In 2013, there were no reclassifications made from the Level 1 or Level 2 to Level 3. At the reporting date, two investments in equity securities were classified in the Level 3, one of which represents only one share worth EUR 23. To calculate the price of another investment in the Level 3, a method of comparable companies was used and a discounted cash flow method (DCF). Based on the sensitivity analysis carried out, the expected resolution of an uncertainty was calculated which showed that the value of the initial investment, taking into account a pessimistic scenario, can be reduced by EUR 15,622, or if taking into account an optimistic scenario, it can be increased by EUR 19,603.

Trends in investments (Level 3)

in EUR

YEAR 2013	"Level 3 Available for sale"
Opening balance 1 January 2013	159,387
Total profit/loss	-37,625
- in profit or loss	-40,770
- in comprehensive income	3,145
Acquisitions	0
Disposals	0
Reclassification from Level 3 to other Levels	0
Reclassification from other Levels to Level 3	0
Closing balance at 31 December 2013	121,761

In accordance with IFRS 7, the table below shows the assets and liabilities at the book value and at fair value. Company's management estimates that the book values of cash in banks, short-term deposits, receivables and liabilities from operating activities and other receivables and liabilities are identical to the market values of these instruments mainly due to their short-term maturity.

Assets and liabilities at fair value

in EUR

	"2013 BOOK VALUE"	"2013 FAIR VALUE"	"2012 BOOK VALUE"	"2012 FAIR VALUE"
FINANCIAL ASSETS	127,535,415	127,532,342	122,496,350	122,478,170
Financial investments	127,535,392	127,532,342	122,496,327	122,478,160
Available for sale	118,036,149	118,036,149	106,936,472	106,936,472
At fair value in profit or loss	211,040	211,040	1,287,813	1,287,813
In loans and deposits	9,288,203	9,285,153	14,272,042	14,253,875
Financial investments in Group's companies	23	0	23	10
FINANCIAL LIABILITIES	131,430,434	131,430,434	144,420,922	144,420,922
Technical provisions	131,430,434	131,430,434	144,420,922	144,420,922
Other financial liabilities	0	0	0	0

11.5 Share in technical provisions transferred to Reinsurers

in EUR

	YEAR 2013	YEAR 2012
Share in unearned premiums reserve	7,662,885	9,820,526
Share in provisions for reported but not settled claims	34,030,246	44,109,494
Share in provisions for incurred but not reported claims	2,905,395	2,881,102
TOTAL	44,598,526	56,811,121

The Company assesses the need for the impairment of the reinsurers' share in technical provisions on the basis of separate estimates of the financial positions and solvency of the partners. The Company impaired no such amounts in 2013.

11.6 Receivables

in EUR

	YEAR 2013	YEAR 2012
Receivables from reinsurance and coinsurance	56,882,838	56,227,823
Current tax assets	0	0
Other receivables	4,319	59,480
TOTAL	56,887,158	56,287,302

The Company assesses the need for the impairment of receivables on the basis of a separate estimates of the financial position and solvency of the debtors from which the receivable is due. The Company impaired no receivables in 2013.

11.7 Equity

in EUR

	YEAR 2013	YEAR 2012
Share capital	4,950,000	4,950,000
Share premium	1,146,704	1,146,704
Reserves from profit	2,828,169	2,700,578
Revaluation surplus	2,593,847	2,912,392
Retained earnings	34,879,665	29,167,124
Net profit for the year	6,551,466	5,712,541
TOTAL	52,949,850	46,589,339

11.7.1 Share capital

The share capital of Triglav Re is denominated in euro. It is divided into 15,000 no-par value shares. No new shares were issued in 2013. All shares have been fully paid. The ownership structure is presented in the Item 3.1 of the Management report.

In 2013 no dividends were paid out. A decision on the amount of dividends paid was adopted by the Shareholders' Meeting of Triglav Re which will also decide on the amount of dividends to be paid for the financial year 2013.

In line with the applicable legislation, the Company calculates its capital adequacy quarterly. Throughout 2013, the Company complied with the capital adequacy requirements (Item 13.3)

11.7.2 Change in fair value reserve

in EUR

	YEAR 2013	YEAR 2012
BALANCE AT 1 JANUARY 2013	2,912,392	-1,750,048
Increase/decrease due to revaluation	333,646	3,877,044
Transfer to profit or loss due to impairment	86,892	298,223
Increase/decrease due to disposals	-721,766	1,438,636
Tax	-17,318	-951,463
BALANCE AT 31 DECEMBER 2013	2,593,847	2,912,392

Fair value reserve also includes the reserve arising from the change in fair value of available-for-sale financial assets measured at fair value. In 2013, the amount of EUR 86,892 (in 2012 of EUR 298,223) was transferred from the fair value reserve to the income statement due to impairment of available-for-sale financial assets.

Realised net gains from available-for-sale financial assets are, upon the disposal of such assets, transferred from the fair value reserve and recognised in the profit or loss in the amount of EUR 721,766.

The effects of net gains from the re-measurement of available-for-sale financial assets, i.e. of fair value reserves, are disclosed in the statement of comprehensive income.

11.7.3 Share premium

in EUR

	YEAR 2013	YEAR 2012
Paid-in share premium	543,044	543,044
Other paid-in capital under the Article of Association	603,661	603,661
TOTAL	1,146,704	1,146,704

11.7.4 Other reserves from profit

in EUR

	YEAR 2013	YEAR 2012
Legal reserves	261,598	261,598
Statutory reserves	258,164	258,164
Credit risk equalization reserves	1,688,446	1,560,855
Other reserves from profit	619,961	619,961
TOTAL	2,828,169	2,700,578

In accordance with International Financial Reporting Standards as adopted by the EU, equalisation provisions are recorded in the financial statements under reserves in the item of equity. The Insurance Act, however, prescribes that equalisation reserves shall be part of technical provisions. This represents an inconsistency between the requirements of the Insurance Act and the International Financial Reporting Standards.

11.7.5 Earnings per share

The earnings per share shall be calculated as a net profit for the year attributable to the equity holders of Triglav Re. For 2013, the earnings per share amount to EUR 445.00 (in 2012 to EUR 389). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year reduced by the number of ordinary treasury shares. The number of ordinary shares used for the calculation of the basic earnings per share was 15,000 (the same as in 2012). Given that there is no effect of options, convertible bonds or similar effect, the diluted earnings per share are the same as the basic earnings per share.

ACCUMULATED PROFIT PRESENTED IN LINE WITH THE DECISION ADOPTED BY THE INSURANCE SUPERVISORY AGENCY

in EUR

	31. 12. 2013	31. 12. 2012
Net profit or loss for the period	6,679,057	5,837,929
Retained earnings (+)/Retained loss (-)	34,879,665	29,167,124
Increase in reserves from profit by Decision of Management Board	127,591	125,388
- increase in reserves for credit risks	127,591	125,388
Accumulated profit appropriated by Shareholders' meeting	41,431,130	34,879,665
- to shareholders	0	0
- carried forward to the following year	0	34,879,665

The Shareholders' Meeting of Triglav Re will decide on the allocation of the accumulated profit for 2013.

11.8 Liabilities from reinsurance contracts

in EUR

	GROSS AMOUNT	REINSURER'S SHARE	NET AMOUNT
PROVISION FOR UNEARNED PREMIUM			
Balance at 1 January 2012	24,373,121	9,409,007	14,964,113
Increase in 2012	0	411,518	-411,518
Use in 2012	-425,782	0	-425,782
Release in 2012			
Balance at 31 December 2012	23,947,338	9,820,526	14,126,813
Increase in 2013			
Use in 2013	-2,853,518	-2,157,640	-695,877
Release in 2013			
Balance at 31 December 2013	21,093,821	7,662,885	13,430,935
PROVISION FOR CLAIMS REPORTED BUT NOT SETTLED			
Balance at 1 January 2012	46,023,646	15,328,400	30,695,245
Increase in 2012	32,141,317	28,781,094	3,360,223
Use in 2012			
Release in 2012			
Balance at 31 December 2012	78,164,962	44,109,494	34,055,468
Increase in 2013			
Use in 2013	-11,193,982	-10,079,248	-1,114,734
Release in 2013			
Balance at 31 December 2013	66,970,981	34,030,246	32,940,735
PROVISION FOR CLAIMS INCURRED BUT NOT REPORTED			
Balance at 1 January 2012	40,726,090	2,637,718	38,088,372
Increase in 2012	910,699	243,384	667,315
Use in 2012			

	GROSS AMOUNT	REINSURER'S SHARE	NET AMOUNT
Release in 2012			
Balance at 31 December 2012	41,636,789	2,881,102	38,755,687
Increase in 2013	1,242,602	24,293	1,218,309
Use in 2013			
Release in 2013			
Balance at 31 December 2013	42,879,391	2,905,395	39,973,996
OTHER PROVISIONS			
Balance at 1 January 2012	321,529	0	321,529
Increase in 2012	350,303	0	350,303
Use in 2012			
Release in 2012			
Balance at 31 December 2012	671,832	0	671,832
Increase in 2013			
Use in 2013	-185,591	0	-185,591
Release in 2013			
Balance at 31 December 2013	486,241	0	486,241

Retrocessionaires' shares in the provisions for reinsurance contracts are presented in the Item 11.5 of this Report.

Due to the specific nature of reinsurance business, the changes in provisions for unearned premiums, provisions for claims reported but not settled, and provisions for claims incurred but not reported (IBNR) are disclosed as a change (positive or negative) in the individual provisions and not as an increase or decrease of each item separately.

11.8.1 Development of reinsurance claims settled

This section presents a development of the claims settled since the development of claims reported by the policyholders is not directly presented by Triglav Re as a reinsurance company. The tables below indicates the adequacy of gross and net provisions for 2013. Originally assessed provisions shown in the tables below comprise claims reserve (including the IBNR provision) and unearned premiums. Considering the specifics of reinsurance business, the Company cannot base its actuarial estimate for the outstanding claims provisions on the triangle of claims settled prepared on an accident year basis, but rather prepares data on claims settled by an underwriting year, and then, by applying appropriate actuarial techniques, estimates potential liabilities by underwriting years in the future. For this reason, provisions for unearned premiums are also included in this presentation.

The table below gives a survey, in the triangle format, of the adequacy of gross and net claims provisions as at 31 December 2013 for the last five years.

GROSS PROVISIONS FOR CLAIMS AND UNEARNED PREMIUMS

in EUR

	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2013
Originally assessed	93,728,316	90,871,016	103,175,910	111,122,856	143,749,089	130,944,192
Reassessed after 1 year	87,558,641	87,737,266	103,672,331	112,761,493	127,789,537	
Reassessed after 2 years	85,348,906	83,675,284	97,304,488	109,505,707		
Reassessed after 3 years	85,559,352	83,153,998	98,718,705			
Reassessed after 4 years	87,257,116	83,935,360				
Reassessed after 5 years	88,283,711					
CUMULATIVE SURPLUS	5,444,605	6,935,656	4,457,204	1,617,150	15,959,552	

CUMULATIVE GROSS CLAIMS PAID

in EUR

	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2013
1 year later	48,342,004	39,954,883	44,587,174	44,065,502	49,102,955	
2 years later	58,423,279	52,826,077	60,566,674	60,908,549		
3 years later	64,478,271	60,361,367	65,914,177			
4 years later	69,627,166	63,378,012				
5 years later	71,881,202					

NET PROVISIONS FOR CLAIMS AND UNEARNED PREMIUMS

in EUR

	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2013
Originally assessed	61,061,735	64,497,195	74,329,479	83,747,731	86,937,968	86,345,666
Reassessed after 1 year	55,229,598	61,638,190	72,159,962	74,356,154	76,988,745	
Reassessed after 2 years	50,924,060	55,371,175	64,033,880	70,913,508		
Reassessed after 3 years	48,988,444	52,543,289	62,523,805			
Reassessed after 4 years	48,553,156	53,134,768				
Reassessed after 5 years	49,117,225					
CUMULATIVE SURPLUS	11,944,510	11,362,427	11,805,674	12,834,223	9,949,224	

CUMULATIVE PAID NET CLAIMS

in EUR

	YEAR 2008	YEAR 2009	YEAR 2010	YEAR 2011	YEAR 2012	YEAR 2013
1 year later	28,538,723	28,165,911	31,308,735	33,523,129	31,260,310	
2 years later	34,978,772	36,152,982	41,368,853	42,939,670		
3 years later	37,764,562	39,202,785	44,627,642			
4 years later	39,701,832	40,982,794				
5 years later	40,770,280					

The tables above show the adequacy test of gross and net provisions for the Company's reinsurance contracts, including unearned premiums. Namely, the assessed liabilities of reinsurance companies are normally arranged by underwriting years and, thus, also comprise liabilities to be settled with the unearned premiums. The upper triangle in the table shows the originally assessed provisions by financial year and its reassessment (up to five years later). The lower triangle in the table shows the amount of cumulative settled or paid claims. The cumulative excess in net provisions (calculated by deducting the last known assessment of provisions from the original assessment of provisions) amounted to EUR 9.9 million in 2013 for the year 2012.

11.9 Other provisions

OTHER PROVISIONS, DEVELOPMENT OF PROVISIONS FOR RETIREMENT BENEFITS AND SENSITIVITY ANALYSIS OF THE CHANGE IN PARAMETRES

in EUR

	"Initial situation at 1 January 2013"	Use	Formation	Release	Final situation at 31 December 2013
Provision for unused holidays of personnel	70,367	0	0	-639	69,728
Provision for long-service benefits	13,213	-2,054	3,965	0	15,123
Provision for retirement benefits	39,068		8,491		47,559
TOTAL	122,648	-2,054	12,456	-639	132,410

in EUR

	"Initial situation at 1 January 2012"	Use	Formation	Release	Final situation at 31 December 2012
Provision for unused holidays of personnel	58,316	0	12,051	0	70,367
Provision for long-service benefits	10,878	-2,201	4,536	0	13,213
Provision for retirement benefits	50,578	0	0	-11,510	39,068
TOTAL	119,772	-2,201	16,587	-11,510	122,648

in EUR

	31.12.2013	31.12.2012
UNDER 1 YEAR	2.536	1.736
BETWEEN 1 AND 5 YEARS	16.380	13.737
BETWEEN 5 AND 10 YEARS	5.167	4.895
OVER 10 YEARS	38.599	31.912
	62.682	52.281

31.12.2013

	Provisions for personnel	Change	Change in % to amount of provisions
Interest rate			
Parallel shift of discount curve for +0,25%	60,518	-2,165	-3.5%
Parallel shift of discount curve for -0,25%	64,970	2,287	3.6%
Expected growth of salaries			
Change in annual salaries' growth for +0,50%	67,432	4,749	7.6%
Change in annual salaries' growth for -0,50%	58,393	-4,289	-6.8%
Mortality rate			
Constant increase of mortality rate for +20%	61,366	-1,316	-2.1%
Constant increase of mortality rate for -20%	64,042	1,359	2.2%
Early termination of employment			
Parallel shift of curve for +20%	57,480	-5,202	-8.3%
Parallel shift of curve for -20%	68,608	5,925	9.5%

There was no actuarial gains recognized through the statement of other comprehensive income in the Company.

11.10 Operating and other liabilities

in EUR

	YEAR 2013	YEAR 2012
Liabilities from reinsurance contracts	43,739,381	43,705,350
- of which liabilities to related companies	14,259,700	12,068,155
Tax liabilities from legal persons' income	321,193	365,066
Other liabilities	627,424	511,794
Liabilities for salaries	141,223	135,990
Other liabilities	202,838	188,176
- of which other liabilities to related companies	75,198	66,311
Other accrued costs and expenses	283,363	187,628
- of which Provisions for employment benefits	266,196	166,840
TOTAL	44,687,998	44,582,210

Liabilities from reinsurance contract are of short-term nature. They include liabilities to insurance companies arising from reinsurance share in claims and commissions. Liabilities are stated at historical cost, which is equal to fair value. At 31 December 2013, the sum of all due liabilities from current operations amounted to EUR 15,504,943. By 12 March 2014, the Company has settled due liabilities from inward business in the amount of EUR 636,626. The remaining amount of unpaid liabilities relates to the liabilities for which the reinsurance contracts provide that they shall be paid only after our cedants pay their liabilities to our Company. Another category of the unpaid due liabilities are those that shall, upon payment, be offset against the Company's receivables toward partners, but by the date of the statement of the financial position the partner has not yet settled the balance. This is the reason why Triglav Re still has both outstanding receivables from and outstanding liabilities to individual partners recorded at the date of the statement of financial position.

12

DISCLOSURES TO THE INCOME STATEMENT

12
DISCLOSURES TO THE INCOME STATEMENT

12.1 Net reinsurance premium income

in EUR

	YEAR 2013	YEAR 2012
Gross reinsurance premiums written	105,015,611	116,352,810
- premium ceded by Insurers to reinsurance	70,384,066	74,605,799
- premium ceded by Reinsurers to reinsurance	34,631,545	41,747,011
Reinsurance premiums ceded to retrocession	-48,433,858	-52,777,161
Change in gross provisions for unearned premiums	2,853,518	425,782
Retrocessionaires' share in the change of provisions for unearned premiums	-2,157,640	411,518
TOTAL	57,277,631	64,412,949

Analysis of reinsurance premiums, claims incurred and operating expenses by class of business

The analysis of gross reinsurance premiums written and gross claims settled by class of business is shown in the below table.

in EUR

YEAR 2013	Gross reinsurance premiums	Gross premiums written	Gross claims paid	Gross claim expenses	Insurance acquisition costs and other operating costs
Accident insurance	2,041,451	2,204,555	1,414,851	813,252	54,009
Health insurance	2,693	2,470	48,411	-8,496	71
Land motor vehicle insurance	11,516,064	11,577,037	5,449,556	5,386,952	304,671
Railway rolling stock insurance	515,860	515,860	0	-67	13,648
Aircraft insurance	172,385	600,557	51,813	-53,808	4,561
Ships insurance	1,999,848	1,978,882	1,170,175	2,414,521	52,908
Goods in transit insurance	2,979,431	3,113,011	800,519	1,122,808	78,824
Fire and natural forces insurance	41,990,934	42,550,260	24,688,087	20,186,995	1,110,918
Insurance of other damage to property	23,275,906	24,463,352	12,439,946	13,057,594	615,791
Liability insurance for motor vehicles	9,616,657	9,776,686	6,900,654	4,595,676	254,420
Liability insurance for aircrafts	390,462	551,066	410,644	231,185	10,330
Liability insurance for ships	186,036	178,894	21,316	151,841	4,922
General liability insurance	3,776,496	3,785,509	4,984,163	-5,765	99,912
Credit insurance	2,681,100	2,749,877	1,299,134	1,111,671	70,932
Suretyship insurance	766,024	667,309	-12,259	234,334	20,266
Miscellaneous financial losses insurance	2,211,101	2,225,700	1,031,144	1,503,405	58,497
Legal expenses insurance	43,385	44,389	347	650	1,148
Assistance insurance	453,799	492,725	351,824	334,440	12,006
Life insurance	395,980	390,991	126,943	148,703	10,476
TOTAL	105,015,611	107,869,129	61,177,268	51,225,889	2,778,308

in EUR

YEAR 2012	Gross reinsurance premiums	Gross premiums written	Gross claims paid	Gross claim expenses	Insurance acquisition costs and other operating costs
Accident insurance	3,018,881	3,270,834	1,717,504	1,609,222	70,494
Health insurance	281,143	281,143	254,974	316,326	6,565
Land motor vehicle insurance	12,832,907	13,054,030	5,854,843	5,596,041	299,663
Railway rolling stock insurance	515,792	522,279	0	-560,006	12,044
Aircraft insurance	2,301,205	2,062,914	60,359	52,399	53,736
Ships insurance	1,915,945	1,921,501	1,206,972	1,581,611	44,739
Goods in transit insurance	3,281,758	3,250,348	1,750,222	1,909,786	76,633
Fire and natural forces insurance	45,502,810	44,385,887	18,482,231	28,630,016	1,062,542
Insurance of other damage to property	26,206,810	27,497,761	13,188,091	15,794,253	611,959
Liability insurance for motor vehicles	9,780,742	10,036,405	6,145,065	9,152,193	228,391
Liability insurance for aircrafts	788,563	679,835	657,218	5,268,513	18,414
Liability insurance for ships	166,917	165,569	19,297	53,980	3,898
General liability insurance	3,399,431	3,175,543	1,317,153	12,847,133	79,381
Credit insurance	2,712,889	2,801,031	1,149,518	1,865,425	63,349
Suretyship insurance	807,231	778,943	249,684	213,490	18,850
Miscellaneous financial loss insurance	1,899,084	1,955,733	970,303	1,754,604	44,346
Legal expenses insurance	47,653	49,128	-19	100	1,113
Assistance insurance	469,720	471,617	305,059	289,678	10,969
Life insurance	423,327	418,090	80,138	85,863	9,885
TOTAL	116,352,810	116,778,592	53,408,612	86,460,627	2,716,969

Profit/loss from retroceded premiums, commissions and claims

in EUR

	YEAR 2013	YEAR 2012
Reinsurance premiums ceded to retrocession	48,433,858	52,777,161
Retrocessionaires' share in the change in provisions for unearned premiums	2,157,640	-411,518
RETROCEDED PREMIUMS EARNED	50,591,498	52,365,643
Retrocessionaires' share in claims paid	23,466,064	14,420,766
Change in retroceded provisions for claims recorded but not settled	-10,079,248	28,781,094
Change in retroceded provisions for claims incurred but not reported	24,293	243,384
RETROCEDED EXPENSES FOR CLAIMS	13,411,109	43,445,244
Commission income	8,596,581	9,622,924
PROFIT/LOSS FROM RETROCESSION	28,583,808	-702,524

Table shows the Company's technical result of retrocession in 2013 and 2012. The retroceded premiums earned represent a written reinsurance premium ceded to retrocession (outward reinsurance) reduced by the retroceded unearned premiums to Reinsurers. Retroceded claims incurred represent gross insurance payments or compensation received from retrocession (outward reinsurance), reduced by retroceded claims provisions to the Reinsurer. Received reinsurance commission is charged for outward reinsurance activities and it represents the Company's income.

12.2 Income and expenses from financial assets

12.2.1 Income from financial assets

in EUR

	YEAR 2013	YEAR 2012
Income from financial assets in related companies	98,801	36,353
- interest income	98,801	36,353
Interest income	3,953,164	3,979,922
- financial assets available-for-sale	3,580,340	3,193,864
- financial assets at fair value through profit or loss	15,692	89,442
- loans and deposits	357,132	696,616
Dividend income	32,448	36,047
- financial assets available-for-sale	32,448	36,047
Income from change in fair value	250,734	138,435
- financial assets at fair value through profit or loss	250,734	138,435
Realised gains	1,355,750	956,282
- financial assets available-for-sale	1,334,350	956,282
- financial assets at fair value through profit or loss	21,400	0
- loans and deposits	0	0
Other financial income	1,074,087	1,955,868
TOTAL	6,764,985	7,102,907

Upon disposal of these financial assets, net realised gains from available-for-sale assets are transferred from the provision for change in fair value under equity, and are recognised in the profit or loss in the amount of EUR 1,334,350 (in 2012 of EUR 956,282). Other income from financial activities mainly consists of foreign exchange gains from investments and of operating receivables amounting to EUR 1,074,087 (in 2012 of EUR 1,268,084).

12.2.2 Expenses from financial assets

in EUR

	YEAR 2013	YEAR 2012
Expenses from change in fair value	0	239,846
- financial assets at fair value through profit or loss	0	239,846
Losses from disposal of financial investments	662,595	1,468,600
- financial assets available-for-sale	425,445	1,103,943
- financial assets at fair value through profit or loss	237,150	0
- loans and deposits	0	364,657
Expenses from impairment of financial assets	408,523	298,223
- financial assets available-for-sale	86,892	298,223
- loans and deposits	321,631	0
Other financial expenses	1,895,260	1,774,335
TOTAL	2,966,378	3,781,005

In compliance with its accounting policy, the Company impaired the financial assets under the item "Available for sale" for the amount of EUR 86,892 (in 2012 of EUR 298,233 (Item 10.3.3) and also investemnts under the item "Loans and deposits" for EUR 321,631 (in 2012: EUR 0). Other financial expenses in the amount of EUR 1,895,260 (in 2012 of EUR 1,774,335), which account for the highest amount among expenses from financial assets, include foreign exchange losses in the amount of EUR 1,434,761 (in 2012 of EUR 1,306,318), other financial expenses in the amount of EUR 228,396 (in 2012 of EUR 189,431), and operating expenses related to assets management in the amount of EUR 232,103 (in 2012 of EUR 278,587).

NET INCOME/EXPENSES FROM FINANCIAL ASSETS

In 2013, interest income of impaired assets, classified as available-for-sale, amounted to EUR 8,877 (in 2012 of EUR 8,066) and is wholly relating to a Greek government bond which was in March 2012 replaced by the new securities which are classified in the item "At fair value through profit or loss". All other impaired securities are represented by the equity investments.

in EUR

YEAR 2013	"Assets available for sale"	"Loans and receivables"	"Financial assets at fair value through profit or loss"	" Financial derivatives"	Total
Income from investments in related companies	98,802	0	0	0	98,802
Interest income	3,580,340	357,132	15,692	0	3,953,164
Income from dividends and shares	32,448	0	0	0	32,448
Income from change in fair value	0	0	250,734	0	250,734
Realized gains	1,334,350	0	21,400	0	1,355,750
Other financial income	1,074,087	0	0	0	1,074,087
TOTAL INCOME	6,120,027	357,132	287,826	0	6,764,985
Realised losses	425,445	0	237,150	0	662,595
Impairment losses	86,892	321,631	0	0	408,523
Other financial expenses	1,895,260	0	0	0	1,895,260
TOTAL EXPENSES	2,407,597	321,631	237,150	0	2,966,379
TOTAL NET INCOME/EXPENSES	3,712,430	35,501	50,676	0	3,798,606
YEAR 2012					
Interest income	3,230,217	696,616	89,442	0	4,016,275
Income from dividends and shares	36,047	0	0	0	36,047
Income from change in fair value	0	0	138,435	0	138,435
Realized gains	956,282	0	0	0	956,282
Other financial income	1,955,868	0	0	0	1,955,868
TOTAL INCOME	6,178,414	696,616	227,877	0	7,102,907
Expenditure due to change in fair value	0	0	239,846	0	239,846
Realised losses	1,103,943	364,657	0	0	1,468,600
Impairment losses	298,223	0	0	0	298,223
Other financial expenses	1,774,335	0	0	0	1,774,335
TOTAL EXPENSES	3,176,501	364,657	239,846	0	3,781,005
TOTAL NET INCOME/EXPENSES	3,001,913	331,959	-11,969	0	3,321,902

12.3 Commission income and expenses

in EUR

	YEAR 2013	YEAR 2012
Commission income	8,596,581	9,622,924
Commission paid	-20,913,598	-23,800,859
DIFFERENCE	-12,317,017	-14,177,935

The reinsurance commission income is accounted for in connection with the outward reinsurance business (i.e. reinsurance business retroceded to other reinsurance companies) and represents the Company's income, while the reinsurance commission expense is accounted for in connection with the inwards reinsurance business (i.e. reinsurance business ceded to Triglav Re by cedents and retrocedants) and represents the Company's expense. The reinsurance commission expense exceeds the reinsurance commission income and, thus, has a negative impact on the result, i.e. it increases the Company's operating expenses.

12.4 Net claims incurred

in EUR

	YEAR 2013	YEAR 2012
Gross claims paid	61,177,268	53,408,612
Retrocessionaires' share in claims incurred	-23,466,064	-14,420,766
Change in gross provisions for claims recorded but not settled	-11,193,982	32,141,317
Change in retroceded provisions for claims recorded but not settled	10,079,248	-28,781,094
Change in gross provisions for claims incurred but not recorded	1,242,602	910,699
Change in retroceded provisions for claims incurred but not recorded	-24,293	-243,384
TOTAL	37,814,780	43,015,384

12.5 Operating expenses

The table below presents operating costs and expenses by their nature and by functional groups:

in EUR

YEAR 2013	INSURANCE ACQUISITION COSTS	ASSETS MANAGEMENT COSTS	OTHER OPERATING COSTS	TOTAL
Depreciation costs	22,566	5,261	40,411	68,238
Labour costs	712,810	166,186	1,276,463	2,155,459
- gross salaries	546,624	127,441	978,866	1,652,931
- social security costs	40,796	9,511	73,055	123,362
- pension insurance costs	50,456	11,763	90,354	152,573
- other labour costs	74,934	17,470	134,188	226,592
Costs of services provided by natural persons not involved in business activity	1,346	314	2,410	4,070
Other operating costs	258,820	60,342	463,481	782,643
TOTAL	995,543	232,103	1,782,765	3,010,410
YEAR 2012	INSURANCE ACQUISITION COSTS	ASSETS MANAGEMENT COSTS	OTHER OPERATING COSTS	TOTAL
Depreciation costs	25,303	7,084	43,782	76,168
Labour costs	672,978	188,402	1,164,443	2,025,823
- gross salaries	520,001	145,575	899,748	1,565,324
- social security costs	39,859	11,159	68,967	119,984
- pension insurance costs	47,172	13,206	81,622	142,000
- other labour costs	65,947	18,462	114,106	198,515
Costs of services provided by natural persons not involved in business activity	444	124	768	1,335
Other operating costs	296,399	82,977	512,854	892,230
TOTAL	995,124	278,587	1,721,846	2,995,556

The Company discloses the operating expenses in the Income Statement by functional groups. Asset management costs for 2013 amounted to EUR 232,103 (in 2012 to EUR 278,587) and are reported in the line "Financial expenses" of the Income Statement.

AUDITING AND CONSULTANCY COSTS

in EUR

	YEAR 2013	YEAR 2012
Audit of annual report	27,450	27,000
Other audit services	0	3,600
Tax consultancy services	0	0
Other non-audit services	35,928	99,496

12.6 Income tax expenses

in EUR

	YEAR 2013	YEAR 2012
Current income tax expenses	1,383,334	1,226,858
Deferrred income tax expenses	-71,445	197,426
TOTAL	1,311,889	1,424,284

Deferred income tax expense in the amount of EUR 71,445 decreased the total tax expense in the Income Statement, while in 2012 it increased the total tax expense by EUR 197,426. Deferred income tax expense comprises the deferred tax assets for termination and jubilee benefits provisions in the amount of EUR 1,407 (in 2012 of EUR 2,225) and deferred tax assets due to impairment of investments in the amount of EUR 70,038 (in 2012 of EUR 195,201). Income tax and deferred income tax are calculated at the tax rate of 17.0 %, while in the preceding year, the 18.0% tax rate was applied for income tax, and the 15% tax rate for deferred income. The effective tax rate in 2013 was 16.4%, whereas 19,6% in 2012.

RECONCILIATION OF ACCOUNTING PROFIT FOR THE PERIOD TO INCOME TAX EXPENSE

in EUR

	YEAR 2013	YEAR 2012
Accounting profit for the year before income tax payment	7,990,946	7,262,212
Income tax at the rate of 17%	1,358,461	1,307,198
Differences:		
Non-decuctible expenses	41,530	62,978
Tax exempt income	-5,456	-131,325
Income that increases tax base	273	324
Tax relief	-11,474	-12,318
Change in temporary differences	-71,445	197,426
Deferred tax expenses arising from writing off of previously recognised deferred tax assets	0	0
TOTAL	1,311,889	1,424,284
Effective tax rate	16.4%	19.6%

In 2013, Triglav Re recoreded the income tax assets arising from the corporate income taxation in the amount of EUR 321,193 (in 2012 of EUR 365,066)

TAX EFFECT ON THE INDIVIDUAL LINES OF COMPREHENSIVE INCOME

in EUR

	Before tax	Tax	Net amount 2013	Before tax	Tax	Net amount 2012
Net gains/losses from remeasuring						
available-for-sale financial assets	-301,228	-17,318	-318,546	5,613,903	-951,463	4,662,440
Comprehensive income for the year	-301,228	-17,318	-318,546	5,613,903	-951,463	4,662,440

12.7 Cash flow statement

Cash flow statement is prepared by using the indirect method, whereas in the investment part on the basis of the actual cash flows. Cash flows from operating and investing activities have been prepared on the basis of data from the statement of financial position and adequately adjusted for non-cash flow items (impairments and changes in provisions for claims incurred and other provisions). Income and expenses regarding intangible assets and property, plant and equipment were computed on the basis of changes in their carrying amounts and adjusted for amortisation and depreciation, and increased or decreased for gains or losses upon disposal. Cash flows from financing activities are recorded on the basis of actual payments.

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

in EUR

	YEAR 2013	YEAR 2012
Profit/loss before tax	7,990,945	7,262,212
Depreciation	68,238	76,168
Change in receivables	-598,265	133,092
Change in deferred tax assets	0	990,725
Change in liabilities	105,789	1,336,016
Change in deferred tax liabilities	-54,126	158,164
Income tax assets	-1,062,141	1,226,858
NET CASH FROM OPERATING ACTIVITIES	6,450,440	11,183,236

12.8 Off balance-sheet records

PRESENTATION OF OFF BALANCE-SHEET RECORDS

in EUR

	YEAR 2013	YEAR 2012
Receivables from option contracts	315,000	315,000
TOTAL OFF BALANCE SHEET RECORD	315,000	315,000

Off balance-sheet records relate to the option granted by Greece, which the Company has acquired by conversion of the Greek bond.

13

RISK MANAGEMENT

13
RISK MANAGEMENT

Triglav Re aims to implement a comprehensive risk management system as a key component of good management and effective yield management. Triglav Re is aware that risk constitutes an essential part of corporate and business planning and of the functioning of individual services. In addition, Triglav Re endeavours to implement the full Solvency II requirements; it has determined the ultimate acceptable level of risk and set up a system of risk assessment and management for the risks to which it is exposed. This can be achieved with better decision-making and a well-planned risk management including a system of controls; with the establishment, strengthening and replication of good business practices in respect of risk management; and with quality risk management, at the level of both Triglav Re and the Triglav Group, coordinated by the Risk Management Department of Zavarovalnica Triglav, d.d.

Triglav Re is exposed to risks arising from all lines of business, such as reinsurance risk (from reinsurance business), operational risk and financial risk. Being a dynamic entity, Triglav Re generates new risks that are to be controlled and managed. The Company aims to proactively identify, understand and manage risks arising from the operation of its divisions and services and associated with the Company's plans and strategy to advance well-thought-out and responsible risk exposure. Triglav Re does not support uncontrolled risk exposure, but rather applies the table of retentions for any assumed insurance or reinsurance business, detailing the maximum limit of liability in any one category of risk that the Company covers by its own retention.

13.1 Reinsurance risk management

Reinsurance risks refer to the uncertainty of reinsurance events. These are the risks that reinsurance claims are higher than expected and/or that premiums earned are lower than expected.

Triglav Re concludes outwards reinsurance agreements (retrocession agreements) for a portion of the risks it reinsures in order to control its exposure to losses and to 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. a natural disaster), the Company buys non-proportional catastrophe cover.

The table below shows the amount of gross reinsurance premiums, the claims ratio and the combined ratio in 2013 and 2012. The combined ratio includes the claims ratio and the expense ratio. In Triglav Re, the latter is calculated without operating expenses and, thus represents the share of commissions paid with regard to the actual premium or the premium earned.

GROSS REINSURANCE PREMIUM, LOSS RATIO AND COMBINED RATIO IN 2013 AND 2012

in EUR

	YEAR 2013			YEAR 2012		
	Gross premiums	Loss ratio	Combined ratio	Gross premiums	Loss ratio	Combined ratio
01: Accident insurance	2,041,451	36.9%	63.1%	3,018,881	49.2%	77.0%
02: Health insurance	2,693	-344.0%	-260.5%	281,143	112.5%	139.1%
03: Land motor vehicle insurance	11,516,064	46.5%	56.9%	12,832,907	42.9%	54.9%
04: Railway rolling stock insurance	515,860	0.0%	0.1%	515,792	-107.2%	-107.2%
05: Aircraft insurance	172,385	-9.0%	-4.0%	2,301,205	2.5%	13.2%
06: Ships insurance	1,999,848	122.0%	142.1%	1,915,945	82.3%	101.3%
07: Goods in transit insurance	2,979,431	36.1%	56.5%	3,281,758	58.8%	76.9%
08: Fire and natural forces insurance	41,990,934	47.4%	71.0%	45,502,810	64.5%	90.5%
09: Insurance of other damage to property	23,275,906	53.4%	72.3%	26,206,810	57.4%	77.2%
10: Liability insurance for motor vehicles	9,616,657	47.0%	61.5%	9,780,742	91.2%	105.1%
11: Liability insurance for aircrafts	390,462	42.0%	51.6%	788,563	775.0%	782.5%
12: Liability insurance for ships	186,036	84.9%	106.9%	166,917	32.6%	53.6%
13: General liability insurance	3,776,496	-0.2%	11.2%	3,399,431	404.6%	416.6%
14: Credit insurance	2,681,100	40.4%	58.0%	2,712,889	66.6%	84.4%
15: Suretyship insurance	766,024	35.1%	61.5%	807,231	27.4%	51.4%
16: Miscellaneous financial losses insurance	2,211,101	67.5%	86.9%	1,899,084	89.7%	110.8%
17: Legal expenses insurance	43,385	1.5%	25.7%	47,653	0.2%	24.3%
18: Assistance insurance	453,799	67.9%	80.8%	469,720	61.4%	76.0%
19: Life insurance	395,980	38.0%	116.6%	423,327	20.5%	29.8%
TOTAL	105,015,611	47.5%	66.9%	116,352,810	74.0%	94.4%

It is estimated that the most substantial losses arises from natural catastrophes. The risks are controlled with the measurements of separate geographical accumulations and the assessment of probable maximum losses caused by a natural disaster. Based on the analysis of observations, Triglav Re buys retrocession cover for net claims in its own retention.

Retrocession

Triglav Re retrocedes a portion of its business through outward retrocession contracts in order to manage its reinsurance risks.

The risks retroceded to a reinsurer include the credit risk that occurs if the reinsurer fails to meet contractual obligations. Triglav Re monitors the financial conditions of reinsurers and, as a rule, enters into retrocession reinsurance contracts only with reinsurers rated at least A- in case of liability reinsurance, and with reinsurers rated BBB+ in case of other classes of reinsurance.

The table below shows the retroceded (outward) premium, claims ratio and combined ratio for outward business (retrocession). The fluctuation of these results in comparison to the preceding year neither increases nor decreases the Company's risk exposure because the differences are due to the changes in major or catastrophe claims that are retroceded to reinsurers. In the case of outward business, the combined ratio is the sum of the claims ratio and the expense ratio. In the case of Triglav Re, the latter is calculated as a share of commission income in relation to the actual retroceded (outward) premium.

OUTWARD REINSURANCE PREMIUM, LOSS RATIO AND COMBINED RATIO FROM RETROCESSION

in EUR

	YEAR 2013			YEAR 2012		
	Outward premiums	Loss ratio - retrocession	Combined ratio - retrocession	Outward premiums	Loss ratio - retrocession	Combined ratio - retrocession
01: Accident insurance	193,350	20.3%	35.1%	210,204	19.6%	34.6%
02: Health insurance	451	116.1%	116.1%	0	0.0%	0.0%
03: Land motor vehicle insurance	5,437,707	17.8%	24.5%	5,560,323	6.2%	11.5%
04: Railway rolling stock insurance	509,625	0.0%	0.0%	515,665	-107.2%	-107.2%
05: Aircraft insurance	111,220	-7.9%	-3.0%	2,171,772	2.2%	18.5%
06: Ships insurance	34,416	1019.8%	1024.8%	36,486	-0.3%	4.2%
07: Goods in transit insurance	1,345,679	0.1%	14.3%	1,439,277	53.2%	61.2%
08: Fire and natural forces insurance	22,921,414	23.1%	44.1%	24,270,589	49.9%	75.7%
09: Insurance of other damage to property	8,765,436	47.5%	62.1%	9,618,121	40.6%	55.5%
10: Liability insurance for motor vehicles	2,095,672	22.6%	31.9%	2,142,129	290.0%	299.1%
11: Liability insurance for aircrafts	354,671	49.7%	63.7%	750,295	823.1%	833.3%
12: Liability insurance for ships	18,677	770.3%	775.9%	17,826	176.8%	181.3%
13: General liability insurance	2,096,750	-55.2%	-48.7%	2,000,735	684.0%	690.4%
14: Credit insurance	1,617,839	48.7%	69.1%	1,667,993	89.2%	110.6%
15: Suretyship insurance	488,503	35.8%	61.1%	363,474	18.1%	42.4%
16: Miscellaneous financial losses insurance	1,937,025	62.5%	84.0%	1,501,839	88.9%	115.2%
17: Legal expenses insurance	0	0.0%	0.0%	0	0.0%	0.0%
18: Assistance insurance	111,655	-8.3%	-8.3%	95,042	1.1%	1.1%
19: Life insurance	393,769	39.0%	133.4%	415,392	18.6%	27.7%
TOTAL	48,433,858	26.5%	43.5%	52,777,161	83.0%	101.3%

13.2 Technical provision risk

Technical provision risk is the risk that the provisions made for reinsurance contracts are lower than required. Triglav Re manages such risk with consistent compliance to all laws and regulations and resolutions regarding their liabilities from reinsurance contracts, and, in addition, by applying actuarial methods in annual provisioning for incurred but not reported claims (IBNR provision). Considering the specifics of reinsurance business, Triglav Re cannot base its actuarial estimate of provisions for claims outstanding on the triangle of claims settled prepared on the basis of occurrence, but rather prepares data on claims settled by contract years, and then, by applying appropriate actuarial techniques, estimates potential liabilities by contract years in the future. Provisions for claims outstanding are not discounted. The cumulative excess in provisions for all contract years is positive, which also proves that the risk of insufficient technical provisions was well managed in 2013.

As at 31 December 2013, Triglav Re recorded the total balance of net technical provisions in the amount of EUR 86,831,907. Net technical provisions of Triglav Re on the last day of the 2013 financial year comprise the following types of provisions:

in EUR

	YEAR 2013	YEAR 2012
Net provisions for unearned premium	13,430,935	14,126,813
Net provisions for bonuses, rebates and cancellations	20,389	20,843
Net provisions for outstanding claims	72,914,731	72,811,156
Provisions for unexpired risks	465,852	650,990
TOTAL	86,831,907	87,609,801

In comparison with the balance at 1 January 2013, net technical provisions decreased by 0.9 percent and were in total covered by investments of assets backing liabilities at 31 December 2013. Due to the implementation of the IFRS, the equalisation provisions for credit insurance amounting to EUR 1,688,446 have again been recognised in the statement of financial position (under the item Equity), and are for that reason not separately disclosed under technical provisions.

13.3 Capital adequacy and Solvency risk

Solvency I

In compliance with the Insurance Act and other implementing regulations, Triglav Re is obliged to ensure the capital adequacy with regard to the volume and type of its reinsurance business.

The prescribed methodology for the computing of minimum capital requirement for 2013 remained the same as in 2012. The minimum capital for 2013 was calculated pursuant to Article 110, Paragraph 12, and Article 112, Paragraph 4 of the Insurance Act, which provide that the sum of insurance premiums earned in the previous financial year up to the total amount of EUR 50 million shall be multiplied by 0.18, whilst the amount of insurance premiums exceeding EUR 50 million shall be multiplied by 0.16. In addition, the annual sum of claims for payment of indemnities up to EUR 35 million shall be multiplied by 0.26, whilst the amount of such claims exceeding EUR 35 million shall be multiplied by 0.23. The Decision on the amendment of the amounts for the calculation of minimum capital and amounts of the guarantee fund for the insurance undertakings (Official Gazette of the Republic of Slovenia No. 102/2012, 21 December 2012) further prescribes that the guaranteed capital of reinsurance companies shall never fall below the amount of EUR 3.4 million.

CAPITAL ADEQUACY

in EUR

	YEAR 2013	YEAR 2012	Index
Required solvency margin	13,745,673	13,745,673	100.0
Available solvency margin	42,198,132	36,472,846	115.7
Surplus of available solvency margin	28,452,459	22,727,173	125.2

As at 31 December 2013, the required minimum capital of Triglav Re amounted to EUR 13,745,673 (the same as in 2012), and the available capital to EUR 42,198,132 (in 2012 to EUR 36,472,846). The capital surplus over the required minimum capital is rather high amounting to EUR 28,452,459 as at 31 December 2013, and EUR 22,727,173 as at 31 December 2012 and, therefore, it can be stated that the risk of capital inadequacy is effectively minimised.

It is evident that the capital surplus has increased over the required minimum capital in 2013, predominantly due to the increased level of retained earnings from the previous years by approximately EUR 5.7 million. The available capital exceeds the required minimum capital by more than 207 percent, which means that Triglav Re adequately manages the capital adequacy risk.

The Company complied with the requirements under the capital adequacy throughout the financial year.

Solvency II

In 2013, the Company continued preparations for the new solvency regime (Solvency II), which should enter into force on 01 January 2016. In September 2013, the European association of EIOPA issued interim guidelines for the introduction of Solvency II, which require that as from 1 January 2014, the (re)insurance companies, irrespective of the above-mentioned validity date, shall partly apply the requirements especially from the 2nd and 3rd pillar (the management system, own risk and solvency assessment and reporting by forms QRT). In 2013 the Company actively participated in the Solvency II project of the parent company Zavarovalnica Triglav, which goal is a full compliance of the entire Triglav Group with the requirements of Solvency II Directive, and the optimization of the balance sheet and capital structure. The Company verified its capital adequacy under Solvency II by calculation on the cut-off date 31 December 2012, and the results showed that non-life risks still represent the highest risk; they are followed by market risk, operational risk, default risk and the risk of health insurance. In 2013, the Company began with the test implementation and application of Tagetik application (Solvency II module), which comprises the necessary functionality for reporting in accordance with the requirements of Solvency II within the Triglav Group. In 2014, the Company will continue to fulfill the guiding principles of the parent company Zavarovalnica Triglav, and as an important part of the Triglav Group, the Company will actively participate in the establishment of the new capital requirements of Solvency II regime.

13.4 Financial risk management

Transactions in financial instruments entail financial risks. These risks comprise market risk, credit risk (including reinsurance credit risk) and liquidity risk. Each of these financial risks is described below, together with a survey of activities by which Triglav Re manages these risks.

13.4.1 Liquidity risk management

Triglav Re 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 law.

Liquidity risk arises from the general funding of the Company's activities and from the management of its 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 maturity structure of financial assets and liabilities is presented in the table below.

Triglav Re 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 liquidity position of Triglav Re is good and all statutory requirements for claims settlement in the financial year have been met in time.

Triglav Re weekly calculates its liquidity ratios and discloses them every month in its Report on Assets and Liabilities Management. The report is reviewed by the Risk Management Board, and current measures are taken to provide for cover, liquidity, and capital adequacy, as appropriate. Liquidity ratios are also included in the reports examined at each meeting of the Supervisory Board of the Company.

The table below shows the structure of non-discounted expected cash flows of assets and liabilities:

31.12.2013 in EUR

"FINANCIAL ASSETS AND LIABILITIES TO REINSURERS"	NOT DEFINED	"LESS THAN 1 YEAR"	1 TO 5 YEARS	"5 TO 10 YEARS"	"MORE THAN 10 YEARS"	TOTAL	Book value
Total financial assets	2,171,707	25,485,373	39,079,967	56,388,029	26,436,687	149,561,763	127,535,415
Debt securities	0	16,708,999	39,034,990	56,343,052	26,231,704	138,318,745	116,601,712
- held to maturity	0					0	0
- at fair value through profit or loss	0	80,550	16,800	40,680	374,160	512,190	207,417
- available-for-sale	0	16,084,699	38,615,690	56,302,372	25,857,544	136,860,305	115,874,465
- loans and receivables	0	543,750	402,500			946,250	519,830
Equity securities	2,161,707	0	0	0	0	2,161,707	2,161,707
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	2,161,707	0	0	0	0	2,161,707	2,161,707
Financial derivatives	0	0	8,376	44,977	204,983	258,336	3,623
Loans and receivables	10,000	8,767,998	0	0	0	8,777,998	8,768,373
Amount of technical provisions ceded to reinsurers	0	24,383,313	14,571,370	4,314,968	1,328,875	44,598,526	44,598,526
Operating receivables	0	56,887,158	0	0	0	56,887,157	56,887,158
Cash and cash equivalents	0	11,584	0	0	0	11,584	11,584
"TOTAL FINANCIAL ASSETS AND LIABILITIES TO REINSURERS"	2,171,707	106,767,428	53,651,337	60,702,997	27,765,562	251,059,030	235,610,125

FINANCIAL LIABILITIES AND PROVISIONS	NOT DEFINED	"LESS THAN 1 YEAR"	1 TO 5 YEARS	"5 TO 10 YEARS"	"MORE THAN 10 YEARS"	TOTAL	Book value
Technical provisions	0	72,967,994	34,036,648	14,540,207	9,885,585	131,430,434	131,430,434
Other provisions	0	72,264	16,380	5,167	38,599	132,410	132,410
Operating liabilities	0	44,060,574	0	0	0	44,060,574	44,060,574
Other liabilities	0	627,424	0	0	0	627,424	627,424
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	0	117,728,256	34,053,028	14,545,374	9,924,184	176,250,842	189,125,778

31.12.2012 in EUR

FINANCIAL ASSETS AND LIABILITES TO REINURERS	NOT DEFINED	"LESS THAN 1 YEAR"	1 TO 5 YEARS	"5 TO 10 YEARS"	"MORE THAN 10 YEARS"	TOTAL	Book value
Total financial assets	2,741,549	38,397,532	37,501,059	43,722,401	15,736,517	138,099,058	122,496,350
Debt securities	0	28,933,437	37,501,059	43,722,401	15,735,414	125,892,311	110,391,132
- held to maturity	0	0	0	0	0	0	0
- at fair value through profit or loss	0	1,127,450	90,150	37,560	384,480	1,639,640	1,286,710
- available-for-sale	0	23,678,802	36,464,659	43,684,841	15,350,934	119,179,236	104,204,946
- loans and receivables	0	4,127,185	946,250	0	0	5,073,435	4,899,476
Equity securities	2,731,549	0	0	0	0	2,731,549	2,731,549
- at fair value through profit or loss	0	0	0	0	0	0	0
- available-for-sale	2,731,549	0	0	0	0	2,731,549	2,731,549
Financial derivatives	0	0	0	0	1,103	1,103	1,103
Loans and receivables	10,000	9,464,095	0	0	0	9,474,095	9,372,566
Amount of technical provisions ceded to reinsurers	0	28,546,422	20,258,624	7,375,572	630,502	56,811,121	56,811,121
Operating receivables	0	56,287,302	0	0	0	56,287,301	56,287,301
Cash and cash equivalents	0	15,353	0	0	0	15,353	15,353
"TOTAL FINANCIAL ASSETS AND LIABILITIES TO REINSURERS"	2,741,549	123,246,609	57,759,683	51,097,973	16,367,019	251,212,833	235,610,125

FINANCIAL LIABILITIES AND PROVISIONS	NOT DEFINED	"LESS THAN 1 YEAR"	1 TO 5 YEARS	"5 TO 10 YEARS"	"MORE THAN 10 YEARS"	TOTAL	Book value
Technical provisions	0	86,149,153	39,662,731	14,605,115	4,003,922	144,420,922	144,420,922
Other provisions		72,103	13,737	4,895	31,912	122,648	122,648
Operating liabilities	0	44,070,416	0	0	0	44,070,416	44,070,416
Other liabilities	0	511,793	0	0	0	511,793	511,793
TOTAL FINANCIAL LIABILITIES AND PROVISIONS	0	130,803,466	39,676,468	14,610,010	4,035,834	189,125,778	189,125,778

Finacial assets and liabilities are not discounted; they are estimated as the sum of expected future cash flows. Equalisation provisions amounting to EUR 1,688,446 are not disclosed under the technical provisions because in the statement of financial position they are not recorded under the item of liabilities from reinsurance contracts, but constitute a part of equity. Gross provisions for reinsurance contracts including the equalisation provisions would amount to EUR 133,118,880.
Triglav Re retains a partial mismatch of asset and liability maturities, and generates a part of the return from that mismatch. Current (short-term) liabilities are settled by the current income, and the possibility of selling some financial instruments also exists.

Taking into account all securities, ten debt securities are redeemable prior to maturity and their total carrying amount at the date of reporting amounts to EUR 4,582,304 (in 2012 of EUR 1,970,302).

13.4.2 Market risk

The investment portfolio of Triglav Re is exposed to market variables on which the Company has not influence. These market variables are market interest rates and the 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.

Triglav Re 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 compliance with the legally binding rules.

13.4.3 Interest rate risk

in EUR

	YEAR 2013	YEAR 2012
Debt securities	116,601,712	110,391,132
Government securities	63,700,909	65,880,450
Securities of financial institutions	21,387,262	9,979,601
Corporate securities	31,513,540	33,489,067
Compound securities	0	1,042,014
Financial derivatives	3,623	1,103
TOTAL EXPOSED ASSETS	116,605,335	110,392,235
TOTAL OTHER ASSETS	10,930,081	12,104,115
TOTAL ASSETS	127,535,415	122,496,350

Interest rate risk is the risk that the value of an investment will fluctuate because of changes in market interest rates. Interest rate risk is defined as a sensitivity of the value of an investment to changes in market interest rates. The duration of the investment 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 covered by such investments. Triglav Re partly balances its interest rate risk with derivative financial instruments, but in 2013 there were no such instruments.

The exposure of Triglav Re to market risk due to the changes in interest rates is concentrated in its investment portfolio presented in the table above. The operations of Triglav Re are exposed to the risk of interest rate fluctuation to the extent that interest-earning assets and interest-bearing liabilities mature or they are newly evaluated at different times or in differing amounts. In 2013, Triglav Re deposited cash at the interest rates ranging from 0.20 percent to 4.60 percent. The interest rate was subject to the amount, maturity and currency of deposits. All deposits carried a fixed interest rate.

Triglav Re is also exposed to the risk of changes in future cash flows arising from the changes in market interest rates. The Company does not have any debt obligations nor do interest rate changes influence the level of non-life provisions.
Triglav Re 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 the investment portfolio and insurance reserves are modelled and reviewed regularly. The overall objective of these strategies is to limit net changes in the value of assets and liabilities arising from interest rate movements.

Sensitivity analysis of financial assets to interest risk
The sensitivity of financial assets to interest rates is expressed as an effect of parallel shift of the interest rate curve by +/- 100 base points on the fair value of all interest sensitive financial assets that are not valued by the amortised cost method, i.e. the debt instruments classified as available-for-sale and at fair value through profit or loss.

in EUR

	YEAR 2013		YEAR 2012	
	+100bp	-100bp	+100bp	-100bp
Government securities	-2,730,346	2,730,346	-2,052,345	2,052,345
Securities of financial institutions	-989,095	989,095	-442,432	442,432
Corporate securities	-1,318,552	1,318,552	-1,546,659	1,546,659
Compound securities	0	0	-2,053	2,053
Other	0	0	272	-272
TOTAL	-5,037,993	5,037,993	-4,043,217	4,043,217
Impact on equity	-5,022,056	5,022,056	-4,030,283	4,030,283
Impact on profit or loss	-15,937	15,937	-12,934	12,934

13.4.4 Share price risk

in EUR

	YEAR 2013	YEAR 2012
Equity securities and investment funds	2,161,707	2,731,526
Shares in EU	1,954,426	1,853,273
Shares in USA	0	0
Shares in Asia	0	0
Shares of emerging markets	0	0
Global shares*	207,281	878,253
TOTAL EXPOSED ASSETS	2,161,707	2,731,526
TOTAL OTHER ASSETS	125,373,708	119,764,824
TOTAL ASSETS	127,535,415	122,496,350

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 objective of Triglav Re 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.

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS TO THE SHARE PRICE LIST

in EUR

	YEAR 2013		YEAR 2012	
	+10%	-10%	+10%	-10%
Shares in EU	195,440	-195,440	185,327	-185,327
Shares in USA	0	0	0	0
Shares of emerging markets	0	0	0	0
Global shares*	20,728	-20,728	87,825	-87,825
TOTAL	216,168	-216,168	273,153	-273,153
Impact on equity	216,168	-216,168	273,153	-273,153
Impact on profit or loss	0	0	0	0

* Equity investments with the global diversification of investments

13.4.5 Foreign exchange risk

Business transactions in foreign currencies are translated to EUR at exchange rates of the Bank of Slovenia published on the NLB's web sites, effective on the date of settlement. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to EUR 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 euros at the exchange rate on 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.

Foreign exchange risk 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. Triglav Re manages foreign currency risk by trying to ensure the matching of investments and liabilities or technical provisions linked to foreign currency. The structure of investments as at 31 December 2013 reflects the matching of investments and liabilities within the statutory limitations. Due to the floating of foreign currency exchange rates, the Company is also exposed to currency risk in both 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 partners.

The currency structure of invested financial assets presented below comprises all investments, including the financial investments of Triglav Re under reinsurance contracts with cedants.

in EUR

YEAR 2013	FINANCIAL INVESTMENTS	in %	TECHNICAL PROVISIONS CEDED TO REINSURER	in %
EUR	116,893,381	91.7%	44,284,415	99.3%
USD	9,259,089	7.3%	263,539	0.6%
RSD	1,595	0.0%	0	0.0%
BAM	137,769	0.1%	0	0.0%
CZK	0	0.0%	50,540	0.1%
OTHER	1,243,580	1.0%	32	0.0%
TOTAL	127,535,415	100.0%	44,598,526	100.0%

in EUR

YEAR 2012	FINANCIAL INVESTMENTS	in %	TECHNICAL PROVISIONS CEDED TO REINSURER	in %
EUR	114,725,017	93.7%	56,030,238	98.6%
USD	6,504,929	5.3%	724,689	1.3%
RSD	39,991	0.0%	0	0.0%
BAM	137,752	0.1%	0	0.0%
CZK	0	0.0%	56,194	0.1%
OTHER	1,088,283	0.9%	0	0.0%
TOTAL	122,495,972	100.0%	56,811,121	100.0%

The currency structure of net technical provisions comprises all net technical provisions, including equalisation provisions.

in EUR

Currency	Net technical provisions 2013	in %	Net technical provisions 2012	in %
EUR	74,550,930	84.2%	74,494,038	83.5%
USD	4,944,044	5.6%	4,502,290	5.0%
KRW	1,540,287	1.7%	2,270,059	2.5%
JPY	299,385	0.3%	678,945	0.8%
DKK	581,699	0.7%	603,705	0.7%
Other	6,604,009	7.5%	6,621,618	7.4%
TOTAL	88,520,353	100.0%	89,170,656	100.0%
Technical provisions	86,831,907	98.1%	87,609,801	98.2%
Equalisation provisions	1,688,446	1.9%	1,560,855	1.8%

13.4.6 Credit risk

STRUCTURE OF ASSETS EXPOSED TO CREDIT RISK

in EUR

CLASS OF ASSETS	YEAR 2013	YEAR 2012
Equity securities	1,179,530	1,105,566
Debt securities	116,601,712	110,391,132
Investment funds	982,177	1,625,983
Loans and receivables	8,758,373	9,362,566
Financial derivatives	3,623	1,103
Receivables	56,887,158	56,287,302
TOTAL EXPOSED ASSETS	184,412,573	178,773,652

The credit risk is the risk that a contractual party to a financial instrument contract fails to fulfil its obligation and thus causes a financial loss to Triglav Re. Credit risk arises in connection with investments in equity securities, debt securities, loans and deposits and receivables.

Credit risk of debt securities portfolio (the book amount of bonds is taken as the base value):

in EUR

CREDIT RATING	YEAR 2013	in %	YEAR 2012	in %
AAA	24,890,043	21%	35,349,765	32%
AA	4,881,781	4%	1,950,020	2%
A	15,021,180	13%	35,947,932	33%
BBB	60,572,929	52%	24,183,092	22%
BB	2,605,763	2%	4,493,571	4%
B	751,643	1%	603,398	1%
Not credit rated	7,878,371	7%	7,863,353	7%
TOTAL	116,601,712	100%	110,391,132	100%

For determining the credit rating, the method of the "second-best" assessment for each security is taken into account, which means that between three ratings at least, the second best is used. In the event that there are only two credit assessments for a single issuer, the worse of the two is used, but if there is only one credit rating, that rating shall apply. The table shows that the Company also owns debt securities that do not have a credit rating, and they are mostly issued by the Slovenian financial and corporate sector. The largest portion of bonds with a credit rating of "BBB" represents the Slovenian government bonds.

in EUR

CREDIT RATING	YEAR 2013	in %	YEAR 2012	in %
AAA	0	0%	18,817	0%
AA	136,224	2%	119,461	1%
A	2,359,139	27%	2,412,330	26%
BBB	2,747,703	31%	170,878	2%
BB	1,505,425	17%	4,558,196	49%
Not credit rated	2,009,883	23%	2,082,885	22%
TOTAL	8,758,373	100%	9,362,566	100%

Triglav Re manages its credit risk in accordance with the principle of diversification of investments. The highest total investment in a single financial organisation as at 31 December 2013 amounts to EUR 4,912,017. At the year end, investments in foreign securities amounted to EUR 75,072,511. In the international markets, Triglav Re mainly invests in securities with an "AAA" rating. At the end of 2013, Triglav Re held investments from the PIIGS country issuers in the amount of EUR 7,550,626, of which government bonds accounted for EUR 131,738 and the rest were debt securities invested in the financial and corporate sectors.

Domestic securities are largely guaranteed by the Republic of Slovenia which at 31 December 2013 held an Baa1 rating issued by the Fitch rating agency. Investments in the government securities of the Republic of Slovenia and securities guaranted by the Republic of Slovenia amounted to EUR 35,276,663 which constitutes 28 percent of all financial assets of the Company.

MATURITY STRUCTURE OF RECEIVABLES

in EUR

YEAR 2013	NOT PAST DUE YET	DUE UP TO 180 DAYS	DUE OVER 180 DAYS	TOTAL
Receivables from coinsurance and reinsurance	37,474,351	4,539,360	14,869,128	56,882,839
- receivables for premium from reinsurance assumed	30,503,658	3,277,160	13,487,093	47,267,911
- receivables for reinsurers' share in claims	4,635,782	1,212,970	1,362,163	7,210,915
- other receivables from coinsurance and reinsurance	2,334,911	49,230	19,872	2,404,013
Other receivables	4,319	0	0	4,319
TOTAL	37,478,670	4,539,360	14,869,128	56,887,158

in EUR

YEAR 2012	NOT PAST DUE YET	DUE UP TO 180 DAYS	DUE OVER 180 DAYS	TOTAL
Receivables from coinsurance and reinsurance	43,320,787	3,817,676	9,089,359	56,227,822
- receivables for premium from reinsurance assumed	37,306,078	2,604,714	8,464,462	48,375,254
- receivables for reinsurers' share in claims	3,521,120	1,190,719	591,959	5,303,798
- other receivables from coinsurance and reinsurance	2,493,589	22,243	32,938	2,548,770
Other receivables	59,480	0	0	59,480
TOTAL	43,380,267	3,817,676	9,089,359	56,287,302
TOTAL	46,005,301	6,985,161	4,664,180	57,654,642

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 inwards reinsurance, and offset of claims and commission receivable and premium payable in retrocession business outwards reinsurance).

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

The table below shows past due and offset receivables from retrocessions, classified by the retrocedant's credit rating as at 31 December 2013, compared to the preceding year. From the credit risk perspective, the rating of the reinsurer, to whom the reinsurance business has been ceded, is important.

in EUR

Credit Rating of Reinsurer by S&P	YEAR 2013	YEAR 2012
AAA	0	0
AA	1,329,280	992,253
A	728,600	559,943
BBB	24,009	4,888
BB	0	2,352
Not Rated	273,130	158,541
TOTAL	2,355,019	1,717,977

The table below shows the structure of retroceded claims provisions by the retrocedants' credit rating as at 31 December 2013, compared to the preceding year.

in EUR

Credit Rating of Reinsurer by S&P	YEAR 2013	YEAR 2012
AAA	0	0
AA	18,775,356	26,406,232
A	15,621,271	16,967,044
BBB	885,499	1,333,373
Not Rated	1,653,515	2,283,946
TOTAL	36,935,641	46,990,595

13.5 Significant events after the accounting year 2013

There were no significant events after the reporting date that could affect the financial statements of the Company.

Publisher: Triglav Re, Reinsurance Company Ltd.
Production: Triglav Re, Reinsurance Company Ltd.
Design: Nuit d.o.o.
Ljubljana, 2014