

A landscape photograph showing a flooded area with several bare trees in the background. The water is calm, reflecting the trees and the overcast sky. The overall tone is somber and environmental.

**SAVE THE
PLANET**

triglav*RE*
Business Report 2010

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RECYCLE

1

OPERATING PERFORMANCE AND EVENTS IN 2010

1.1 Business highlights

in EUR

	YEAR 2010	YEAR 2009	INDEX
Gross reinsurance premium written	120,167,238	114,027,127	105
Gross claims paid	61,837,383	71,020,173	87
Gross operating expenses*	2,869,491	2,728,936	105
Technical provisions	103,335,061	91,103,518	113
Equity	36,039,555	31,370,343	115
Net profit	5,984,091	7,161,757	84
Number of employees at year-end	38	38	100

*Gross operating expenses by functional groups

1.2 Significant events in 2010

JANUARY
On January 18th 2010, Mr. Gregor Stražar received the license for the position of a member of the Board of Management of Triglav Re, Ltd.

At its 2nd regular meeting held on January 18th 2010, the Supervisory Board of Triglav Re, Ltd, appointed Tomaž Rotar as a new member of the Board of Management.

MARCH
On March 25th 2010 Mr. Tomaž Rotar received the license for the position of the Member of the Board of management of Triglav Re, Ltd.

NOVEMBER
On November 25th, 2010, Standard & Poor’s Rating Services again assigned an A rating with a stable outlook to Triglav Re, Reinsurance Co. Ltd. and to Triglav Insurance Company Ltd.

DECEMBER
Triglav Re donated funds earmarked for season greetings cards to the Gynaecology Clinic for purchase of beds for women giving birth.

1.3 Significant events after year-end 2010

After the end of financial year 2010, there were no significant events that would affect the operating performance of Triglav Re.

1.4 Address by the Chairman of the Board of Management

Since the outbreak of the global economic and financial crisis in 2008, and continued uncertainty about overcoming the crisis in 2009, the year 2010 was more promising, at least beyond Slovenian borders. The world economy started to recover and states were slowly stepping out of recession at different pace, most quickly China, Poland, Indonesia and Australia. The operating performance of Triglav Re was not substantially affected by the economic crisis, however, in the beginning of 2010 Triglav Re prepared a strategic plan for the 2010-2013 period, in which the development vision and strategy of Triglav Re was set anew and in accord with the Triglav Group. Stable and profitable business has been set as the final aim of Triglav Re, striving to be a reliable partner to companies within and outside the Group.

Operating performance in 2010

The 2010 financial year did not start very promising for Triglav Re. Catastrophic events in the world with significant impact on the operating performance of Triglav Re followed one another. The Chile earthquake in February measuring 8.8 on the Richter scale was the first in the row of events that considerably affected the operating performance of Triglav Re with a net loss of EUR 2 million for Triglav Re.

Europe, too, was struck by several natural disasters in this year: a heavy thunderstorm in February hit Spain, France and Germany, and in May heavy rains struck Poland, the Czech Republic, Hungary and Slovakia. Slovenia was not spared either. In June, hail caused material damage in Grosuplje region, especially to vehicles, and in September heavy rains damaged many buildings in Northern Primorska, Zasavje and Dolenjsko, and in Ljubljana and its surroundings.

Despite the unfavourable start of the financial year, Triglav Re successfully concluded the 2010 financial year with a profit of close to EUR 6 million, which is only by 1.2 million below the net profit of 2009. Gross reinsurance premiums written increased by 5.4% in comparison to 2009, while gross claims paid decreased by no less than 12.9%. The high positive business result was in part also influenced by net profit from investments in the amount of EUR 3.9 million, which in comparison to 2009 grew by additional EUR 0.4 million.

In 2010, retention rate increased by 3.2 percentage points, while the share of gross operating expenses compared to gross reinsurance premium remained at the 2009 level and amounted to 2.6%, which proves cost efficient operation of Triglav Re.

Maintenance of “A” credit rating

In 2010, Triglav Re retained the “A” credit rating, assigned to it by Standard & Poor’s Rating Services on 25 August 2009. Maintenance of the credit rating is of exceptional importance for further development of Triglav Re since it provides better opportunity to acquire major business from cedents outside the Triglav Group.

Challenges for the future

In the years to come, Triglav Re will endeavour to meet all of the set strategic and business challenges. It will continue to assure optimal reinsurance protection to the Triglav Group, ensure solvency and liquidity of Triglav Re, expand its operation outside the Triglav Group and provide a reasonable return on invested capital to the shareholders of Triglav Re.

All that, however, can only be achieved with motivated and highly qualified employees who are of key importance to Triglav Re and, therefore we will continue to devote much attention to their education and further training, as well as to the maintenance of good working climate within the Company.



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CARBON
FOOT
PRINT**

2

REPORT BY THE SUPERVISORY BOARD ON THE VERIFICATION OF THE ANNUAL REPORT OF TRIGLAV RE, REINSURANCE COMPANY LTD., FOR THE YEAR 2010

The Supervisory Board of Triglav Re, Reinsurance Company Ltd. supervised the management of the Company and monitored the implementation of strategic goals and policies within the scope of its powers and tasks. It was regularly informed of the Company's operations and timely responded to the changes in operation and to major decisions taken by the Board of Management.

In performing their work, the supervisors followed the applicable legislation governing company law, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. In addition, they took into consideration the principle of corporate governance pursuant to the Governance Policy of Zavarovalnica Triglav, d.d.

At the end of the year, the Supervisory Board operated in the following composition: Andrej Slapar (Chairman), Aleksandra Vuković Kačar (Deputy Chairperson of the Supervisory Board) and Nadja Pivk. Aleksandra Vuković Kačar was elected member of the Supervisory Board at the 18th Shareholders' Meeting of 23 June 2010, after Dr. Mojca Piškurić submitted her letter of resignation on 12 April 2010. The term of office of the new member started on the day following the election at the Shareholders' Meeting and shall continue to 17 December 2013, equal to the term of office of the other two members. In 2010, the Supervisory Board held nine regular sessions in total, of which four were correspondence sessions.

In the opinion of the Supervisory Board, Triglav Re, Reinsurance Company Ltd. operated well in spite of high claims paid due to natural disasters and properly contributed to the strategic goal of stable and profitable operation of the Triglav Group. The Company collected by 5.4% more in total gross premium, which is by 7.7% above the planned result. In line with its strategic orientation the Company increased the share of premiums written outside the Triglav Group from 30 to 37% in one year and, thus, the scope of premiums written increased by a good quarter. At the same time, gross claims paid were down by 12.9%, in spite of high payments made due to natural disasters, such as the earthquake in Chile and extreme weather disasters in various parts of Europe. The Company confirmed its business stability by retaining the A rating with stable outlook, assigned by Standard & Poor's Rating Services.

Operation of the Supervisory Board

- In its sessions, the Supervisory Board adopted some major resolutions and decisions. Thus, the Supervisory Board:
- gave consent to the Business Plan of Triglav Re, Reinsurance Company Ltd. for 2010;
 - appointed Tomaž Rotar who received a license for the position of the Member of the Board of Management of Triglav Reinsurance Company Ltd. on March 25 2010, as Member of the Board of Management;
 - took note of the issue of a license for the position of the Member of the Board of

- Management to Gregor Stražar and authorised the Chairman of the Supervisory Board to sign the employment contract;
- adopted the Criteria for calculating the performance ratio for annual remuneration of the Board of Management for 2010;
 - took note of the information about insurance diversification;
 - proposed to the Shareholders' Meeting to pass the resolution on the distribution of accumulated profits, which the Shareholders' Meeting adopted,
 - proposed to the Shareholders' Meeting to appoint the audit firm KPMG as the certified auditor of the 2010 Annual Report of Triglav Re, Reinsurance Company Ltd.;
 - took note of the Rules to be considered by members of supervisory bodies when deciding on employment contracts, civil law contracts and annexes thereto concluded with directors, and agreed to the proposed annexes to the contracts prepared for the members of the Board of Management, Tomaž Rotar and Gregor Stražar;
 - took note of the proposed resolution to increase the share capital of the Company with the Company's assets and of the proposed amendment of Article 4 of the Articles of Association of Triglav Re, Reinsurance Company Ltd., and agreed to both proposals;
 - took note of the letter of resignation submitted by the Deputy Chairperson of the Supervisory Board, Dr. Mojca Piškurić;
 - took note of the resolution passed by the 18th Shareholders' Meeting regarding the election of Aleksandra Vuković Kačar as a new member of the Company's Supervisory Board;
 - set up the Audit Committee of the Supervisory Board of Triglav Re, Reinsurance Company Ltd., composed of Tomaž Žust, Nadja Pivk and Aleksandra Vuković Kačar, and appointed the last named as chairperson of the Committee;
 - adopted the decision regarding the competences of the Board of Management of the Company and stated in which cases, in addition to matters provided by law and the Articles of Association, the Board of Management is obliged, to obtain prior consent of the Supervisory Board, and pursuant to this decision adopted the relevant amendments to the Rules of Operation of the Supervisory Board;
 - regularly monitored the implementation of decisions adopted by the Supervisory Board and established that all decisions have been realised.

In supervising the Company's business conduct, the Supervisory Board regularly discussed reports of the Company and, thus, the Supervisory Board:

- took note of the audited Annual Report of Triglav Re, Reinsurance Company Ltd. for 2009 and approved it;
- took note of Auditor's Report of 10 May 2010, Opinion of the Certified Actuary to the 2009 Annual Report and the Auditor's additions to the 2009 Annual Report;
- adopted the annual report on internal auditing in Triglav Re, Reinsurance Company Ltd. and quarterly reports;
- took note of quarterly reports on operating performance Triglav Re, Reinsurance Company Ltd.;
- took note of quarterly reports on liquidity, solvency, capital adequacy, and Investments backing technical provisions.

Cooperation with the Board of Management

The Supervisory Board regularly and actively communicated with the Board of Management. With regard to essential strategic and business issues, the Chairman of the Board of Management consulted the Chairman of the Supervisory Board and informed him of events of importance for the assessment of the position and management of the Company. The Board of Management presented the Supervisory Board with reports on all major aspects of business operation. The reports contained information of key indicators of operating performance (premiums, claims, provisions, costs, investments and effects thereof), as well as comparisons with plans and previous period results. The Supervisory Board operated in open and close cooperation with the Board of Management, in compliance with good practice and to the benefit of the Triglav Group.

Verification of Annual Report for 2010

The Audit Committee of the Supervisory Board reviewed the submitted annual report of the Company for 2010 and established that the report had been prepared within the statutory term

and covered all topics prescribed by the Companies Act (ZGD), The Insurance Act (ZZavar) and implementing regulations. Assurance of that was also provided by the Company’s Board of Management, auditors of KPMG Slovenija, d.o.o., and certified actuary Rudi Lipovec. On the basis of these findings, the Audit Committee proposed to the Supervisory Board to approve the Annual Report of Triglav Re, Reinsurance Company Ltd. for 2010.

The Company set aside technical provisions and other reserves from profit, the correctness of which was confirmed by the certified actuary and the auditor. The notes to financial statements contain all the information prescribed under items 1 thru 20 of Article 69, paragraph 1, of the Companies Act.

On the basis of the resolution on the appointment of the auditor for financial year 2010 adopted by the Shareholders’ Meeting of Triglav Re, the auditor audited the Company’s financial statements for 2010 and the business report prepared by the Board of Management. On April 11 2011 he prepared his report and issued a positive opinion.

In accordance with legal requirements provided in the Insurance Act, certified actuary Rudi Lipovec verified the operating performance of Triglav Re in actuarial terms. On 25 March 2011, he prepared the Report of the Certified Actuary as of 31 December 2010, and on 25 March 2011 he, in addition, submitted the Opinion of the Certified Actuary to the Annual Report of Triglav Re, Reinsurance Company Ltd. for 2010.

Pursuant to Articles 54 and 282 of the Companies Act and in connection wit Article 158 of the Insurance Act, the Board of Management, by the legally required deadline, presented the Annual Report, together with the Auditor’s Report and the Opinion of the Certified Actuary to the Annual Report for 2010, on examination by the Supervisory Board of Triglav Re.

Approval of Annual Report for 2010

The Supervisory Board received Annual Report for 2010 by the prescribed deadline, which is one month before the date, when the Board of Management submitted it to the Supervisory Board. The Supervisory Board had no comments to the Annual Report for 2010 and approved it.

Auditor’s report

The Supervisory Board took note of the auditor’s report to the Supervisory Board of Triglav Re, Reinsurance Company Ltd., in which the auditor provides assurance that financial statements give a true and fair view of the Company’s financial position and have been prepared in compliance with the Slovene accounting standards. In his report, the auditor also presented his recommendations to the Supervisory Board.

Opinion of the certified actuary

The certified actuary confirmed that the amount of premiums written by Triglav Re in 2010 the amount of technical provisions set aside by Triglav Re as at 31 December 2010 were adequate and based upon reasonable actuarial assumptions provide for sustainable fulfilment of Triglav Re liabilities from reinsurance contracts. The assets backing liabilities exceed the amount of technical provisions and have been invested and diversified in compliance with regulations. Triglav Re also meets the prescribed requirements on capital adequacy. The actuary presented his view of the Triglav Re operating performance in 2010 to the Supervisory Board in his report.

Proposed allocation of accumulated profit as at 31 December 2010

The Supervisory Board checked the proposal of the Board of Management regarding the allocation of accumulated profit recorded at 31 December 2010 from the formal point of view and established that the allocation of profit was prepared in compliance with Article 230 of

the Companies Act. The proposal for the distribution of accumulated profits subject to the final approval by the General Meeting of Shareholders was prepared in compliance with Article 282, paragraph 4, of the Companies Act.

Based on the above statements and in compliance with Article 293, paragraph 4, of the Companies Act, the Board of Management and the Supervisory Board of Triglav Re, Reinsurance Company Ltd., propose to the Shareholders’ Meeting to pass the resolution of on the distribution of accumulated profits as recorded at 31 December 2010, upon the proposal of the Board of Management and of the Supervisory Board.

Triglav Re, Reinsurance Company Ltd. was successful in realizing the vision of a stable and profitable operation. Solvency and liquidity of the Company were assured, growth of gross premiums written and net profit in the amount of EUR 6 million achieved, and the »A« credit rating retained. In parallel to all that, the Company appropriately managed the risks, strengthened the trust of the reinsured and provided the owners with an adequate return on capital. It provided appropriate and high quality reinsurance to the companies within the Triglav Group and at the same time considerably increased the share of premiums written outside the Group.

Ljubljana, May 25 2010

Chairman of the Supervisory Board of
Triglav Re, Reinsurance Company Ltd.
Andrej Slapar





Report of the Independent Auditor on the Summary Financial Statements

To the Shareholders of Pozavarovalnica Triglav Re, d.d., Ljubljana

The accompanying summary financial statements of Pozavarovalnica Triglav Re, d.d., Ljubljana, which comprise the summary balance sheet as at 31 December 2010, the summary income statements, summary statements of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Pozavarovalnica Triglav Re, d.d., Ljubljana for the year ended December 31, 2010. We expressed an unmodified audit opinion on those financial statements and included a paragraph on emphasis of matter in our report dated 11 April 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of ABC Company.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 9.3.

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 (IAS) 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., Ljubljana for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, on the basis described in Note 9.3. Without qualifying our opinion we draw your attention as already in our report on the financial statements dated 11 April 2011, referring to inconsistency of requirements in the Insurance Act with the International Financial Reporting Standards as adopted by the European Union. The Company forms and discloses equalisation provisions within equity in accordance with the International Financial Reporting Standards as adopted by the European Union. If these financial statements would be prepared according to provisions of the Insurance Act, these equalisation provisions would have been formed and charged against the operating profit or loss and disclosed among technical provisions.

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


Simona Korošec Lavrič, M.Sc.Ec.
Certified Auditor


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



**GLOBAL
WARMING**

3

COMPANY PROFILE

3.1 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
Web site:	www.triglavre.si
E-mail:	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
The Chairman of the Board of Management:	Gojko Kavčič
The Chairman of the Supervisory Board:	Andrej Slapar
Activity according to the Standard Classification of Activities:	Reinsurance

3.2 Development overview of the Company

3.2.1 History of Triglav Re

The beginnings of Triglav Re date back into 1999. In its first year of operation the Company only reinsured the portfolio of Zavarovalnica Triglav, d.d., and justified the founders’ expectations since it operated well and generated profit, having at the same time important impact on risk equalisation and management on the Slovenian market. It was only in the 2000 financial year that the Company started to write business from international markets.

Employing a prudent and conservative approach to the acceptance of risks and taking into account all elements of risk management, Triglav Re completed a capital increase procedure in 2001 and, in the following years, developed into a serious and reliable partner in the European reinsurance market. Its reputation has grown in particular in the region of Central Europe.

The year 2008 brought Triglav Re with regard to its future activities, since Standard & Poor’s rating agency assigned it an A- rating with stable outlook. In 2009 the rating was upgraded to an A with stable outlook, which despite the fierce market conditions the Company retained also in 2010.

3.2.2 Anticipated development of Triglav Re in 2010

Despite the dire economic conditions in 2008 and 2009, Triglav Re expects favourable further development. The assigned good credit ratings have strengthened the Company’s market position. In addition to thus confirmed financial stability of operation, the Company now has better access to reinsurance markets which in the past conditioned cooperation with a proper assigned rating, due to either the requirement of local regulators or internal rules of cedants.

In accordance with its business plan for 2011, Triglav Re will, along with the realisation of its reinsurance programme within the Triglav Group in Slovenia and abroad, continue to focus on the acquisition of reinsurance business with cedants outside the Group. As in the past, its growth will be based on a conservative underwriting policy and the further preservation of a stable and profit-bearing portfolio.

3.3 Information on the Triglav Group

Triglav Re, Reinsurance Company Ltd. is a company controlled by Zavarovalnica Triglav, d.d., Ljubljana, Miklošičeva 19.

In addition to Triglav Re, the following companies comprised the Triglav Group in 2010:

- Triglav, Zdravstvena zavarovalnica, d.d., Koper,
- Triglav Osiguranje, d.d., Zagreb, Croatia,
- Triglav BH Osiguranje, d.d., Sarajevo, Bosnia and Herzegovina,
- Triglav Pojišt’ovna, a.s., Brno, Czech Republic,
- Lovćen Osiguranje, a.d., Podgorica, Montenegro,
- Triglav Kopaonik, a.d.o., Beograd, Serbia,
- Triglav Krajina Kopaonik, a.d., Banja Luka, Republic Srpska, Bosnia and Herzegovina,
- Vardar osiguruvanje, a.d., Skopje, Macedonia,
- Triglav DZU, d.o.o., Ljubljana, Slovenia,
- Triglav Naložbe, finančna družba, d.d., Ljubljana, Slovenia,
- Triglav penzijski fondovi, a.d., Beograd, Serbia,
- TRI - PRO, d.o.o., Domžale, Slovenia,
- TRI - PRO BH, d.o.o., Sarajevo, Bosnia and Herzegovina,
- AS Triglav-servis and trgovina, d.o.o., Ljubljana, Slovenia,
- Triglav nepremičnine, upravljanje and svetovanje, d.d., Ljubljana, Slovenia,
- Slovenijales, d.d., Ljubljana, Slovenia,
- Golf Arboretum, d.o.o., Radomlje, Slovenia,
- Gradis IPGI, d.d., Ljubljana, Slovenia,
- Triglav INT, holdinška družba, d.d.,
- Hotel Grad Podvin d.d.
- Slovenijales trgovina, d.o.o.
- Autocentar BH d.o.o.
- Unis automobili i dijelovi d.o.o.
- Sarajevostan, d.d.
- Lovćen Auto a.d.o.
- Lovćen životna osiguranja
- PROF-IN, d.o.o.
- Polara Invest, d.d.
- Zdravstveni center morje, d.o.o.
- Poslovno hotelsko stanovanjski center Štemarje, d.o.o.
- Turistično hotelsko podjetje KRONA, d.o.o.

3.4 Shareholder’s equity and shareholders of the Company

As at 31 December 2010 total equity of Triglav Re, Ltd. amounted to EUR 36,039,555. The share capital in the amount of EUR 4,950,000 is divided into 15,000 ordinary registered no-par value shares. Each share representing an equal portion and corresponding amount in the share capital amounts to EUR 330.

As at 31 December 2010, the shareholder’s equity is divided among the following shareholders:

	OWNERSHIP (in %)	NUMBER OF SHARES
Zavarovalnica Triglav, Ltd	87.00	13,050
Nova Ljubljanska banka, Ltd	5.00	750
Petrol, Ltd	1.33	200
Maksima Holding, Ltd	2.00	300
Sava, Ltd	2.00	300
FMR Ltd, Idrija	2.00	300
Helios Domžale, Ltd	0.67	100
TOTAL	100.00	15,000

3.5 Credit rating of the Company

On 25 November 2010, Standard & Poor’s updated the credit rating of Triglav Re, which continues to be an “A” rating with stable outlook.



SOLAR
ENERGY

4

GENERAL ECONOMIC ENVIRONMENT

4.1 Economic environment in 2010

In 2010, economic recovery was in full swing. All major countries recorded positive economic growth which, however, differed from one country to another. The countries least affected by the crisis were China, Poland, Indonesia and Australia, and consequently these countries experienced the fastest recovery.

Slovenia

Incentives for stronger economic activity in Slovenia this year mainly come from the international environment. The phasing-out of anti-crisis stimulus packages and the fiscal austerity measures announced in a number of countries in the EU lowered the values of indicators of expectations in recent months, which suggest that this high growth will not continue in the second half of the year. In spite of increased exports, the crisis situation in the construction sector and increased unemployment have not yet shown any signs of recovery. In 2010, economic growth was registered at 0.9%, and exports increased by 7%. With domestic consumption recovering and export demand remaining relatively strong, economic growth is envisaged to accelerate to 2.5% in 2011.

The deterioration of the situation on the labour market slowed significantly in 2010, since the decline in employment was relatively small. The labour market will respond to the rebound in economic activity with a lag and the two emergency acts aimed at preserving jobs will expire. Therefore, the number of employed persons will still slightly decline in 2011. Considering the modified starting points for the projection of wages in both private and public sector, the nominal growth of gross wage per employee was 3.7% in 2010, and is expected to increase by 2.9% in 2011.

Inflation, marked by increases in energy prices and excise duties reached 2.8% in 2010. Assuming lower growth in commodity prices and excise duties, inflation is expected to ease to 2.2% next year. The deficit in the current account of the balance of payment will narrow to 0.9% of GDP and should amount to 1% of gross domestic product in 2011.

The key risk to the realisation of the forecast for GDP growth is the possibility of deterioration in the international environment and a renewed tightening in financial markets. As Slovenia’s recovery is mainly underpinned by the upswing in international trade, a potential slowdown in economic growth in its main trading partners would also drag down the expected economic recovery in Slovenia in the next year.

SPRING ECONOMIC OUTLOOK FOR 2010 and 2011

	Real GDP Growth				Consumer Price Index				Unemployment			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Advanced Economies	0.6	-3.4	2.3	2.4	3.4	0.1	1.5	1.4	5.8	8.0	8.4	8.0
Euro Area	0.6	-4.1	1.0	1.5	3.3	0.3	1.1	1.3	7.6	9.4	10.5	10.5
Great Britain	0.7	-4.4	1.3	2.5	3.6	1.9	2.7	1.6	5.6	7.5	8.3	7.9
Germany	1.2	-5.0	1.2	1.7	2.8	0.1	0.9	1.0	7.2	7.4	8.6	9.3
Sweden	-0.2	-4.8	1.2	2.5	3.3	2.2	2.4	2.1	6.2	8.5	8.2	7.7
Slovenia	3.5	-7.3	1.1	2.0	5.7	0.8	1.5	2.3	4.4	6.2	7.4	6.8
Israel	4.0	-0.1	3.2	3.5	4.6	3.6	2.3	2.6	6.1	7.7	7.4	7.1
Korea	2.2	-1.0	4.5	5.0	4.7	2.6	2.9	3.0	3.2	3.7	3.5	3.4
Japan	-1.2	-5.2	1.9	2.0	1.4	-1.4	-1.4	-0.5	4.0	5.1	5.1	4.9
USA	0.4	-2.4	3.1	2.6	3.8	-0.3	2.1	1.7	5.8	9.3	9.4	8.3

Source: IMF, World Economic Outlook, April 2010.

Europe

Europe is coming out of its deepest recession since World War II, yet at a slower pace than other regions. Several substantial macroeconomic incentives have supported the recovery, whereby some smaller countries within the European Union have problems with fiscal imbalances. The ongoing recovery has been supported by the following main factors: a sharp turn in the inventory cycle during the second half of 2009, normalization of global trade and forceful political incentives (supportive macroeconomic policy measures).

The countries within Europe are overcoming the crisis at uneven paces. The recovery is moderate Germany and France, where export growth is limited by external demand, investment is held back by excessive capacity and credit constraints, and consumption is tempered by higher unemployment. Also euro area economies are coming out of recession rather slowly, mainly due to fiscal or budget imbalances. Similar is true of the emerging Europe (Poland, Turkey,...), where the exit out of crises is a little faster due to higher return on capital and global trade.

Monetary policy will remain highly accommodative and, thus, inflation will remain relatively stable and low (about 1 percent in the euro area). Interest rates will continue to be kept low, which will help support faster recovery.

Asia

Economic recovery in Asia is quicker and stronger than in Europe. Economic growth was stronger than projected already in 2009, with Japan a notable exception. The recovery has also been more balanced, as it was supported by external and domestic demand. Four factors have supported Asia’s recovery: rapid normalization of export oriented trade, sharp turn of the inventory cycle, revitalisation of capital markets, and high domestic demand (both public and private). Important for Asia, in the long run, is in particular strong domestic demand which can, in addition, strongly influence the economic growth of the region.

In 2011, gross domestic product is expected to grow by 7% in Asia, which is by 5.5 percentage points above the expected growth for the Euro area. Japan, again, is a negative exception, with envisaged growth of gross domestic product by around 2%.

Middle East and North Africa

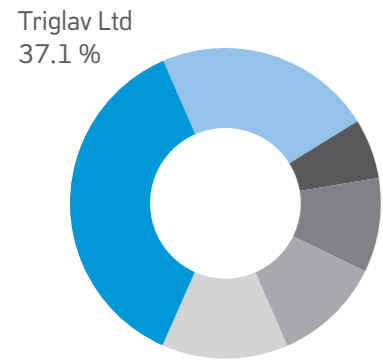
The Middle East region is growing at a good speed. The two factors shaping the recovery are higher commodity prices and larger external demand which boost production and exports; in addition, government spending has increased. In the Middle East and North Africa, gross domestic product will grow at a rate exceeding 4.5 percent, whereby the difference between oil exporting and oil importing countries will not be substantial. Good prospects can only be tampered by lower commodity demand and less that expected tourism on the part of developed countries, which could adversely affect export earnings, fiscal and current account balance and growth.

4.2 Insurance business in Slovenia

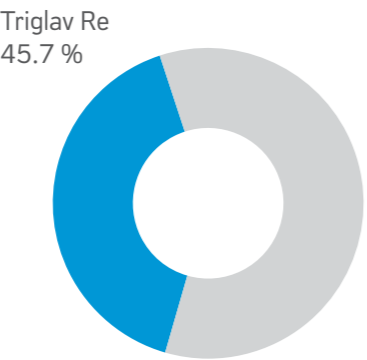
Insurance business holds next to banks the leading position in terms of balance sheet total and represents the second most important market segment. In 2010, nineteen (19) insurance and 2 reinsurance companies operated in the Slovenian insurance market. In total, insurance companies have written 2.1 billion premiums. The majority (69%), and 31% makes life insurance.

The degree of concentration in the Slovenian insurance market is rather high, since in 2010 the four largest insurance companies controlled 71% of the market. Zavarovalnica Triglav, d.d. with a 37.1% market share continues to hold the leading market position among traditional insurance companies. The market share of Zavarovalnica Triglav together with Triglav, Zdravstvena zavarovalnica, d.d. is even larger and amounted to 40.8% in 2010.

MARKET SHARES OF INSURANCE COMPANIES ON THE SLOVENIAN MARKET



MARKET SHARES OF REINSURANCE COMPANIES ON THE SLOVENIAN MARKET





GLOBAL WARMING

5

RISK MANAGEMENT

This chapter gives a general description of risk management in Triglav Re, while additional analysis of risks in the Company is presented in Chapter 12 (Accounting part of the annual report).

Risk management has become an important function in Triglav Re; it is gradually introduced in all business processes, with more time and growing effort devoted to it. In accordance with the Insurance Act and other implementing regulations, Triglav Re ensures, in the Company’s day-to-day operations as well as in planning and implementing the long-term goals of its business policy, that the Company:

- disposes with adequate capital based on 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 individual or all classes of reinsurance business and takes care that they do not exceed the legally prescribed limits.

In compliance with statutory provisions and deadlines, Triglav Re calculates and determines:

- the capital level and capital requirements;
- capital adequacy;
- the level of technical provisions;
- the level of assets backing liabilities;
- the types, spreads, matching and localisation of placements of assets backing liabilities;
- other statistical insurance data.

Triglav Re recognises risks related to all of the above items. The level required and available capital is verified in compliance with statutory provisions, but in addition, Triglav Re calculates its capital adequacy at least once a year and compares the levels of various types of risk with the S&P risk-based capital adequacy model and quantitative impact study on Solvency II (QIS4, QIS5). Based on these calculations, Triglav Re then adopts and implements appropriate risk mitigation measures.

Within the scope of risk management measures, the Board of Management of Triglav Re is also responsible for implementing the programme for the reinsurance of accepted risks and for managing resources and investments in a manner guaranteeing the capital adequacy, solvency and liquidity of operations of the Company.

Internal Auditing Department plays an important role in risk management; it helps the Board of Management of Triglav Re to identify, assess and manage the risk.

In 2010, Triglav Re set up a Risk Management Committee to strengthen risk control. The main tasks of the Committee are to survey and control all risks encountered by Triglav Re, and to prepare guidelines in relation to Solvency II.

5.1 Capital and capital requirements

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

Triglav Re calculates capital adequacy only for the class of non-life insurance because it is not dealing with life insurance except to reinsure against the risk of death (excluding the savings part), and retrocedes the majority of accepted risks to foreign reinsurance companies.

Capital adequacy of the Company is also calculated within the Standard & Poor’s requirements as part of the credit rating assignment and review process. Triglav Re endeavours to maintain the present Standard & Poor’s “A” rating, which is, however, to a great extent also related to the credit rating of the parent company Zavarovalnica Triglav.

With regard to capital adequacy, the requirements of the controlling company towards Triglav Re are equal to those set by Standard & Poor’s Rating Services.

Triglav Re is making the necessary preparations to introduce the new method of capital adequacy calculation to meet the requirements of Solvency II, stressing the importance of proper risk management and internal control. Thus, Triglav Re actively participated in quantitative impact study (QIS 5) in 2010, and applied the standard formula to calculate its capital adequacy.

5.2 Technical provisions

Triglav Re sets aside technical provisions, appropriate by substance and amount, for all assumed reinsurance business, both for reinsurance business assumed in the current year and for reinsurance business assumed for equalisation since the Company’s establishment. Risk related to technical provisions is the possible risk that technical provisions are smaller than they should be. We manage this risk primarily by comparing previous provisions for outstanding claims with subsequent actual liabilities incurred, by applying actuarial methods in formation of specific technical provisions, and by 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. Thus 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). For non-life insurance, the 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 the adequate amount, and therefore the application of the liability adequacy test is not needed. In adequacy tests of provisions for unearned premiums, Triglav Re considers the (see detailed explanation under item 9.7.1).

The adequacy of the formed technical provisions needs to be sufficient to ensure a permanent capacity to meet all liabilities of Triglav Re from reinsurance contracts and has to be in compliance with statutory requirements. The suitability of their calculation is audited and approved by the appointed certified actuary of Triglav Re.

5.3 Reinsurance risks

Reinsurance risks refer to 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 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 concentration may arise through a number of reinsurance contracts with the same territorial scope of cover. It could also arise from the accumulation of risks within a number of different insurance classes.

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

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 actuarial practice based on realisable assumptions, methods and estimates, while the assumptions are regularly verified 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 adequate maturity, diversity and dispersion of its investment portfolio. Triglav Re intends to continue pursuing such investment policy also in the future.

Triglav Re has evaluated the assets backing liabilities in accordance with International Accounting Standards, the Insurance Act, and relevant implementing regulations governing this sphere of activity.

5.5 Retrocession

With an appropriate reinsurance programme, Triglav Re covers that portion of risks underwritten that exceeds its own shares in risk equalisation specified in the Company’s tables of maximum coverage. The tables of maximum coverage contain 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 reassurers with low credit risk. The selection of a reinsurer is based on the credit rating assigned to it by one of the largest credit rating agencies.

5.6 Operational risks

Permanent attention of Triglav Re has been devoted in particular to the management of operational risks. 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,...)
- staffing risk (inappropriate human resource management, inadequate staffing, unsuitable internal rules, ...)
- information technology risk (inappropriate IT applications and IT infrastructure, technical tools,...); and
- legal risk (changes in legislation, loss of credit rating, competition...).

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 adjusting internal organisation, delimitation or responsibilities and gradual computerisation of business processes. Triglav Re manages staffing risks by applying a system of knowledge transfer between its employees and with consistent education and training. The key element of managing the 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 continuous watch for new legislation and 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 item 12.4.

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, Triglav Re provides for 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 is defined as the risk of losses incurred by Triglav Re as a consequence of changed financial situation of business partners, issuers of securities and other debtors with outstanding liabilities to Triglav Re. Triglav Re manages its credit risks in compliance with the Insurance Act, implementing regulations issued by the Insurance Supervision Agency, and internal rules by investing its funds surplus in bank deposits and/or debt securities of companies with proper credit rating regularly monitored by the Company.

Market risk
Market risk is the risk of possible loss resulting from unfavourable changes in market variables (price, interest rate, exchange rate). The Company devotes great attention to three types of market risk that may considerably affect the market value of investments.



REDUCE

6

FINANCIAL RESULT

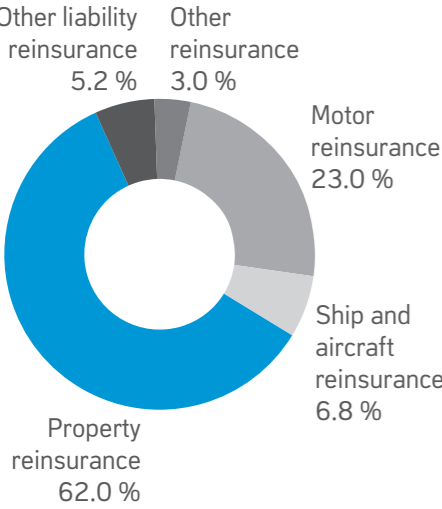
In 2010, Triglav Re generated profit in the amount of EUR 5,984,091, which primarily resulted from higher reinsurance income, lower claims incurred due to relatively favourable claims developments and higher return on investments.

6.1 Reinsurance premiums

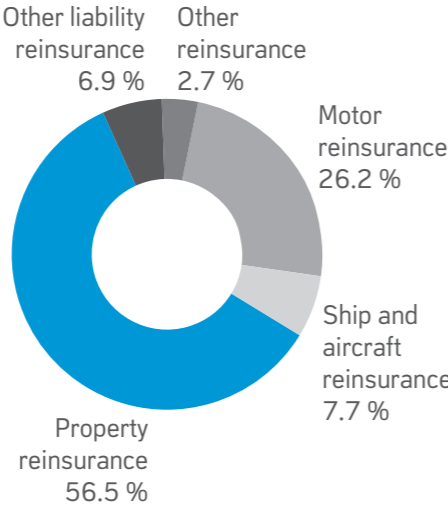
	YEAR 2010	YEAR 2009	INDEX	PLAN 2010	INDEX TO PLAN
Gross premium - Triglav Group	76,250,229	79,349,576	96.1	76,214,427	100.0
Gross premium - outside the Group	43,917,009	34,677,551	126.6	35,359,140	124.2
TOTAL GROSS PREMIUM	120,167,238	114,027,127	105.4	111,573,567	107.7
TOTAL NET PREMIUM	67,765,398	60,655,081	111.7	63,145,688	107.3

In 2010, gross reinsurance premium amounted to EUR 120,167,238 and increased by 5.4% compared to 2009, Triglav Re received 36.5% of gross premiums from cedents outside the Triglav Group.

STRUCTURE OF GROSS REINSURANCE PREMIUM IN 2010



STRUCTURE OF NET REINSURANCE PREMIUM IN 2010



The largest portion in the structure of gross reinsurance premiums represents property insurance. In 2010 it increased by 2.5% compared to 2009, while the share of motor insurance fell by 4.8% in 2010. Similar is true of net reinsurance premiums, where the share of net property reinsurance premiums increased by 5.7% in 2010, while the share of motor reinsurance fell by 9.4%.

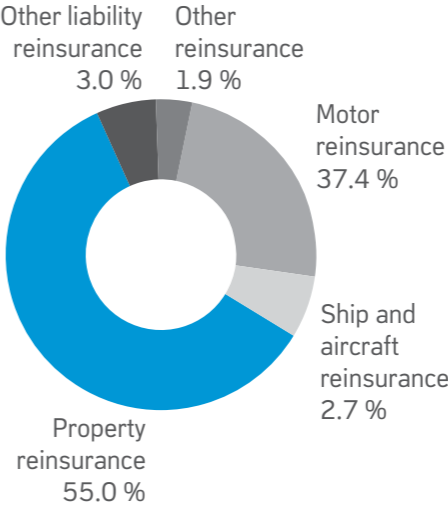
Net reinsurance premium income (calculated from gross reinsurance premiums, reduced by reinsurers' share and adjusted by the change in gross unearned premium corrected for the reinsurers' share in unearned premium) reached EUR 67,195,076 in 2010 and increased by 9.3% compared to 2009.

6.2 Reinsurance claims

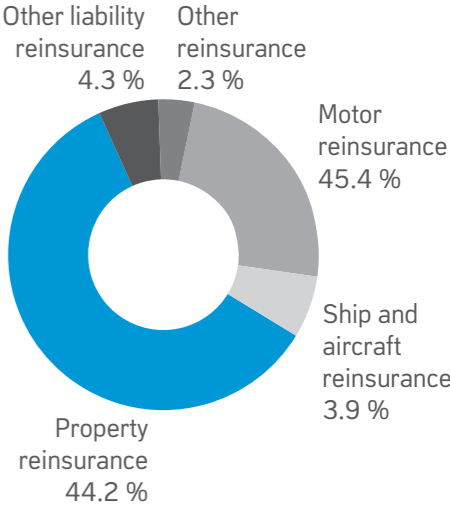
	YEAR 2010	YEAR 2009	INDEX	PLAN 2010	INDEX TO PLAN
Gross claims - Triglav Group	41,907,386	53,255,856	78.7	49,673,005	84.4
Gross claims - outside the Group	19,929,997	17,764,317	112.2	22,490,502	88.6
TOTAL GROSS CLAIMS	61,837,383	71,020,173	87.1	72,163,507	85.7
TOTAL NET CLAIMS	34,990,348	36,183,566	96.7	44,380,557	78.8

With regard to the preceding year, gross claims fell by 12.9% in 2010 and amounted to EUR 61,837,383. Decrease in claims is primarily the consequence of fewer weather disasters, particularly in the country and within the Triglav Group. In 2010, gross claims are by 14.3% below the planned level, while net claims are even by 21.2% below the planned value.

STRUCTURE OF GROSS REINSURANCE CLAIMS IN 2010



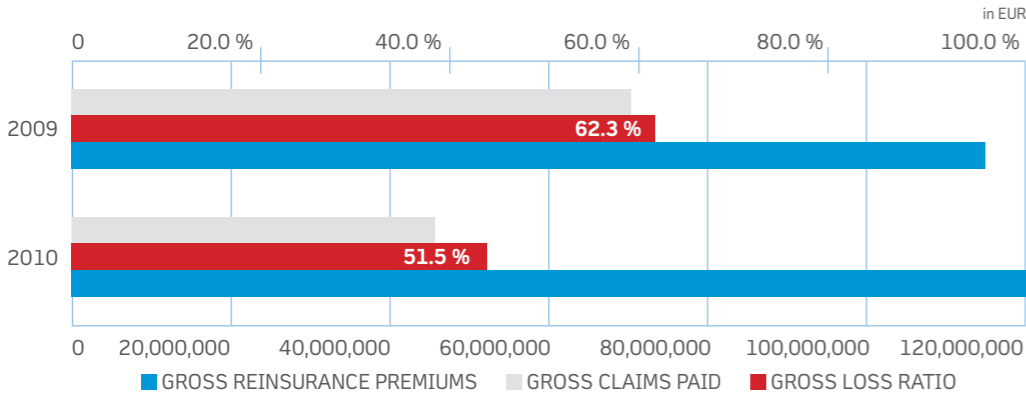
STRUCTURE OF NET REINSURANCE CLAIMS IN 2010



In 2010, the majority of gross claims were related to property and motor reinsurance. Compared to 2009, the highest increase in gross claims was recorded in property reinsurance with 7.0 percentage points, while the share of gross claims in motor reinsurance fell by 9.3 percentage points. Similar is the structure of net claims in 2010, where the majority of net claims also refers to property reinsurance (53.1%), and 35.2% to motor reinsurance.

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) are recorded in the amount of EUR 44,252,311 in 2010, and are by 9.4% higher than net claims incurred in 2009.

6.3 Gross loss ratio



Gross loss ratio representing the relation between gross claims incurred and gross premiums, fell in 2010 by 10.8 percentage points on the account of lower claims incurred which are lower predominantly thanks to fewer weather disasters.

6.4 Commission income and expense

Commission income amounted to EUR 8,509,032 in 2010 and decreased by 7.3% compared to the preceding year. On the other hand, however, commission expenses increased by 13.1% and amounted to EUR 24,671,840 in 2010, so that net commission expense amounted to EUR 16,162,808 in 2010.

6.5 Financial income and expense

As at 31 December 2010, financial assets amounted to EUR 101,306,141, and grew by 10.5%, i. e. EUR 9,649,705 in comparison to the preceding year.

STRUCTURE OF FINANCIAL ASSETS OF TRIGLAV RE

	in EUR				
	31, 12, 2010	STR, 2010	31, 12, 2009	STR, 2009	INDEX
Shares and other variable yield securities	2,080,529	2%	2,593,500	3%	80.2
Debt securities and other fixed yield securities	80,272,673	79%	58,674,538	64%	136.8
Shares in investment funds	3,449,516	3%	2,997,594	3%	115.1
Bank deposits	12,369,531	12%	24,314,478	27%	50.9
Other financial investments	30,907	0%	93,190	0%	33.2
Reinsurer's investments from reinsurance contracts	3,102,985	3%	2,983,136	3%	104.0
TOTAL FINANCIAL INVESTMENTS	101,306,141	100%	91,656,436	100%	110.5

As at 31 December 2010 Triglav Re discloses the following state of investments, classified by maturity:

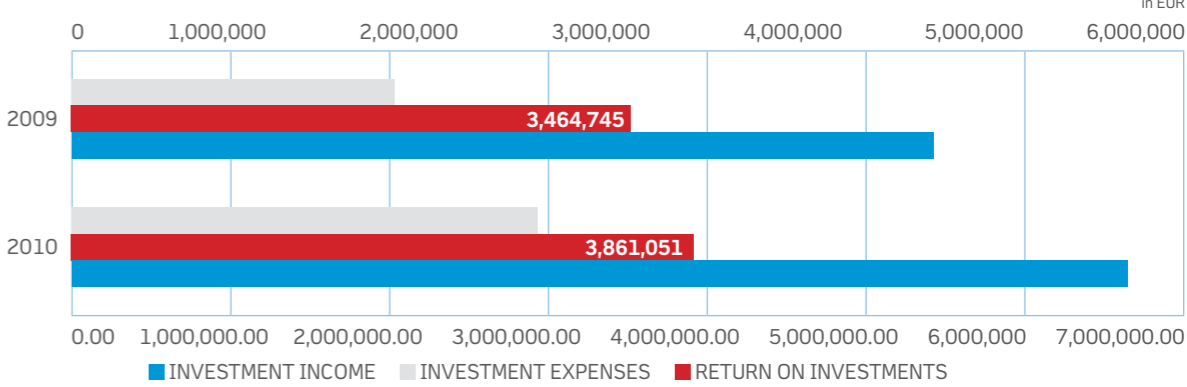
- long-term financial investments in the amount of EUR 94,372,132;
- short-term financial assets in the amount of EUR 3,810,117;
- financial investments in associated companied of Triglav Group in the amount of EUR 20,907;
- retained premiums with cedants, which Triglav Re holds from reinsurance contracts, in the amount of EUR 3,102,985.

Debt securities represent the largest share of all investments, followed by bank deposits, while shares and interests in investment funds take the smallest share in the investment structure. Compared to the preceding year, the share of debt securities marked a considerable increase, predominantly due to bank deposits, which results from specific circumstances on financial markets. The portion of shares and interests, shares in investment funds, and reinsurers'

investments from reinsurance contracts has remained at a level approximately equal to the previous year.

Book rate of return on the entire investment portfolio reached 4.0% in 2010, while it had amounted to 4.8% in the preceding year.

FINANCIAL INCOME, EXPENSES AND RATE OF RETURN ON INVESTMENTS



In 2010, financial income amounted to EUR 6,721,541 and financial expenses to EUR 2,860,490, while total return on investments resulted in EUR 3,861,051, which is by 11.4% more that the year before.

In 2010, Triglav Re pursued a rather conservative investment policy. Taking into consideration the principles of security, profitability and marketability, the structure of the investment portfolio was optimised with adequate maturity, diversity and dispersion of investments of assets backing liabilities and of own funds. In 2011, the Company will continue to carefully monitor the uncertain financial situation and will, accordingly, invest funds in less risky and yet reasonably profitable investments.

6.6 Operating expenses

In 2010 gross operating expenses increased by 5.2% in comparison to the preceding year. Depreciation expense was lower by 21.2% in comparison to the preceding year, mainly due to not effected purchase of new software and hardware, while costs of labour increased by 6.4%, mainly due to new employment of management staff. Other operating expenses grew by 7.4%, mainly because of more consultancy services related to the business continuity project, and due to higher costs of insurance premiums.

	in EUR		
	YEAR 2010	YEAR 2009	INDEX
Depreciation of operating assets	99,173	125,871	78.8
Labour costs (staff expenses)	2,101,082	1,974,744	106.4
Costs of services provided by individuals not engaged in business activity, including contributions	13,340	21,157	63.1
Other operating costs and expenses	851,445	793,135	107.4
TOTAL OPERATING EXPENSES	3,065,041	2,914,907	105.2

6.7 Financial result ratios

	YEAR 2010	YEAR 2009
Rate of retention	56.4%	53.2%
Share of gross premium outside the Group in total gross premium	36.5%	30.4%
Share of net operating expenses in gross premium	2.6%	2.6%
Loss ratio	65.9%	65.8%
Expense ratio	28.9%	25.2%
Combined ratio	94.8%	91.0%



SOLAR
ENERGY

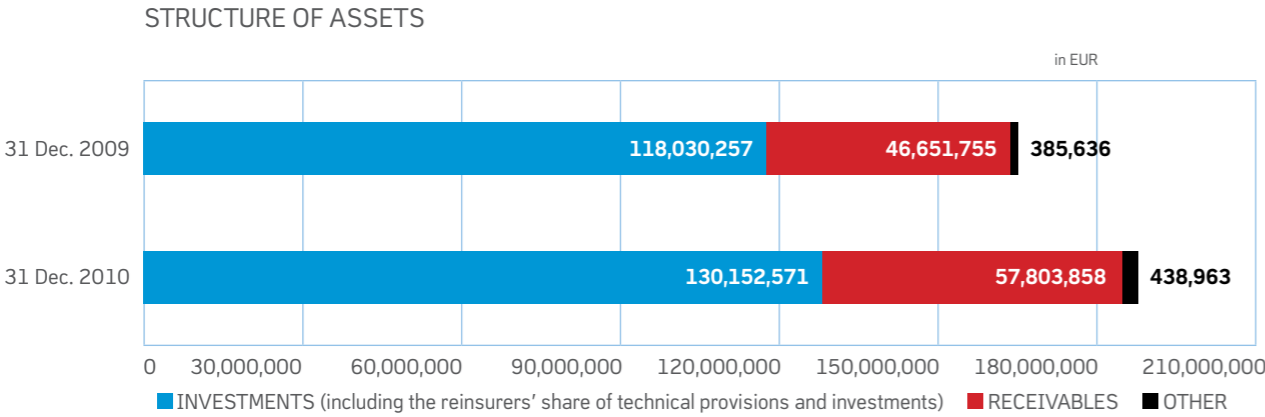
7

FINANCIAL POSITION

As at 31 December 2010, the balance sheet total of Triglav Re amounts to EUR 188,395,392 and increased by 14.1% compared to 2009.

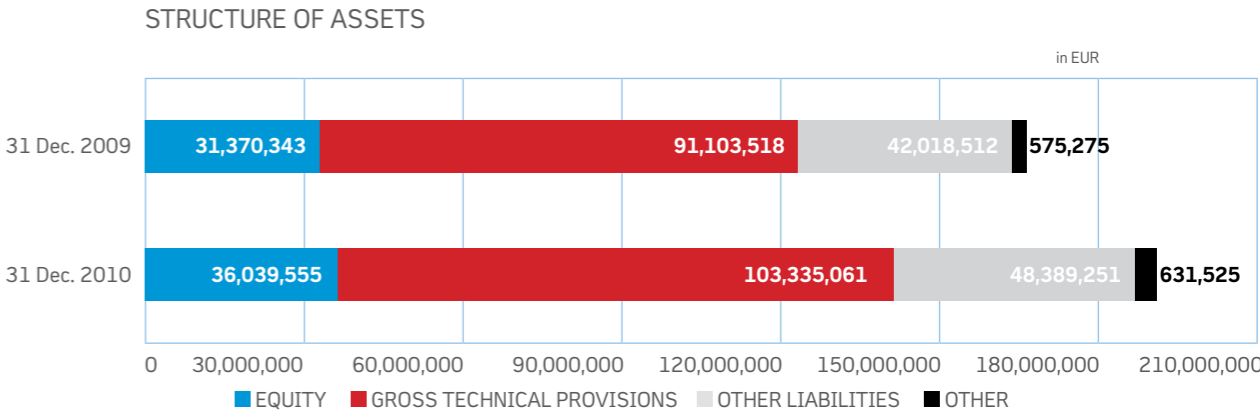
7.1 Assets

Regarding the assets, the greatest increase in comparison with the preceding year was registered in receivables which account for 30.7% of total assets, and amounted to EUR 57,803,858 as at 31 December 2010, for reasons of business evaluation outside the Triglav Group. Financial assets which constitute 69.3% of total assets grew by 10.3%. Some other items recorded on the asset side also increased, e.g. other assets and short-term prepayments and accrued income, while intangible assets are even lower than the year before.



7.2 Liabilities

The largest portion of liabilities constitutes gross technical provisions, reaching even 54.9%. As at 31 December 2010, total equity of Triglav Re amounted to EUR 36,039,555 and increased by 14.9% in comparison to 31 December 2009. A material share of liabilities (25.7%) represent other liabilities which as at 31 December 2009 amounted to EUR 48,389,251 and are mainly related to liabilities from reinsurance business.



7.3 Financial position ratios

	YEAR 2010	YEAR 2009
Capital in total liabilities	19.1%	19.0%
Return on equity	17.8%	26.9%
Share of gross technical provisions in total liabilities	54.9%	55.2%
Share of financial assets in total assets	53.8%	55.5%
Excess of available capital	17,143,620	11,511,596

**REDUCE
REUSE
RECYCLE**



ACCOUNTING REPORT

8

FINANCIAL STATEMENTS

8.1 Statement of financial position

in EUR			
	Note	BALANCE AS AT 31 Dec. 2010	BALANCE AS AT 31 Dec. 2009
ASSETS		188,395,392	165,067,648
Intangible assets	10.1	96,374	132,228
Property, plant and equipment	10.2	209,482	180,275
Deferred tax assets	10.3	149,217	0
Financial investments:	10.4	101,306,141	91,656,436
- loans and deposits		21,177,264	34,673,674
- available for sale		77,719,804	54,649,338
- recognized at fair value		2,409,073	2,333,423
Reinsurers' share of technical provisions	10.5	28,846,430	26,373,821
Receivables	10.6	57,654,642	46,651,755
- receivables from reinsurance and co-insurance		57,620,184	45,578,535
- current tax assets		0	1,047,652
- other receivables		34,458	25,568
Other assets		18,945	14,976
Cash and cash equivalents		114,162	58,157
EQUITY AND LIABILITIES		188,395,392	165,067,648
Equity	10.7	36,039,555	31,370,343
- share capital		4,950,000	3,129,695
- share premium		1,146,704	1,146,704
- reserves from profit		2,446,123	2,298,253
- fair value reserve		964,934	2,154,562
- retained earnings		20,695,574	15,684,218
- net profit for the year		5,836,221	6,956,911
Technical provisions	10.8	103,335,061	91,103,518
- unearned premiums		20,297,228	19,888,205
- provisions for outstanding claims		82,878,681	70,982,811
- other technical provisions		159,152	232,502
Other provisions		59,384	64,829
Deferred tax liabilities	10.3	0	49,832
Other financial liabilities		0	2,189
Operating liabilities	10.9	48,389,251	41,966,490
- liabilities from reinsurance and co-insurance		47,355,851	41,966,490
- current tax liabilities		1,033,399	0
Other liabilities	10.9	572,141	510,445

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

8.2 Income statement

in EUR			
	Notes	YEAR 2010	YEAR 2009
NET PREMIUMS EARNED	11.1	67,195,076	61,482,800
- gross reinsurance premiums written		120,167,238	114,027,127
- premiums written ceded for retrocession		-52,401,840	-53,372,046
- change in unearned premiums		-570,322	827,719
TOTAL INCOME FROM FINANCIAL ASSETS	11.2	6,721,541	5,492,120
OTHER REINSURANCE INCOME	11.3	8,509,032	9,181,518
- commission income		8,509,032	9,181,518
OTHER INCOME		129,072	6,476
NET CLAIMS INCURRED	11.4	-44,252,310	-40,446,745
- gross claims paid		-61,837,383	-71,020,173
- retrocessionaires' share of claims paid		26,847,035	34,836,607
- change in provision for outstanding claims		-9,261,961	-4,263,179
CHANGE IN OTHER TECHNICAL PROVISIONS		80,207	15,557
EXPENSES FOR BONUSES AND REBATES		-6,857	5,614
OPERATING EXPENSES	11.5	-2,869,491	-2,728,936
- insurance acquisition costs		-1,288,543	-1,225,427
- other operating expenses		-1,580,948	-1,503,509
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	11.2	-2,860,490	-2,027,375
- impairment of financial assets other than recognized at fair value through profit or loss		-170,704	-378,627
- interest expenses		-745,948	-315,793
- losses on disposal of investments		-521,191	-309,911
- other financial expenses		-1,422,647	-1,023,044
OTHER REINSURANCE EXPENSES		-25,076,655	-21,940,738
- commission expenses	11.3.	-24,671,840	-21,823,779
- other expenses		-404,815	-116,959
OTHER EXPENSES		-56,043	0
PROFIT BEFORE TAX		7,513,083	9,040,292
TAX EXPENSE	11.6	-1,528,992	-1,878,535
NET PROFIT FOR THE PERIOD		5,984,091	7,101,757

Basic net earnings per share		399 euro/share	477 euro/share
Diluted net earnings per share		399 euro/share	477 euro/share

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

8.3 Statement of comprehensive income

in EUR		
	YEAR 2010	YEAR 2009
Net profit/loss for the year after tax	5,984,091	7,161,757
Other comprehensive income after tax	-1,189,629	2,398,406
Net gains/losses from the remeasurement of available-for-sale financial assets	-1,487,036	3,001,866
- gains/losses recognized in fair value reserve	1,125,160	2,193,664
- transfer of gains/losses from fair value reserve to profit or loss	-361,876	808,202
Tax on other comprehensive income	297,407	-603,460
Comprehensive income for the year after tax	4,794,462	9,560,163

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

8.4 Statement of cash flows

	in EUR	
	YEAR 2010	YEAR 2009
CASH FLOW FROM OPERATING ACTIVITIES		
Income statement items	14,994,242	12,502,208
Net written premium for the period	67,765,398	60,655,081
Investment income (excluding financial income), arising from:	5,719,184	5,090,702
technical provisions	5,554,294	4,803,513
other sources	164,890	287,189
Other operating income (excluding revaluation and provisions reductions) and financial income from operating receivables	129,072	6,476
Net claims for the period	-34,990,348	-36,183,566
Net operating expenses excluding depreciation charges and accrued insurance acquisition expenses	-18,939,453	-15,253,356
Investment expenses (excluding amortization and fin. expenses) financed from:	-2,854,163	-1,289,410
technical sources	-2,784,049	-1,196,034
other sources	-70,114	-93,376
Other operating expenses excluding depreciation charge (except for revaluation and without increasing provisions)	-404,815	-116,959
Income tax and other taxes excluded from operating expenses	-1,430,633	-406,760
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	-4,719,667	42,346
- opening less closing reinsurance receivables	-12,041,648	8,704,978
- opening less closing other receivables and assets	1,038,762	69,288
- opening less closing deferred tax assets	339,591	1,961,693
- closing less opening reinsurance liabilities	5,389,361	-9,409,985
- closing less opening other operating liabilities	1,092,908	75,525
- closing less opening deferred tax liabilities	-538,641	-1,359,153
Net cash from operating activities	10,274,575	12,544,554
CASH FLOW FROM INVESTING ACTIVITIES		
Cash inflows from investing activities	86,412,974	1,054,032
Interest received from investing activities	643,337	532,774
investments financed from technical provisions	618,593	532,774
Proceeds from disposal of property, plant and equipment items financed from:	5,824	57,417
other sources	5,824	57,417
Proceeds from disposal of long-term financial investments, financed from:	51,027,711	463,841
technical provisions	51,027,711	0
other sources	0	463,841
Proceeds from disposal of short-term financial investments, financed from:	34,736,102	0
technical provisions	34,736,102	0
Cash outflows from investing activities	-96,506,294	-13,537,883
Payments for acquisition of intangible assets	-15,669	-60,590
Payments for acquisition of property, plant and equipment items financed from:	-82,688	-176,272
other sources	-82,688	-176,272
Payments for acquisition of non-current investments, financed from:	-75,320,393	-11,783,917
technical provisions	-75,320,393	-11,783,917
Payments for acquisition of current investments, financed from:	-21,087,545	-1,517,104
technical provisions	-21,087,545	-1,517,104
Net cash from investing activities	-10,093,321	-12,483,851
CASH FLOW FROM FINANCING ACTIVITIES		
Cash outflows from financing activities	-125,250	-125,250
Dividends and other shares in profit	-125,250	-125,250
Net cash from financing activities	-125,250	-125,250
Closing balance of cash and cash equivalents	114,161	58,157
x) Net cash for the period	56,004	-64,547
y) Opening balance of cash and cash equivalents	58,157	122,704

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

8.5 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 2009	3,129,695	1,146,704	519,762	953,684	619,961	-243,844	15,033,550	775,918	21,935,430
Comprehensive income for the year after tax						2,398,406		7,161,757	9,560,163
Subscribed or paid-in additional capital									
Redemption of equity									
Net purchase/sale of treasury shares									
Payment of dividends/ bonus shares									
Payment of dividends							-125,250		-125,250
Net profit allocation to reserves from profit				204,846				-204,846	0
Covering of losses from previous years									
Creation and use of reserves for credit risk and catastrophe losses									
Other							775,919	-775,919	0
Closing balance 31 December 2009	3,129,695	1,146,704	519,762	1,158,530	619,961	2,154,562	15,684,218	6,956,911	31,370,343
Opening balance 1 January 2010	3,129,695	1,146,704	519,762	1,158,530	619,961	2,154,562	15,684,218	6,956,911	31,370,343
Comprehensive income for the year after tax						-1,189,629		5,984,091	4,794,462
Subscribed or paid-in additional capital	1,820,305						-1,820,305		0
Redemption of equity									0
Net purchase/sale of treasury shares									0
Payment of dividends/ bonus shares									0
Payment of dividends							-125,250		-125,250
Net profit allocation to reserves from profit				147,870				-147,870	0
Covering of losses from previous years									0
Creation and use of reserves for credit risk and catastrophe losses									0
Other							6,956,911	-6,956,911	0
Closing balance 31 December 2010	4,950,000	1,146,704	519,762	1,306,400	619,961	964,933	20,695,575	5,836,221	36,039,555
Accumulated profit at 31 December 2009							15,684,218	6,956,911	22,641,129
Accumulated profit at 31 December 2010							20,695,575	5,836,221	26,531,796

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



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NOTES TO FINANCIAL STATEMENTS

9.1 Reporting entity

Triglav Re is a company limited by shares, with the registered seat in Ljubljana, Miklošičeva 19. The Company is a reinsurance company reinsuring non-life and life (only death risk) insurance in compliance with the provisions of the Insurance Act.

The Company’s major shareholder (87% of voting rights) and ultimate controlling company is Zavarovalnica Triglav, d.d. with the registered office at Miklošičeva 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 for inspection in the registered office of Zavarovalnica Triglav, d.d., Miklošičeva c. 19, Ljubljana, Slovenia.

9.2 Basis of preparation

1.1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The 2010 financial statements were authorised for issue by the Board of Management of Triglav Re on 11 April 2011.

The audited 2010 financial statements are adopted by the Supervisory Board of Triglav Re Company 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.

Financial statements of Triglav Re constitute separate financial statements.

9.2.1 Functional and presentation currency

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

1.1.2 Basis for measurement

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

9.2.2 Use of estimates and judgements

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

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

The estimates and judgements are mostly used in the measurement premiums, commissions and provision for reinsurance contracts. Explained in Item 9.5.2.

9.2.3 New standards and interpretations not yet in force

Triglav Group has decided for early implementation of the following standard:

- **IAS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011)**

The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if the reporting entity takes advantage of this exemption.

The Standard also redefines the term of related parties as consequence of new relationships (e.g. associated companies of the controlling shareholder and of controlled companies, or jointly controlled companies by managers).

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied and preparing these financial statements. These are the following:

- **Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interactions (effective for annual periods beginning on or after 1 January 2011)**

The amendment to IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.

The amendment to IFRIC 14 is not relevant to financial statements of Triglav Re, as the Company does not have any defined benefit plans with minimum funding requirements.

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)**

The interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a ‘debt for equity swap’ are consideration paid in accordance with the IAS 39.41.

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

Triglav Re did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Company’s financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

• **Amendment to the IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)**

The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non- derivative equity instruments.

The amendments to IAS 32 are not relevant to financial statements of Triglav Re, as the Company has not issued any such instruments at any time in the past.

9.3 Significant accounting policies

This report is a summarized version of the Annual report of Triglav Re, d.d. for the year 2010, published in the Slovene language. Referring to the full report, it highlights information assessed by Management as significant and important.

9.3.1 Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at 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 lives of each part of an item of property and equipment.

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.

9.3.2 Intangible assets

Recognition and measurement

Intangible assets that are acquired by Triglav Re, and have finite useful lives, are measured at 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 amount, and are included in the income statement.

9.3.3 Financial instruments

Classification and recognition

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

Financial assets and financial liabilities at fair value through profit or loss

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

As stated above, financial assets and financial liabilities at fair value through profit or loss are classified in two sub-categories: financial instruments held for trading, and those designated by 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 which is the date when the Company commits to purchase or sell the instrument. Loans and receivables and financial liabilities at amortised cost are recognised when advanced to borrowers or received from lenders.

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 transfers substantially 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, 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. 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 TEUR 500. The total value of such assets is lower than 1% 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 statement of changes in equity. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method, on available-for-sale monetary assets are recognised in the income statement.

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 balance sheet date without any deductions for selling costs. 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, 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 collective level. All individually significant financial assets are individually assessed for impairment at the date of the statement of financial position. All individually significant assets which are not assessed as impaired are then collectively assessed for any impairment that has been incurred but not yet identified at the date of the statement of financial position.

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

against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost (debt securities 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 profit or loss and reflected in an allowance account against loans and advances. Income is recognised at 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 below their value at cost or has remained lower for a period of 9 months. A decrease of 40 per cent (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. Impairment is carried out through profit or loss. Impairment loss may be reversed if it can be objectively linked to an event 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.

9.3.4 Trade and other liabilities

Recognition and measurement

Trade and other liabilities are initially recognised at fair value and then subsequently at amortised cost.

9.3.5 Cash and cash equivalents

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

9.3.6 Employee benefits

Employee benefits are all forms of compensation that are provided to the employees in return for their contribution to the Company. Employee benefits include:

- 1) Short-term employee benefits, which are payable within 12 months after the end of the period of the employee’s service, such as salaries and social security contributions, paid annual leave and paid sick leave, bonuses and non-monetary benefits (such as cars).
- 2) Other employee benefits, such as jubilee benefits and termination benefits upon retirement. The calculation of liabilities to employees arising from jubilee benefits and termination benefits upon retirement is based on the actuarial calculations using the following assumptions:
 - The development of mortality or survivorship will be in accordance with average life expectancy set out in the mortality tables (mortality of Slovene population has been taken into account, and the corrected 2002 Slovene Mortality Tables applied).

- The retirement age and pensionable employment of men and women are in agreement with Articles 36, 52, and 396.a of the amended Pension and Disability Insurance Act (ZPIZ-1).
- The average salary of an individual.
- The growth of salaries in the following years is estimated at an average of 4.7 % per annum.
- The amount of termination benefit upon retirement is either equal to three average salaries of the employee or, in compliance with the law, equal to the amount of two average salaries of an employee in the Company or two average salaries in the Republic of Slovenia, whichever is higher.
- The amount of jubilee benefits is in compliance with the internal regulations of the Company.
- The discount rate remains at the level of the preceding year and is 4.1%.

9.3.7 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.

9.3.8 Other provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation, and 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 have been explained in Item 9.3.6, Employee benefits. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

9.3.9 Equity

Share capital

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

Reserve

Triglav Re records share premium, comprising 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 Board of Management of Triglav Re and the resolution of the Shareholders’ Meeting, and strengthen the capital adequacy of the Company. Reserve from profit comprises statutory reserves in credit insurance equalisation reserves.

Statutory reserves represent accumulated appropriations from retained earnings in accordance with the Articles of Association and the Companies Act (ZGD-1).

Legal and statutory reserves may be used:

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

9.3.10 Income

Net reinsurance premiums earned

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

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 which Triglav Re concluded with its retrocessionaires. Net written reinsurance premium from cessions or retrocessions assumed in the reporting period is the amount of gross written reinsurance premium from assumed cessions or retrocession less the amount of gross written reinsurance premium of assumed cessions or retrocessions ceded for retrocession of assumed cessions or retrocessions. The criterion for 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 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 as it accrues. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy in relation to capital gains recognition is disclosed in Item 9.3.3 under “Gains and losses”.

9.3.11 Costs and expenses

Triglav Re records its expenses by their nature when incurred. In the financial statements, expenses are classified by functional group. These are: appraisal costs, asset management costs, policy acquisition costs, and other operating expenses. Due to the manner of claims 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 key basis. The key represents the consumption of working time by employees for a separate function and accordingly allocated costs of wages and salaries of the respective employees. Based on such a structure of wages and salaries, other operating costs are allocated to a functional group.

9.3.12 Classification of contracts

Reinsurance contract is a contract under which Triglav Re or a reinsurer accepts 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 are classified as reinsurance contracts. Reinsurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reinsurance contracts may also transfer some financial risk.

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 contract and, thus, or the risks disclosed only arise from insurance contracts. By definition stated above, 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 classification of contracts pursuant to IFRS 4, Triglav Re defines as contracts transferring significant risk all reinsurance contracts for which uncertainty exists regarding the future insured event since its occurrence is independent of the 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; and hence, insurance risk may be significant even in cases with minimum probability that the insured event from a (re) insurance contract might occur.

Triglav Re has no contracts with discretionary participation features.

9.3.13 Liabilities from reinsurance contracts

Non-life insurance provision

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

Gross unearned premiums were set on the basis of notifications made by cedants. Unearned premium provision was made for retrocession business and for retrocedants that failed to present the statement of account of unearned premium, in compliance with the Company’s rules and regulations and by use of the fraction method.

Unexpired risk provision

Provision for unexpired risks is made on the basis and in compliance with Article 6 of the Decision on Detailed Rules and Minimum Standards to be applied in the calculation of technical provisions (Official Gazette of RS, No. 3/2001). The provision is defined as the difference between the actual 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%. 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) were made on the basis of notifications made by cedants. 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 estimated loss ratios of reinsurance contracts, while the provision for business within the Triglav Group is made on the basis of the 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 contract 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 separate class of business or separate group of classes of business. The IBNR claims thus computed by class of business or by group of classes of insurance are then compared with the IBNR claims computed on the basis of data submitted by cedants. As the final result for the class of business or the 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 who 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 European Union, the Company presents equalisation provisions under reserves in the item of equity.

Life reinsurance provision

Triglav Re makes no life reinsurance provisions because 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, tontine, capital redemption insurance, insurance of loss of income due to accident or illness) are not recorded in the Company’s insurance portfolio. The Company’s life reinsurance portfolio includes only the type of life reinsurance classified in item 19 under Article 2, paragraph 2, of the Insurance Act (life assurance). Pure endowment risk, however, is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured. For this reason, only unearned premium provision and claims provision for death risk, critical illness risk and supplementary accident insurance are made.

9.3.14 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, reinsurance arrangements do not relieve Triglav Re from its direct obligations to its 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.

9.3.15 Liabilities and related assets under liability adequacy test

Reinsurance contracts are tested for liability adequacy. Where a shortfall is identified, an additional provision is made and 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 Note 9.7.

9.3.16 Basis of Summarisation

These summarised financial statements have been prepared using as a basis the full financial statements of Triglav Re d.d. for the year 2010 in accordance with IFRS as adopted by the European Union. They highlight information assessed by Management as significant and important. Specifically, they include all the primary financial statements, the accounting policies and transactions with related parties.

9.4 Changes in accounting policies

The changed formats of financial statements for 2010, prescribed by the Insurance Supervision Agency in its Decision amending the Decision on Annual Reports and Quarterly Financial Statements of Insurance Companies – SKL 2009 differ to some extent from the formats which had been in force in 2009 and followed the IFRS. The changed formats, however, made no difference for the presentation of contents of the Triglav Re financial statements.

9.5 Accounting estimates and judgements

These disclosures supplement the commentary on financial risk management (Note 12.4) and reinsurance risk management (Note 12.1).

Triglav Re 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.

9.5.1 Key sources of estimation uncertainty

Impairment of financial assets

Impairment of loans and receivables is 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 Board of Management makes judgements about 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 9 months. A decrease of 40 per cent (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 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 9.3.3. For financial instruments that are not traded on the organised market, 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.

Estimation of uncertainty in relation to recognition of income and expenses from reinsurance contracts

The most significant estimates in relation to the financial statements of Triglav Re relate 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 and 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 Note 12.1, while the reinsurance contract provisions are analysed in Note 12.2.

Estimation of uncertainty in relation 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. Triglav Re 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. The Company employs a certified actuary. The Board of Management of Triglav Re believes that the present amount of provisions for liabilities from reinsurance contracts is sufficient. Reinsurance risk management is discussed in detail in Note 12.1, while reinsurance contract provisions are analysed in Note 12.2.

Tax

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

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

Critical accounting judgements made in applying the accounting policies of Triglav Re include:

Classification and reclassification of financial assets and liabilities

The Company's accounting policies provide scope for assets and liabilities to be designated on 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 9.3.3. 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 9.3.3. 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 9.3.3.

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

9.6.1 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 2010, Triglav Re continued to estimate the claims incurred but not reported (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 why this may not be the case, which, insofar as they can be identified, have been allowed for by deducting major settled claims, arising from catastrophe or irregular events and not expected to recur from year to year, from settled claims taken into account as they developed.

The assumption which has the greatest effect on the measurement of non-life reinsurance liabilities is 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, on the other hand, 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.

9.6.2 Life reinsurance

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

9.7 Liability adequacy test (LAT)

9.7.1 Non-life insurance

Triglav Re makes provisions for unexpired risks, thus complying among other things 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, and 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 our case between the combined ratio and unearned premium provisions. Unexpired risk provisions are calculated in compliance with the internal Regulations on Establishing Other Technical Provisions. In line with these Regulations, provisions are made for those classes of business with an average combined ratio in the last three years (the current period and the previous two periods are taken into account) exceeding 100%. The combined ratio consists of the claims ratio and the expense ratio; therefore it is a relevant indicator of a possible inadequacy of provisioning. 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.

9.7.2 Life reinsurance

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

9.8 Sensitivity of present value of future liabilities to changes and significant variables

9.8.1 Non-life reinsurance

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

9.8.2 Life reinsurance

The sensitivity of present value of future liabilities to changes in significant variables of life reinsurance has not been calculated because none of the classes of business set out under items 20 through 24, of Article 2, paragraph 2, of the Insurance Act is recorded in the Company’s portfolio. Only life reinsurance set out under Item 19 of Article 2, Paragraph 2, of the Insurance Act is recorded in the life reinsurance portfolio. Pure endowment risk is not reinsured. Only death risk, critical illness risk and supplementary accident insurance are reinsured.

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

9.9.1 Non-life reinsurance

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

A special attention is paid to motor reinsurance and liability reinsurance as described below.

Motor reinsurance

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

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

Liability reinsurance

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

9.9.2 Life reinsurance

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, tontine, capital redemption insurance, insurance of loss of income due to accident or illness). Triglav Re has in its life reinsurance portfolio 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 provision and claims provision for death risk, critical illness risk and supplementary accident insurance are made.



REDUCE

10

DISCLOSURES TO THE STATEMENT OF FINANCIAL POSITION

10.1 Intangible assets

in EUR		
	SOFTWARE	TOTAL
COST		
Balance at 1 January 2009	483,342	483,342
- Additions	58,209	58,209
- Disposals	-128,248	-128,248
- Other	2,380	2,380
Balance at 31 December 2009	415,683	415,683
- Additions	15,669	15,669
- Disposals	0	0
Balance at 31 December 2010	431,352	431,352
ACCUMULATED AMORTISATION		
Balance at 1 January 2009	324,488	324,488
- Increase	60,979	60,979
- Disposals	-102,013	-102,013
Balance at 31 December 2009	283,454	283,454
- Increase	51,523	51,523
- Disposals	0	0
Balance at 31 December 2010	334,977	334,977
CARRYING AMOUNT		
Balance at 31 December 2009	132,228	132,228
Balance at 31 December 2010	96,374	96,374

The amortisation charge is recognised under operating expenses in the income statement. Liabilities arising from acquired intangible assets are not recorded under liabilities.

10.2 Property, plant and equipment

in EUR			
	MOTOR VEHICLES	EQUIPMENT AND FURNITURE	TOTAL
COST			
Balance at 31 December 2008	86,915	216,638	303,553
- Acquisitions	164,139	12,132	176,271
- Disposals	-71,998	-9,505	-81,503
- Other	0	0	0
Balance at 31 December 2009	179,056	219,265	398,321
- Acquisitions	67,796	19,642	87,438
- Disposals	-21,957	-10,177	-32,135
- Other	0	0	0
Balance at 31 December 2010	224,895	228,729	453,624
ACCUMULATED DEPRECIATION			
Balance at 31 December 2008	16,005	153,237	169,242
- Increase	18,188	46,704	64,892
- Disposals	-6,582	-9,505	-16,086
Balance at 31 December 2009	27,611	190,435	218,046
- Increase	26,248	21,402	47,650
- Disposals	-11,377	-10,177	-21,554
Balance at 31 December 2010	42,482	201,660	244,142
CARRYING AMOUNT			
Balance at 31 December 2009	151,445	28,830	180,275
Balance at 31 December 2010	182,413	27,070	209,482

The depreciation charge is recognised under operating expenses in the income statement. Liabilities arising from acquired property and equipment are not recorded under liabilities.

10.3 Deferred tax assets and liabilities

in EUR			
	YEAR 2009	Changes	YEAR 2010
DEFERRED TAX ASSETS			
Recognized in profit or loss	488,808	-98,358	390,450
Recognized in equity	0	0	0
BALANCE at 31 December	488,808	-98,358	390,450
DEFERRED TAX LIABILITIES			
Recognized in profit or loss	0	0	0
Recognized in equity	538,641	-297,407	241,233
BALANCE at 31 December	538,641	-297,407	241,233
OFFSET OF ASSETS/LIABILITIES			
DEFERRED TAX ASSETS	0	0	149,217
DEFERRED TAX LIABILITIES	49,833	0	0

In 2010, Triglav Re set up deferred tax assets for non-deductible investment impairments recognised during 2010 in the amount of EUR 384,512 and for the provisions for jubilee and termination benefits in the amount of EUR 5,938.

In 2010, Triglav Re set up deferred tax liability for the revaluation surplus in investments in the amount of EUR 241,233.

10.4 Financial assets

in EUR

	YEAR 2010	YEAR 2009
Available for sale	77,719,804	54,649,338
At fair value through profit or loss	2,409,073	2,333,423
Loans and receivables	21,177,264	34,673,674
TOTAL	101,306,141	91,656,436

in EUR

YEAR 2010	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIR OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equity securities	2,080,529	0	0	2,080,529
- listed	1,765,241	0	0	1,765,241
- unlisted	315,288	0	0	315,288
Debt securities	72,189,759	2,388,166	5,694,747	80,272,673
- government bonds	45,970,213	0	0	45,970,213
- corporate bonds	26,219,546	2,388,166	5,694,747	34,302,460
Investment funds	3,449,516	0	0	3,449,516
- open ended	631,224	0	0	631,224
- closed ended	2,818,292	0	0	2,818,292
Loans and receivables	0	0	15,472,516	15,472,516
- deposits with banks	0	0	12,369,531	12,369,531
- financial investments under reinsurance contracts with cedants	0	0	3,102,985	3,102,985
Derivative financial instruments	0	20,907	0	20,907
Other investments	0	0	10,000	10,000
TOTAL	77,719,804	2,409,073	21,177,264	101,306,140

in EUR

YEAR 2009	AVAILABLE FOR SALE	AT FAIR VALUE THROUGH PROFIR OR LOSS	LOANS AND RECEIVABLES	TOTAL
Equity securities	2,593,500	0	0	2,593,500
- listed	2,025,438	0	0	2,025,438
- unlisted	568,062	0	0	568,062
Debt securities	49,058,245	2,250,234	7,366,060	58,674,539
- government bonds	33,287,687	0	0	33,287,687
- corporate bonds	15,770,558	2,250,234	7,366,060	25,386,852
Investment funds	2,997,594	0	0	2,997,594
- open ended	655,379	0	0	655,379
- closed ended	2,342,215	0	0	2,342,215
Loans and receivables	0	0	27,297,614	27,297,614
- deposits with banks	0	0	24,314,478	24,314,478
- financial investments under reinsurance contracts with cedants	0	0	2,983,136	2,983,136
Derivative financial instruments	0	83,190	0	83,190
Other investments	0	0	10,000	10,000
TOTAL	54,649,338	2,333,423	34,673,674	91,656,436

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

In compliance with the accounting policy described in Item 9.3.3, the amount of EUR 170,704 was transferred from the provision for change in fair value into the income statement in 2010 (2009: EUR 378,627) due to impairment of available-for-sale financial assets.

The carrying amount represents fair value at the balance sheet date of the available-for-sale financial assets and 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. The carrying value of these reclassified assets that were transferred from the available-for-sale into the loans and receivables category in 2009 amounted in total to EUR 7,211,989 on 1 July 2008 when the reclassification was made, and at 31 December 2010 their value amounted to EUR 4,662,402. Their carrying value represented fair value of those assets at the date of their reclassification. The fair value of these securities as at 31 December 2010 and for the comparative year, has not been disclosed because in our opinion the published market price does not reflect the fair value of the securities, since there is no liquid market or market is simply not existent, and therefore it is impossible to present their value or effect on 31 December 2010. The revaluation surplus of the reclassified assets amounted to negative EUR 85,828 as at the reclassification date, i.e. on 1 July 2008. Effective interest rate for the reclassified assets was 4.91% on the reclassification date.

No reclassifications of securities in other groups were made in 2010.

In accordance with IFRS 7 we disclose market price levels for assets classified as available for sale and assets recognised at fair value through profit or loss.

YEAR 2010	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
- Available for sale	77,404,516	0	315,288	77,719,804
- Recognized at fair value	3,608	2,405,465	0	2,409,073
TOTAL	77,408,124	2,405,465	315,288	80,128,877
YEAR 2009	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
- Available for sale	50,018,818	0	4,630,520	54,649,338
- Recognized at fair value	86,549	2,246,874	0	2,333,423
TOTAL	50,105,367	2,246,874	4,630,520	56,982,761

The Table below shows the movement of investments classified under Level 3. Triglav Re reclassified three investments from Level 3 to Level 1. Two securities became marketable in 2010 and were therefore reclassified to Level 1. In the past, Triglav Re alone calculated the price for the third security, while in 2010 the market price was set by the market operator. At the date of reporting, only one investment into equity security was classified as Level 3. Its fair value was determined according to the price offered for the purchase of the security, and hence, there is no reason for explaining the impact of changed assumptions on the determination of its fair value.

v EUR

YEAR 2010	Level 3 Available for sale
Opening balance at 1 January 2010	4,630,520
Total profit/loss	-252,774
- in profit or loss	0
- in comprehensive income	-252,774
Acquisitions	0
Disposals	0
Reclassification from level 3 to other levels	-4,062,458
Reclassification from other levels to level 3	0
Closing balance at 31 December 2010	315,288

10.5 Reinsurers’ share in technical provisions

v EUR

	YEAR 2010	YEAR 2009
Share in unearned premiums reserve	6,211,561	6,372,859
Share in reported but not settled claims provision	17,146,272	15,955,548
Share in claims incurred but not reported provision	5,488,598	4,045,413
TOTAL	28,846,430	26,373,821

Changes in reinsurers’ shares are presented in Item 10.8.

10.6 Receivables

in EUR

	YEAR 2010	YEAR 2009
Receivables from reinsurance and coinsurance	57,620,184	45,578,535
Current tax assets	0	1,047,652
Other receivables	34,458	25,568
TOTAL	57,654,642	46,651,755

Triglav Re assesses the need for the impairment of receivables on the basis of separate estimates of the financial position and solvency of debtors from which the receivable is due. Triglav Re impaired no receivables in 2010.

No tax assets and only current tax liabilities were recorded in 2010.

Maturity structure of receivables is presented in Item 12.4.6.

10.7 Equity

in EUR

	YEAR 2010	YEAR 2009
Share capital	4,950,000	3,129,695
Share premium	1,146,704	1,146,704
Reserves from profit	2,446,123	2,298,253
Revaluation surplus	964,934	2,154,562
Retained earnings	20,695,574	15,684,218
Net profit for the year	5,836,221	6,956,911
TOTAL	36,039,555	31,370,343

10.7.1 Share capital

Share capital of Triglav Re is denominated in EUR. Share capital is divided into 15,000 no-par value shares. No new shares were issued in 2010; however, the capital was increased by EUR 1,820,305 from retained earning. i.e. net profits from previous years. All shares have been fully paid. The ownership structure is presented in Item 3.4 of the business report.

Dividend per share, paid out in 2010, amounted to 4% of the share capital of Triglav Re, i.e. EUR 8.35 per share. Total amount of dividends paid amounted to EUR 125,250. The resolution on the amount of dividends paid was passed by the Shareholders’ Meeting of Triglav Re. The Shareholders’ Meeting will also decide on the amount of dividends to be paid for the financial year 2010.

10.7.2 Change in fair value reserve

in EUR

	YEAR 2010	YEAR 2009
BALANCE AT 1 JANUARY	2,154,562	-243,844
Increase/decrease due to revaluation	-1,295,864	1,815,037
Transfer to profit or loss due to impairment	170,704	378,627
Increase/decrease due to disposals	-361,876	808,202
Tax	297,407	-603,460
BALANCE AT 31 DECEMBER	964,934	2,154,562

Fair value reserve also includes the reserve arising from change in fair value of available-for-sale financial assets measured at fair value. In 2010, the amount of EUR 170,704 (2009: EUR 378,627) was transferred from reserves for the change in fair value to the income statement due to impairment of financial assets.

Gains and proceeds from available-for-sale financial assets are upon the disposal of such assets transferred from revaluation surplus in equity and recognised in profit or loss in the amount of EUR 361,876.

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

10.7.3 Share premium

in EUR

	YEAR 2010	YEAR 2009
Paid in share premium	543,044	543,044
Other paid-in capital under the Articles of Association	603,661	603,661
TOTAL	1,146,704	1,146,704

10.7.4 Other reserves from profit

in EUR

	YEAR 2010	YEAR 2009
Legal reserves	261,598	261,598
Statutory reserves	258,164	258,164
Credit risk equalization reserves	1,306,400	1,158,530
Other reserves from profit	619,961	619,961
TOTAL	2,446,123	2,298,253

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 inconsistency between the requirements of the Insurance Act and the International Financial Reporting Standards.

If the financial statements had been prepared in compliance with the requirements of the Insurance Act, , net profit or loss for 2010 would have been lower by EUR 118,296 (2009: EUR 204,846) and would have amounted to EUR 6,131,961 (2009: EUR 6,956,911). The amounts of credit insurance equalisation reserves recorded under equity would not have been a part of equity in the financial statements prepared in compliance with the requirements of the Insurance Act, but would have increased gross technical provisions for reinsurance contracts. These would have amounted to EUR 104,641,461 as at 31 December (31 December 2010: EUR 92,262,048), if they had included credit risk equalisation provision.

10.7.5 Earnings per share

To calculate the earnings per share, earnings are computed as net profit for the year attributable to equity shareholders of Triglav Re. For 2010, the earnings per share amount to EUR 399 (2009: EUR 477). The number of ordinary shares is the weighted average number of ordinary shares outstanding during the year after deducting the number of ordinary treasury shares. The number of ordinary shares used for basic earnings per share was 15,000 (2009: 15,000). Given that there is no effect of options, convertible bonds or similar effect, the diluted earnings per share are the same as basic earnings per share.

ACCUMULATED PROFIT PRESENTED IN LINE WITH THE DECISION ISSUED BY THE INSURANCE SUPERVISION AGENCY

in EUR

	31 Dec. 2010	31 Dec. 2009
Net profit or loss for the period	5,984,091	7,161,757
Retained earning(+)/loss from previous period(-)	20,695,575	15,684,218
- Profit/loss for the period according to effective standards	20,695,575	15,684,218
Increase in reserves from profit by decision of management	147,870	204,846
- Increase in credit risk reserve	147,870	204,846
Accumulated profit appropriated by the Shareholders' Meeting	26,531,796	22,641,129
- Distribution to shareholders	0	125,250
- Carried forward to the following period	0	20,695,575
- Appropriated for other purposes	0	1,820,305

The Shareholders’ Meeting of Triglav Re will decide on the appropriation of the accumulated profit of 2010.

10.8 Liabilities from reinsurance contracts

in EUR

	GROSS AMOUNT	REINSURER'S SHARE	NET AMOUNT
PROVISION FOR UNEARNED PREMIUMS			
Balance at 1 January 2009	20,169,527	5,826,463	14,343,064
Changes in 2009	-281,322	546,397	-827,719
Balance at 31 December 2009	19,888,205	6,372,859	13,515,346
Changes in 2010	409,023	-161,299	570,322
Balance at 31 December 2010	20,297,228	6,211,561	14,085,668
PROVISION FOR CLAIMS REPORTED BUT NOT SETTLED			
Balance at 1 January 2009	42,797,632	25,665,116	17,132,516
Changes in 2009	-5,295,789	-9,709,568	4,413,778
Balance at 31 December 2009	37,501,842	15,955,548	21,546,294
Changes in 2010	4,730,195	1,190,724	3,539,471
Balance at 31 December 2010	42,232,038	17,146,272	25,085,766
PROVISION FOR CLAIMS INCURRED BUT NOT REPORTED			
Balance at 1 January 2009	30,761,158	1,175,002	29,586,156
Changes in 2009	2,719,811	2,870,411	-150,600
Balance at 31 December 2009	33,480,969	4,045,413	29,435,555
Changes in 2010	7,165,675	1,443,184	5,722,491
Balance at 31 December 2010	40,646,644	5,488,598	35,158,046
OTHER PROVISIONS			
Balance at 1 January 2009	253,673	0	253,673
Changes in 2009	-21,171	0	-21,171
Balance at 31 December 2009	232,502	0	232,502
Changes in 2010	-73,350	0	-73,350
Balance at 31 December 2010	159,152	0	159,152

Retrocessionaires' shares in provisions for reinsurance contracts are presented in Item 10.5 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 change (positive or negative) in separate provisions and not as increase or decrease of each item separately.

10.8.1 Development of reinsurance claims settled

Shown below is the development of claims settled because the development of claims reported by policyholders is not directly presented by Triglav Re as a reinsurance company. Shown below is the adequacy of gross and net provisions for 2010. Originally assessed provisions shown in the tables below comprise claims reserve (including IBNR provision) and unearned premiums. Considering the specifics of reinsurance business, the Company 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. For this reason provision for unearned premiums is also disclosed in this report.

The table below gives a survey in the triangle format of adequacy of gross and net provisions for claims as at 31 December 2010 for the past 5 years.

GROSS PROVISIONS FOR CLAIMS AND UNEARNED PREMIUMS

in EUR

	YEAR 2005	YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010
Originally assessed	39,913,479	47,327,069	67,942,654	93,728,316	90,871,016	103,175,910
Reassessed after 1 year	39,296,280	49,278,475	69,067,871	87,558,641	87,737,266	
Reassessed after 2 years	40,130,179	46,439,586	57,954,011	85,348,906		
Reassessed after 3 years	39,336,303	41,626,208	58,971,287			
Reassessed after 4 years	36,298,117	44,819,455				
Reassessed after 5 years	39,533,794					
CUMULATIVE EXCESS	379,686	2,507,614	8,971,367	8,379,410	3,133,750	

CUMULATIVE GROSS CLAIMS PAID

in EUR

	YEAR 2005	YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010
1 year later	17,282,898	20,482,757	28,432,591	48,342,004	39,954,883	
2 years later	22,514,854	27,134,727	36,414,993	58,423,279		
3 years later	25,983,243	29,631,337	40,689,007			
4 years later	27,473,195	31,106,175				
5 years later	28,170,064					

NET PROVISIONS FOR CLAIMS AND UNEARNED PREMIUMS

v EUR

	YEAR 2005	YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010
Originally assessed	28,263,168	34,035,479	48,125,438	61,061,735	64,497,195	74,329,479
Reassessed after 1 year	26,378,682	34,167,393	47,829,673	55,229,598	61,638,190	
Reassessed after 2 years	24,526,221	30,380,732	38,053,396	50,924,060		
Reassessed after 3 years	23,174,664	27,043,999	36,424,173			
Reassessed after 4 years	21,768,529	26,387,320				
Reassessed after 5 years	21,287,694					
CUMULATIVE EXCESS	6,975,474	7,648,159	11,701,265	10,137,675	2,859,005	

CUMULATIVE PAID NET CLAIMS

in EUR

	YEAR 2005	YEAR 2006	YEAR 2007	YEAR 2008	YEAR 2009	YEAR 2010
1 year later	11,989,917	16,340,032	20,388,598	28,538,723	28,165,911	
2 years later	15,998,481	19,614,040	25,269,705	34,978,772		
3 years later	17,310,514	20,724,212	27,368,767			
4 years later	17,867,829	21,594,974				
5 years later	18,207,963					

The table above shows the adequacy test of gross and net provisions for the Company's reinsurance contracts, including unearned premiums; assessed liabilities of reinsurance companies are normally arranged by contract years and, thus, also include liabilities to be settled with the unearned premiums. The upper triangle in the table shows the originally assessed provision by financial years, and its reassessment (up to 5 years later). The lower triangle in the table shows the amount of cumulative settled or paid claims. The cumulative excess in provisions (computed by deducting the last known assessment of provision from the original assessment of provisions) amounted to EUR 2.9 million in 2010.

10.9 Operating and other liabilities

in EUR

	YEAR 2010	YEAR 2009
Reinsurance contract liabilities	47,355,851	41,966,490
- of which liabilities to associates	22,866,626	21,299,483
Corporate income tax liability	1,033,399	0
Other liabilities	572,142	510,446
Provisions for bonuses to employees	259,601	267,983
Liabilities for salaries	153,520	121,683
Other liabilities and accrued expenses	159,021	120,780
- of which liabilities to associates	44,906	32,688
TOTAL	48,961,392	42,476,936

Reinsurance contract liabilities are of current nature. They include liabilities to insurance companies arising from reinsurance share in claims and commissions. Liabilities are stated at historical cost which equals to fair value. As at 31 December 2010, the sum of all due liabilities from current operations amounted to EUR 11.322,050. By 14 March 2011, we have settled due liabilities in the amount of EUR 4,647,272. The remaining amount of unpaid liabilities refers to liabilities for which the reinsurance contracts provide that they shall be paid only after our cedents have paid their liabilities to us. Another category of unpaid due liabilities constitute the liabilities that shall upon payment be offset against our receivables from partners, but by the date of the statement of financial position our partner has not yet settled the balance. This is the reason why we still have both outstanding receivables from and outstanding liabilities to individual partners recorded at the date of the statement of financial position.

**REDUCE
REUSE
RECYCLE**



11

DISCLOSURES TO THE INCOME STATEMENT

11.1 Gross reinsurance premiums written

	in EUR	
	YEAR 2010	YEAR 2009
Gross reinsurance premiums written	120,167,238	114,027,127
- premium from insurance companies for reinsurance assumed	72,882,781	79,355,396
- premium from reinsurance companies for reinsurance assumed	47,284,457	34,671,731
Reinsurance premiums ceded to retrocessionaires	-52,401,840	-53,372,046
Change in the gross provision for unearned premiums	-409,023	281,322
Retrocessionaires' share of change in the provision for unearned premiums	-161,299	546,397
TOTAL	67,195,076	61,482,800

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

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

	in EUR				
YEAR 2010	Gross reinsurance premiums	Gross premiums earned	Gross claims paid	Gross claims incurred	Insurance acquisition costs and other operating expenses
Accident insurance	3,385,486	3,322,054	1,146,628	1,704,664	80,843
Health insurance	237,954	246,083	221,621	205,801	5,682
Land motor vehicle insurance	15,485,344	15,498,146	10,770,738	9,386,303	369,777
Railway rolling stock insurance	679,775	589,258	0	1,471	16,232
Aircraft insurance	1,826,800	2,379,049	900,073	490,539	43,622
Ships insurance	1,485,064	1,420,878	463,785	772,308	35,462
Goods in transit insurance	3,709,839	3,571,649	751,910	2,009,202	88,588
Fire and natural forces insurance	43,454,458	42,669,972	18,267,205	27,521,146	1,037,655
Insurance of other damage to property	28,479,749	28,078,099	17,641,410	20,573,971	680,072
Liability insurance for motor vehicles	12,184,376	12,664,614	6,605,767	6,349,797	290,952
Liability insurance for aircraft	979,307	1,065,067	663,949	416,807	23,385
Liability insurance for ships	178,987	157,610	29,368	76,549	4,274
General liability insurance	2,594,863	2,517,581	615,637	2,208,727	61,963
Credit insurance	2,449,720	2,366,050	829,523	1,656,917	58,497
Suretyship insurance	494,756	682,696	119,068	-251,092	11,814
Miscellaneous financial loss insurance	1,880,029	1,851,949	2,442,240	221,050	44,893
Legal expense insurance	54,909	56,713	115	-832	1,311
Assistance insurance	366,436	387,049	287,298	339,979	8,750
Life insurance	239,389	233,698	81,051	49,948	5,716
TOTAL	120,167,238	119,758,215	61,837,383	73,733,254	2,869,491

	in EUR				
YEAR 2009	Gross reinsurance premiums	Gross premiums earned	Gross claims paid	Gross claims incurred	Insurance acquisition costs and other operating expenses
Accident insurance	2,472,023	2,291,882	748,333	898,711	59,161
Health insurance	166,120	228,256	55,636	-7,636	3,976
Land motor vehicle insurance	14,822,634	15,026,006	17,776,909	8,823,078	354,740
Railway rolling stock insurance	639,202	639,202	173	534	15,298
Aircraft insurance	2,046,462	1,667,432	320,041	1,032,564	48,977
Ships insurance	544,991	481,997	587,518	387,159	13,043
Goods in transit insurance	2,400,537	2,388,989	605,716	1,086,341	57,450
Fire and natural forces insurance	41,419,274	41,170,689	18,329,366	19,910,291	991,260
Insurance of other damage to property	23,909,967	23,329,155	19,011,464	20,798,320	572,221
Liability insurance for motor vehicles	16,851,894	18,613,195	8,810,672	11,027,914	403,305
Liability insurance for aircraft	920,056	917,440	339,463	736,987	22,019
Liability insurance for ships	141,668	139,256	32,020	25,875	3,390
General liability insurance	2,577,828	2,495,469	1,361,729	1,097,200	61,693
Credit insurance	1,707,053	1,645,603	802,303	1,005,977	40,854
Suretyship insurance	735,410	675,549	23,601	81,463	17,600
Miscellaneous financial loss insurance	1,870,988	1,875,855	1,711,923	936,517	44,777
Legal expense insurance	58,440	58,027	283	688	1,399
Assistance insurance	551,925	470,861	448,953	561,498	13,209
Life assurance	190,656	193,585	54,069	40,714	4,563
TOTAL	114,027,127	114,308,449	71,020,173	68,444,195	2,728,936

Profit/loss from retroceded premiums and claims

	in EUR	
	YEAR 2010	YEAR 2009
Reinsurance premiums ceded to retrocession	52,401,840	53,372,046
Retrocessionaires' share in the change in provisions for unearned premiums	161,299	-546,397
RETROCEDED PREMIUMS EARNED	52,563,139	52,825,649
Retrocessionaires' share of claims paid	26,847,035	34,836,607
Change in retroceded provisions for claims recorded but not settled	1,190,724	-9,709,568
Change in retroceded provisions for claims incurred but not recorded	1,443,184	2,870,411
RETROCEDED EXPENSES FOR CLAIMS	29,480,943	27,997,450
PROFIT/LOSS FROM RETROCESSION	23,082,196	24,828,199

11.2 Income and expenses from financial assets

11.2.1 Income from financial assets

	in EUR	
	YEAR 2010	YEAR 2009
Interest income	4,219,329	3,516,394
- available-for-sale financial assets	3,196,873	2,605,395
- financial assets recognized at fair value through profit or loss	157,243	138,223
- loans and receivables	865,213	772,776
Dividend income	50,333	121,955
- available-for-sale financial assets	50,333	121,995
Realized gains	1,443,100	1,449,341
- available-for-sale financial assets	1,405,746	1,350,817
- financial assets recognized at fair value through profit or loss	30,221	98,524
- loans and receivables	7,133	0
Other financial income	1,008,779	404,430
TOTAL	6,721,541	5,492,120

Upon disposal of these financial assets, net realised gains from available-for-sale assets were transferred from the reserve for change in fair value under equity and recognised in profit or loss in the amount of EUR 1,405,746 (2009: EUR 1,350,817); other realised gains in the amount of EUR 30,221 (2009: EUR 98,524) relate to financial assets recognised at fair value through profit or loss, while the amount of EUR 7,132 (2009: EUR 0.00) refers to loans and receivables. Other income from financial activities mainly consists of foreign exchange gains from investments and of operating receivables in the amount of EUR 1,002,357 (2009: EUR 401,418), and other income in the amount of EUR 6,422 (2009: EUR 2,667).

11.2.2 Expenses from financial assets

	in EUR	
	YEAR 2010	YEAR 2009
Interest expense	745,948	315,793
- financial assets available for sale	609,400	300,980
- financial assets at fair value through profit or loss	136,548	14,813
Losses from disposal of financial assets	521,191	309,911
- financial assets available for sale	52,618	594,389
- financial assets at fair value through profit or loss	468,573	-284,478
Impairment of financial assets	170,704	378,627
- financial assets available for sale	170,704	378,627
Other financial expenses	1,422,646	1,023,044
TOTAL	2,860,490	2,027,376

In compliance with its accounting policy, Triglav Re impaired financial assets for the amount of EUR 170,704 (2009: EUR 378,627; see item 9.3.3). Other financial expenses in the amount of EUR 1,422,646 (2009: EUR 1,023,044), which account for the highest amount among expenses from financial assets include foreign exchange losses in the amount of EUR 1,083,349 (2009: EUR 517,717), other financial expenses in the amount of EUR 143,748 (2009: EUR 107,472), and operating expenses related to assets management in the amount of EUR 195,550 (2009: EUR 185,972).

NET INCOME/(EXPENSES) FROM FINANCIAL ASSETS

	in EUR				
YEAR 2009	Assets available for sale	Loans and receivables	Fin. assets at fair value through profit or loss	Derivative financial instruments	TOTAL
Interest income	2,605,395	772,776	117,633	20,590	3,516,394
Income from dividends and shares	121,955	0	0	0	121,955
Realized gains	1,350,817	0	10,700	87,824	1,449,341
Other financial income	404,430	0	0	0	404,430
TOTAL INCOME	4,482,597	772,776	128,333	108,414	5,492,120
Interest expense	-300,980	0	0	-14,813	-315,793
Realized losses	-594,389	0	284,478	0	-309,911
Impairment losses	-378,627	0	0	0	-378,627
Other financial expenses	-1,023,044	0	0	0	-1,023,044
TOTAL EXPENSE	-2,297,040	0	284,478	-14,813	-2,027,375
TOTAL NET INCOME/EXPENSE	2,185,557	772,776	412,811	93,601	3,464,745
YEAR 2010					
Interest income	3,196,696	865,213	101,771	55,472	4,219,152
Income from dividends and shares	50,333	0	0	0	50,333
Realized gains	1,405,746	7,133	13,700	16,521	1,443,100
Other financial income	1,008,955	0	0	0	1,008,955
TOTAL INCOME	5,661,730	872,346	115,471	71,993	6,721,540
Interest expense	609,400	0	0	136,548	745,948
Realized losses	52,618	0	-124,227	592,800	521,191
Impairment losses	170,704	0	0	0	170,704
Other financial expenses	1,422,646	0	0	0	1,422,646
TOTAL EXPENSE	2,255,368	0	-124,227	729,348	2,860,489
TOTAL NET INCOME/EXPENSES	3,406,362	872,346	239,698	-657,355	3,861,051

11.3 Commission income and expenses

	in EUR	
	YEAR 2010	YEAR 2009
Commission income	8,509,032	9,181,518
Commission paid	24,671,840	21,823,779
DIFFERENCE	-16,162,808	-12,642,261

The reinsurance commission income is accounted for in connection with 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 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.

11.4 Net claims incurred

	in EUR	
	YEAR 2010	YEAR 2009
Gross claims paid	61,837,383	71,020,173
Retrocessionaires' share of claims incurred	-26,847,035	-34,836,607
Change in provisions for gross claims recorded but not settled	4,730,195	-5,295,789
Change in retroceded provisions for claims recorded but not settled	-1,190,724	9,709,568
Change in provisions for gross claims incurred but not recorded	7,165,675	2,719,811
Change in retroceded provisions for claims incurred but not recorded	-1,443,184	-2,870,411
TOTAL	44,252,310	40,446,745

11.5 Operating expenses

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

	in EUR			
YEAR 2010	INSURANCE ACQUISITION COSTS	ASSETS MANAGEMENT COST	OTHER OPERATING EXPENSES	TOTAL
Depreciation and amortisation charge	41,692	6,327	51,153	99,173
Labour costs	883,295	134,049	1,083,738	2,101,081
- gross salaries	653,838	99,227	802,212	1,555,276
- social security and pension insurance costs	113,556	17,233	139,325	270,115
- other labour costs	115,900	17,589	142,201	275,690
Other operating expenses	363,556	55,173	446,057	864,786
TOTAL	1,288,543	195,551	1,580,948	3,065,041

	in EUR			
YEAR 2009	INSURANCE ACQUISITION COSTS	ASSETS MANAGEMENT COST	OTHER OPERATING EXPENSES	TOTAL
Depreciation and amortization charge	52,916	8,031	64,924	125,871
Labour costs	830,183	125,988	1,018,573	1,974,743
- gross salaries	607,209	92,150	745,001	1,444,359
- social security and pension insurance costs	113,166	17,174	138,846	269,186
- other labour costs	109,808	16,664	134,726	261,198
Other operating expenses	342,328	51,952	420,012	814,292
TOTAL	1,225,427	185,972	1,503,509	2,914,907

Triglav Re presents costs and expenses in the income statement by functional groups.

Asset management costs for the year 2010 amount to EUR 195,551 (2009: EUR 185,971) and are recorded under financial expenses in the income statement.

In 2010, the cost of the annual report audit amounted to EUR 26,400 (2009: EUR 26,400), while the cost of other audit services amounted to EUR 7,140 (2009: EUR 14,280).

11.6 Income tax expenses

	in EUR	
	YEAR 2010	YEAR 2009
Current income tax expense	1,430,633	406,760
Deferred income tax expense	98,358	1,471,775
TOTAL	1,528,992	1,878,535

Deferred income tax expense in the amount of EUR 98,358 (2009: EUR 1,471,775) contains the reversal of deferred taxes for provisions for termination and jubilee benefits in the amount of EUR 545 (2009: EUR 11,537) and reversal of tax liability due to impairment of investments in the amount of EUR 97,814 (2009: EUR 87,450).

RECONCILIATION OF ACCOUNTING PROFIT FOR THE PERIOD TO INCOME TAX EXPENSE

	in EUR	
	YEAR 2010	YEAR 2009
Accounting profit for the period before income taxes	7,513,083	9,040,291
Income tax at the rate of 20% for 2010 and 21% for 2009	1,502,617	1,898,461
Differences:		
Non-deductible expenses	-54,676	102,962
Tax exempt income	-5,171	-1,394,754
Income that increases taxable base	236	1,098
Tax relief	-12,373	-70,707
Changes in temporary differences	98,358	1,471,775
Deferred tax expenses arising from the write-down of a previously recognized deferred tax asset	0	-130,301
TOTAL	1,528,992	1,878,535

In accordance with the Corporate Income Tax Act, corporate taxation decreases by gradual reduction in tax rates. The effective income tax rate in 2009 was 21%, while in 2010 and onwards the tax rate is and will be 20%.

In 2010 Triglav Re recorded a tax liability arising from the corporate income taxation in the amount of EUR 1,033,399 (2009: tax assets in the amount of EUR 1,047,652).

11.7 Related parties

The key shareholder of Triglav Re is Zavarovalnica Triglav d.d. with the holding of 87% of the Company’s share capital at year end. Triglav Re has an immediate related party relationship with its ultimate parent (its principal shareholder) and its subsidiaries; the Supervisory Board members, Management Board members and other executive management (together: key management personnel), in accordance with the definitions contained in International Accounting Standard 24 “Related Party Disclosures” (IAS 24).

Contracts concluded between Zavarovalnica Triglav d.d. and Triglav Re in 2010:

- the major business concluded between Zavarovalnica Triglav d.d. and Triglav Re is a reinsurance contract for 2010, which incorporates an overall specification of the reinsurance programme for Zavarovalnica Triglav d.d., both in respect of proportional and non-proportional reinsurance of the assumed non-life insurance and life assurance portfolios of Zavarovalnica Triglav d.d.;
- various facultative reinsurance contracts;
- accident insurance and pension insurance contracts for the employees of Triglav Re;
- liability insurance for the executive management of Triglav Re;

- a property insurance contract for electronic equipment owned by Triglav Re;
- motor insurance contracts (motor third-party liability and motor hull insurance) for motor vehicles owned by Triglav Re;
- management contract for assets backing liabilities and investments from own funds;
- a lease contract for business premises at Miklošičeva 19, including the lease of equipment and two car parking lots.

All business transactions between Triglav Re and its parent company are at arm’s length and are not secured; the same applies to transactions between related parties and Triglav Re.

TRANSACTIONS OF THE COMPANY WITH THE PARENT COMPANY AND OTHER COMPANIES IN THE TRIGLAV GROUP

	v EUR							
YEAR 2010	Zavarovalnica Triglav	Triglav osiguranje Zagreb	Triglav BH osiguranja	Triglav pojištovne	Triglav Lovčen Re	Triglav Lovčen Osiguranje	Vardar Osiguruvanje	Krajina Kopaonik Osiguranje
Premium earned	65,904,860	1,719,121	15,271	5,167,849	0	1,939,619	1,371,898	131,611
Commission expenses	10,174,831	172,617	0	1,490,665	0	433,139	130,109	21,087
Claims paid	37,615,557	524,248	0	3,344,518	0	388,445	34,618	0
Change in unearned premiums	-352,229	-66,798	0	5,143	0	477,526	-248,565	2,710
Change in the provision for claims outstanding	703,906	98,184	0	296,131	0	31,594	235,046	0
Rental costs	131,515	0	0	0	0	0	0	0
Asset management costs	127,188	0	0	0	0	0	0	0
Costs of property, accident and pension insurance premiums	99,796	0	0	0	0	0	0	0
Receivables from reinsurance premiums	13,062,788	169,052	0	1,206,900	0	834,472	40,482	20,406
Commission liabilities to insurers	2,254,781	36,184	0	360,279	0	215,259	9,635	3,419
Liabilities to insurers for shares in claims	18,958,456	43,134	0	806,289	0	179,189	0	0
Other current liabilities	44,906	0	0	0	0	0	0	0

	v EUR							
YEAR 2009	Zavarovalnica Triglav	Triglav osiguranja	Triglav BH osiguranja	Triglav pojištovne	Triglav Lovčen Re	Triglav Lovčen Osiguranje	Vardar Osiguruvanje	Krajina Kopaonik Osiguranje
Earned premium income	66,863,758	2,589,081	12,622	6,357,728	65,587	1,958,167	1,385,521	117,113
Fee and commission expense	10,152,760	357,938	0	1,444,167	0	503,581	110,214	24,712
Claims incurred	47,209,005	920,648	0	4,601,736	169,131	326,415	28,921	0
Change in unearned premiums	317,105	132,778	0	-1,515,217	0	4,874	289,574	25,077
Change in the provision for claims outstanding	-6,090,334	45,032	0	60,669	-156,658	88,015	-211,372	0
Rental costs	129,315	0	0	0	0	0	0	0
Asset management costs	102,817	0	0	0	0	0	0	0
Costs of property, accident and pension insurance premiums	46,166	0	0	0	0	0	0	0
Receivables from reinsurance premiums	12,789,929	309,514	0	1,287,963	0	968,851	205,338	92,056
Commission liabilities	2,205,131	50,898	0	331,082	0	276,724	23,705	22,521
Liabilities for shares in claims	16,226,366	391,735	0	1,414,291	22,132	305,977	28,921	0
Other current liabilities	32,688	0	0	0	0	0	0	0

Transactions with Abanka Vipra, d.d., Ljubljana, whose partial owner is Zavarovalnica Triglav d.d. as the controlling/parent company of Triglav Re:

- three short-term deposits in the total amount of EUR 2,427,000; they were made and matured in 2010;
- bonds issued by Abanka which matured on 1 December 2010; at the date of maturity, the principal amounted to EUR 1,043,250;
- an interest rate swap contract in the amount of EUR 20,907.

Legal transactions that were concluded in 2010 with other above mentioned related entities of the controlling company Zavarovalnica Triglav d.d. as the parent/controlling company were entered into for a consideration therefore no direct decrease in the assets of Triglav Re was recorded. Triglav Re did not commit any act or omission that would in any way, directly or indirectly, have an impact on a decrease in assets or profit of Triglav Re.

11.8 Statement of 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 accounting items that constitute now cash flow (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.

MATCHING OF CASH FLOWS FROM OPERATING ACTIVITIES

in EUR

	YEAR 2010	YEAR 2009
Profit/loss before tax	7,513,083	9,040,292
Depreciation/amortization	99,173	125,871
Change in receivables	-11,002,886	8,774,266
Change in deferred tax assets	339,591	1,961,034
Change in liabilities	14,756,247	-6,950,149
Income tax asset	-1,430,633	-406,760
NET CASH FROM OPERATING ACTIVITIES	10,274,575	12,544,554



GLOBAL
WARMING

12

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. The aim can be achieved by better decision-making and a well-planned risk management including a system of controls; by the establishment, strengthening and replication of good business practices in respect of risk management; and by the quality risk management, at the level of both Triglav Re and the Triglav Group, coordinated by the Risk Management Department of Zavarovalnica Triglav.

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

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

Considering the current capital adequacy requirements (Solvency I) the main categories of risks are the following: reinsurance risks, technical provision risk, financial risks, and to a lesser extent also the capital adequacy and solvency risk. According to the qualitative impact study (QIS), non-life insurance risks, and in particular the premium and reserve risk, the market risk and the default risk constitute the main risks for Triglav Re under Solvency II.

12.1 Reinsurance risks

Reinsurance risks refer to 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 protect capital resources. The Company buys a combination of proportionate and non-proportionate retrocession agreements to reduce its exposure so as to comply with the amounts in the table of retentions. To hedge against the accumulation of a greater number of losses arising out of one occurrence (e.g. natural disaster), the Company buys non-proportionate catastrophe cover.

The Table below shows the amount of gross reinsurance premiums, the claims ratio and the combined ratio in 2009 and 2010. The combined ratio is comprised of the claims ratio and the expense ratio. In our case, 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, CLAIMS RATIO AND COMBINED RATIO IN 2009 AND 2010

in EUR

	YEAR 2010			YEAR 2009		
	Gross reinsurance premiums written	Loss ratio	Combined technical ratio	Gross reinsurance premiums written	Loss ratio	Combined technical ratio
Accident insurance	3,385,486	51.3%	80.9%	2,472,023	39.2%	65.3%
Health insurance	237,954	83.6%	113.6%	166,120	-3.3%	15.7%
Land motor vehicle insurance	15,485,344	60.6%	74.2%	14,822,634	58.7%	70.5%
Railway rolling stock insurance	679,775	0.2%	0.6%	639,202	0.1%	0.5%
Aircraft insurance	1,826,800	20.6%	27.9%	2,046,462	61.9%	78.9%
Ships insurance	1,485,064	54.4%	75.3%	544,991	80.3%	102.3%
Goods in transit insurance	3,709,839	56.3%	79.3%	2,400,537	45.5%	67.1%
Fire and natural forces insurance	43,454,458	64.5%	89.4%	41,419,274	48.4%	72.4%
Insurance of other damage to property	28,479,749	73.3%	94.8%	23,909,967	89.2%	108.0%
Liability insurance for motor vehicles	12,184,376	50.1%	66.2%	16,851,894	59.2%	74.0%
Liability insurance for aircraft	979,307	39.1%	49.9%	920,056	80.3%	87.1%
Liability insurance for ships	178,987	48.6%	72.9%	141,668	18.6%	37.6%
General liability insurance	2,594,863	87.7%	103.6%	2,577,828	44.0%	57.3%
Credit insurance	2,449,720	70.0%	90.1%	1,707,053	61.1%	82.1%
Suretyship insurance	494,756	-36.8%	-20.1%	735,410	12.1%	39.0%
Miscellaneous financial loss insurance	1,880,029	11.9%	28.9%	1,870,988	49.9%	69.7%
Legal expense insurance	54,909	-1.5%	22.5%	58,440	1.2%	26.2%
Assistance insurance	366,436	87.8%	95.9%	551,925	119.2%	145.2%
Life insurance	239,389	21.4%	32.1%	190,656	21.0%	27.3%
TOTAL	120,167,238	61.6%	82.2%	114,027,127	59.9%	79.0%

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

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 which 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 does neither increase nor decrease the Company's risk exposure because the differences are due to the changes in major or catastrophe claims that are retroceded to reinsurers. In case of outward business, the combined ratio is the sum of the claims ratio and the expense ratio. In our case, the latter is calculated as a share of commission income in relation to the actual retroceded (outward) premium.

OUTWARD REINSURANCE PREMIUM, CLAIMS RATIO AND COMBINED RATIO ARISING FROM RETROCESSION IN 2010 AND 2009

in EUR

	YEAR 2010			YEAR 2009		
	Premiums written ceded for retrocession	Loss ratio retroceded	Combined technical ratio retroceded	Premiums written ceded for retrocession	Loss ratio retroceded	Combined technical ratio retroceded
Accident insurance	237,777	25.0%	41.3%	233,736	35.1%	54.9%
Health insurance	0	0.0%	0.0%	0	0.0%	0.0%
Land motor vehicle insurance	6,842,836	54.9%	63.4%	6,482,239	56.9%	65.1%
Railway rolling stock insurance	659,506	0.0%	0.0%	615,700	0.0%	0.0%
Aircraft insurance	1,323,886	32.4%	40.2%	1,658,266	42.1%	57.9%
Ships insurance	26,361	0.0%	0.6%	40,015	0.0%	6.7%
Goods in transit insurance	757,382	2.5%	11.1%	817,041	1.1%	8.3%
Fire and natural forces insurance	21,171,731	41.0%	60.6%	20,878,402	44.5%	65.5%
Insurance of other damage to property	13,121,390	83.8%	102.1%	13,977,865	87.8%	107.1%
Liability insurance for motor vehicles	3,082,630	97.0%	108.9%	3,598,965	9.4%	21.0%
Liability insurance for aircraft	842,781	10.3%	21.1%	840,859	76.8%	84.8%
Liability insurance for ships	14,252	157.2%	157.2%	30,701	13.6%	13.6%
General liability insurance	1,282,812	137.5%	152.5%	1,359,420	7.1%	20.5%
Credit insurance	1,135,489	74.8%	95.7%	583,146	74.3%	101.2%
Suretyship insurance	287,709	-17.7%	-2.5%	357,481	13.5%	36.3%
Miscellaneous financial loss insurance	1,276,622	-4.8%	12.8%	1,577,912	41.9%	65.2%
Legal expense insurance	0	0.0%	0.0%	0	0.0%	0.0%
Assistance insurance	99,500	-30.8%	-30.8%	119,490	63.2%	63.2%
Life insurance	239,175	21.2%	31.9%	200,810	20.7%	26.7%
TOTAL	52.401.840	56.1%	72.3%	53,372,046	53.0%	70.4%

12.2 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 by 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 proves that the risk of insufficient technical provisions was well managed in 2010, too.

As at 31 December 2010, Triglav Re recorded the total balance of net technical provisions in the amount of EUR 74,488,631. Net technical provisions of Triglav Re at the last day of the 2010 financial year comprise the following types of provisions:

in EUR

	YEAR 2010	YEAR 2009
Net provision for unearned premiums	14,085,668	13,515,346
Net provision for bonuses, rebates and cancellations	12,795	5,938
Net provision for claims outstanding	60,243,811	50,981,849
Provision for unexpired risks	146,358	226,564
TOTAL	74,488,631	64,729,697

In comparison to the balance at 1 January 2010 technical provisions increased by 15.1% and are fully covered with investments of assets backing liabilities at 31 December 2010. Equalisation provisions for credit insurance (recorded under equity) in the amount of EUR 1,306,400 have been due to the transition to IFRS considered in the 2010 statement of financial position (under equity) and are for that reason not separately recorded under technical provisions.

12.3 Capital adequacy and solvency risk

Solvency I

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

The prescribed methodology for the computing of minimum capital requirement for 2010 was not changed as compared to the preceding year. Minimum capital for 2010 was calculated pursuant to Article 110, paragraph 12, and Article 112 of the Insurance Act, providing that the sum of insurance premiums earned in the last financial year up to 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 claims regarding 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. 9 of 2 February 2007) further prescribes that the guaranteed capital of reinsurance companies may never fall below the amount of EUR 3.2 million.

As at 31 December 2010, the required minimum capital of Triglav Re amounted to EUR 11,177,073 (in 2009, it amounted to EUR 10,303,607), and the available capital to EUR 28,320,693 (in 2009, it amounted to EUR 21,815,203). The excess of available capital over the required minimum capital is rather high (EUR 17,143,620 as at 31 December 2010 and EUR 11,511,596 at 31 December 2009) and, therefore, we can state that the risk of capital inadequacy is effectively minimised.

We can see that the excess of available capital over the required minimum capital increased in 2010, predominantly due to the increased level of retained earnings from previous years (by about EUR 5 million). The available capital exceeds the required minimum capital by more than 153%, which means that Triglav Re adequately manages the capital adequacy risk.

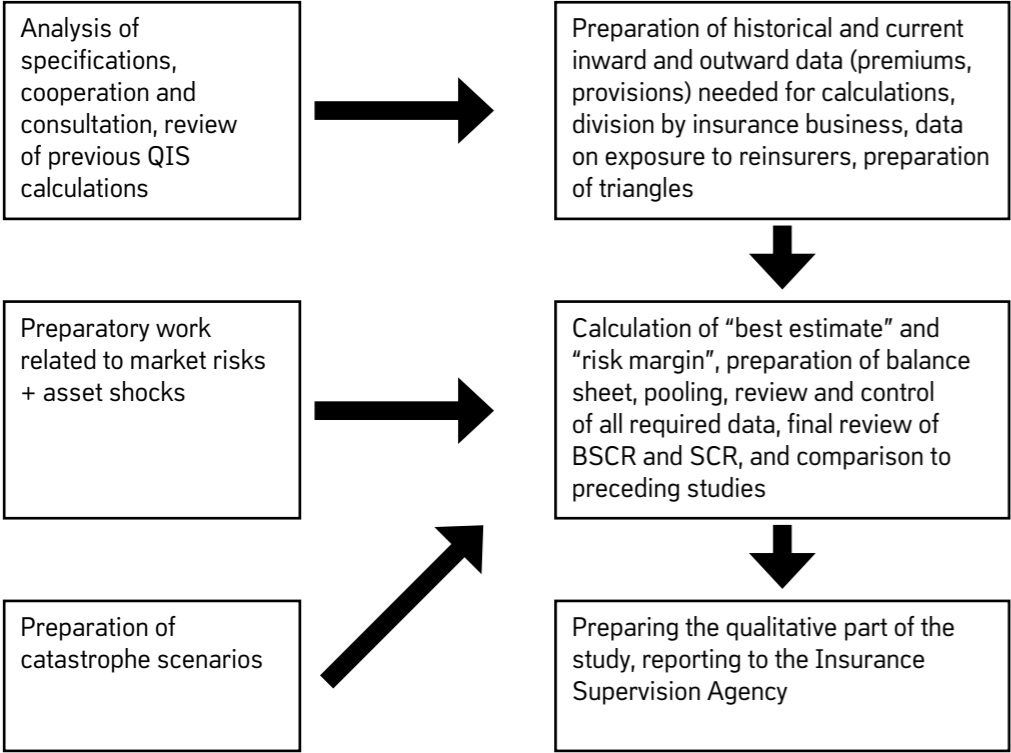
Triglav Re was meeting the requirements of capital adequacy during the entire financial year.

Solvency II

In 2010, Triglav Re continued to actively participate in the preparations for the new solvency regime (SOLVENCY II), which will come to effect on 31 December 2012. Triglav Re participated in the fifth Quantitative Impact Study (QIS 5) referring to Directive 2009/138/EC of the European Parliament and of the Council; the aim of the study was to provide better knowledge of the new rules that the Member States will have to introduce in their legislation, and

at the same time to establish their financial consequences on the insurance and reinsurance markets. In addition to the QIS 5 Study, the European Insurance and Occupational Pensions Authority (EIOPA) also sponsored a review of calibration factors to be applied in QIS 5 for the calculation of premium risk and provisions. A diagram of the calculation process and preparation for the QIS 5 study is presented below.

DIAGRAM OF CALCULATION PROCESS QIS 5 PREPARATION:



The calculations for QIS 5 were prepared as at 31 December 2009 (cut-off date). The QIS 5 results for Triglav Re have shown that non-life risk which amounts to 58% of total available capital continues to be the highest risk to the Company. It is followed by default risk with 22% of available capital, market risk (17%) and health insurance risk amounting to 3% of available capital. Operational risk is valued according to a special module and is not part of the above mentioned risks which constitute the basic solvency capital requirements (BSCR); it amounts to approximately 9% of the available capital. Further, the results of the study have shown that, upon transition to the new solvency regime, Triglav Re will most likely increase both its available and minimal capital, but at the same time, the excess in available capital above the minimum capital is expected to be substantially smaller. In 2011, Triglav Re will continue to carry out the preparation activities for Solvency II, and to plan and implement the activities for optimisation of certain types of risks.

12.4 Financial risk management

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

12.4.1 Liquidity risk management

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

The structure of assets by cash flow and the structure of liabilities by maturity are presented in the tables below:

Structure of assets

STRUCTURE OF FINANCIAL ASSETS BY CLASS AND MATURITY OF CASH FLOWS

in EUR						
YEAR 2010	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
Total financial assets	5,540,045	11,354,499	38,661,127	42,764,421	2,986,048	101,306,141
Debt securities	0	748,470	33,773,734	42,764,421	2,986,048	80,272,673
- held to maturity	0	0	1,283,422	466,208	638,536	2,388,166
- at fair value through profit or loss	0	310,144	28,038,787	41,804,758	2,036,070	72,189,759
- available for sale	0	438,326	4,451,525	493,455	311,441	5,694,747
- loans and receivables	0	0	0	0	0	0
Equity securities	5,530,045	0	0	0	0	5,530,045
- at fair value through profit or loss	0	0	0	0	0	0
- available for sale	5,530,045	0	0	0	0	5,530,045
Derivative financial instruments	0	0	20,907	0	0	20,907
Loans and receivables	10,000	10,606,030	4,866,487	0	0	15,482,516

in EUR						
YEAR 2009	NOT DEFINED	LESS THAN 1 YEAR	1 TO 5 YEARS	5 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
Total financial assets	5,601,094	23,664,769	32,560,177	21,645,607	8,184,788	91,656,436
Debt securities	0	4,600,918	24,306,824	21,645,607	8,121,189	58,674,538
- held to maturity	0	0	0	0	0	0
- at fair value through profit or loss	0	0	1,273,497	419,239	557,498	2,250,234
- available for sale	0	3,555,164	17,516,585	20,734,500	7,251,995	49,058,245
- loans and receivables	0	1,045,754	5,516,741	491,869	311,696	7,366,060
Equity securities	5,591,094	0	0	0	0	5,591,094
- at fair value through profit or loss	0	0	0	0	0	0
- available for sale	5,591,094	0	0	0	0	5,591,094
Derivative financial instruments	0	0	19,590	0	63,600	83,190
Loans and receivables	10,000	19,063,850	8,233,764	0	0	27,307,615

Nine debt securities are redeemable prior to maturity; their total carrying amount at the date of reporting amounts to EUR 2,908,985 (in 2009: EUR 2,104,743).

Structure of liabilities

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

Triglav Re maintains partial mismatch of asset and liability maturities, generating part of its returns on the basis of that mismatch. Current liabilities are settled out of current income; the possibility to dispose of some financial instruments also exists.

GROSS LIABILITIES FROM REINSURANCE CONTRACTS

in EUR				
YEAR 2010	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Provisions for unearned premiums	16,025,858	3,468,222	803,148	20,297,228
Provisions for claims	54,704,319	23,400,130	4,774,233	82,878,682
Other liabilities from reinsurance contracts	159,152	0	0	159,152
TOTAL	70,889,329	26,868,352	5,577,381	103,335,062

* Other liabilities from reinsurance contracts do not comprise equalisation provisions amounting to EUR 1,306,400

because they are not recorded in the statement of financial position under the item of liabilities from reinsurance contracts, but constitute a part of equity. Gross (net) provisions for reinsurance contracts including the equalisation provisions would have amounted to EUR 104,641,462 (EUR 75,795.031).

in EUR

YEAR 2009	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Provisions for unearned premiums	15,848,091	3,257,794	782,320	19,888,205
Provisions for claims	44,089,196	22,117,615	4,776,001	70,982,811
Other liabilities from reinsurance contracts	232,502	0	0	232,502
TOTAL	60,169,789	25,375,409	5,558,320	91,103,518

NET LIABILITIES FROM REINSURANCE CONTRACTS

in EUR

YEAR 2010	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Provisions for unearned premiums	12,183,076	1,615,043	287,548	14,085,668
Provisions for claims	44,550,218	13,173,794	2,519,800	60,243,812
Other liabilities from reinsurance contracts	159,152	0	0	159,152
TOTAL	56,892,446	14,788,837	2,807,349	74,488,631

* Other liabilities from reinsurance contracts do not comprise equalisation provisions amounting to EUR 1,306,400 because they are not recorded in the statement of financial position under the item of liabilities from reinsurance contracts, but constitute a part of equity. Gross (net) provisions for reinsurance contracts including the equalisation provisions would have amounted to EUR 104,641,462 (EUR 75,795,031).

in EUR

YEAR 2009	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Provisions for unearned premiums	11,709,643	1,520,973	284,730	13,515,346
Provisions for claims	36,404,479	11,902,236	2,675,135	50,981,849
Other liabilities from reinsurance contracts	232,502	0	0	232,502
TOTAL	48,346,624	13,423,208	2,959,865	64,729,697

STRUCTURE OF OTHER LIABILITIES

in EUR

YEAR 2010	LESS THAN 1 YEAR	1 TO 5 YEARS	TOTAL
Deferred tax liabilities	0	0	0
Other financial liabilities	0	0	0
Liabilities from operating activities	48,389,250	0	48,389,250
- liabilities from direct insurance business	0	0	0
- liabilities from reinsurance and coinsurance	47,355,851	0	47,355,851
- current tax liabilities	1,033,399	0	1,033,399
Other liabilities	572,141	0	572,141

in EUR

YEAR 2009	LESS THAN 1 YEAR	1 TO 5 YEARS	TOTAL
Deferred tax liabilities	0	538,641	538,641
Other financial liabilities	2,189	0	2,189
Liabilities from operating activities	41,966,490	0	41,966,490
- liabilities from direct insurance business	0	0	0
- liabilities from reinsurance and coinsurance	41,966,490	0	41,966,490
- current tax liabilities	0	0	0
Other liabilities	510,445	0	510,445

12.4.2 Market risk

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

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 the law.

12.4.3 Interest rate risk

in EUR

	YEAR 2010	YEAR 2009
Debt securities	80,272,673	58,674,539
- Government securities	45,970,213	33,528,973
- Securities of financial institutions	16,538,134	15,716,630
- Corporate securities	15,376,160	7,178,702
- Compound securities	2,388,166	2,250,234
Derivative financial instruments	20,907	83,190
TOTAL EXPOSED ASSETS	80,293,580	58,757,727
TOTAL OTHER ASSETS	21,012,561	32,898,708
TOTAL ASSETS	101,306,142	91,656,436

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

Exposure of Triglav to market risk for 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 re-price at different times or in differing amounts. In 2010, Triglav Re deposited cash at the interest rate ranging from 1.00% to 3.60%. The interest rate was subject to the amount and maturity of time 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 and interest rate changes also do not 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 investment portfolio and insurance reserves, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Sensitivity analysis of financial assets to interest risk

Sensitivity of financial assets to interest rate is expressed as an effect of parallel shift of 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 2010		YEAR 2009	
	+100bp	-100bp	+100bp	-100bp
Government securities	-2,259,805	2,259,805	-1,746,815	1,746,815
Securities of financial instruments	-478,763	478,763	-257,234	257,234
Securities of corporations	-800,061	800,061	-359,604	359,604
Combined securities	-109,925	109,925	-65,869	65,869
Other	-6,984	6,984	511,892	-511,892
TOTAL	-3,655,538	3,655,538	-1,917,630	1,917,630
Impact on equity	-3,538,629	3,538,629	-2,363,653	2,363,653
Impact on profit or loss	-116,909	116,909	446,023	-446,023

12.4.4 Share price risk

in EUR

	YEAR 2010	YEAR 2009
Equity securities and investment funds	5,530,045	5,591,094
Shares in EU	2,581,766	2,760,852
Shares in USA	261,348	0
Shares in Asia	0	0
Shares of emerging markets	1,698,639	1,924,448
Global shares*	988,292	905,793
TOTAL EXPOSED ASSETS	5,530,045	5,591,094
TOTAL OTHER ASSETS	95,776,097	86,065,343
TOTAL ASSETS	101,306,141	91,656,436

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 equity price risk:

in EUR

	YEAR 2010		YEAR 2009	
	+10%	-10%	+10%	-10%
Shares in EU	258,177	-258,177	276,085	-276,085
Shares in USA	26,135	-26,135	0	0
Shares of emerging markets	169,864	-169,864	192,445	-192,445
Global shares *	98,829	-98,829	90,579	-90,579
TOTAL	553,004	-553,004	559,109	-559,109
Impact on equity	553,004	-553,004	559,109	-559,109
Impact on profit or loss	0	0	0	0
Impact on profit or loss	0	0	0	0

* Investments in equity dispersed all over the world

12.4.5 Foreign exchange risk

Business transactions in foreign currencies are translated to EUR at exchange rates of the Bank of Slovenia published on the NLB 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 euro at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss or in equity depending on the classification of separate non-monetary asset.

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 matching of investments and liabilities or technical provisions linked to foreign currency. The structure of investments as at 31 December 2010 reflects matching of investments and liabilities within the statutory limitations. Due to the floating of foreign exchange rates, the Company is exposed to currency risk through liabilities and receivables, particularly those arising from reinsurance abroad. Foreign currency exposure arising from receivables and liabilities is reduced by ensuring currency matching of receivables due from and liabilities due to the same partners.

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

v EUR

YEAR 2010	FINANCIAL INVESTMENTS	in %	AMOUNT OF PROVISION CEDED TO REINSURERS	in %
EUR	96,986,798	95.7%	27,400,898	95.0%
USD	3,967,729	3.9%	1,093,312	3.8%
HRK	0	0.0%	0	0.0%
RSD	250,321	0.2%	0	0.0%
BAM	101,294	0.1%	0	0.0%
CZK	0	0.0%	172,371	0.6%
OTHER	0	0.0%	179,848	0.6%
TOTAL	101,306,142	100.0%	28,846,429	100.0%

v EUR

YEAR 2009	INVESTMENTS	in %	AMOUNT OF PROVISIONS CEDED TO REINSURERS	in %
EUR	87,906,432	95.9%	23,463,468	89.0%
USD	88,003	0.1%	2,281,163	8.6%
RSD	716,356	0.8%	0	0.0%
BAM	56,180	0.1%	0	0.0%
CZK	0	0.0%	217,492	0.8%
OTHER	2,889,466	3.2%	411,698	1.6%
TOTAL	91,656,435	100.0%	26,373,821	100.0%

Currency structure of net provisions comprises all technical provisions, including equalisation provisions.

in EUR

Currency	Net technical provisions 2010	in %	Net technical provisions 2009	in %
EUR	65,809,428	86.8%	59,441,536	89.7%
USD	3,873,858	5.1%	2,071,663	3.1%
KRW	1,314,381	1.7%	1,300,728	2.0%
TRY	653,870	0.9%	414,901	0.6%
HKD	640,120	0.8%	720,251	1.1%
Other	3,503,374	4.6%	2,354,050	3.6%
TOTAL	75,795,031	100.0%	66,303,129	100.0%
Technical provisions	74,488,631	98.3%	64,729,697	97.6%
Equalisation provision	1,306,400	1.7%	1,573,432	2.4%

12.4.6 Credit risk

in EUR

Class of asset	YEAR 2010	YEAR 2009
Equity securities	5,530,045	2,593,500
Debt securities	80,272,673	58,674,539
Investment funds	0	2,997,594
Loans and receivables	15,472,516	27,297,614
Derivative financial instruments	20,907	83,190
Receivables	57,654,642	46,651,755
TOTAL EXPOSED ASSETS	158,950,783	138,298,192

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

Credit risk of debt securities portfolio:

in EUR

CREDIT RATING	YEAR 2010	in %	YEAR 2009	in %
AAA	10,989,015	14%	247,683	0%
AA	36,867,455	46%	34,772,011	43%
A	8,836,498	11%	4,884,097	6%
BBB	9,241,986	12%	9,025,085	11%
BB	2,723,920	3%	0	0%
No rating	11,613,799	14%	9,745,662	12%
TOTAL	80,272,673	100%	58,674,538	73%

In the above table, the carrying amounts of bonds are taken as the base value.

in EUR

YEAR 2010	NOT PAST DUE	DUE UP TO 180 DAYS	DUE OVER 180 DAYS	TOTAL
Receivables from coinsurance and reinsurance	45,993,238	6,962,765	4,664,180	57,620,183
- receivables for premium from reinsurance assumed	31,136,198	3,850,389	4,000,011	38,986,598
- receivables for reinsurers' share in claims	12,651,379	3,088,351	653,369	16,393,098
- other receivables from coinsurance and reinsurance	2,205,662	24,025	10,801	2,240,487
Other receivables	12,063	22,396	0	34,458
TOTAL	46,005,301	6,985,161	4,664,180	57,654,642

in EUR

YEAR 2009	NOT PAST DUE	DUE UP TO 180 DAYS	DUE OVER 180 DAYS	TOTAL
Receivables from coinsurance and reinsurance	37,105,357	4,416,305	4,056,873	45,578,535
- receivables for premium from reinsurance assumed	22,246,201	4,003,830	3,628,380	29,878,411
- receivables for premium from reinsurance assumed	12,357,853	330,028	443,441	13,131,321
- other receivables from coinsurance and reinsurance	2,501,304	82,447	-14,948	2,568,803
Current tax assets	1,047,652	0	0	1,047,652
Other receivables	21,284	4,284	0	25,568
TOTAL	38,174,293	4,420,589	4,056,873	46,651,755

Triglav Re manages the credit risk in accordance with the principle of diversification of investments. The greatest total investment in a single financial organisation as at 31 December 2010 amounts to EUR 5,538,637. Triglav Re increased the share of investments in foreign securities in its portfolio. At present, the investments in foreign securities amount to EUR 37,406,059. In the international markets, Triglav Re mainly invests in securities with an AAA rating.

Domestic securities are largely guaranteed by the Republic of Slovenia which, at 31 December 2010, holds an AA rating by the Moody’s rating agency. Investments in the securities of the Republic of Slovenia represent 32% of all investments of Triglav Re.

Receivables and liabilities are also subject to credit risk. The Company manages this risk by mutual offset of receivables and liabilities relating to the same reinsurer (offset of premium receivable and claims and commission payable in the inwards reinsurance, and offset of claims and commission receivable and premium payable in the outwards reinsurance).

The risks retroceded to a reinsurer include the credit risk which occurs if the reinsurer fails to meet contractual obligations. To mitigate the risk of reinsurance counterparties not paying amounts due, business and financial standards for reinsurer approval are established, incorporating ratings by major rating agencies and considering current market information. 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 past due and offset receivables from retrocession, classified by retrocedant’s rating at 31 December 2010, compared to the preceding year. From the point of view of a credit risk, the rating of the reinsurer, to whom the reinsurance business has been mediated, is important.

in EUR

Reinsurer's rating(S&P's)	YEAR 2010	YEAR 2009
AAA	-1,376	45,101
AA	736,800	75,581
A	2,459,201	294,894
BBB	198	0
NR	323,448	166,575
TOTAL	3,518,271	582,150

12.4.7 Liquidity risk

Liquidity risk arises in the general funding of the Company’s activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe. Maturity structure of receivables is presented in Item 12.4.6, and age structure of liabilities is shown in Item 12.4.1.

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

Triglav Re weekly calculates its liquidity ratios and discloses them every month in the Report on Assets and Liabilities Management. The Report is reviewed by the Risk Management Committee, and current measures are taken to provide for cover, liquidity, and capital adequacy, as appropriate.

