Triglav Group

Audited consolidated annual report for the year ended at 31 December 2011

MANAGEMENT BOARD:

President: Matjaž RAKOVEC

Members: Andrej SLAPAR

Igor STEBERNAK

Marica MAKOTER

Ljubljana, 29 March 2012

ZAVAROVALNICA TRIGLAV D.D.
HEADQUARTERS
MIKLOŠIČEVA CESTA 19, 1000 LJUBLJANA

triglav

MANAGEMENT REPORT OF

THE TRIGLAV GROUP

FOR 2011

Ljubljana, 29. March 2012

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1. THE TRIGLAV GROUP IN 2011

1.1 Financial highlights of the Triglav Group

in EUR million

	2011	2010	2009	INDEX 2011/2010	INDEX 2010/2009
Gross written premium for insurance and co-insurance contracts	989.4	1,013.6	1,022.3	98	99
Net premium income	916.3	946.2	946.3	97	100
Gross claims paid*	593.9	588.3	597.2	101	99
Net claims incurred	576.1	557.7	610.9	103	91
Gross operating costs	286.4	293.1	288.5	98	102
Insurance technical provisions as at 31 Dec.	2,234.1	2,270.9	2,161.8	98	105
Equity as at 31 Dec.	489.5	499.0	477.8	98	104
Equity attributable to the controlling company as at 31 Dec.	465.3	470.8	449.9	99	105
Profit/loss before tax	58.0	43.3	2.1	134	2,078
Net profit/loss	47.5	26.6	-6.3	178	
Net profit / loss attributable to the controlling company	47.1	27.8	-4.8	169	
Return on equity	9.6%	5.5%	-1.3%	176	
Return on equity attributable to the controlling company	10.1%	6.0%	-1.0%	166	
Number of employees as at 31 Dec.	5,064	5,247	5,237	97	100

* Gross claims paid include claim handling costs and are reduced by subrogation receivables.

1.2 Performance of Zavarovalnica Triglav

in EUR million

	2011	2010	2009	INDEX 2011/2010	INDEX 2010/2009
Gross written premium for insurance and co-insurance contracts	696.7	721.3	744.5	97	97
Net premium income	628.1	657.4	669.1	96	98
Gross claims paid*	415.2	418.7	435.9	99	96
Net claims incurred	383.0	364.2	414.2	105	88
Gross operating costs	163.8	170.4	166.2	96	103
Gross insurance contract provisions as at 31 Dec.	1,940.8	1,985.1	1,897.1	98	105
Equity as at 31 Dec.	437.7	481.9	477.4	91	101
Profit/loss before tax	54.4	46.7	3.2	116	1,444
Net profit/loss	43.8	32.1	-1.8	136	
Return on equity	9.5%	6.7%	-0.4%	142	
Number of employees as at 31 Dec.	2,400	2,441	2,514	98	97
Book value of a share (in EUR)	19.25	21.19	21.00	91	101
Net earnings/loss per share (in EUR)	1.93	1.41	-0.08	136	

* Gross claims paid include claim handling costs and are reduced by subrogation receivables.

1.3 Financial calendar

Calendar of financial announcements for 2012

TYPE OF ANNOUNCEMENT	PLANNED DATE OF ANNOUNCEMENT	
Announcement of unaudited financial statements for 2011	Friday	16 March 2012
Annual report of Zavarovalnica Triglav d.d. and the Triglav Group for 2011	Friday	13 April 2012
Statement of compliance with the Corporate Governance Code	Friday	13 April 2012
Annual document	Friday	13 April 2012
General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	Friday	11 May 2012
Results for the first quarter of 2012	Wednesday	30 May 2012
General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	Tuesday	12 June 2012
Resolutions by the General Meeting of Shareholders of Zavarovalnica Triglav d.d. on the distribution of accumulated profit	Wednesday	13 June 2012
Semi-annual report of Zavarovalnica Triglav d.d. and the Triglav Group for 2012	Friday	31 August 2012
Results for the first three quarters of 2012	Friday	30 November 2012

* Announcement dates as planned. The actual dates may differ from the planned dates. Periodic announcements and other cost-sensitive data will be published on the Ljubljana Stock Exchange information system SEOnet at www.ljse.si and on the official website of Zavarovalnica Triglav d.d at www. triglav.eu.

1.4 Activities, markets and position of the Triglav Group

The Triglav Group is the leading insurance/financial group in Slovenia and one of the leading groups in South-East Europe, where it is gaining ground and expanding its operations. It is present in eight markets and seven countries.

The Group's key business pillars are:
- insurance;
- asset management;
- banking; and
- support activities for the three key financial pillars.

1.4.1 The primary and most extensive line of business of the Triglav Group is **insurance,** including non-life, life, supplementary voluntary pension and health insurance.

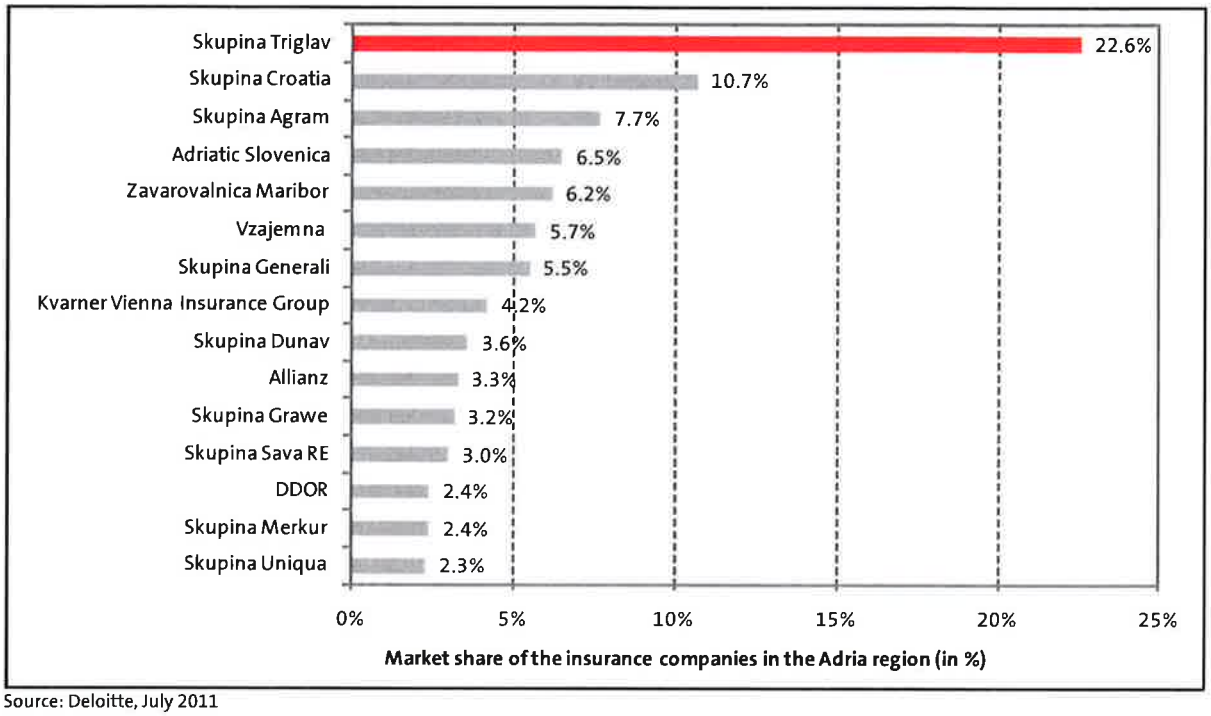
The insurance oriented part of the Group encompasses:
- in Slovenia: Zavarovalnica Triglav d.d., Triglav Zdravstvena zavarovalnica d.d. and Pozavarovalnica Triglav Re d.d.;
- abroad: insurance undertakings in the Czech Republic, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia.

1.4.1.1 Position on the regional insurance market

On the list of the largest insurance groups in the Adria region, the Triglav Group ranks first in terms of gross written premium from life and non-life insurance. This list for the Adria region

was published in July 2011 by the consulting and auditing firm Deloitte, including Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and Macedonia.

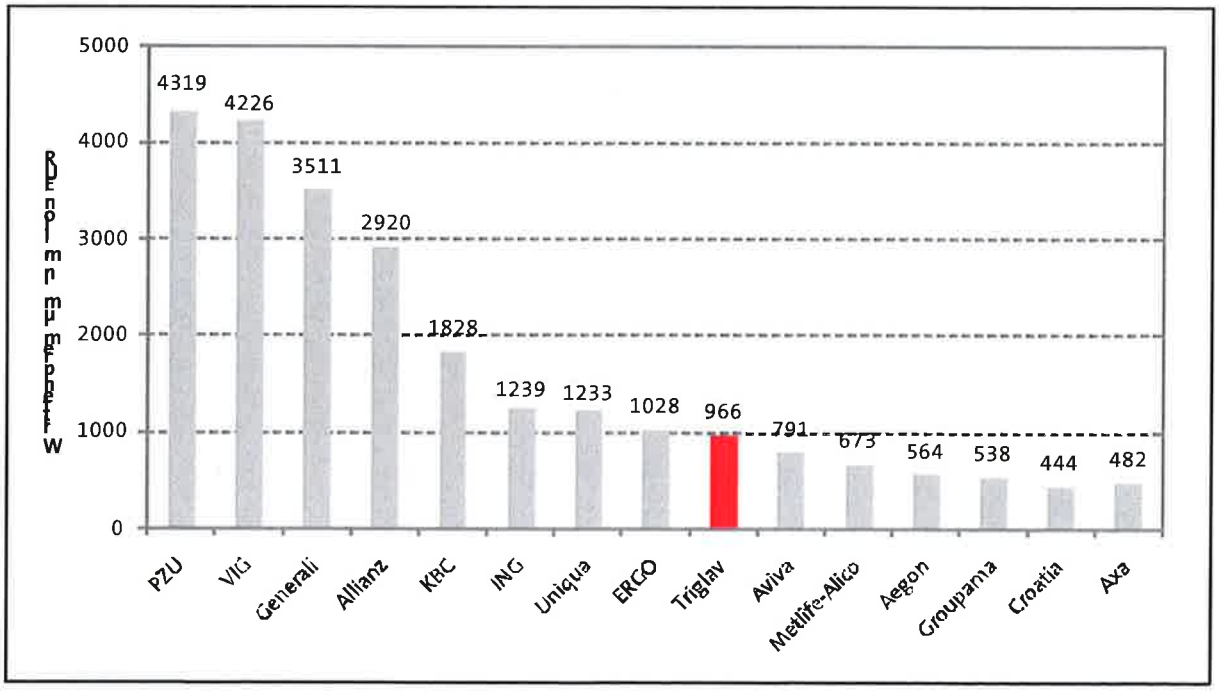
Market share of the Triglav Group in the Adria region in 2010



Source: Deloitte, July 2011

Zavarovalnica Triglav and the Triglav Group are also successfully consolidating their position among the leading insurance/financial institutions in Central Europe. In terms of gross written premiums from life and non-life insurance, Zavarovalnica Triglav is the ninth strongest insurance company in Central Europe.

Largest insurance companies in Central Europe by written premium in 2010 (in million EUR)



Source: Deloitte, July 2011

1.4.2 Asset management is the activity of Triglav Skladi d.o.o., Triglav Naložbe d.d. and Triglav nepremičnine d.d. Their business involves investments in securities, real property, etc.
1.4.3 Banking represents a strategic businesses line of the Triglav Group, which brings together an integrated range or products and services, and enables the development of bancasurrance. Zavarovalnica Triglav is a shareholder in Abanka Vipa, one of the largest Slovene banks.

Members of the Triglav Group directly involved in or supporting core business lines

	INSURANCE	ASSET MANAGEMENT	BANKING	OTHER
Slovenia	- Zavarovalnica Triglav d.d. - Pozavarovalnica Triglav Re d.d. - Triglav Zdravstvena zavarovalnica d.d.	- Triglav Skladi d.o.o. - Triglav Naložbe d.d. - Triglav nepremičnine d.d.	- Abanka Vipa d.d.	- Triglav INT d.d. - TRI - PRO d.o.o. - AS Triglav d.o.o. - Triglavko d.o.o. - Skupna pokojninska družba d.d.
Croatia	- Triglav Osiguranje d.d., Zagreb			
Bosnia and Herzegovina	- Triglav Osiguranje d.d., Sarajevo - Triglav Osiguranje a.d.o., Banja Luka	- Polara Invest d.d. - PROF-IN d.o.o.		- TRI-PRO BH d.o.o - Triglav Auto d.o.o. - Autocentar BH d.o.o. - Unis automobili i dijelovi d.o.o.
Serbia	- Triglav Osiguranje a.d.o., Belgrade	- Triglav Penzijski fondovi a.d.		- Pista d.o.o.
Montenegro	- Lovćen Osiguranje a.d., Podgorica - Lovćen životna osiguranja a.d., Podgorica			- Lovćen Avto a.d.
Former Yugoslav Republic of Macedonia	- Triglav Osiguruvanje, a.d., Skopje			
Czech Republic	- Triglav Pojišťovna a.s., Brno			

1.4.4 Structure of the Triglav Group



As at 31 December 2011 the Triglav Group consisted of the following companies:

Controlling company:
- **Zavarovalnica Triglav d.d.**

Subsidiaries of the Triglav Group:
- **Pozavarovalnica Triglav Re d.d.**
- **Triglav Zdravstvena zavarovalnica d.d.**
  - **Zdravstveni center morje d.o.o.**
- **Triglav Osiguranje d.d., Zagreb**
- **Triglav INT d.d.**
  - **Triglav Osiguranje d.d., Sarajevo**
    - **Autocentar BH d.o.o.**
    - **Unis automobili i dijelovi d.o.o.**
    - **Sarajevostan d.d.**
  - **Triglav Pojišťovna a.s., Brno**
  - **Lovćen Osiguranje a.d., Podgorica**
    - **Lovćen životna osiguranja a.d.**
    - **Lovćen avto d.o.o.**
  - **Triglav Osiguranje a.d.o., Belgrade**
  - **Triglav Osiguranje a.d., Banja Luka**
    - **Triglav avto d.o.o.**
  - **Triglav Osiguruvanje a.d., Skopje**
- **Triglav Skladi, družba za upravljanje d.o.o.**
  - **PROF-IN d.o.o.**
  - **Polara Invest d.d.**
- **Triglav Naložbe, finančna družba d.d.**
  - **Golf Arboretum d.o.o.**
  - **SALNAL d.d.**
    - **SIANAL d.o.o.**
- **Triglav penzijski fondovi a.d.**

- **TRI-PRO d.o.o.**
  - TRI-PRO BH d.o.o.
- **AS Triglav - servis in trgovina d.o.o.**
- **Triglav nepremičnine, upravljanje in svetovanje d.d.**
  - Pista d.o.o.
- **Slovenijales d.d.**
  - Slovenijales trgovina d.o.o.
- **Gradis IPGI d.d.**
- **Hotel Grad Podvin d.d.**

Associated companies of the Triglav Group:

- **Skupna pokojninska družba d.d.**
- **TriglavKo, zavarovalno zastopniška družba d.o.o.**
- **Tehnološki center varne vožnje Vransko d.o.o.**
- **AVRIGO družba za avtobusni promet in turizem d.d.**
- **Nama trgovsko podjetje d.d.**
- **Goriške opekarne d.d.**
- **Elan Skupina (Skimar) d.o.o.**
- **Info TV d.d.**
- **IF Prof Plus**
- **ZIP Polara Invest Fond a.d., Banja Luka**

1.4.4.1 Changes to the Triglav Group composition in 2011

- In March 2011, Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion of Poslovno hotelsko stanovanjski center Štemarje, družba za poslovanje z nepremičninami in investicije d.o.o. from the Companies Register. In December 2010, Zavarovalnica Triglav acquired from other shareholders the remaining 26.49% of that company. In February 2011, as the sole shareholder, it adopted a decision to wind up the company in a simplified procedure without liquidation, following which the total assets of the company were assigned to Zavarovalnica Triglav.
- In April 2011, Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion from the Companies Register of Turistično hotelsko podjetje Krona hoteli in drugi obrati d.o.o. At the end of 2010, Zavarovalnica Triglav acquired a 26.49% stake from other shareholders of the company and in February 2011, as the sole shareholder, adopted a decision to wind up company in a simplified procedure without liquidation. After this winding-up, the total assets of the company were assigned to Zavarovalnica Triglav.
- The Management Board of Triglav Osiguranje a.d., Banja Luka, at its meeting on 6 August 2010, decided to establish Triglav auto d.o.o., Banja Luka, as a 100%-owned subsidiary of Triglav Osiguranje a.d., Banja Luka, with the main objective of carrying out roadworthiness tests and investing in other providers of such services. Triglav auto d.o.o. was entered into the Court Register on 11 March 2011.
- Lovćen osiguranje a.d. reduced its stake in the company Nacionalni biro osiguravača Crne Gore and, as a result, the latter ceased to be its associated company.
- With the aim of making the management of the Triglav Group more effective, Zavarovalnica Triglav transferred its shareholdings in subsidiaries outside Slovenia (Triglav Osiguranje d.d., Sarajevo, Triglav Osiguranje a.d., Banja Luka, Triglav Osiguranje a.d.o., Belgrade, Triglav Osiguruvanje a.d., Skopje, Triglav Pojišťovana, a.s., Brno and Lovćen Osiguranje a.d., Podgorica) to Triglav INT d.d., and raised the capital of the latter by EUR 88,548,008 with in-kind contributions. The share capital of Triglav INT d.d. was increased through an issue of 88,548,008 ordinary, freely transferable, registered par value shares. The issue value per share was EUR 1. Following this capital increase, Zavarovalnica Triglav remained the sole shareholder of Triglav INT.

- On 14 April 2011 Triglav Naložbe d.d. concluded an agreement to sell its stake in Intercement, upravljanje naložb d.o.o. to Wietersdorfer Finanz GmbH. Part of the proceeds was paid in cash and part through the transfer of 280 shares (i.e. a 100% shareholding) of Salnal d.d. to Triglav Naložbe d.d. The only assets of Salnal d.d. were a 6.807% shareholding in Geoplin d.o.o. and a 100% shareholding in Sianal d.o.o., whose only asset in turn was a 0.714% stake in Geoplin d.o.o.
- On 27 December 2011, Triglav nepremičnine d.d. concluded an agreement on the acquisition of Pista d.o.o., Belgrade, a company established with a contribution in kind, represented by an office building at the address Bulevar Milutina Milankovića 7, Belgrade. Pista d.o.o. was acquired in order to satisfy the office space requirements of Triglav Osiguranje a.d.o., Belgrade. For the Triglav Group, this is an important step towards concentrating all real property business in Triglav nepremičnine d.d., which, according to the adopted and approved strategy and forecast growth in the volume of operations, is expected to extend its property management services to foreign markets.
- Zavarovalnica Lovćen Osiguranje a.d., Podgorica, founded the insurance company Lovćen životna osiguranja a.d., Podgorica as a 100%-owned subsidiary and transferred to it its life-insurance portfolio.
- Zavarovalnica Triglav holds 25.61% of the equity of Abanka Vipa d.d. (Abanka). In accordance with IAS 28 – Investments in Associates, in 2010, this equity holding was posted as an investment in associates, since the attached voting rights gave Zavarovalnica Triglav significant influence in Abanka. As at 31 December 2011, the equity holding in Abanka was the same as at 31 December 2010. However, on 20 January 2011, Zavarovalnica Triglav received a decision of the Securities Market Agency on the cancellation of its voting rights in Abanka, whereby the significant influence was annulled. As a result, in 2011, the equity holding was excluded from financial assets in associates and recognised as a financial asset available for sale. The same applies to other items of the income statement and the statement of financial position referring to Abanka.

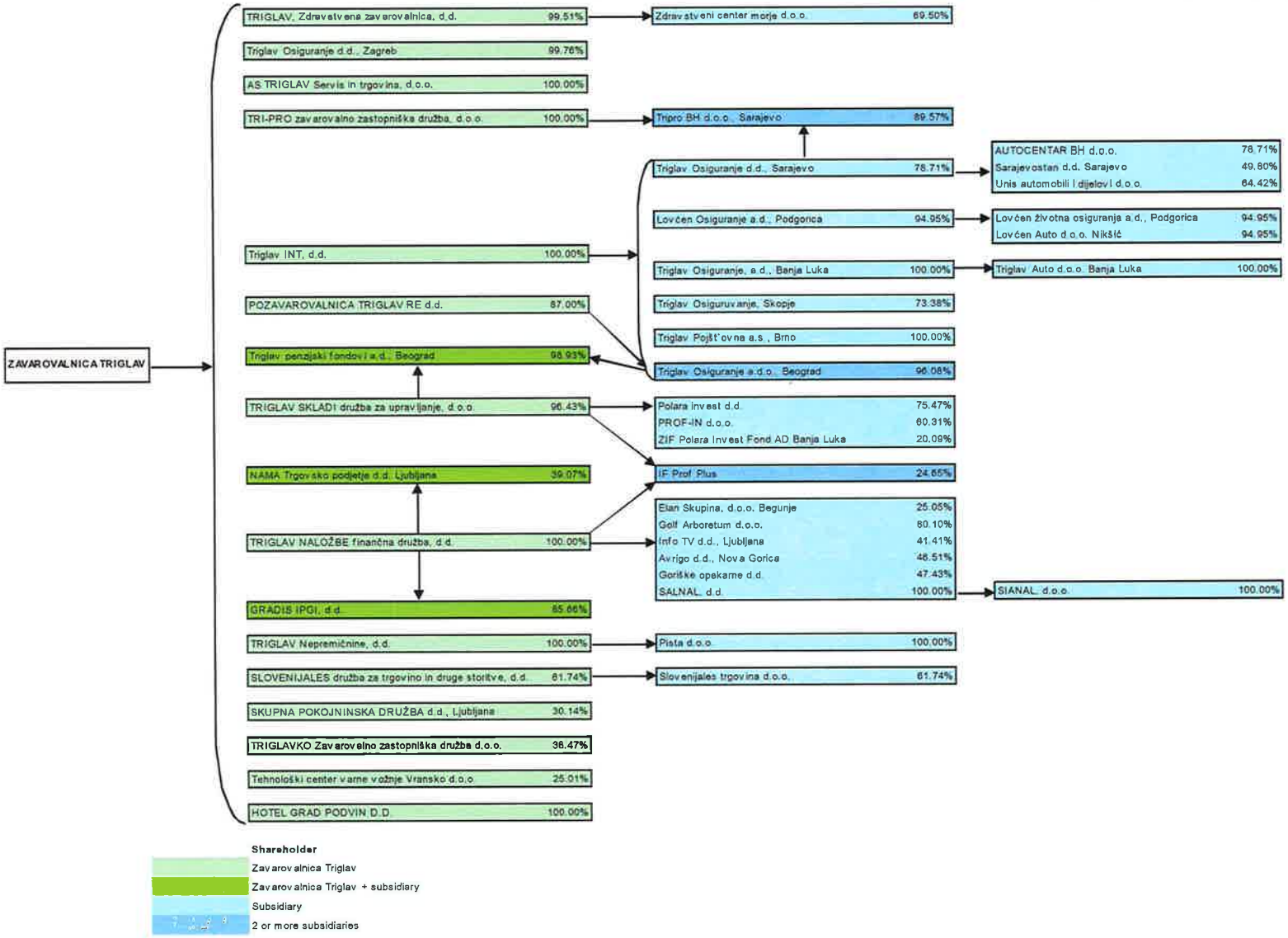
1.4.4.1.1 Changes to the equity holdings of Zavarovalnica Triglav in members of the Triglav Group in 2011

- After the concluded squeeze-out procedure of minority shareholders, Zavarovalnica Triglav became the 100% owner of Hotel Grad Podvin d.d.
- By acquiring 2,512,210 shares of Triglav Naložbe d.d. (worth EUR 3,965,624 in total) and by squeezing out small shareholders, Zavarovalnica Triglav became the sole shareholder of Triglav Naložbe.
- Zavarovalnica Triglav acquired four shares of Triglav Osiguranje a.d., Banja Luka, worth EUR 4,090, and thus became its 100% owner.
- Zavarovalnica Triglav raised additional capital in Triglav Osiguranje d.d., Zagreb, by paying HRK 14,999,600 for 6,818 newly issued shares at a nominal value of HRK 2,200 each and thus increased its equity holding in Triglav Osiguranje to 99.76%.
- Additional capital in Triglav Osiguranje a.d.o., Belgrade, was raised by issuing 312,000 shares with a nominal value of RSD 700 each or RSD 218,400,000 in total. Though this capital increase, the equity holding of Zavarovalnica Triglav in the said company was raised to 96.08%
- Zavarovalnica Triglav raised the capital of Triglav penzijski fondovi a.d., Belgrade, by paying in RSD 3,000,000. In total, 3,000 shares were issued with a par value of RSD 1000 each. As a result, the equity stakes of Zavarovalnica Triglav and the Triglav Group increased to 70.44% and 98.93%, respectively.
- Zavarovalnica Triglav increased the share capital of AS Triglav d.o.o. through a monetary contribution of EUR 34,900.
- Zavarovalnica Triglav purchased 1,820 registered ordinary shares of Triglav Osiguruvanje a.d., Skopje from stock option beneficiaries at a price of MKD 26,232.44 per share, which in

total amounted to MKD 47,743,060.80 or EUR 776,613. As a result of this purchase, the equity stake of Zavarovalnica Triglav in Triglav Osiguruvanje grew from 70.36% to 73.38%.

- By exercising an option of Triglav nepremičnine, upravljanje in svetovanje d.d., Zavarovalnica Triglav purchased 13,751 shares of Gradis IPGI d.d. Consequently, the equity stakes of Zavarovalnica Triglav and the Triglav Group in the latter company rose to 56.95% and 85.66%, respectively.
- On 1 August 2011, Zavarovalnica Triglav, by exercising its own option, sold a 9.9% stake in the Albanian insurer Albsig Sh. A., Tirana.

Subsidiaries and associated companies of the Triglav Group as at 31 December 2011 and their corresponding share of voting rights



1.5 The management of Zavarovalnica Triglav

As at the end of 2011, the Management Baord of the Company included:
- Matjaž Rakovec, President;
- Andrej Slapar, member;
- Igor Stebernak, member;
- Marica Makoter, Member of the Management Board, Employee Representative.

Vladimir-Mišo Čeplak submitted his irrevocable resignation on 28 February 2011, and continued to serve as the Member of the Management Board, Employee Representative until 30 September 2011. On 21 December 2011, Ms Marica Makoter was appointed in his stead.

1.6 Brand-building of Triglav and rebranding process

By adopting the Triglav Group Strategy for the 2011-2015 period, Zavarovalnica Triglav embarked on a series of changes leading towards greater efficiency, market inter-connections, streamlining, as well as upgrading of business processes, products and support activities. An important part of that is the merging of business strategy and brand strategy. To this end, Zavarovalnica Triglav set two main goals in the management of Triglav brand:
- to set up a strategic brand management system and thereby develop central brand management;
- to redefine and/or reposition the brand.

At the core of the redefined brand identity of TRIGLAV there are:
- **integrity** as solid ethical and moral behaviour;
- **accessibility** as simplicity of access and communications;
- **family** as a source of inspiration and motivation; and
- **best value for money** as high quality provided to clients.

Triglav is an appreciated brand, not only in the insurance and financial industry but also among the general public. Because of its long tradition and being the brand name of the first and largest insurance company in the region, it is also an ambassador of Slovenia, its culture and the values of its people. All of that entails additional responsibility for the brand, which involves:
- innovation and promotion of development trends in this category;
- clear and friendly communication with clients;
- corporate social responsibility, care for people, the environment and society at large;
- projection and support of subsidiary in regional markets; and
- contributions to sustainable development.

In 2011, the identity of the Triglav brand was redefined. Based on research and analyses, strategic guidelines were set for positioning on foreign markets, projects of value transfers to all target groups through effective internal communication (internal branding), marketing programmes implementation guidelines, a brand book, upgrading of visual image and corporate design, and a brand management roadmap. In this way, the future course of the brand and the communication strategy were determined for at least the next five years.

By realising the two key goals of the projects, Zavarovalnica Triglav wants to:
- equitably and effectively communicate its brand identity to all the employees of the Triglav Group;
- encourage the understanding, knowledge and exchange of best practices;
- promote joint development and support of the planned central brand management;

- define the responsibilities, organisations and model for creating synergies between countries;
- streamline costs and minimise the time needed for project management and support resources for marketing and communication activities;
- increase effectiveness and transfer of good practices to all the companies under the Triglav umbrella brand name; and
- protect the reputation and value of the brand as one the objectives set in the Triglav Group Strategy for the 2011-2015 period.

Brand expansion

In the second half of 2011 four companies of the Triglav Group were renamed: in August the subsidiary Triglav Krajina Kopaonik from Banja Luka was renamed Triglav Osiguranje, Banja Luka; in September Vardar Osiguruvanje became Triglav Osiguruvanje, Skopje; in October the name of the Serbian company Triglav Kopaonik was changed to Triglav Osiguranje, Belgrade; in November the subsidiary in Sarajevo was renamed Triglav Osiguranje, Sarajevo.

Joining the Triglav Group and adopting its corporate design lead to successful market positioning, a unified regional presence and greater visibility.

Local and global dimension

An integrated brand management system is an integral part of strategic brand management. Triglav's presence is made harmonious through effective communication in all the markets of the Triglav Group, and central investment in the brand. This takes account of language, cultural and communication specificities as well as differences in buying habits on local markets. Based on strategic considerations, the Triglav brand is adjusted to local environments, which increases its global strength.

2. STRATEGY AND PLANS OF THE TRIGLAV GROUP

The successful implementation of the Triglav Group Strategy in the past was the basis for its revision in 2011 and extension to 2015. This was done to include Triglav's understating of issues and changes in the industry and markets in which it operates. The amendments to the existing strategy mainly concern the expansion of business and volume of operations in the present markets and the penetration of new markets of business interest in the region. Furthermore, planned business indicators up to 2015 were made even more ambitious.

2.1 Mission, values and vision of the Triglav Group

2.1.1 Mission

We are building a safer future.

2.1.2 Values

The companies of the Triglav Group are centred around three common values, which are realised through personal relations and relations with the environment:

PROFESSIONALISM Business objectives are achieved through the professionalism of financial services, based on highly professional employees. The Group is the driving force of the professional development of financial services in the environment.

SECURITY Effective risk management is used to provide for the security of operations. Triglav's high-quality financial products and services improve the financial security of clients.

CORPORATE SOCIAL RESPONSIBILITY The sustainable development of the Triglav Group (balancing human resources, environmental awareness and profitability) is based on corporate social responsibility, implemented as economic, legal, ethical and philanthropic responsibility.

2.1.3 Vision

Our business operations are profitable and secure. Return on equity (ROE) is above 12%. The sources of profit growth are very competitive, high quality services, effective risk management and the financial stability of the Triglav Group, which will serve to maintain the "A" rating received from an established credit rating agency. Members of the Triglav Group achieve higher levels of reputation than their competitors and are distinguished by comprehensive insurance/financial services offered through modern sales channels. The Group has a well-regulated and efficient governance system and follows the principles of modern organisation in all areas of business. Dedicated and highly-qualified employees are the basis of the Group's sustainable development.

2.2 Triglav Group in the 2011-2015 Strategy Period

The Triglav Group Strategy was redrafted in order to emphasise the consolidation of the Group in the existing markets and make its approach more ambitious and proactive.

Very ambitious objectives were set to be achieved by 2015, such as a return on equity above 12% and a stable combined ratio below 95%.

The strategy gives priority to consolidating and improving the performance of the companies currently in the Triglav Group, whilst expansion on the existing markets and penetration of new ones in South-East Europe are not excluded should the opportunity arise.

Expansion on the existing markets covers:
- expansion of the sales network and sales support of Zavarovalnica Triglav;
- introducing life, health and pension insurance products to markets where there are currently no such products available;
- acquisition of other insurance companies and mergers;
- starting and developing business complementary to insurance.

The Strategy also includes the project "Introduction of IFRS 4 – Phase II" with the aim of duly preparing and compiling financial statements in accordance with the amended International Financial Reporting Standards.

The expansion of the Triglav Group to new markets in South-East Europe will take place if an exceptional opportunity arises, depending on capital strength and the situation on international financial markets. The expansion will be financed mainly through a capital increase of Triglav INT d.d., to be funded by an international institutional investors and Zavarovalnica Triglav. The Triglav Group will also require additional capital for the purpose of financial stability, in order to maintain the "A" rating received from an established credit rating

agency and to comply with potential new capital adequacy requirements in the framework of Solvency II.

The new strategy also defines the dividend policy of Zavarovalnica Triglav. A proposal to pay out a part of accumulated profits shall be made to the General Meeting of Shareholders on the condition that the available capital of Zavarovalnica Triglav left after dividend payment is sufficient for maintaining the target capital adequacy in the medium run and for the Triglav Group independently meeting the "A" rating requirements. The dividend policy of Zavarovalnica Triglav takes account of the planned growth rate and development of the Triglav Group in target markets.

2.2.1 Key strategic directions

The Triglav Group's key strategic directions continue to be:
- creating an efficient Group management system;
- optimising business processes and ensuring appropriate staffing;
- achieving profitability of operations and increasing the total value of the Group,
- expansion on the existing and new markets;
- developing alternative sales channels;
- entering new key projects with a profitability rate above the target ROE of the Group in 2015.

2.2.2 Strategy objectives of the Triglav Group

The previous strategy was deepened on the existing foundations, as proven by the fact that the strategy objectives on four levels remain unchanged in the revised strategy to 2015.

Level 1: Employees, knowledge and learning
- successful adaptation of the number and structure of employees to the demands of process and organisation reengineering;
- increased mobility and internationalisation of human resources;
- development and retention of key, promising employees;
- redesign of organisational culture in line with the process reorganisation in the Group;
- increase in the variable part of remuneration for high achievers.

Level 2: Processes and Organisation
- finalisation of the IT-Build and IT-Life projects, including changes in processes and organisation;
- implementation of the data warehouse and the CRM system;
- implementation of the business process management system;
- implementation of the corporate governance system and key internal controls for the Group;
- compliance of operations with Solvency II requirements.

Level 3: Clients
- comprehensive overview of the policyholder and an upgraded, modern credit system (policyholder card);
- development of efficient client loyalty programmes;
- increase in the number of active policyholders;
- comprehensive insurance/financial services offered through modern sales channels;
- a rank among the top 3 insurance companies in the region.

Level 4: Finances

- profitability and cost efficiency;
- optimised balance sheet structure according to the requirements of Solvency II and the "A" rating from Standard & Poor's;
- positive underwriting result of the Group;
- efficient receivables management.

For measuring the achievement of the strategy objectives, a balanced scorecard with projections by 2015 has been developed and linked to concrete strategy activities.

2.3 Objectives of the Triglav Group achieved in 2011

The global economic and financial crisis brought greater uncertainty to financial markets and made the core insurance business more difficult. Despite lower demand for some insurance products and the challenging economic situation, a great majority of the set objectives were achieved.

However, the economic crisis lead to sales results below the planned levels. Investors were more reluctant to assume risk, which was reflected in a smaller demand and lower premiums for unit-linked life insurance products. The reduced volume of bank lending directly reduced total written premium on credit insurance. Moreover, difficulties experienced in some branches of the Slovene economy, especially the construction industry, also helped decrease the demand for certain insurance products.

The performance of the Company was also influenced by other factors:

- growing price competition in the market and the amendments to the terms and conditions of insurance introduced in 2010 decreased the total written premium on motor-vehicle insurance;
- high and repetitive claims made over recent years required more stringent terms and conditions for agricultural insurance, which is the main reason less premium was generated in this insurance class.

Business measures taken yielded high realisation degree of the planned profits, despite unfavourable business conditions. These included cost-cutting, selection of the existing portfolio, greater attention to pricing and risk assumption, redesigning of the exiting insurance products and the development of new ones. Favourable weather conditions also helped towards good results. The combined ratio, which shows the profitability of core insurance operations, reached 90.1% – the most favourable level in the history of the Triglav Group.

Zavarovalnica Triglav's business results are heavily influenced by the situation on the capital markets, as diverse financial investments represent the majority of the Company's total assets. Despite the relatively conservative investment policy of Zavarovalnica Triglav, the global financial crisis and the situation on the capital markets had a negative impact on the value of certain investments which reflected foremost in the decrease of the share capital and profit. In 2011 financial assets were permanently impaired by EUR 63.2 million. Zavarovalnica Triglav regularly met liquidity requirements and managed its investment portfolio in adherence to the principles of security, liquidity and profitability.

On 21 November 2011, the credit rating agency Standard & Poor's confirmed Zavarovalnica Triglav and the Triglav Group the "A" long-term rating and financial strength rating with a

negative outlook for the fourth consecutive time – for more information see *Section 4.8. Credit rating of Zavarovalnica Triglav*.
The confirmation of the credit rating means that the Triglav Group met one of its major strategy objectives: under unfavourable conditions in the economy and on capital markets the Group shall retain the recognition of its financial strength, good performance and strategy implementation.

2.4 Plans of the Triglav Group for 2012

Plans of the Triglav Group for 2012:
- EUR 984.0 million of written premium;
- EUR 595.9 million of net claims incurred;
- EUR 60.6 million of profit;
- EUR 554.2 million of equity as at the year end;
- planned combined ratio of 95.3%;
- operating costs growth rate below premium growth rate.

In the future the Triglav Group will continue to give priority to profitability, rather than to market share growth, so as to enable further growth and development. All subsidiaries are planned to be operating at a profit by 2015.

Major measures and projects planned for 2012:
- upgrade of existing insurance products and development of new ones;
- upgrade of credit rating programmes of the Group and partnership building;
- extension of the range of product packages and combined insurance products;
- the focus of all employees on client satisfaction;
- effective combination of sales channels, upgrade of web insurance products, active marketing of web insurance products and development of alternative sales channels;
- further development of bancassurance;
- various measures for improving loss adjustment processes;
- process simplification;
- strengthening of the Group's presence in the region;
- transfer of expertise and good business practices from the controlling company to the subsidiaries.

The key measures for improving cost effectiveness will be continued: business process reengineering and adaptation of staffing levels, curbing the increase of costs not directly linked to the sale of insurance policies, optimisation of marketing communication costs, of external service costs, and of capital expenditure and standardisation of controls and controlling costs.

The corporate social responsibility strategy adopted in 2011 will be implemented at the Group level.

3. CORPORATE GOVERNANCE STATEMENT

3.1 Governance policy

The Governance Policy of Zavarovalnica Triglav, adopted by the Management Board and the Supervisory Board, is published on SEOnet, the Ljubljana Stock Exchange information system, and the new official website of Zavarovalnica Triglav at www.triglav.eu.

3.2 Statement of compliance with the Corporate Governance Code

In its operations Zavarovalnica Triglav abides by the corporate Governance code (hereinafter: the Code), which was adopted on 8 December 2009 and is published in Slovene and English on the Ljubljana Stock Exchange website at www.ljse.si.

The statement of compliance with the Corporate Governance Code for the period from 1 January 2010 to the day of publication, i.e. 13 April 2011, was published on SEOnet, the information system of the Ljubljana Stock Exchange, and on the official website of Zavarovalnica Triglav at www.triglav.eu.

Zavarovalnica Triglav, Ljubljana, applies the provisions of the Code. For well-grounded reasons, Zavarovalnica Triglav did not adhere to the following provisions of the Code:

- 8.1 in conjunction with 11
  The Secretary of the Supervisory Board has not been appointed. The tasks of the Secretary of the Supervisory Board are being carried out by the relevant division of the Company.

The Company also conducts business in line with the Insurance Code in full compliance with all of its provisions. The Insurance Code is available on the website of the Slovenian Insurance Association at www.zav-zdruzenje.si.

Moreover, in a statement published on its website at www.triglav.eu, Zavarovalnica Triglav took a position on the provisions of the Corporate Governance Code for Companies with State Capital Investments and individual guidelines of the Capital Assets Management Agency of the Republic of Slovenia (all documents are available on the webpage of the Capital Assets Management Agency at www.auknrs.si).

3.3 Management bodies of Zavarovalnica Triglav

Zavarovalnica Triglav is managed and governed according to a two-tier system. The management bodies, i.e. the General Meeting of Shareholders, the Management Board and the Supervisory Board, operate in compliance with primary and secondary legislation, the Articles and Memorandum of Association of the Company and their own rules of procedure. The Articles and Memorandum of Association are published on www.triglav.eu.

3.3.1 General Meeting of Shareholders

Shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the Company through the General Meeting of Shareholders, which is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders may also be convened in other circumstances set out by law and by the Articles and Memorandum of Association, and when it is in the interest of the Company.

The competences and operation of the General Meeting of Shareholders are set out in the Companies Act and the Articles and Memorandum of Association. The Articles and Memorandum of Association do not set out any specific provisions regarding their amendments and supplements.

A share of Zavarovalnica Triglav gives each of its holders the right to one vote at the General Meeting of Shareholders, proportional dividends from the profit intended for the payment of dividends and a proportional share from the remaining bankruptcy or liquidation mass in the case of bankruptcy or liquidation. All shareholders who are entered in the share register managed by the Central Securities Clearing Corporation (KDD) no later than by the end of the fourth day before the date of the General Meeting of Shareholders have the right to attend the General Meeting and exercise their voting right if they apply to be present no later than by the end of the fourth day prior to the date of the General Meeting of Shareholders.

In line with the provisions of the Insurance Act, the acquisition of shares of Zavarovalnica Triglav by which a person indirectly or directly acquires or exceeds the qualifying holding in the Company requires the prior authorisation of the Insurance Supervision Agency. If a person who has acquired such authorisation plans a disposal of shares which would decrease their share below the limit for which the authorisation has been issued, they are required to inform the Insurance Supervision Agency thereof in advance. If individual shareholders of Zavarovalnica Triglav enter into an agreement by which they agree on a coordinated execution of management rights attached to the shares which they own, each shareholder must notify the Insurance Supervision Agency of the agreement within three working days from its conclusion and attach a copy of the agreement to the notification. If individual shareholders enter into an agreement by which they agree on a coordinated execution of management rights attaching to the shares which they own, and the total value of these shares or management rights exceeds the qualifying holding, they are required to acquire the prior authorisation of the Insurance Supervision Agency. Shareholders of shares which have been acquired or are possessed contrary to the Insurance Act have no voting rights. For details see the Insurance Act.

The shares of the two shareholders who in accordance with the Takeover Act own a qualifying holding in Zavarovalnica Triglav remained unchanged in 2011:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Institute of Pension and Invalidity Insurance of Slovenia; hereinafter ZPIZ) is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. On behalf of and for the account of ZPIZ, as at 31 December 2011, the shareholder's rights attached to the shares were managed by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter: AUKN) in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, No. 38/2010, 18/11 and 77/11);
- As at 31 December 2011, Slovenska odškodninska družba d.d., Ljubljana (hereinafter SOD), held 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav.

As at 31 December 2011, Zavarovalnica Triglav had no other shareholders whose share capital exceeded 5%, nor any issued securities that would grant their holders special control rights.

General Meeting of Shareholders in 2011

The 35th Annual General Meeting of Shareholders of Zavarovalnica Triglav, the only one in 2011, took place on 21 June. The total number of shares and voting rights represented was 15,569,427 or 68.48% of all shares to which voting rights are attached. No challenging actions were announced.

The General Meeting of Shareholders:

- took note of the Annual Reports of Zavarovalnica Triglav d.d. and the Triglav Group for 2010, including the opinions given by the chartered auditors, and the Annual Internal Audit Report for 2010;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2010 and its opinion on the Annual Internal Audit Report by the Internal Audit Department for 2010;

- adopted a resolution on the following distribution of the accumulated profit of EUR 268,633,571.25 as at 31 December 2010:
  - EUR 9,094,059.20 to dividend payments to the shareholders, i.e. EUR 0.40 gross per share,
  - EUR 160,000,000.00 to other profit reserves,
  - the remaining profit of EUR 99,539,512.05 to be distributed in future years;
- passed a resolution granting discharge to the Management Board and Supervisory Board for the 2010 business year;
- appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors of Zavarovalnica Triglav for 2011;
- approved the amendments to the Articles and Memorandum of Association in Article 5a, authorising the Management Board to raise the share capital by up to EUR 11,055,208.77 through the issue of new shares for cash within the first five years from the date the amended Articles and Memorandum of Association are entered in the Court Register. The issue of new shares, the amount of capital increases, the rights attached to new shares, and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase according to the abovementioned article, the Supervisory Board is authorised to make amendments to the Company's Articles and Memorandum of Association to bring its provisions in compliance with the changes due to the increase of share capital and the issue of new shares. Article 25, stipulating the basis for remuneration of Supervisory Board members (they are entitled to attendance fees, basic remuneration for performing their function and additional remuneration for performing special tasks as well as to the reimbursement of expenses, if so decided by the General Meeting of Shareholders, in the amount decided by the General Meeting of Shareholders), was also amended.
- was informed about the new appointments of employee representatives to the Supervisory Board: Peter Celar, Branko Gorjan and Miran Krštinc, whose term of office started on 30 May 2011;
- passed a resolution on the amount of remuneration payable to Supervisory Board members.

On 9 January 2012, two amendments to the Articles and Memorandum of Association were entered into the Court Register at the District Court in Ljubljana. The entry was based on items 5.1, 5.2 and 5.4 of resolution No. 5 of the 29th General Meeting of Shareholders of Zavarovalnica Triglav held on 27 August 2007 and resolution No. 5.2 of the 30th General Meeting of Shareholders of Zavarovalnica Triglav held on 18 April 2008 as well as on the basis of an Insurance Supervision Agency decision representing a licence for brokerage services for mutual fund investment coupons in accordance with the Investment Trusts and Management Companies Act. The amendments to the Articles and Memorandum of Association are the following:

- in Article 2 (2) the following indent is added: "– brokerage services for mutual fund investment coupons in accordance with the Investment Trusts and Management Companies Act, in the case of a bank or other financial organisation according to the legislation regulating banking and the securities market"; and
- in Article 2 (3) the following indent is added: "66.190 Other activities auxiliary to financial services other than insurance and pension funding".

3.3.2 Management Board

Any person fulfilling the requirements stipulated by the Insurance Act and the Companies Act can be appointed to the Management Board as its President or member. The Management Board of Zavarovalnica Triglav manages the Company independently and at its own responsibility, and presents and represents the Company without limitations. In legal

transactions, the insurance company is always jointly presented and represented by two members of the Management Board, one of whom must be its President.

3.3.2.1 Composition and appointment of the Management Board

According to the Articles and Memorandum of Association, the Management Board has no less than three and no more than six members, of whom one is the President. The Management Board is appointed by the Supervisory Board. The number of Management Board members, their competences, the manner of representation and presentation and the transfer of the Management Board's authorities are determined by the Supervisory Board in the Management Board Rules. The term of office of an individual Management Board is up to five years, with the possibly of the reappointment of its members. In Zavarovalnica Triglav, the employee representative is a member of the Management Board.

The appointment or recall of all members or an individual member of the Management Board is proposed to the Supervisory Board by the President of the Management Board. The Supervisory Board may recall a member of the Management Board or its President if it establishes that they have been in serious breach of obligations set out by primary and secondary legislation and in other circumstances set out by law.

3.3.2.2 Management Board authorisation to increase the share capital

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 11,055,208.77 through new shares issued for cash within five years of 28 June 2011. The issue of new shares, the amount of capital increases, the rights attached to new shares and the conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board. Upon a share capital increase, the Supervisory Board is authorised to make amendments to the Company's Articles and Memorandum of Association.

3.3.2.3 Introducing the Management Board

In 2011, the Management Board of Zavarovalnica Triglav was made up of the following members:

President of the Management Board – Matjaž Rakovec

- Born 1964. Bachelor of Science in Economics.
- Having previous experience in sales and marketing, he was first employed in Zavarovalnica Triglav in 1995 as Head of Insurance Sales in the largest branch office - Ljubljana. In 1996, he became the branch office Assistant to the CEO and remained in that post until 2005. Matjaž Rakovec continued his professional career as CEO of Studio Moderna d.o.o. and advisor to the Management Board in Poslovni sistem Mercator. He became CEO of the Ljubljana branch office in 2006 and was appointed President of the Management Board of Zavarovalnica Triglav in 2009.
- Matjaž Rakovec took office on 15 October 2009.

Management Board Member - Andrej Slapar

- Born 1972. Bachelor of Laws.
- Andrej Slapar was first employed in Zavarovalnica Triglav in 1997 as a lawyer in the Department of International Claims and Insurance Law. From 1999 to 2009 he continued his professional career in Pozavarovalnica Triglav Re as Head of the Car, Transport, Liability and Personal Insurance Division and Assistant to the President of the Management Board for reinsurance.
- Andrej Slapar took office on 10 November 2009.

Management Board member - Igor Stebernak

- Born 1968. Bachelor of Electrical Engineering, Master of Business Administration.
- Igor Stebernak was first employed in Zavarovalnica Triglav in 2004 as Head of the Strategic Planning and Controlling Department. He began working in the area of strategic planning, market analyses and operation streamlining in 1994 in the company ITEO d.o.o. Stebernak was later employed as Head of the Controlling Department and Deputy Executive Director of the Finance Department in SKB Banka d.d., a member of the Société Générale Group.
- Igor Stebernak took office on 19 November 2009.

Management Board member, employee representative – Marica Makoter

- Born 1972. Bachelor of Laws.
- From 1996 to 2000, Makoter was employed at the Kočevje Administrative Unit. After an internship at the Higher Court of Ljubljana and upon passing the State Legal Exam, she took employment in Zavarovalnica Triglav's Novo mesto Regional Unit. Makoter was Head of the Subrogation Department in Novo mesto from 2003 to 2006, and Head of the Legal Injury Department and Deputy Head of the Claim Centre in the Novo mesto Regional Unit as of 2011.
- Marica Makoter took office on 21 December 2011.

Until 30 September 2011, i.e. until the termination date of his term of office, the function of the Management Board member-employee representative was carried out by Vladimir-Mišo Čeplak, who on handed in his letter of resignation 28 February. On 21 December 2011, Ms Marica Makoter was appointed in his stead.

Data on earnings of the Management Board members are disclosed in *Section 8.2 of the Accounting Report.*

Membership of the Management Board members of Zavarovalnica Triglav in the Supervisory Boards or Management Boards of other companies as at 31 January 2012:

Name	Membership in the Supervisory (Management) Boards of other companies
Matjaž Rakovec President of the Management Board	• Lovćen Osiguranje a.d., Podgorica • Triglav Osiguranje d.d., Sarajevo • Pool za zavarovanje in pozavarovanje jedrskih nevarnosti GIZ • Krka d.d. • Triglav INT d.d.
Andrej Slapar Management Board member	• Triglav pojišťovna a.s., Brno • Pozavarovalnica Triglav Re d.d. • Triglav Osiguruvanje a.d., Skopje • Triglav Osiguranje d.d., Sarajevo • Triglav INT d.d.
Igor Stebernak Management Board member	• Triglav Osiguruvanje a.d., Skopje • Triglav Osiguranje a.d.o., Belgrade • Triglav Skladi družba za upravljanje d.o.o. • Triglav INT d.d. • Abanka Vipa d.d.
Marica Makoter Management Board member, employee representative	/

3.3.2.4 Functioning and powers of the Management Board

As at 31 December 2011, the Management Board members were in charge of the following departments:

The **President of the Management Board Matjaž Rakovec** manages and directs the work of the Management Board and of the headquarters departments (Management Board Office, Legal Office, Internal Audit Department, Risk Management Department, and Marketing Department). Matjaž Rakovec is responsible for the following departments: Personal Insurance Sales, Personal Insurance, IT, Work Processes and Organisation, Central Back Office, Human Resources Management as well as for Development and Actuary Affairs for Life Insurance, Project Office and Bancassurance.

Andrej Slapar, member of the Management Board, is responsible for the Non-Life Insurance Sales, Underwriting and Non-Life Insurance Product Development, Non-Life Insurance Loss, as well as for the Development and Actuary Affairs for Non-Life Insurance, Client Relationship and the headquarters' department for the Prevention, Detection and Investigation of Fraud.

Igor Stebernak, member of the Management Board, is responsible for Accounting, Finance and Subsidiary Governance, Strategic Planning and Controlling at the headquarters level and the Legal Office for Subsidiaries.

Marica Makoter, member of the Management Board - employee representative, represents employees' interests, in compliance with the Worker Participation in Management Act.

3.3.3 Supervisory Board

The nine members of the Supervisory Board, of whom six are representatives of the shareholders and three of employees, supervise the conducting of the Company's business with full responsibility.

Shareholder representatives are elected by the General Meeting of Shareholders and employee representatives by the Works Council of Zavarovalnica Triglav. Their appointment or recall is subject to the law and the Articles and Memorandum of Association. The Chairman and Deputy Chairman of the Supervisory Board are elected from among its members representing shareholders. Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation.

The General Meeting of Shareholders may recall a Supervisory Board member before the end of their term of office. To substitute for members deprived of their office, the General Meeting of Shareholders elects a new member with a term of office lasting until the end of the term of office of the Supervisory Board.

3.3.3.1 Competences of the Supervisory Board

The competences and decision-making rules of the Supervisory board, its method and organisation of work and other issues relevant for its functioning are set out by law, the Articles and Memorandum of Association of Zavarovalnica Triglav and the Rules of Procedure of the Supervisory Board. Besides the competences set out in the Companies Act and the Insurance Act, the Supervisory Board has the competence to give consent to the decisions of the Management Board where the value or an investment exceeds the amount set out in the Rules of Procedure of the Supervisory Board, i.e., in the event of:

- founding limited companies in Slovenia and abroad;
- the acquisition or sale of stakes in foreign or domestic companies;
- the issue of debt securities and long-term borrowing from domestic or foreign banks; or
- the acquisition, sale of, or investment in investment property.

In accordance with the law and the provisions of its Rules of Procedure, the Supervisory Board shall have at least one meeting per quarter, or more if necessary. The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav at www.triglav.eu.

3.3.3.2 Supervisory Board in 2011

Shareholder representatives began their four-year term office on the Supervisory Board on 7 April 2009 (until 7 April 2013). Because the term of office of Mirko Miklavčič was terminated on 25 September 2009, the General Meeting of Shareholders appointed in his stead Vladimir Uršič as member of the Supervisory Board-shareholder representative on 28 June 2010.

Following his resignation as Chairman and member of the Supervisory Board, Borut Jamnik's term of office was terminated on 19 September 2011.

To replace its members Branko Gorjan, Peter Celar and Boris Gabor, whose term of office ended on 29 May 2011, the Works Council elected Miran Krštinc and reelected Peter Celar and Branko Gorjan as the new members of the Supervisory Board-employee representatives on 8 April 2011. The four-year terms of office of the newly elected Supervisory Board members-employee representatives commenced on 30 May 2011.

At its meeting on 17 October 2011, the Supervisory Board appointed Anton Ribnikar as its President.

Composition of the Supervisory Board as at 31 January 2011:

Name	Education	Employed in	Membership in Supervisory Boards of other companies
Shareholder representatives			
Anton Ribnikar Chairman	Bachelor of Laws	NLB Montenegrobanka a.d., Chief Executive Officer	- SIB banka d.d., in liquidation - NLB BANKA a.d., Belgrade, member of the Management Board
Uroš Slavinec Deputy Chairman	Bachelor of Science in Economics	Helios d.d., President of the Management Board	- Gorenje d.d., Chairman of the Supervisory Board
Igor Mihajlović Member	Bachelor of Mechanical Engineering	STD d.o.o., Consultant to the CEO	- TKK Srpenica d.d., member of the Supervisory Board - Euroinvestment d.d., Tuzla, member of the Supervisory Board
Aljoša Valentinčič Member	PhD in Business Administration	Faculty of Economics in Ljubljana, Assistant Professor at the Academic Unit for Money and Finance	/
Vladimir Uršič Member	Bachelor of Laws	retired	/
Employee representatives			

Name	Education	Employed in	Membership in Supervisory Boards of other companies
Branko Gorjan Member	Economics Technician	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Miran Krštinc Member	Bachelor of Laws	Zavarovalnica Triglav d.d.	/

By signing the Statement of Independence and Loyalty, the members of the Supervisory Board undertook to adhere to the principles of independence laid down in item C.3 of the Annex to the Corporate Governance Code. The Statement is published on www.triglav.eu.

Data on earnings of the Supervisory Board members are disclosed in *Section 8.2 of the Accounting Report*.

For details on the activities of the Supervisory Board see the Supervisory Board Report.

3.3.3.3 Composition of Supervisory Board Committees and their activities in 2011

Supervisory Board committees prepare proposals for resolutions of the Supervisory Board, assure their implementation and carry out other professional tasks. In 2011, the Supervisory Board had four committees: the Audit Committee, the Appointments and Compensation Committee, the Strategy Committee and the Nominations Committee.

Audit Committee

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions. They include:

- monitoring the financial reporting process;
- monitoring internal control systems, reports and recommendations of the Internal Audit Department;
- monitoring risk management systems and the mandatory audit of annual and consolidated accounting statements;
- proposing to the Supervisory Board the candidate for the auditor of the annual report of the Company;
- evaluation of the drawing up of the annual report, including drafting the proposal for the Supervisory Board;
- help in identifying the most important audit areas.

In 2011, the Audit Committee was made up of the following members: Uroš Slavinec as Chairman and Aljoša Valentinčič, Branko Gorjan, Anton Ribnikar (until 17 October 2011), Vladimir Uršič (as of 17 October 2011) and Barbara Nose (outsourced independent expert) as members.

Appointments and Compensation Committee

The duties and competences of the Appointments and Compensation Committee, set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board resolutions, include:

- drawing up proposals for the Supervisory Board regarding the criteria for membership in the Management Board;

- drawing up proposals regarding the policy for remuneration, compensation and other benefits of the Management Board members.

In 2011, the Compensation and Appointments Committee had the following composition: Borut Jamnik as Chairman (until 19 September 2011), Anton Ribnikar as Chairman (as of 17 October 2011), Igor Mihajlović, Boris Gabor (until 29 May 2011) and Miran Krštinc (as of 20 June 2011) as members, and Srečo Jadek as an outsourced independent expert.

Strategy Committee

At its meeting on 10 February 2011, the Supervisory Board established a Strategy Committee, composed of Borut Jamnik as Chairman and Igor Mihajlović and Peter Celar as members. Following Borut Jamnik's resignation statement of 19 September 2011, the Supervisory Board appointed Anton Ribnikar as member and Chairman of the Strategy Committee on 17 October 2011. The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and Supervisory Board resolutions. Its tasks include the monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their realisation.

Nominations Committee

At its session on 17 October 2011, the Supervisory Board established a Supervisory Board Nominations Committee for a definitive period of time ending with the appointment of a new Supervisory Board member. The Nominations Committee has the following composition: Uroš Slavinec, Chairman, Miran Krštinc, employee representative, Tomaž Kuntarič and Vanessa Grmek, shareholder representatives and Eva Boštjančič, representative of the Accreditation Committee at the Capital Assets Management Agency. The Nominations Committee will carry out the procedure for appointing a new member to the Supervisory Board and propose a candidate to the Supervisory Board.

3.4 Governance and management of subsidiaries

The fundamental principles and management regulation of Zavarovalnica Triglav's subsidiaries are set out in the Subsidiary Governance Policy, Rules of the Subsidiary Governance Committee and Rules for Employees Working Abroad. The governance and supervision of subsidiaries is actively run by all business divisions of the parent company, which act as the pillars of standardisation and harmonisation of the operations in subsidiaries with the standards of Zavarovalnica Triglav. The goal is the unification of minimum standards throughout the Triglav Group.

In accordance with the Triglav Group Strategy 2011 and upon given approval, ownership shares in Triglav Group subsidiaries based outside of Slovenia were transferred to the subsidiary Triglav INT d.d. The implementation of the Strategy in 2011 in terms of the Triglav Group governance was successful on all levels. The introduction of unified IT support in subsidiaries has surpassed expectations. Moreover, the Group centralised the long-term investment management of subsidiaries and launched new unified IT support for consolidation purposes. In the process of rebranding, subsidiary names were unified, which will enhance the brand visibility of the Triglav Group and reinforce its joint presence in the region. In 2011, the first generation of the Triglav International Business Academy concluded their professional training.

In 2011, cooperation with a potential strategic partner, the International Finance Corporation, a member of the World Bank Group (hereinafter: IFC), was negotiated. On 3 June 2011,

Zavarovalnica Triglav and IFC signed an Equity Appraisal Letter and a Confidentiality Agreement. On that basis, IFC carried out a due diligence of operations in the Triglav Group insurance companies based outside of Slovenia as a precondition for its participation in the equity of Triglav INT. In this way, the Group plans to raise fresh capital for further growth as well as exploit synergies between the Triglav Group and IFC.

The composition of management and governance bodies as at 31 December 2011

Subsidiary	Management	Supervisory function
Slovenia		
Pozavarovalnica Triglav Re d.d., Ljubljana	Gojko Kavčič - President Gregor Stražar Tomaž Rotar	**Supervisory Board:** Andrej Slapar - Chairman Aleksandra Vukovič Kačar Nadja Pivk
Triglav Zdravstvena zavarovalnica d.d., Koper	Meta Berk Skok – President Simon Vidmar	**Supervisory Board:** Boštjan Vovk - Chairman Tadej Čoroli Tomaž Krevatin
Triglav Skladi družba za upravljanje d.o.o., Ljubljana	Igor Kušar - President Samo Javornik Miloš Čas	**Supervisory Board:** Igor Stebernak - Chairman Uroš Ivanc Boštjan Vovk
Triglav Naložbe finančna družba d.d., Ljubljana	Stojan Nikolič Kristina Rovšek	**Supervisory Board:** Aleksandra Vukovič Kačar - Chairwoman Simona Kozjek Tomaž Žust
TRI - PRO d.o.o., Domžale	Edvard Kranjčič - Director Tadej Čoroli – Authorised Officer	
Triglav INT holdinška družba d.d., Ljubljana	Tina Cvar – Executive Director **Management Board:** Matjaž Rakovec - President Igor Stebernak Andrej Slapar Boštjan Vovk	
AS Triglav-servis in trgovina d.o.o., Ljubljana	Edvard Zabukovnik - Director Boris Kuhelj - Director	**Supervisory Board:** Stanislav Vrtunski - Chairman Blaž Jakič Iztok Šekoranja
Triglav nepremičnine, upravljanje in svetovanje d.d., Ljubljana	Rok Pivk - President of the Management Board Ana Stradar Iglič	**Supervisory Board:** Dejan Jasnić - Chairman Mirjana Koporčić Veljić
Slovenijales d.d., Ljubljana	Blaž Jakič – General Manager	**Supervisory Board:** Uroš Ivanc - Chairman Aleksandra Vukovič Kačar Janka Planinc Dušan Mežnar Marko Pahor
Gradis IPGI d.d., Ljubljana	Aleš Vahčič - Director Robert Špehar – Authorised Officer	**Supervisory Board:** Miha Grilec - Chairman Rok Pivk Kristina Rovšek
Hotel Grad Podvin d.d., Radovljica	Jaka Binter - Director	**Supervisory Board:**

Subsidiary	Management	Supervisory function
		Mateja Živec - Chairwoman Ana Stradar Iglič
Croatia		
Triglav Osiguranje d.d., Zagreb	Marin Matijaca - President Vanja Nadali Igor Bratina	**Supervisory Board:** Boštjan Vovk - Chairman Jože Obersnel Tomaž Žust Stanislav Vrtunski Željko Duralija
Czech Republic		
Triglav Pojišt'ovna a.s., Brno	Petr Bany - General Manager Petr Mikulenka	**Supervisory Board:** Andrej Slapar - Chairman Jože Obersnel Šarka Vodičkova
Montenegro		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić - CEO	**Board of Directors:** Matjaž Rakovec - Chairman Boštjan Vovk Uroš Ivanc
Bosnia and Herzegovina		
Triglav Osiguranje d.d., Sarajevo	Edib Galijatović – President of the Management Board Edin Muftić	**Supervisory Board:** Matjaž Rakovec - Chairman Andrej Slapar Bakir Pilav
Triglav Osiguranje a.d., Banja Luka	Matej Žlajpah - Director	**Management Board:** Andrej Knap - President Jože Obersnel Zoran Nikolić
Serbia		
Triglav Osiguranje a.d.o., Belgrade	Predrag Bobera - General Manager Ian Harrocks – Authorised Officer **Management Board:** Igor Stebernak - President Boštjan Vovk Jože Obersnel	**Supervisory Board:** Uroš Ivanc - Chairman Rudi Lipovec Drago Ljubojević
Triglav penzijski fondovi a.d., Belgrade	Vojko Saksida - Director	**Management Board:** Miroslav Matijaševič – President Predrag Bobera Miloš Čas
FYR Macedonia		
Triglav Osiguruvanje a.d., Skopje	Trajče Latinovski – General Manager and executive member of the Board of Directors	**Board of Directors:** Igor Stebernak - Chairman Aleksandra Vukovič Kačar Andrej Slapar Uroš Ivanc

3.5 Internal and external audit

On 21 June 2011, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors of Zavarovalnica Triglav for 2011.

The report on the work of the Internal Audit Department is included in the *section on risk management.*

3.6 Main characteristics of the internal control and risk management system

The obligation of insurance companies to establish and maintain an internal control and risk management system is regulated by the provisions of the Companies Act and by the special provisions of the Insurance Act. Moreover, Zavarovalnica Triglav always operates in compliance with the relevant secondary legislation issued by the Insurance Supervision Agency. Other insurance companies, subsidiaries of the Triglav Group in Slovenia and abroad, also guarantee an adequate quality level of the internal control and risk management system, in compliance with the legal provisions and legislation of individual countries.

Internal controls have been set up in all processes, organisational units and organisational levels of Zavarovalnica Triglav. They include:

- a clear organisational structure with a precisely defined and transparent system of authorities and competences;
- efficient procedures for the identification, evaluation, management and monitoring of risks the Company is or may be exposed to in the course of its operation;
- an adequate internal control system which includes appropriate administrative and accounting procedures (reporting, working procedures, risk exposure limits and physical controls).

Zavarovalnica Triglav ensures the compliance of its operations with strategic objectives by maintaining and upgrading a reliable risk management system, proper accounting activities and internal and external financial-accounting reporting. Efficiency checks on the internal control system are performed by a special Internal Audit Department, established in compliance with legislation. Its main tasks include submitting upgrade proposals and reporting regularly to the Management Board, the Audit Committee and the Supervisory Board. For more details see the section on risk management.

3.7 Notes on the takeover legislation

Provisions of the Takeover Act (Official Gazette of the RS No. 79/06, No. 1/08 and No. 68/08, ZPre-1) laying down the takeover procedures are also applicable to Zavarovalnica Triglav.

The share capital structure of Zavarovalnica Triglav, the rights and obligations attached to the shares, the restriction on transfer of shares and the absence of shares that would grant their holders special control rights are described in detail in the section on share capital and shareholders of Zavarovalnica Triglav. For information on owners of qualified holdings according to the Takeover Act see Section *3.3.1. General Meeting of Shareholders*.

3.7.1 Disclosure of possible agreements or authorisations regarding shares or voting rights

Zavarovalnica Triglav is not aware of any agreements among shareholders which could cause a restriction on the transfer of shares or voting rights.

The Management Board of Zavarovalnica Triglav is not authorised to buy its own shares. The Management Board's authorisation to increase the share capital is described under *3.3.2.2.* The issue of new shares, the amount of capital increases, the rights attached to new shares and the

conditions for issuing new shares are decided upon by the Company's Management Board with the consent of the Supervisory Board.

Zavarovalnica Triglav has no employee share scheme.

The Company is not aware of any agreements which would become effective, change or expire on the basis of a changed control of the Company as a consequence of an offer as defined by the law regulating takeovers.

Zavarovalnica Triglav has not entered into any agreements with members of its management or supervisory bodies or employees that would provide for remuneration if an offer (as defined by the law regulating takeovers) caused them to resign, be dismissed without justified grounds, or caused their employment to be terminated.

4. SHARE CAPITAL AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV

4.1 Share capital

As at the 2011 year end, the share capital of Zavarovalnica Triglav amounted to EUR 73,701,391.79. At the 35th regular General Meeting of Shareholders of Zavarovalnica Triglav a resolution was passed to increase the share capital by capitalisation of reserves without issuing new shares. The share capital was raised by EUR 50,000,000 from net profit brought forward. It is divided into 22,735,148 ordinary registered par value shares bearing the ticker ZVTG and the ISIN code SI0021111651, which are freely transferable and issued in a dematerialised form. Each represents the same stake and corresponding amount in the share capital. All have been paid up in full.

4.2 The shares of Zavarovalnica Triglav

On 5 December 2011, the shares of Zavarovalnica Triglav were moved from the Standard to the Prime market of the Ljubljana stock exchange. With the listing on the Prime Market, Zavarovalnica Triglav has secured a highly visible position amongst the issuers on the Ljubljana Stock Exchange. The Company has committed itself to the highest standards in business and reporting in both the domestic and foreign markets, and has also undertaken to make all relevant information available in English, as it is aware of the importance of transparency towards its shareholders and investors.

Each share of Zavarovalnica Triglav gives its holder the right to one vote at the General Meeting of Shareholders, to proportional dividends from the profit intended for the payment of dividends and to a proportional share of the remaining bankruptcy or liquidation mass after the payoff of priority shareholders in the case of bankruptcy or liquidation.

Key figures for the shares of Zavarovalnica Triglav

ITEM	31 December 2011	31 December 2010	31 December 2009
Number of shares	22,735,148	22,735,148	22,735,148
Book value of a share (in EUR)	19.25	21.19	21.00
Share book value (in EUR) – consolidated – Triglav Group	20.46	20.71	19.79
Net earnings/loss per share (in EUR)	1.93	1.41	-0.08
Net earnings/loss per share (in EUR) - consolidated - Triglav Group	2.07	1.22	-0.21

Dividend per share (in EUR) - for the previous business year	to be defined	0.40	0.00
Share market value (in EUR) - closing price	10.00	17.61	25.00
Traded on	Ljubljana Stock Exchange - LJSE		
Ticker symbol	ZVTG		
Market capitalisation in EUR - closing price as at 31 Dec. (in EUR)	227,351,480	400,365,956	568,378,700
Credit rating	Standard & Poor's; "A", negative medium-term outlook		
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

The Insurance Act stipulates that any acquisition of shares of Zavarovalnica Triglav by which a person indirectly or directly acquires or exceeds a qualifying holding in the Company (hereinafter: qualified holder) is subject to the prior authorisation of the Insurance Supervision Agency (authorisation to acquire a qualifying holding). According to the Insurance Act, a qualifying holding is an indirect or direct holding of shares or other rights that gives the holder a 10% share of voting rights or a 10% participation in the issuer's capital, or that gives the holder a share of voting rights or participation in the issuer's capital that is smaller than 10%, but nevertheless allows the holder to significantly influence the management of the issuer.

A prior authorisation of the Insurance Supervision Agency is mandatory for any further acquisition of shares of the insurance company by which the person having obtained an authorisation acquires or exceeds the 20%, 33.3% or 50% limit of voting rights or participation in the company's capital or by which the person becomes a controlling company of the insurance company. Likewise, a new prior authorisation of the Insurance Supervision Agency is mandatory before any further acquisition of shares by which a qualified holder would surpass the range for which an authorisation for the acquisition of a qualifying holding had been issued.

Moreover, the Insurance Act sets out the obligations and the requirement to obtain prior authorisations for entities which have agreed to a concerted acquisition of the shares of the insurance company or a concerted exercising of management rights attached to the shares in the case that they do not reach a qualifying holding, as well as in the case that they intend to acquire a holding by which they would jointly reach or exceed a qualifying holding.

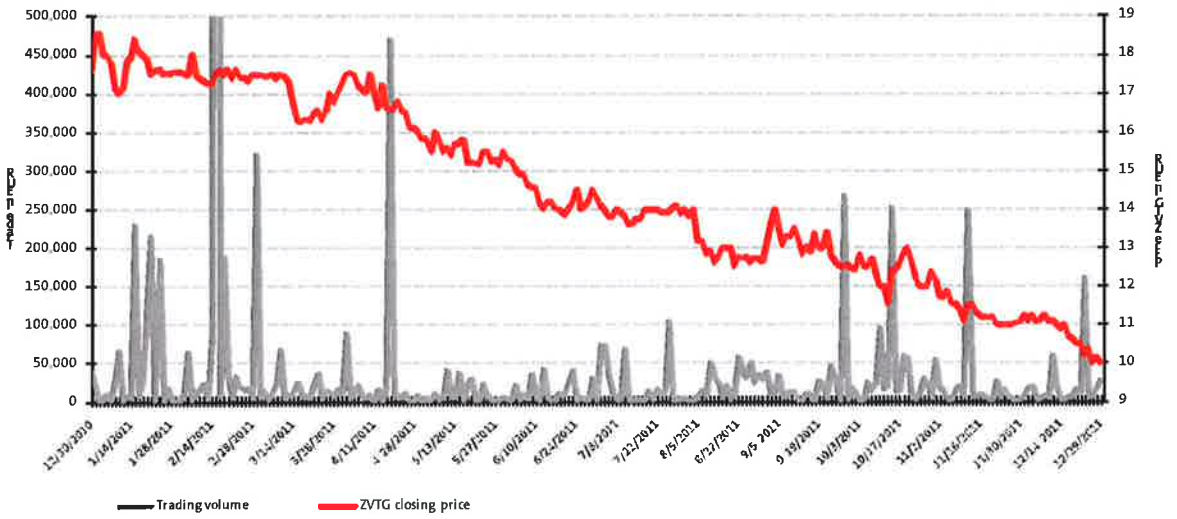
A prior authorisation of the Insurance Supervision Agency for the acquisition of a qualifying holding is also obligatory for shareholders of the insurance company who jointly own shares by which they reach or exceed a qualifying holding in the insurance company and who intend to enter into an agreement (hereinafter: qualified shareholders' agreement).

Holders of shares that have been acquired or are possessed contrary to the Insurance Act have no voting rights. See the Insurance Act for details.

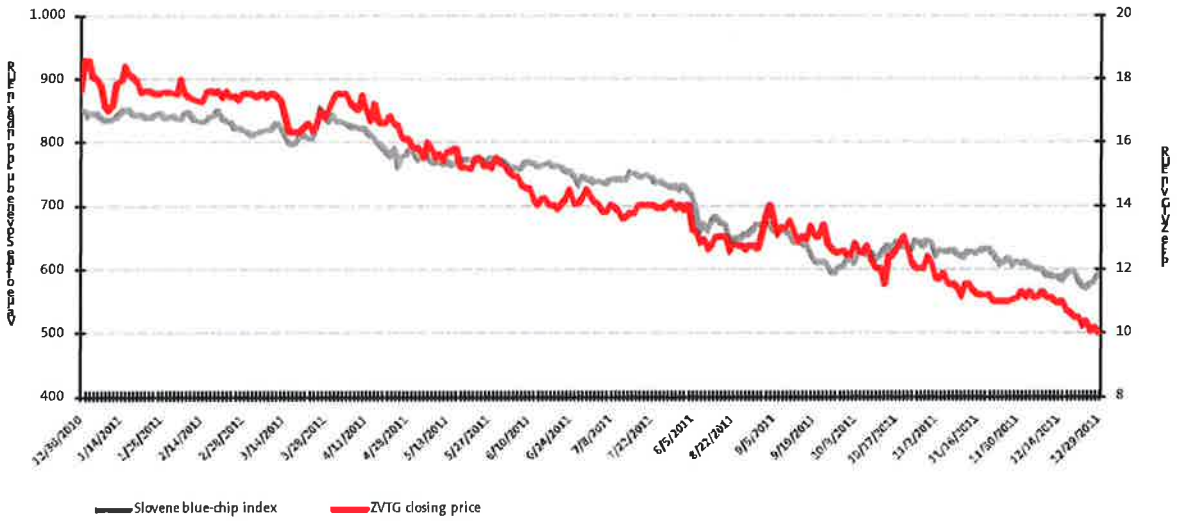
4.3 Movements in the share value of Zavarovalnica Triglav in 2011

In 2011, the value of ZVTG shares was in decline. The highest and lowest closing prices were achieved on the first and last trading day of the year 2011, respectively. The average turnover per trading day was EUR 53,930.40, which is lower than the 2010 average of EUR 68,508.84. The general decline in 2011 also affected the Slovene blue-chip index; however, compared to this index, the ZTVG share experienced more volatility and a more significant drop in value. The value of the Slovene blue-chip index dropped by about 31%, while the ZVTG share lost about 43% of its initial value.

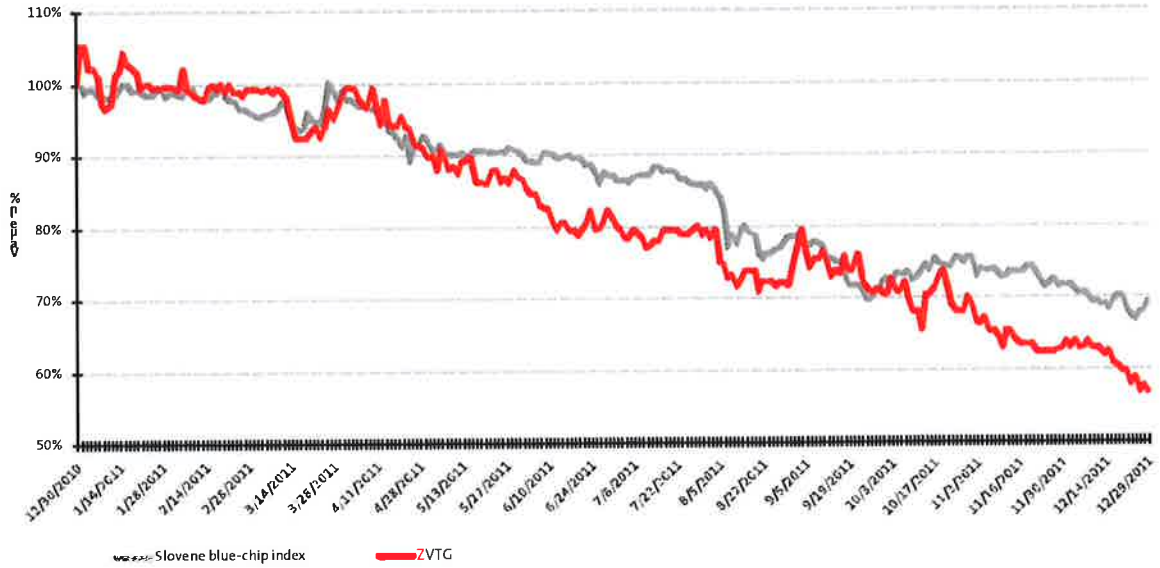
Movements in the closing price (right axis) and turnover in EUR (left axis) of the ZVTG share of Zavarovalnica Triglav



Movements in the closing price of the ZVTG share of Zavarovalnica Triglav (right axis) and movements in the value of the Slovene blue-chip index, in EUR (left axis)



Movements in the average daily price of the ZVTG share of Zavarovalnica Triglav and movements in the value of the Slovene blue-chip index, in EUR, in 2011 as compared to 31 December 2010



Maximum and minimum closing prices and maximum and minimum trading volumes in ZVTG shares of Zavarovalnica Triglav in a trading day

IN EUR

MONTH	MAXIMUM CLOSING PRICE	MINIMUM CLOSING PRICE	MAXIMUM DAILY TRADING VOLUME	MINIMUM DAILY TRADING VOLUME	AVERAGE DAILY TRADING VOLUME
January	18.55	17.00	227,781	631	46,430
February	17.99	17.21	7,213,031	632	407,298
March	17.50	16.30	320,336	1,809	30,865
April	17.51	16.00	469,624	68	32,851
May	16.00	15.15	39,488	142	9,957
June	15.30	13.86	41,018	290	12,176
July	14.30	13.56	102,637	895	20,399
August	14.00	12.50	57,235	55	21,996
September	14.00	12.42	265,989	394	23,942
October	12.99	11.54	250,531	51	35,476
November	11.85	11.00	247,009	750	19,304
December	11.25	10.00	159,894	1,414	19,379

4.4 Shareholder structure

In terms of numbers, the shareholder structure is still dominated by domestic natural persons with a relatively low percentage of ownership. In terms of leverage, domestic legal entities maintain their dominant position.

Shareholder structure of Zavarovalnica Triglav as at 31 December 2011

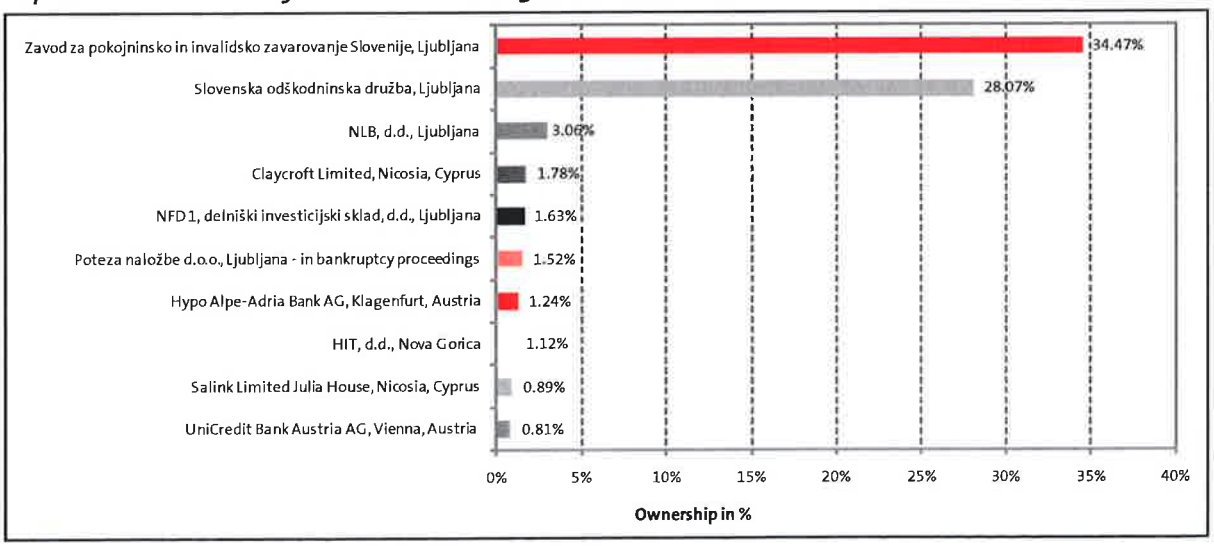
	TOTAL	DOMESTIC	FOREIGN	LEGAL ENTITIES	NATURAL PERSONS
Number of shares	22,735,148	20,994,552	1,740,596	20,920,242	1,814,906
Number of shareholders	29,000	28,526	474	683	28,317
Number of shares - percentage	100.00%	92.34%	7.66%	92.02%	7.98%
Number of shareholders - percentage	100.00%	98.37%	1.63%	2.36%	97.64%

Among the top ten shareholders, four increased their shares, one of them featuring in the shareholder structure for the first time. The aforementioned changes have resulted in an increased concentration of ownership, but no significant changes in the shareholder structure were recorded in 2011.

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2011 and 31 December 2010

SHAREHOLDER	NUMBER OF SHARES 2011	NUMBER OF SHARES 2010	OWNERSHIP IN % 2011	OWNERSHIP IN % 2010
Zavod za pokojninsko in invalidsko zavarovanje Slovenije, Ljubljana	7,836,628	7,836,628	34.47	34.47
Slovenska odškodninska družba, Ljubljana	6,380,728	6,380,728	28.07	28.07
NLB d.d., Ljubljana	696,213	696,213	3.06	3.06
Claycroft Limited, Nicosia, Cyprus	404,460	210,000	1.78	0.92
NFD 1, delniški investicijski sklad d.d., Ljubljana	371,187	371,187	1.63	1.63
Poteza naložbe d.o.o., Ljubljana - in bankruptcy proceedings	346,570	346,570	1.52	1.52
Hypo Alpe-Adria Bank AG, Klagenfurt, Austria	282,055	280,720	1.24	1.23
HIT d.d., Nova Gorica	255,408	255,408	1.12	1.12
Salink Limited Julia House, Nicosia, Cyprus	202,414	0	0.89	0
UniCredit Bank Austria AG, escrow accounts, Vienna, Austria	184,648	183,772	0.81	0.81

Top ten shareholders of Zavarovalnica Triglav as at 31 December 2011



Once again in 2011, two of the shareholders achieved a qualifying holding in accordance with the Takeovers Act: Zavod za pokojninsko in invalidsko zavarovanje Slovenije (hereinafter: ZPIZ)

and Slovenska odškodninska družba d.d., Ljubljana. In accordance with the Management of Equity Investments of the Republic of Slovenia Act (Official Gazette of the RS No. 38/2010, 18/11 and 77/11), the Capital Assets Management Agency of the Republic of Slovenia (hereinafter AUKN) acted on behalf of and for the account of ZPIZ in 2011 in exercising shareholder rights stemming from the shares of Zavarovalnica Triglav owned by ZPIZ. See also *Section 3.3.1.*

Number of shares owned by members of the Management and Supervisory Board as at 31 December 2011

NAME	FUNCTION	NUMBER OF SHARES	SHARE IN CAPITAL
Management Board		**4,740**	**0.021%**
Matjaž Rakovec	President of the Management Board	4,740	0.021%
Andrej Slapar	Management Board Member	-	-
Igor Stebernak	Management Board Member	-	-
Marica Makoter	Management Board Member, Employee Representative	-	-
Supervisory Board		**5,628**	**0.025%**
Shareholder representatives		**4,024**	**0.018%**
Anton Ribnikar	Chairman	24	0.000%
Uroš Slavinec	Deputy Chairman	-	-
Igor Mihajlović	Member	-	-
Aljoša Valentinčič	Member	-	-
Vladimir Uršič	Member	4,000	0.018%
Employee representatives		**1,604**	**0.007%**
Branko Gorjan	Member	1,204	0.005%
Peter Celar	Member	400	0.002%
Miran Krštinc	Member	-	-
Management and Supervisory Board COMBINED		**10,368**	**0.046%**

4.5 Dividend policy

Dividends are paid once a year in accordance with a resolution passed by the General Meeting of Shareholders. The dividend policy is defined in the Strategy of the Triglav Group 2011–2015 (*see Section 2.2 Triglav Group in the 2011-2015 Strategy Period*). It is aimed at achieving dividend amounts that reflect the achieved business results or profit while also meeting capital needs for future growth and capital adequacy requirements.

Overview of dividends from 2008 to 2011

ITEM	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Total dividends (in EUR)	to be defined	9,094,059	0	2,273,515
Dividend per share (in EUR)	to be defined	0.40	0.00	0.10

4.6 Communication with investors

The public is informed about all significant decisions and events in the parent company and in the Triglav Group. Communication with shareholders is based on the principles of transparency, equality, and regular and reliable reporting.

Information for investors is published regularly via the SEOnet system on the web portal of the Ljubljana Stock Exchange and in the investor information section on our website www.triglav.eu, where all relevant information on the Company and the Triglav Group can be found.

Details on the Company's communication activities with investors can be found in *Section 11. Sustainable development in the Triglav Group, item 11.3 Communication with stakeholders.*

Information for shareholders:
Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Uroš Ivanc, Finance Executive Director
Phone: +386 (1) 47 47 468
Fax: +386 (1) 231 64 56
E-mail: uros.ivanc@triglav.si

4.7 Protecting the interests of small shareholders

Zavarovalnica Triglav offers equal treatment to all shareholders and therefore also guarantees rights to minority shareholders.

4.8 Credit rating of Zavarovalnica Triglav d.d.

As stated in item *2.2 Triglav Group in the 2011-2015 Strategy Period*, the rating agency Standard & Poor's Ratings Services (hereinafter S&P) reconfirmed the "A" long-term credit rating and financial strength credit rating of the Triglav Group and Zavarovalnica Triglav on 21 November 2011. At the same time, an "A" credit rating and a stable medium-term outlook were confirmed for one of the daughter companies of Triglav Group, Pozavarovalnica Triglav Re. A few days later, on 5 December 2011, S&P published a warning of a possible downgrade of credit rating for 15 of 17 member states of the European Economic and Monetary Union, including Slovenia. As an immediate consequence of this, S&P assigned a negative credit watch to certain European insurance companies and insurance groups, including the Triglav Group, on 9 December 2011. In the S&P rating published on 18 January 2012, the Triglav Group (along with Zavarovalnica Triglav and Pozavarovalnica Triglav Re) maintained its "A" credit rating, even though the credit rating of the Republic of Slovenia had been downgraded. S&P then removed the warning of a possible short-term downgrade of the credit rating for the Triglav Group. Nevertheless, the issued rating was assigned a negative outlook.

Achieving an "A" credit rating is one of the strategic goals of the Triglav Group, which is why the implementation of this goal is also discussed in the abovementioned item of *Section 2. Strategy and Plans of the Triglav Group.*

4.9 Bonds of Zavarovalnica Triglav d.d.

Zavarovalnica Triglav has thus far issued two series of bonds. In both cases, the bonds were issued as subordinated, registered, fixed rate bonds, in a dematerialised form, denominated in EUR. The bonds issued in 2003, bearing the ticker symbol ZT01 (ISIN: SI0022102063), are traded on the bond market of the Ljubljana Stock Exchange. The total nominal value of the bond issue

was EUR 10,998,000 or EUR 1,000 per bond. The last coupon and the principal will fall due on 20 October 2013.
The second issuing of bonds of Zavarovalnica Triglav followed on 30 November 2009. The total nominal value of the issue is EUR 30,000,000 and the issue comprises 30,000 bonds with a denomination of EUR 1,000. On 4 June 2010, Zavarovalnica Triglav received a decision of the Securities Market Agency on the approval of the prospectus regarding the admission of ZT02 bonds to trading on the regulated market. Based on this decision, the Company filed a request for the admission of these bonds to listing on the Ljubljana Stock Exchange. The ZT02 bond (ISIN: SI0022103038) was listed on 30 June 2010. The last coupon and the principal will fall due on 21 March 2020.

5. MARKETING AND DEVELOPMENT ACTIVITIES OF ZAVAROVALNICA TRIGLAV

5.1 Marketing and sales activities

5.1.1 Non-life insurance

The marketing of non-life insurance stems from the quality of the product range and its competitive advantages, while rebates in 2011 were limited and given selectively. The Company implemented a strategic direction to maximise the profitability of operations, which primarily raises the quality of portfolio, but not necessarily the written premium. The results achieved reflect both trends: the selection and improvement of quality of sales portfolio, and the negative impact on turnover and insurance premium. All of our attention is devoted to customer satisfaction and loyalty. Special offers were designed in order to acquire new policy holders, taking into account that Slovene customers mainly choose rational solutions in insurance.

In the development of the marketing and sales of non-life insurance, more attention was given to the presence of Zavarovalnica Triglav on the Internet. Existing web applications were redesigned and upgraded so that they are unified into the ITBuild software application. Internet sales of accident insurance for children, insurance of travel arrangements and medical travel insurance with assistance for travels abroad were redesigned; the redesign of the motor vehicle insurance sector will be finished in the beginning of 2012.

Furthermore, the modification of cooperation with leasing companies was continued, which was necessary due to numerous changes in the motor vehicle insurance sector, implemented in mid-2010.

Key development activities in the sales network

Zavarovalnica Triglav's extensive network of insurance agents and counter services is an important advantage, and many activities are focused on the development of the external sales network. In the internal sales network the grounds for awarding insurance agents were unified, and much attention was devoted to the activities for retaining and obtaining policy holders, as well as improving the portfolio. Information on motives for buying insurance were collected, special sales campaigns were carried out (insurance for an additional car in a family, and new "DOM" home insurance), and the sales of travel, life and supplementary health insurance was promoted. Emphasis was placed on the motivation and qualification of sales

persons. For this purpose a contest was organised to reward sales personnel. The following were also successfully implemented and organised:

- system of awarding additional bonuses for the sale of new motor vehicle insurance in counter services;
- a two-day consultation meeting on operating in the current changed realities and other topical issues for heads of personal insurance sales, heads of representative offices and heads of insurance agent teams;
- a "Mystery Shopping" study, including analyses and implementation of measures;
- comprehensive sales training for personnel and individual specialised training seminars (sales training, specialised courses, sales management training).

In the external sales network, unified operational standards for external sales channels were upgraded. The results were carefully monitored, improvements based on the results of three "Mystery Shopping" surveys were implemented, and regional units and headquarters actively worked with contracted points of sale. Simultaneously, Zavarovalnica Triglav:

- introduced additional sales promotion tools for new motor vehicle insurance;
- organised a seminar with training courses for external points of sale coordinators to upgrade their professional and sales skills;
- carried out an educational seminar with employees in some contracted points of sale; and
- obtained new outsourced partners.

The ITB-Underwrite workshop was organised for sales officers, as were an annual seminar for sales officers on current topics on sales and marketing, and meetings of sales staff on underwriting arranged according to business segment. The marketing of accident insurance was transferred from life, health and accident insurance to non-life insurance. Sales activities for sales officers with a focus on the existing portfolio and cross-sales, and acquiring new policy holders were carried out.

Key account management was improved by enhancing the quality of information that formed the basis for making timely and correct decisions. For that purpose regular meetings with the persons responsible for claim settlements and risk underwriting were introduced.

The introduction of amended contracts was continued, allowing for better management of cooperation with insurance brokerage companies (brokers).

Organisation, work processes and authorities

In 2011 significant attention was again paid to improving sales process organisation and management in regional units. Comprehensive monitoring of operations and coordination of the external sales network were established. The organisation of non-life insurance marketing at the headquarter level was adjusted to market conditions and priority requirements.

All processes and activities were carefully reviewed according to business segment and the managers for these areas were appointed. Processes were also modelled and listed in the register of business processes of Zavarovalnica Triglav.

Marketing communication

Marketing communication activities were carried out throughout the year. Due to ever more intense competition and the rapid development of the market, the greatest attention was paid to motor vehicle insurance, especially to the benefits for families. A large campaign was devoted to the sales of home insurance (DOM packages). Marketing communication activities

for other forms of non-life insurance were carried out in a lesser extent, with carefully chosen target groups and media.

Focusing on individual target groups helped Zavarovalnica Triglav rationalise the use of financial resources at the level of distribution. Most of the resources were used for TV advertising. Focused advertising and presence on the Internet, utilising modern methods of marketing, were continued.

Co-branding events at the points of sale of some business partners were also organised.

Direct marketing

In 2011 Zavarovalnica Triglav successfully marketed accident insurance for children and young adults, achieving almost a 70% responsiveness of existing clients. Direct marketing addressed the segment of policyholders who travel often or spend their vacation abroad. A special offer for the purchase and contract conclusion for travel insurance on the Internet with an option of purchasing a voucher that can be liquidated upon inception or renewal of motor vehicle insurance was introduced. In the same way, the sale of motor vehicle insurance was promoted.

The Triglav Group

The focus of our efforts was quality unification of the Group's marketing presence and support processes.

The underwriting programme AdInsure and the comprehensive IT-Build software application for the proper disclosing of assets and liabilities from international insurance programmes (ITB-Reinsure, ITB-Underwrite, ITB-Reinsurance, ITB-Analytics) were introduced . Work instructions for these programmes were issued, as well as the instructions for Triglav Group subsidiaries for sales, claim settlement and accounting, which shall, in parallel with the software support, provide proper registering of these programmes. By concluding general agreements with reinsurers, the Group defined the scope of business co-operation related to international insurance programmes within the Triglav Network. A non-standard line of insurance was marketed in order to increase the volume of business in these programmes.

Work guidelines and guidelines for rewarding insurance agents were prepared and implemented in most of the Triglav Group subsidiaries (except in Triglav Osiguranje, Belgrade and Triglav Osiguranje, Banja Luka).

Starting in 2012, the Company has focused on the implementation of education for heads of sales and heads of sales teams, and released sales manuals. In addition to seminars for heads of sales of non-life insurance in subsidiaries, the Company carried out professional practice and additional training for a group of employees from the Triglav Group subsidiaries.

Non-life insurance products in the European Union were marketed in line with the FOS (Freedom of Services) principle.

5.1.2 Life insurance

The continuation of uncertain conditions in the financial markets and particularly in the real economy influenced life insurance sales, as clients were more prudent when purchasing long-term life insurance policies. The life insurance range is therefore being redesigned and tailored to individual target groups.

The redesigned 50 PLUS life insurance is an investment product, in which assets are linked to a guaranteed return fund. The insurance includes supplementary accident insurance in case of accidental death or hospitalisation due to an accident. In co-operation with Ilirika DZU, two tailored life and investment insurance products, FLEKS, have been developed. These two products expanded the range of unit-linked products of Zavarovalnica Triglav.

Supplemental insurance for critical illnesses was redesigned and two new types of coverage were added: Triglav DNA genetic analysis (which provides genetic analysis to the insured person and their family members in case that the insured person gets one of thirteen critical illnesses) and Second Medical Opinion (in case of a diagnosed illness, listed in the Second Medical Opinion brochure, a second medical opinion to the insured person is provided, in collaboration with globally recognised medical institutions). Redesigned supplementary insurance for critical illnesses will be introduced at the beginning of 2012. Due to the recasting of insurance, harmonisation with the ISA Decision on more detailed content of insurance contract provisions, the introduction of new funds by Triglav Skladi, and changes in the fund basket in the Financial Goals strategy, the upgrade of **underwriting documentation** will be finalised in the first quarter of 2012.

An important innovation in 2011 was the new service in the Slovene insurance market, **i.Triglav web office**, which provides access to the concluded insurance contracts for policyholders. For more information on i.Triglav see *section 5.2.2*.

Marketing communication

The redesigned term life insurance range was marketed in the spring, and was presented in the visited business forums. In the autumn, in a broad marketing communication campaign, the sale of FLEKS, FLEKS FOR YOUNGSTERS and FLEKS FOR ADULTS unit-linked products were promoted. The campaign included advertising in selected media, promotional events in shopping malls and a contest for clients.

The "Safe Path Everywhere" preventive prize contest was successfully organised in schools and kindergartens.

Direct marketing

In three direct marketing campaigns selected clients were presented the offers for:
- increased coverage for accidental death and the addition of insurance for monthly annuity for disability to the existing traditional life or unit-linked insurance policy;
- additional payments to investment accounts of unit-linked insurance without entry fee; and
- additional payments to the personal accounts of supplementary voluntary pension insurance policy holders.

Sales network activities

The sales staff was trained to provide quality advice to clients, and heads of sales were trained for the efficient management of sales teams. In addition to that, 2011 was marked by several direct sales campaigns with promotional events and benefits for clients.

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The Triglav Group was focused on the transfer of operational standards and good practices in life insurance marketing to its subsidiaries. The commission model within the IT-life project at

Triglav osiguranje, Sarajevo, was redesigned, and the Company participated in preparation of the project at Lovćen životna osiguranja. A sales mentoring programme was introduced at Triglav osiguranje, Zagreb, in order to improve the efficiency of sales team management. The Company participates in the development of sales channels in all subsidiaries selling and marketing life insurance.

5.2 Development activities

5.2.1 Non-life insurance

The development of non-life insurance is following the needs of the modern insurance market, which is adapting to the changes in professional and natural environment. The development synergies in non-life insurance were built into all three basic business segments, i.e. in the areas of:

- content upgrade of existing insurance products and the development of new products;
- technological and informational improvement of professional and business operation support; and
- the improvement of estimates and valuation of underwritten risks.

Based on the achieved insurance technical results of individual insurance products in previous years and reasonable expectations regarding future trends, an extensive set of existing insurance conditions and tariffs was redesigned and re-evaluated.

Comprehensive content integration was carried out and Zavarovalnica Triglav's non-life insurance segment was linked to all subsidiaries in the Group, making it the pillar of development activities and content unification of risk assessment processes in the entire group.

Development and redesign of insurance products

New insurance products for **property and interest in property** insurance were developed and existing ones were redesigned:

- new guidelines for determining the correct premium calculation basis for home insurance package for individuals (DOM) were prepared;
- premium tariffs for general liability insurance, business interruption insurance due to fire, packages for property and interest in property insurance, property insurance in the power industry, construction, erection and fire insurance, personal computer insurance, trade show insurance, home contents and leased equipment insurance were modified;
- new terms and conditions for home contents insurance, erection and burglary insurance, glass insurance and travel arrangement cancellation insurance, travel insurance, liability insurance, home assistance, professional liability insurance for health service providers, stock deterioration insurance, package insurance of property and property interests of individuals, and property insurance in the power industry were adopted.

Bases for innovations in the **motor vehicle insurance** segment were prepared in order to optimise the ratio between improvement of insurance technical results and lower premium income; both trends are the result of the redesign of the products in 2010, which were the response to tight market conditions (see also *Section 6.2*).

The activities in **transport insurance** were focused on:

- designing ITB-Underwrite software for the liability insurance of road cargo transporters; the sale of insurance contracts under the new conditions started in November;

- changes of premium tariffs for the liability insurance of aircraft owners;
- changes of terms and conditions for aircraft hull insurance and premium tariffs for aircraft hull insurance;
- terms and conditions for business interruption insurance due to cargo damage, cabotage transport in Italy, Austria, France and Germany, and regulating the reinsurance for cabotage transport in Germany;
- drawing up general terms and conditions of liability insurance for marinas and modification of general terms and conditions for cargo insurance;
- monthly training on transport claim settlements and subrogations; and
- underwriting and assistance in claim settlement for subsidiaries.

The development activities in **agricultural insurance** were focused on:
- establishment of premiums for crop and fruit insurance for individual regions in Slovenia;
- upgrade of the policy authorisation for the conclusion of agricultural insurance contracts in accordance with individual risk underwriting authorities (authorisation code);
- increase of sums insured and premiums for basic insurance of breeding cows;
- upgrading the special terms and conditions for dog insurance;
- drawing up the new special terms and conditions for insurance of winter crops against the risk of extensive autumn rainfall;
- design of a claim handling tool (Cenilka) for crop and fruit insurance;
- continuation of activities in taking stock of methodologies for crop and fruit claim appraisal; and
- assistance in the preparation of terms and conditions for subsidiaries and operational involvement in individual subsidiaries' risk underwriting.

In **accident insurance** two new products, accident insurance for children and young adults and accident insurance for the unemployed, were introduced. Premium tariffs for individual accident insurance, group accident insurance, travellers and tourist insurance, accident insurance for aircraft pilots, flight personnel, passengers and sky divers, compulsory accident insurance for volunteer members of Civil Protection Service and persons involved in other rescue activities were redesigned. Supplementary conditions for accident insurance for flight personnel, sky divers and aircraft pilots and passengers, terms and conditions for group insurance of persons against accident or death due to illness were also upgraded. New clauses for progressive disability insurance were introduced.

A new gap insurance product was developed and launched in **receivables insurance** (financial and trade credit insurance and suretyship insurance). Consumer loans insurance for low-value purchases and the conditions for suretyship insurance were redesigned. Additions to the insurance contracts for consumer and housing loans were prepared due to the altered criteria and in order to improve the transparency of the provisions.

5.2.2 Life insurance

Stagnant financial markets and the decline in the unit price of mutual funds affected the life insurance portfolio. The number of reported claims increased significantly. The Company responded to this increase with reinforced insurance development and redesign, heightened attention paid to the existing portfolio and improving clients' awareness of the advantages of insurance.

An important project of migration of the life insurance segment into a uniform information system supporting Zavarovalnica Triglav and the entire Triglav Group, and representing the basis for future development of insurance services was finalised.

As mentioned above, the introduction of the **new web office, iTriglav**, enables clients to monitor and to certain extent manage their life and supplementary insurance policies on the Internet. They may add other investments (shares, bonds, etc.) to the application. The iTriglav web office is free of charge and simple to use, and is an important tool for monitoring portfolios.

Among several new information solutions, the **life cycle** application for provisional calculations should be mentioned. Amongst other functions, this application enables insurance agents to underwrite insurance without underwriting documentation, since it makes printing of all the documents possible.

In 2011 the due date by which the clients could decide to purchase a supplementary old age pension expired. In preparation for the liberation of the supplementary voluntary pension insurance market, new forms of **annuity insurance**, so-called accelerated pension annuities, were developed. It is expected that the amendments to the Personal Income Tax Act will make the annuity insurance market more interesting.

The recast of the **term life insurance** in 2010 spurred its rapid growth. The operation of the underwriting service was adapted accordingly, since the increased sale of term life insurance reflects in the higher volume of risk capital and higher exposure of the Company.

The response to the financial crisis included the redesign of **50 PLUS life insurance and the introduction of Ilirika life insurance** and **Ilirika Dynamic FLEKS unit-linked insurance**, described in *Section 5.1.2*.

Due to an increase in sums paid out on the maturity (**maturity bonus**) of endow, a special maturity offer, focused on the comprehensive management of loyal costumers and the special bonuses for these costumers upon taking out a new insurance policy were continued.

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The implementation of a common information system for life insurance and the introduction of new modern products in individual subsidiaries were continued. The project of implementation of an information system for life insurance in the Bosnia and Herzegovina subsidiary was successfully finalised. Along with the upgrade of the entire range of life insurance products and the introduction of new products, the subsidiary achieved an important competitive edge. The migration of insurance into a uniform information system was finished, which enables the faster transfer of new products, the introduction of new standards and good practices as well as easier risk management. In Croatia annuity insurance was redesigned, the range of supplementary insurance was extended, and the range of investment strategies was expanded according to the so-called financial goals strategy. The range of life insurance in our subsidiary in Montenegro was also upgraded.

5.3 Investments in property and equipment in 2011

In 2011, the Triglav Group invested EUR 6.3 million in property, plant and equipment, EUR 5.3 million in investment property and EUR 7.4 million in intangible assets. Investments in intangible fixed assets include investments in software and property rights.

5.4 Organisation of the Triglav Group in 2011

In line with the Triglav Group strategy, the activities within the scope of business process redesign project were continued. The emphasis was put on establishing a business process and change management system, the redesign of the internal document management system and the establishment of a central back office, in accordance with the IT redesign.

With the implementation of this project, the Group set new organisational, process and IT requirements and realised its strategic directions, including:
- to adapt the organisational structure to the mission, vision and strategic goals, as well as to changed processes and technologies;
- to divide tasks between the head office and branch offices and define their competences and authorities;
- to build a new, unified organisation with job descriptions in line with the needs of individual processes and the macro-organisation of Zavarovalnica Triglav; and
- to implement the reorganisation of operations with a focus on support functions.

The comprehensive changes are being introduced gradually and systematically. The aim of redesigning business processes is to streamline operations and to improve the cost efficiency, performance and standardisation as well as effectiveness of business process implementation.

Most attention was paid to:
- the establishment and implementation of a unified system of responsibilities, competences and authorities;
- the establishment and implementation of the business process management system;
- the efforts for a continuous adaptation of the organisational structure and job classification to be in line with the procedural and IT changes which were finalized with the reorganisation of individual departments;
- the introduction of a business process model representing the plan for carrying out activities, documents, decisions, operators and use of IT support in line with the business process modelling methodology;
- the establishment of a register of core and back-office operational processes per segment,
- the establishment and implementation of change management system and methodology, and the ADKAR tool;
- the redesign of the management and introduction of a new application for the management of acts and internal documents of Zavarovalnica Triglav;
- the establishment of a transparent system for process and internal document ownership and administration according to segment;
- drawing up suggestions for criteria and modelling the recognised future processes within the back office support;
- building infrastructure for e-safekeeping and acquiring the decision by the Archives of the Republic of Slovenia on adequacy of the Company's internal document "Internal rules of Zavarovalnica Triglav for management of documentary material in electronic form";
- continuing the process activities towards paperless operation (the beginning of the introduction of e-pen in the sale of non-life insurance, the preparation for the introduction of insurance documentation digitalisation);
- the incorporation of personal and non-life insurance technology in IT and other projects (IT Life, IT Build).

Projects were designed to enable active participation of the Company in the changes of organisational structure and job classification in individual subsidiary insurance companies. Organisational restructuring was finalised in the subsidiaries Triglav Osiguruvanje, Skopje, Lovćen Osiguranje, Podgorica and Triglav Osiguranje, Belgrade.

5.5 ISO 9001 quality management system in the Triglav Group

Zavarovalnica Triglav acquired certification for the ISO 9001 international quality management standard in 2000. An annual external audit of the standard is conducted by leading auditors of the certification body SIQ, the Slovenian Institute for Quality and Metrology. Within the Triglav Group, two other companies are certified to ISO 9001 standards: the insurance company Lovćen Osiguranje, Podgorica since 2001, and Triglav Zdravstvena zavarovalnica since 2009.

Throughout 2011, the Company conducted a series of well-established activities allowing process owners to control the efficiency of the processes by applying a set of process performance indicators that are also coordinated with risk management indicators and key performance indicators. Results by departments are regularly discussed by the Management Board, which is also responsible for adopting proposed measures for improvement.

Zavarovalnica Triglav is continuing with the introduction of the information security management system according to the ISO 27001 standard and finalising the implementation of the business continuity system. The idea is to integrate these two standards with the certified quality management system according to ISO 9001 into a single process management system.

5.6 Development of IT support

Zavarovalnica Triglav is continuing with the upgrade of the entire information system. In order to ensure the efficient functioning of our insurance processes and the development of applications to support new or redesigned insurance products and services, appropriate IT solutions have been designed to accompany the re-engineering of Zavarovalnica Triglav's business processes.

- **Non-life insurance IT system:** A number of improvements have been made, including the integration of different segments of IT support and the automation of information exchange with external stakeholders. In the business partners segment, activities have been undertaken to improve data quality and the IT department has continued with the development of new functionalities for monitoring the insurance technical results of each individual partner. IT support has been established for the underwriting of new insurance products, the authorisation system has been upgraded, and first steps have been made towards the use of electronic signatures for insurance documents. A comprehensive overhaul of the recovery process for insurance premiums has been conducted, and new software is being developed to support credit and debit card transactions and to establish the necessary conditions for the introduction of the Single Euro Payment Area (SEPA). The department has continued with the upgrade of the IT system supporting non-life insurance. The development of software for claims and subrogation has been completed; accident insurance has been transferred from the personal insurance IT system. Development has started on a new application for the conclusion of contracts "off line", control and processing software is being developed and a new IT system is being introduced to support reinsurance.
- **Personal insurance IT system:** The migration of the entire life insurance portfolio into the IT-LIFE system has been carried out for both Zavarovalnica Triglav and Triglav Osiguranje, Zagreb. At the same time, adaptations were made to the IT system for sub-ledger records, payment transactions and the system for calculating insurance agent fees for transferred products. After the migration in Slovenia and Croatia was finalised, the Company also carried out the migration of the entire life insurance portfolio from so-called legacy ISOZ

into the IT-LIFE system for Triglav Osiguranje, Sarajevo. IT support for all types of life insurance products is now being implemented within the new system.
Among other things, IT support has been developed for new products, for the booking of payments by credit cards and for processing and preparing print-out lists for credit and debit card transactions in personal insurance.
The Life Circle IT application has been upgraded to facilitate the preparation of offers for the internal and external sales network.
On the iTriglav portal site, IT support has been made available for reviewing payments per insurance policy and for reviewing the policy account balance for personal insurance. Provisional calculations have also been made available to enable users to follow the profitability of their insurance policies and other investments (pension insurance) by reviewing movement in assets. Users can now access insurance-related forms and applications via the web site. Furthermore, the portal site also features IT support to facilitate the monitoring of investments: in addition to reviewing information on and actively managing their insurance policies, this application also allows users to create records and follow other investments.
IT support has been established for annuity insurance and certain new types of additional insurance have been added to unit-linked life insurance and FLEKS unit-linked insurance for Triglav Osiguranje, Zagreb.
In terms of supporting subsidiaries abroad, most activities were carried out in the companies Triglav Osiguranje, Zagreb and Triglav Osiguranje, Belgrade.

- **IT support systems:** The most important results include the definition of the necessary data sources and the provision of part of the data for the "Prevention and Detection of Fraud" project. The IT department has played an active part in choosing the data warehouse solution and has carried out further activities in the field of the preparation and transfer of data on non-life insurance into the structures of the data warehouse. Furthermore, the department was involved in the introduction of the IT solution for planning sales of non-life insurance. New OLAP cubes have been prepared for monitoring sales per sales channel and for the separate monitoring of key buyers. Several new internet applications for underwriting have been submitted for testing. In the framework of the PSUNT project, a new Lotus Notes application entitled "Internal Acts" has been developed to facilitate the management of internal documents in Zavarovalnica Triglav. The department also participated in the upgrade of the accounting information system to Navision 2009.
- **IT system support:** The IT department has started upgrading the core infrastructure for creating backup copies in the primary and secondary location. Due to business requirements and larger volume of operations of Zavarovalnica Triglav, some existing communication links were upgraded and some new ones established. The IT Department has provided appropriate environments for the testing and running of upgraded software applications for non-life and personal insurance as well as for support systems and for the data warehouse, the financial statement consolidation and the planning of sales projects.
- **IT user support:** In addition to providing efficient support to internal and external users, the IT solution, Remedy Help Desk, has been successfully upgraded with an "Asset" module that facilitates the management of the computer equipment register.
- **IT support for the Triglav Group:** The second successive implementation of targeted IT support for non-life insurance was successfully completed in Triglav Osiguranje, Belgrade in July 2011, and in Triglav Osiguranje, Banja Luka at the end of 2011. In June 2011, the implementation project was launched in Triglav Osiguruvanje, Skopje and it is expected to finish in April 2012.
  In the framework of the "AdInsure Group" programme, several education and training courses were organised for the international group, consisting of experts on insurance products and IT specialists who are involved in the insurance product unification and design in the Triglav Group.

Security support and IT compliance

The concept of IT management within the Triglav Group has been upgraded. All the necessary preparations were made for a uniform planning and reporting process in the IT sector of all subsidiary insurance companies.

In terms of IT security, the IT department has continued with the gradual transfer of provisions of newly adopted internal acts from the field of IT security into the business processes of Zavarovalnica Triglav, and is in the process of preparing and adopting new internal acts.

In order to establish a uniform information security management system in the Triglav Group, internal acts are gradually being transferred from Zavarovalnica Triglav to subsidiary insurance companies (to Triglav Osiguranje, Belgrade, to Triglav Osiguranje, Zagreb and to Triglav Osiguruvanje, Skopje).

As part of the project of establishing a business continuity system (BCS), the IT department conducted the necessary activities for the preparation of business continuity plans for the key business processes of Zavarovalnica Triglav. The conditions for the introduction of a business continuity system are also starting to be established in Triglav Osiguranje, Zagreb.

Plans for 2012

The IT department will continue with:
- the upgrade of application support for non-life insurance;
- the Data Warehouse project;
- the Planning of Sales project, whose completion is planned before the end of the year;
- the Prevention and Detection of Fraud project, in which completion is also planned before the end of the year;
- the overhaul of the portal site, which will include the overhaul of the Triglav Group web appearance and the introduction of an application supporting the underwriting of non-life and life insurance via the internet.

Further activities will include:
- the promotion of the transfer of knowledge and technology to subsidiary insurance companies by introducing standardised application solutions;
- an upgrade of the information security management system of Zavarovalnica Triglav;
- the completion of the establishment of the business continuity system in Zavarovalnica Triglav;
- the performance of a security check for all public web sites of Zavarovalnica Triglav.

6. PERFORMANCE OF THE TRIGLAV GROUP

6.1 General economic environment in Slovenia

In 2011 the European debt crisis reached new proportions. Toward the end of the year, the confidence of investors and customers, and along with it international trade, significantly decreased. The Slovene economic recovery was slow and uncertain. Financing conditions and conditions in the labour market were tighter, and the construction crisis has become deeper. According to the first result announcement by the Statistical Office of the Republic of Slovenia, real GDP growth in 2011 decreased by 0.2%. This represents a 1.6 percentage points lower

growth compared to the euro area and compared to 2010. Inflationary pressure was negligible compared to low economic activity (1.8% inflation rate). Slovene GDP, measured in current prices, exceeded EUR 35.6 billion and did not change significantly in comparison with the previous year.

In spite of the restricted conditions in the international environment, it was international trade that contributed the most to the growth of the Slovene economy in 2011 (measured by the contribution to the growth of the volume of BDP) with a little less than 2%. However, in most of the EU member states the export was recovering more quickly than in Slovenia, which points to the fall of Slovene export competitiveness. The recorded 6.8% export growth was primarily induced by demand in the EU member sates, while the demand from other countries remained modest. The nominal growth of export into the EU was mostly generated by the export of electric appliances and devices, iron and steel, and general purpose industrial machinery. By the end of the year the balance of payments current account deficit remained relatively low at 1%.

Domestic spending declined again, i.e. by 1.6%. Gross fixed capital formation recorded a 10.7% decrease, while final consumption stagnated. These investment dynamics can be contributed mostly to the tightened conditions in the construction sector. Investments in buildings and facilities decreased considerably, while investments in equipment and machinery stagnated. Domestic consumption remained at the same level as the year before, however, with a decrease in the share of consumption for durable goods. After several years of growth, government consumption decreased by 0.9%, whereas the share of expenditures for social security support increased considerably.

The decrease in the number of employed continued, but to a lesser degree than in the previous two years. Again, the largest fall was recorded in the construction and processing industries as well as traditional market services sectors. The average annual number of unemployed persons was close to 111,000, which is almost 10% more than in the previous year. The average rate of registered unemployment was 11.8% and that according to the workforce survey was 8.1%.

European inter-bank interest rates remained at record low levels, but no major revival of lending activity occurred in Slovenia. Loans to the non-financial sector decreased primarily as a result of lower demand, however, there were also increasingly more reasons for a decrease on the supply side. Financing conditions were tighter due to the general uncertainty and existing indebtedness of companies. The quality of balance sheet assets of Slovene banks worsened, primarily due to their exposure to the construction sector, which forced them to increase the volume of additional impairments and provisions.

The conditions in Slovene public finances did not improve in 2011. According to the latest forecast by the Ministry of Finance, at the end of the year the budget deficit and public debt were 5.5% and 45.1% of the GDP, respectively. Although Slovenia is one of less indebted states in the euro area, its debt has increased at an accelerated rate in the last few years. This is the reason why in terms of financial markets it was compared to Italy, the second most indebted state in the euro area and the required rate of return on long-term bonds exceeded 7%. In accordance with the Stability Programme, Slovenia must reduce the deficit to 3% of the GDP no later than by the end of 2013. In order to accomplish that, it must reduce expenditures considerably. The deficit and credibility can be improved in the long run by political stability and structural reforms.

In 2012, a very slow and uncertain revival of the Slovene economy can be expected. According to the spring forecast by IMAD, GDP growth will again be negative at -0.9%. Domestic and especially government consumption is forecasted to decrease. Investment activity will decline

as well, however less than in previous years. International trade will alleviate the drop in GDP. The rate of unemployment will increase to 12.9%, whilst inflation will remain low at 2.0%. Public finance trends will not improve. According to the autumn forecast of the European Commission, the budget deficit will not decrease substantially, however, the gross debt will increase to 50.1% by the end of the year. The forecasts are accompanied by many uncertainties, distributed unevenly in the direction of lower economic growth than anticipated. The majority of risks originate in the uncertainty regarding the development of debt crisis in the peripheral states of the euro area, the political situation in the country and the government's efficacy in the implementation of structural reforms.

6.2 Impact of the environment on the performance of the Triglav Group

The performance of the Triglav Group in 2011 was affected by the global economic and financial crisis, as previously stated in *sections 5.1.2 and 5.2.2*. It introduced uncertainty into financial markets and encumbered insurance, Triglav's core business. As a financial organisation, Zavarovalnica Triglav is closely intertwined with financial markets and cannot avoid their influence entirely. Since equity investments represent a major part of its assets, the direct influence of the financial crisis on its operations was shown as increased volatility of its investment portfolio. In spite of a relatively conservative investment policy, the value of some investments decreased, which was reflected in the reduction of the share capital and net profit of Zavarovalnica Triglav. Due to significant or permanent value decreases, assets were impaired by EUR 63.2 million.

The economic and financial crisis had an impact on our primary business: insurance operations. The decrease in demand for some insurance products is a consequence of lower economic activity, reduction in export and import, new bankruptcies, reduced purchasing power of households, higher unemployment, reduction of bank loans, etc.

Our performance was also affected by other factors. Increased competitiveness in the motor vehicle insurance market and consequently amendments and adjustment of the actuarial basis of Zavarovalnica Triglav reduced the volume of written premiums for car insurance. Repetitive claims for high amounts in recent years have forced the Company to introduce stricter insurance terms in agricultural insurance, which is the main reason for a decrease in agricultural insurance premiums. An additional loss of planned premium income resulted from the insurance portfolio selection and the intense measures taken to mitigate poorer insurance technical results in non-life insurance.

Nevertheless, the achieved results show that the Group's strategic orientation, focused on the core insurance business and the stability and profitability of operations as key objectives, is effective and can safeguard the Group's business results from the increasingly uncertain impacts of the environment.

6.3 Insurance market and market position of the Group members in 2011

According to the most recent official data published by Swiss RE (January 2012), Europe still holds the first place in the international insurance business. In 2010 Europe underwrote 37% of the total premium, which is 2% less than in 2009. North and South America accounted for a 33% and Asia for a 27% share. Africa and Oceania jointly represented just above 3% of the international insurance premium.

The Slovene insurance market is one of the smallest markets both globally and on the European scale. In 2010 it accounted for 0.06% of the global insurance market (in 2009 its share was 0.07%), ranking it 50th in the world. Although the Slovene market is 108 times smaller than the British market, which is the biggest European insurance market, it is nonetheless well developed. In terms of absolute size, the Slovene insurance market is larger than the markets of Slovakia, Malta, Cyprus, Croatia, Bulgaria and some other European insurance markets.

Relative indicators show a more appropriate comparison of the insurance market development. On an international scale, Slovenia is ranked 29th in premium per capita (premiums as a percentage of GDP), which is one place lower than in 2010, and 25th in insurance penetration (the same as in 2009).

Premium per capita and market penetration in Slovenia and certain other European countries in 2010

	PREMIUM PER CAPITA		INSURANCE PENETRATION	
	(in USD)	World scale	(as a % of GDP)	World scale
Slovenia	1,353	29	5.9%	25
Austria	2,648	21	5.9%	26
Croatia	379	46	2.8%	51
Czech Republic	777	34	4.2%	38
United Kingdom	4,298	8	11.9%	4
Switzerland	6,724	1	10.0%	10
Greece	542	37	2.0%	59
Serbia	100	66	1.8%	64
EU - geographic area	1,839	-	7.4%	-
EU - 27	2,716	-	8.4%	-

Source: Sigma, Swiss Re (No. 2, 2011)

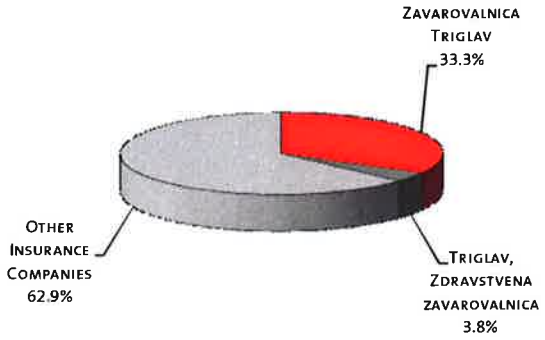
There were 16 insurance companies and 3 foreign branch offices active in the Slovene insurance market in 2011. Together they recorded a gross written premium amounting to EUR 2.1 billion, which was slightly less than in 2010 (index of 99.9). Traditional insurance companies (18) booked a total of EUR 2.1 billion in premium, of which 70% stemmed from non-life insurance and the remainder from life insurance. In October Modra zavarovalnica was included the traditional insurance companies, It was founded in the process of division by exclusion from Kapitalska družba (at the time of foundation it took over the management of Closed Mutual Pension Fund for Civil Servants, Capital Mutual Pension Fund, First Pension Fund of the Republic of Slovenia and Guarantee Fund of the First Pension Fund). Non-life insurance premium increased by 1.1%, while life insurance premium decreased (index of 97.4). The data do not include insurance business in Slovenia written directly by insurance companies from other EU member states (FOS). This share is growing, but the Company still considers it to be negligible. Zavarovalnica Triglav directly operates in all 27 EU member states.

The market is characterised by a high degree of concentration. In 2011, the four largest insurers controlled over 70.5% of the traditional market (vs. 70.8% in 2010). By holding 33.3% of the market, Zavarovalnica Triglav remained the market leader (excluding Modra zavarovalnica the market share of Zavarovalnica Triglav was 35.7%). The second largest market share was held by Zavarovalnica Adriatic Slovenica, a company 2.6 times smaller. At the year end, Zavarovalnica Triglav and Triglav Zdravstvena zavarovalnica had a combined market share of 37.1%, which was 0.8 percentage points less than in 2010 (excluding Modra zavarovalnica their combined market share was 39.8%). Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Arag, Ergo, Victoria Volksbanken, Wiener Stadtische) continued to increase

their market shares. In 2011, they recorded a total of EUR 202.3 million in premium and had a combined market share of 9.7% (vs. 9.3% in 2010).

The Company held 31.6% of the life insurance market and 34.0% of the non-life insurance market. After excluding Modra zdravstvena zavarovalnica, according to the data up to October of 2011, at the end of the reporting year the market shares of Zavarovalnica Triglav in life insurance and non-life insurance sectors were 40.6% and 34.0% respectively. Since the Slovene insurance market is one of the more developed markets with a relatively high market concentration, the competition is directed at the existing clients. Maintaining the leading position and increasing comparative advantages are therefore both demanding and stimulating for development.

The 2011 market share of Zavarovalnica Triglav and other traditional insurance companies based in Slovenia



Source: Slovenian Insurance Association

6.4 Triglav Group's operations in other markets

6.4.1 South-East Europe

The Group operates in seven countries: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, the Czech Republic, Serbia and the Former Yugoslav Republic of Macedonia. Following the expansion of operations outside Slovenia, the Triglav Group has entered a phase of internal strengthening and integration.

The business policy outside Slovenia is directed primarily at the standardisation and adjustment of business processes in subsidiaries located abroad to the processes in Zavarovalnica Triglav, as well as at the transfer of know-how and experience acquired in professional liability insurance, marketing, IT technology, finance and accounting to insurance subsidiaries abroad. In addition to this, the Company has the following objectives:

- insuring foreign subsidiaries' risks that exceed equalisation schemes by Pozavarovalnica Triglav Re and in accordance with local legislation;
- using comparative advantages in foreign markets;
- using Triglav's presence in rapid-growth markets to boost the operations of the Triglav Group;
- cross-border servicing of Slovene clients' insurance needs on foreign markets;
- ensuring long-term yields on invested assets;
- higher productivity based on economies of scale and synergies.

6.4.2 Croatia

According to data from the Croatian Chamber of Economy, GDP in Croatia increased by 0.3%. In 2012 the World Bank predicts a drop in Croatian GDP by 1.0%, which is consistent with the assessment by the International Monetary Fund, anticipating global economic decrease, a drop in GDP, increased unemployment and decreased purchasing power. These estimates are in agreement with the predictions of a double dip recession and warnings that GDP growth of 0.3% does not represent an exit from the recession. If the country credit rating of Slovenia is reduced, 2012 may be expected to be the most difficult year since the beginning of the global crisis in 2008. Public debt, which is expected to rise from 45.1% to 51.8% of the GDP, is a cause of particular concern.

The number of unemployed persons in Croatia at the end of 2011 was 315,438, which represents an average unemployment rate of 17.9%. The fastest rise in unemployment was registered among university degree holders. The anticipated unemployment rate for 2012 is 18.7%. The inflation rate in 2011 was 2.3% compared to 1.1% in 2010. The prices of industrial products rose by 7%. Industrial production achieved negative growth of -1.2% and its recovery is not expected before 2013.

2011 Main Macroeconomic Indicators

Population	4.4 million
2011 Growth of GDP (estimate)	0.3%
2011 GDP (estimate)	USD 64.2 billion
2011 GDP per capita (estimate)	USD 14,529
2011 Inflation rate (retail prices) (estimate)	2.3%

Source: IMF, World Economic Outlook, September 2011, Croatian Chamber of Economy

Insurance market

In the reporting year 26 insurance companies (one more than in 2010) operated in Croatia, of which there were 10 composite insurance companies, 10 non-life insurance companies and 6 life insurance companies. They recorded a total of HRK 9.14 billion in premium or 1% less than in 2010. Of total premium 73% was from non-life insurance and the remaining from life insurance. Non-life insurance premium decreased by 1% and life insurance premium rose by slightly less than 1% over 2010.

Triglav Osiguranje booked a total of HRK 396.0 million in premium and remained in seventh place with a 4.33% market share. Concentration in the insurance market was rather high. The first five insurers held a combined 64.6% market share. The biggest insurance company, Croatia Osiguranje, with 30.5% was the market leader in non-life insurance, whilst in life insurance it was Allianz, with a 15.4% market share.

6.4.3 Bosnia and Herzegovina

There were no positive economic, political, or social changes in Bosnia and Herzegovina. Even some negative trends were observed. The budget was not officially approved for the entire year, only temporary financing based on income and expenses in 2010 was utilised, which was reflected in reform processes and completely suspended Euro-Atlantic integration. Substantial short-term economic progress is not anticipated.

Political and ethnic tensions are even more pronounced than in the prior period. Following the elections of 2010, no compromise was achieved until the end of December of 2011, when the President of the Council of Ministers of Bosnia and Herzegovina was appointed. The new

Council of Ministers is expected to initiate reform processes and improve political and economic environment. It is hard to be optimistic about the coming period due to the animosities and misunderstandings among political players.

The rate of unemployment remains very high. The income of the employed population is very low, which is reflected in a low purchasing power. Budget deficits are present at all levels and simultaneously the receivables from the earlier stabilisation package from the International Monetary Fund fell due. This is the reason why the credit rating of Bosnia and Herzegovina was reduced from "B+" to "B".

2011 Main Macroeconomic Indicators

Population	3.9 million
2011 Growth of GDP (estimate)	2.2%
2011 GDP (estimate)	USD 18.3 billion
2011 GDP per capita (estimate)	USD 4,715
2011 Inflation rate (retail prices)(estimate)	3.8%

Source: IMF, World Economic Outlook, September 2011, Agency for Statistics of Bosnia and Herzegovina

Insurance market

As at the end of 2010, 25 insurance companies operated in the insurance market, of which 14 were domiciled in the Federation of Bosnia and Herzegovina and 11 in the Republic of Srpska. One reinsurance company operated as well.

Most insurance companies still do not conduct their business in line with the norms of insurance and general business ethics, and competition is not adequately controlled. The written premium was 499.4 million convertible marks, 345.9 million of which in the Federation of Bosnia and Herzegovina and 153.5 million convertible marks in the Republic of Srpska. Premium in the Federation of Bosnia and Herzegovina increased by 3.6% compared to 2010, mainly due to an 8.7% increase in premium in the Republic of Srpska. The growth of the insurance market was mainly due to the growth of life insurance premium. Non-life insurance premium accounted for 84.0% and life insurance premium for 16.0% of the total premium.

The insurance companies domiciled in the Republic of Srpska or in the Federation of Bosnia and Herzegovina are expanding their operations to the entire territory of the Federation of Bosnia and Herzegovina. Premium the insurance companies which are domiciled in the Federation of Bosnia and Herzegovina collected in the territory of the Republic of Srpska amounted to KM 22.2 million, which is 19% more than in 2010. Premium underwritten by insurers domiciled in the Republic of Srpska in the territory of the Federation of Bosnia and Herzegovina was KM 11.4 million, or 81% more than in 2010.

Triglav Osiguranje Sarajevo remained the sixth strongest insurer in the Federation of Bosnia and Herzegovina, with 8.9% of the market. The market leader was Agram (Bosna Sunce Osiguranje and Euroherc), with a market share of 22.9%, followed by Sarajevo Osiguranje (17.0%), Croatia (10.8%) and Uniqua (10.3%).

The insurance market leaders in the Republic of Srpska were Jahorina Osiguranje, with 15.9% of the market, Dunav Osiguranje with an 11.2% market share and Bobar Osiguranje with a 10.7% portion. Triglav Osiguranje a.d., Banja Luka remained in the 7th place with a 6.6% market share, which is 0.2% less than in 2010.

In the insurance market of Bosnia and Herzegovina as a whole, the two insurance companies in the Triglav Group taken together ranked third and held 8.2% of the market.

6.4.4 Czech Republic

Entry into the euro area is scheduled for 2016. The relatively sound financial sector did not much feel the effects of the recession. The production sector in the Czech economy, among the most developed in the Eastern Europe, generates approximately 40% of the GDP. One of the most important production sectors, which is mainly privately owned, is the car industry. Promising branches include the textile industry and tourism in the service sector.

In 2010 Czech GDP increased by 2.3% (the first positive change since the third quarter of 2008), and in 2011 GDP growth rate was 2.0% (estimate). The GDP growth forecast for 2012 is 1.8%.

The priority agenda of the government remained unchanged in fiscal and monetary policies, structural reforms and the improvement of labour market flexibility. The unemployment rate in 2011 was 6.7%. In 2011, the inflation rate was 1.8% and anticipated to increase to 2.2% in 2012.

2011 Main Macroeconomic Indicators

Population	10.5 million
2011 Growth of GDP (estimate)	2.0%
2011 GDP (estimate)	USD 220.3 billion
2011 GDP per capita (estimate)	USD 20,925
2011 Inflation rate (retail prices)(estimate)	1.8%

Source: IMF, World Economic Outlook, September 2011

Insurance market

Insurance activities were carried out by 31 companies, which charged CZK 116.4 billion in written premium, representing a 0.3% fall compared to the previous year. In this well developed and strongly competitive market considerable growth was recorded in life insurance (index 101.9), while the non-life segment was lower than in 2010 (index 98.4). The share of non-life insurance products in total premium continued to fall and reached 61.1% in 2011, compared to 61.9% in 2010.

Triglav pojišt`ovna gained a 0.9% market share in non-life insurance, which is the same as in 2010. In terms of gross written premium, the best performing insurers were Česka pojišt`ovna (26.9% market share), Kooperativa pojišt`ovna (19.6% market share) and Allianz pojišt`ovna (8.1% market share).

6.4.5 Montenegro

In the third quarter of 2010 Montenegro came out from the recession caused by the impact of the global financial and economic crisis and in 2011 recorded positive, yet weak, economic growth. The stability of the Montenegrin economy is primarily threatened by the high illiquidity of the real economy, high share of low-quality assets in the banking sector, high default rate, the fast growth of public debt and state guarantees, the budget deficit and fear of the spillover effect from global markets.

In its latest report from March 2010, the rating agency Standard & Poor's confirmed the BB/B rating for Montenegro for long-term and short-term borrowings in foreign currency and BB+/B for borrowings in the local currency, which is the same as the year before. Also the AAA rating for transfers and convertibility was reconfirmed.

Main economic indicators show the relative stability of Montenegrin economy. In 2011 inflation rate was 3.1% and estimated economic growth 2.0%. Although government consumption was reduced, public debt increased by 2.9 percentage points, remaining far below the Maastricht convergence criteria. The unemployment rate rose by 0.3% compared to 2010 and equalled 11.7%.

2011 Main Macroeconomic Indicators

Population	0.63 million
2011 Growth of GDP (estimate)	2.0%
2011 GDP (estimate)	USD 4.2 billion
2011 GDP per capita (estimate)	USD 6,668
2011 Inflation rate (retail prices)(estimate)	3.1%

Source: IMF, World Economic Outlook, September 2011

Insurance market

In the Montenegrin insurance market, insurance activities were carried out by 12 insurance companies, of which 5 were non-life insurance and 7 life insurance. Premium collected by insurance companies amounted to EUR 64.8 million, which was 4.2% more than in 2010. Non-life insurance is far ahead with a 86.0% share. Non-life insurance and life insurance premiums both increased compared to 2010 – by 3.6% and 8.2% respectively.

Lovćen Osiguranje and its subsidiary Lovćen životna osiguranja continued to be the insurance market leader, although its market share declined to 47.3% (in 2010: 52.0%) They were followed by Sava Montenegro (a 16.0% market share) and Delta Generali (a 11.3% market share).

6.4.6 Serbia

Despite the global economic crisis, the Serbian economy managed to achieve a GDP growth of 2.0%. The growth rate slowed down in the last half of the year and dropped to only 0.5% in the last quarter. The main driving force of the growth was export, while domestic spending was reduced.

Industrial production slowed down in the second half of the year following the solid growth in the first half, so that at the end of the reporting year it was 1.8% higher compared to 2010. Agricultural production did well, despite the drought. The construction sector saw a slight revival in the first half of 2011, but these signs are feared to be temporary.

The annual inflation rate was 7.9%, which exceeded the expectations of the National Bank of Serbia. The prices of industrial products rose by 16.2%. Registered unemployment rate at the end of the year was 23.7%. Monetary policy saw a downward trend in the reference interest rate, which has remained relatively high and the highest in the region. The foreign currency exchange rate remained relatively stable, despite fluctuations during the year. The factors of the future (in) stability of Serbian currency may be, above all, anticipated inflationary trends (high public debt, budget and foreign trade deficit, new issues of treasury bonds and economic illiquidity).

2011 Main Macroeconomic Indicators

Population	7.4 million
2011 Growth of GDP (estimate)	2.0%
2011 GDP (estimate)	USD 46.4 billion
2011 GDP per capita (estimate)	USD 6,267
Inflation rate (retail prices)(estimate)	7.9%

Source: IMF, World Economic Outlook, September 2011

Insurance market

Among 27 insurers (one more than in 2010) in the market, 4 were reinsurance companies and 23 insurance companies, of which 10 were non-life, 7 were life and 6 were composite insurance companies. The top three insurance companies held almost two thirds of the insurance market. There were also many banks, corporations and individuals, acting mostly as insurance brokers or agents. The majority of insurance companies (20) are predominantly foreign-owned, while the biggest insurer, Dunav (28.2% market share) is state-owned.

The share of life insurance products has been on the rise in recent years. Total premium, which increased by 3.0% in the first 9 months of 2011 compared to the same period of 2010, is still mainly generated by non-life insurance products (84.2% share).

Zavarovalnica Triglav Osiguranje Beograd continued to grow. It increased its written premium by 4.5%, which is 1.5% above the growth of the insurance market in Serbia. Its market share climbed to 3.6% (January – September 2010: 3.5%) and Zavarovalnica Triglav Osiguranje ranked seventh among insurance companies in Serbia.

6.4.7 Former Yugoslav Republic of Macedonia

Following a high GDP growth rate of 5.2% in the first half of 2011, in the third and fourth quarter of 2011 the Macedonian economy faced the consequences of the debt crisis in certain countries of the euro area. Economic growth at the end of the year was slowed down by reduced export demands from EU member states, Macedonia's strongest economic and strategic partners. The estimated GDP growth was 3.0%. The Macedonian government is pursuing a healthy, integrated macroeconomic policy, is maintaining low public debt, while taking precautions to maintain the stable financial system in the country. The National Bank of the Republic of Macedonia does not anticipate the aggravation of the debt crisis in the euro area to have a significant effect on bank liquidity or on the financial system as a whole. In 2011 the Former Yugoslav Republic of Macedonia managed to maintain the stable exchange rate of the dinar and a low inflation rate of 3.7%. These measures will be carried out in the next year as well.

Increased risks from the second half of 2011 will affect development in 2012. The GDP growth trend was too weak for achieving the country's basic macroeconomic goals, such as restructuring of the economy, decreasing the unemployment rate and increasing the standard of living. The most recent projections, however, show a GDP growth rate between 3 and 3.5% at the utmost. Unemployment rate is high at 30% and the standard of living is among the lowest in Europe.

2011 Main Macroeconomic Indicators

Population	2.1 million
2011 Growth of GDP (estimate)	3.0%
2011 GDP (estimate)	USD 10.3 billion
2011 GDP per capita (estimate)	USD 5,012
2011 Inflation rate (retail prices)(estimate)	3.7%

Source: IMF, World Economic Outlook, September 2011

Insurance market

The majority of 15 insurance companies were foreign owned (81% of the total equity of the insurance sector). In Macedonia 11 insurance companies were non-life and 4 were life insurance companies. One of them held a reinsurance licence and, at the same time, offered non-life insurance products. Also operating were 17 insurance brokerage firms and 5 insurance agencies. The five biggest insurers operating in the highly concentrated insurance market booked over 60% of total premium. Due to the structure of their activity the market concentration was particularly high in the segments of life insurance and reinsurance.

Insurance companies wrote MKD 6.8 billion in premium, which represented an increase of 5.0% over 2010. Non-life insurance premium accounted for 92.7% of the total premium in the market. Non-life insurance premium rose by 3.0%, while life insurance premium increased by 40.2%.

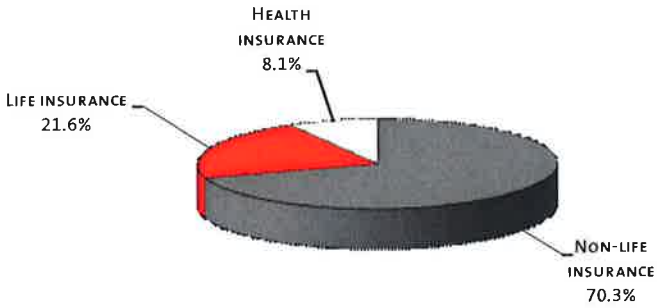
Despite the drop in written premium, Triglav Osiguruvanje remained the market leader in Macedonia. In 2011 it had a 19.7% market share in non-life insurance (in 2010 the market share was 21.7%). It was followed by Eurolink and Sava Tabak, with a 11.4% and 11.3% market share respectively.

6.5 Gross written premium for insurance and co-insurance contracts

In 2011, the Triglav Group posted a total of EUR 989.4 million in consolidated gross insurance and co-insurance premium, or 2% less than in 2010. Non-life insurance total was EUR 695.2 million (index 97), life insurance reached EUR 214.0 million (index 97) and health insurance increased to EUR 80.2 million (index 111) in gross written premium.

The structure of consolidated written premium was the following:
- non-life insurance accounted for 70.3%,
- life insurance for 21.6% and
- health insurance for 8.1%.

Gross written premium for insurance and co-insurance in 2011 - Structure



The Triglav Group members (excluding Triglav Re) booked EUR 950.1 million in non-consolidated gross insurance and co-insurance premium, or 2% less than the year before. The trends varied depending on company and market. The written premium of Zavarovalnica Triglav was lower by 3% in comparison with 2010, whilst that of Triglav Zdravstvena zavarovalnica was higher by 10%. Gross written premium grew in Triglav Pojišťovna by 2%, in Triglav Osiguranje, Belgrade by 7% and in Triglav Osiguranje, Banja Luka by 6%. Gross written premium was lower in Triglav Osiguranje, Zagreb by 4%, in Triglav Osiguranje, Sarajevo by 3% and in Triglav Osiguruvanje, Skopje by 7%. In Lovćen Osiguranje gross written premium declined by 9%, as the life-insurance portfolio was transferred to its subsidiary Lovćen životna osiguranja.

Gross written premium in 2011 by insurance company of the Triglav Group

in EUR

		GROSS WRITTEN INSURANCE PREMIUM IN 2011			INDEX			STRUCTURE
	INSURANCE COMPANY	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	2011
1	Zavarovalnica Triglav	495,845,884	200,954,814	696,800,698	97	97	97	73.3%
2	Triglav, Zdravstvena zavarovalnica	80,189,702	0	80,189,702	110		110	8.4%
3	Triglav Osiguranje, Zagreb	43,616,189	9,610,263	53,226,452	96	93	96	5.6%
4	Triglav Osiguranje, Sarajevo	13,774,676	1,893,811	15,668,487	94	119	97	1.6%
5	Triglav Pojišťovna, Brno	27,431,720	0	27,431,720	102		102	2.9%
6	Lovćen Osiguranje, Podgorica	29,400,964	0	29,400,964	95	0	91	3.1%
8	Triglav Osiguranje, Beograd	20,183,386	613,849	20,797,235	108	100	107	2.2%
9	Triglav Osiguranje, Banja Luka	5,205,914	0	5,205,914	106		106	0.5%
10	Triglav Osiguruvanje, Skopje	20,107,159	0	20,107,159	93		93	2.1%
11	Lovćen Životna Osiguranja, Podgorica	0	1,269,847	1,269,847				0.1%
	TOTAL	**735,755,594**	**214,342,584**	**950,098,178**	**98**	**97**	**98**	**100.0%**
12	Pozavarovalnica Triglav Re	121,961,264	0	121,961,264	102	0	101	
	Consolidation eliminations	-82,342,293	-318,345	-82,660,638	106	133	107	
	TOTAL - CONSOLIDATED	**775,374,565**	**214,024,239**	**989,398,804**	**98**	**97**	**98**	

6.5.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 735.8 million of unconsolidated insurance and co-insurance premium from non-life insurance contracts, which is a 2% nominal decrease on the same period the year before. This drop was expected due to the following key reasons:

- Sustained price competition among insurers in the motor vehicle insurance market continued alongside lowering prices of insurance products and premium reductions for large policyholders won through public tenders (stricter tender requirements, competition, participation of insurance brokers and agencies in setting tender requirements and their commissions).
- In mid-2010 the range of motor vehicle insurance was thoroughly changed, due to the increasingly pronounced economic crisis and consequently changed behaviour of

policyholders. The financial effects of the change were felt in the first half of 2011. They primarily consisted of lowering prices and the balancing of two major types of car insurance, i.e. motor liability and comprehensive car insurance (*see also Sections 5.2.1 and 6.2*).

- Efforts continued in order to mitigate the poor technical results recorded in insurance of interests in property as well as in agricultural insurance. The resulting changes caused a decrease in insurance premium and simultaneously consolidated the basis for improving insurance technical results. It should be noted that 2011 saw a significant change in key client management. The reduced number of entry points and higher level of professional services (sales and after-sales) were the main reasons for establishing a centralised organisational unit for key clients. This unit was founded in early 2011.

The largest (36.8%) share in the portfolio of total premium was charged on motor vehicle insurance. The Group collected EUR 144.1 million in comprehensive car insurance premium, which was 2% less than the year before. The premium decreased in several members of the Group, while growth was recorded by Triglav Osiguranje, Banja Luka (32% increase), Triglav Osiguranje, Belgrade (25% increase) and Triglav Pojišt'ovna (12% increase). In motor liability insurance, the members of the Triglav Group in 2011 posted EUR 205.1 million of written premium: a 9% decline compared to the previous year. Among the Group members, written premium only grew in Triglav Osiguranje, Belgrade (by 10%) and Triglav Osiguranje, Banja Luka (by 5%). The reasons for the lower volume of motor vehicle insurance were stated in the introduction to this section. The new motor vehicle insurance range consists mainly of the renewal of motor vehicle insurance packages, lowering the prices of certain packages and the introduction of additional discounts, targeted at certain client segments, particularly safe drivers, long-term clients and families. In 2011, families were offered an extra 15% discount on motor vehicle insurance for an additional car in the family.

A high 10% growth in written premium was recorded in health insurance, mostly on account of the results of Triglav Zdravstvena zavarovalnica, which in June widened its range by one product. After this addition the range included:

- supplementary voluntary health insurance (ZZ11);
- insurance for health resort treatment of injuries (ZZ69);
- additional accident insurance (NZ11);
- insurance for health-resort treatment of traffic injuries (ZZ79); and
- allowance insurance (ZZ75).

Once again, Triglav Zdravstvena zavarovalnica increased its market share in Slovenia to 18.7% (at the end of 2010 it was 17.7%). It booked a total of EUR 80.2 million in gross written premium, i.e. EUR 7.5 million more than in 2010. The growth of written premium stems from the successful marketing of supplementary health insurance products and a consequent increase in the portfolio of Triglav Zdravstvena zavarovalnica. In 2011, it included a total of 23,327 supplementary health insurance policies and 4,000 other policies. Among other insurers in the Triglav Group offering health insurance, growth was recorded in Triglav Osiguranje, Banja Luka (index 113), whilst other insurance companies collected less premium than the year before (Triglav Osiguranje, Sarajevo, Triglav Osiguranje, Zagreb and Lovćen Osiguranje). The share of these insurance companies in total health insurance premium accounted for a little more than 1%.

In 2011, in the property insurance class (fire and natural forces insurance and other damage to property insurance), 166.6 EUR million in premium was recorded, representing a 2% nominal growth. A slightly higher growth of 3% was recorded in other property insurance. The premium from fire and natural forces insurance remained at the same level as in 2010. Zavarovalnica Triglav's share in total premium from proper non-life insurance represents more than 82%

(growth index 102). This good result reflects the work of the new key client organisational unit, which acquired several large clients in the first year of its operation. Some newly concluded insurance policies are "one-off", which does not, however, diminish the good sales results. The positive results in property insurance could have been even better, if the terms and conditions for agricultural insurance had not been made more stringent. Deductibles without surrender options, stricter terms of risk underwriting and a cap on the sum insured for crops with government co-financing of insurance premiums were introduced in order to improve insurance technical results. These measures lowered the realisation by approximately EUR 2.6 million. In addition to Zavarovalnica Triglav, premium increases were also recorded in Triglav Pojišt'ovna (100% growth), Triglav Osiguranje, Belgrade (8% growth) and Triglav Osiguranje, Banja Luka (6% growth). Other members of the Group earned less premium compared to 2010.

Accident insurance represented 5.5% of total written premium, or EUR 51.9 million, nominally. This 7% reduction is primarily the result of the changes in motor vehicle insurance described above. More than a half of the premium in this insurance group arises from two insurance sub-classes taken out simultaneously with car insurance. Premium for AO-plus insurance and driver and passenger accident insurance decreased by more than 10% in nominal terms. The second largest insurance class, collective accident insurance (accounting for more than one third of total accident insurance) also experienced a nominal drop in growth. This decrease in written premium was a result of increasing unemployment and the poor state of the Slovene economy. Trends in the largest insurance sub-classes show that the situation cannot be significantly improved by good sales results in certain smaller accident insurance sub-classes. Good results were achieved with individual accident insurance products and accident insurance of subscribers and consumers, which primarily means the insurance of card owners, bank accounts, etc.

General liability insurance reached 3.7% of the total. In 2011, EUR 35.1 million in premium was recorded, i.e. 2% more than in 2010. This is considered to be a success, as the majority of this insurance class consists of general liability insurance, which recorded a drop in premium due to the poor state of the economy and growing unemployment. Very solid sales results were achieved in product liability insurance, guarantee insurance and most professional liability insurance products (covering the liability of medical doctors, attorneys-at-law or management and supervisory board members) as well as other classes of liability insurance. Most insurance companies within the Triglav Group posted a growth in premium; Zavarovalnica Triglav (its share is almost 84% of total premium) remained at approximately the same level as the 2010 year end, while Triglav Osiguranje, Belgrade and Triglav Osiguruvanje, Skopje collected less premium.

Credit insurance accounted for 2.2% of the total premium and accounted for an 8% less premium than the year before. This result is primarily caused by trends in consumer loan insurance, where the premium markedly decreased due to the drop in volume of bank loans. The letter represented the bulk of the premium from credit insurance and therefore, the drop was expected. The performance of other credit insurance sub-classes was solid, especially export credit insurance, domestic trade insurance and overdraft insurance.

Other classes of non-life insurance (which accounted for 3.3% of total premium) grew by 11%. These results are mostly due to excellent sales of roadside assistance, which remained the best assistance insurance in the Slovene market, and an increase in the railway insurance premium. Nominal growth was also seen in suretyship insurance, travel insurance, marine insurance, goods in transit insurance and miscellaneous financial loss insurance.

6.5.2 Life insurance

In total, Triglav Group members charged EUR 214.3 million in unconsolidated gross written premium from life insurance contracts, which represents a 3% decrease on 2010. Their share in total gross written premium was 22.6%.

The premium generated by unit-linked life insurance totalled EUR 98.0 million or 45.7% of gross written premium in the life insurance class, which was 2% less compared to 2010. In addition to Zavarovalnica Triglav (index 99), unit-linked products are also available from Triglav Osiguranje, Zagreb, which booked a total of EUR 4.3 million in written premium, or 9% less than in 2010.
Life insurance accounted for EUR 96.6 million or 45.1% of total premium in the life insurance class. It is estimated that the 4% premium decrease was caused by the continuation of uncertain conditions in the financial markets and the economic crisis, s clients were more prudent when purchasing long-term insurance policies. The decrease in life insurance premium was also affected by the aging of the life insurance portfolio (maturities and surrenders). Supplementary voluntary pension insurance (capital redemption insurance) accounted for 9.2% or EUR 19.7 million of the total premium; in this class premium dropped by 7% compared to the year before.

Gross written premium for insurance and co-insurance contracts of the Triglav Group (excluding Pozavarovalnica Triglav Re) and growth indexes per insurance class

in EUR

		GROSS WRITTEN PREMIUM			INDEX		STRUCTURE
No.	INSURANCE CLASS	2011	2010	2009	2011/2010	2010/2009	2011
1	Accident insurance	51,881,696	55,537,351	61,127,665	93	91	5.5%
2	Health insurance	80,888,967	73,602,675	68,318,518	110	108	8.5%
3	Comprehensive car insurance	144,099,735	147,436,763	145,462,647	98	101	15.2%
4	Property insurance	166,632,065	163,502,412	158,619,230	102	103	17.5%
5	Motor liability insurance	205,077,707	224,668,795	243,719,749	91	92	21.6%
6	General liability insurance	35,070,402	34,275,095	35,217,221	102	97	3.7%
7	Credit insurance	20,598,151	22,320,290	22,706,207	92	98	2.2%
8	Other non-life insurance	31,506,871	28,288,224	27,673,512	111	102	3.3%
	NON-LIFE INSURANCE	**735,755,594**	**749,631,606**	**762,844,748**	**98**	**98**	**77.4%**
9	Life insurance	96,651,038	100,311,203	106,692,704	96	94	10.2%
10	Unit-linked life insurance	98,001,240	99,782,278	99,269,804	98	101	10.3%
11	Capital redemption insurance	19,690,306	21,280,476	19,781,923	93	108	2.1%
	LIFE INSURANCE	**214,342,584**	**221,373,956**	**225,744,431**	**97**	**98**	**22.6%**
	TOTAL	**950,098,178**	**971,005,562**	**988,589,179**	**98**	**98**	**100.0%**

6.5.3 Gross reinsurance premium written for Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re booked a total of EUR 121.9 million in gross reinsurance premium, or 1% more than the year before (compared to 5% growth in 2010). The increase in gross reinsurance premium was generated predominantly by an 18% growth of the second highest insurance class, i.e. other damage to property insurance, and is the result of a higher gross reinsurance premium from facultative contracts with the parent company. Nominal value increase were also seen in miscellaneous financial loss insurance, general liability insurance, accident insurance, suretyship insurance, health insurance and aircraft insurance, marine insurance, credit insurance and assistance insurance. The largest class, fire and natural forces insurance, recorded a 2% drop in premium. In 2011 the business outside the Triglav Group totalled 6% less than the year before. The year-end profit in 2011 was affected by the economic and financial crisis, extreme weather conditions and frequent natural disasters.

The market position of the reinsurance company Pozavarovalnica Triglav Re was further strengthened by the confirmation of the "A" long-term rating and financial strength rating, assigned by Standard & Poor's on 21 November 2011 (*see also Section 2, Strategy and Plans*). The confirmation of the financial stability of Pozavarovalnica Triglav Re's financial operations increases its potential to access reinsurance markets.

This reinsurance company provides high quality reinsurance coverage to the Triglav Group. In accordance with the Triglav Group's reinsurance scheme in Slovenia and abroad, Pozavarovalnica Triglav Re can increasingly concentrate on acquiring cedants outside the Group. Its growth will continued to be based on a conservative approach to assuming quality risks and on maintaining a stable and profitable portfolio.

6.6 Gross claims paid

Claims paid totalled EUR 616.5 million or 1% more than 2010. In non-life insurance, the Triglav Group recorded EUR 413.5 million (index 92), in life insurance EUR 140.5 million (index 131) and in health insurance EUR 62.5 million (index 109) in gross claims.

Excluding Pozavarovalnica Triglav Re, the members of the Triglav Group posted EUR 593.5 million of non-consolidated gross claims, which is approximately the same as in the preceding year (index 100).

Gross claims paid in 2011 by insurance company of the Triglav Group

in EUR

		GROSS CLAIMS PAID IN 2011			INDEX			STRUCTURE
No.	INSURANCE COMPANY	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	2011
1	Zavarovalnica Triglav	297,708,259	136,054,516	433,762,775	88	133	99	73.1%
2	Triglav Zdravstvena zavarovalnica	62,554,304	0	62,554,304	109		109	10.5%
3	Triglav Osiguranje, Zagreb	24,638,774	3,090,383	27,729,157	92	99	93	4.7%
4	Triglav Osiguranje, Sarajevo	7,127,664	565,484	7,693,148	92	48	86	1.3%
5	Triglav Pojišťovna, Brno	16,690,971	0	16,690,971	100		100	2.8%
6	Lovćen Osiguranje, Podgorica	17,522,132	0	17,522,132	101	0	97	3.0%
7	Triglav Osiguranje, Beograd	10,462,014	255,177	10,717,191	142	163	142	1.8%
8	Triglav Osiguranje, Banja Luka	1,688,839	0	1,688,839	99		99	0.3%
9	Triglav Osiguruvanje, Skopje	14,649,702	0	14,649,702	106		106	2.5%
10	Lovćen životna osiguranja, Podgorica	0	517,131	517,131				0.1%
	TOTAL	**453,042,659**	**140,482,691**	**593,525,350**	**93**	**131**	**100**	**100.0%**
11	Pozavarovalnica Triglav Re	55,572,856	0	55,572,856	90	0	90	
	Consolidation eliminations	-32,555,698	0	-32,555,700	77	0	77	
	TOTAL - CONSOLIDATED	**476,059,817**	**140,482,689**	**616,542,506**	**94**	**131**	**101**	

6.6.1 Non-life insurance

The comparison of growth rates between claims and insurance premium in non-life insurance shows that claims grew at a rate 4 index points lower than insurance premium. In comparison with the year before, non-consolidated gross claims fell by 7%, totalling EUR 453.0 million.

Claims related to motor liability insurance represented 20.8% of total gross claims settled by the Triglav Group. Total claims met amounted to EUR 123.5 million, which was 6% less than in 2010. The slow growth of claims in this insurance class was caused mostly by the slower growth in gross claims posted by Zavarovalnica Triglav (index 91), in part due to the positive effect of the changed legislation on road traffic safety in Slovenia, better road infrastructure

and the failure of numerous construction companies, whose vehicle fleets were insured by Zavarovalnica Triglav and which were significantly increasing the frequency and the amount of claims paid. Slower growth rates in gross claims was also recorded by Triglav Osiguranje, Zagreb, Triglav Osiguranje, Sarajevo and Triglav Osiguruvanje, Skopje.

A 12% decrease in gross claims paid was recorded in the comprehensive car insurance class. Claims paid amounted to EUR 107.6 million, or 18.1% of total amount of settled claims. A decrease in gross claims paid in this insurance class was recorded by the majority of the Triglav Group insurance companies, including Triglav Osiguranje, Zagreb, Zavarovalnica Triglav and Lovćen Osiguranje, which was mainly the consequence of the lower number of mass claims due to devastating weather events. A significant growth in claims in this insurance class was recorded at Triglav Osiguranje, Belgrade (index 126), while slower growth was booked by Triglav Pojišťovna (index 108) and Triglav Osiguranje, Banja Luka (index 105).

In property insurance, total claims paid amounted to EUR 81.7 million or 14% less than the year before. A favourable index and a lower amount of claims settled are to a great extent a consequence of a smaller number and volume of claims due to storms, hail, floods and other natural disasters. The lower amount of claims settled was also a result of a smaller number of claims settled for fire and machinery breakdown insurance, home content insurance and DOM home insurance package.

In health insurance, gross claims increased by 9% due to an increase in the share and costs transferred from compulsory to supplementary health insurance, a higher number of insurance holders, higher prices of medical goods and services and a growing proportion of elderly insurance holders. Equalisation scheme expenses for supplementary health insurance totalled EUR 6.7 million, which is EUR 800,000 more than in 2010 (a 14% increase).

Gross claims from general liability insurance rose by 3%. This growth was mainly the result of higher amounts of claims paid in installation insurance, guarantee insurance and product liability insurance. A 6% reduction in gross claims should be noted in the largest insurance subclass, general liability insurance, which represents almost 83% of this insurance class. This result may be attributed to the Company's new business approach, i.e. recasting the terms and conditions, policyholders' portfolio analysis in recent years and measures adopted to strengthen diligence in risk underwriting. Analyses of past business co-operation with individual policyholders are proving to be ever more important.

Gross claims paid in accident insurance dropped by 8%, mostly due to a considerably lower amount of claims settled from AO-plus insurance and collective accident insurance, which account for the majority of accident insurance claims.

The developments in the credit insurance area are closely related to the financial crisis. A total reduction in gross claims in this insurance class by 6% can therefore be seen as a success. Gross claims in the largest insurance subclass, general liability insurance (65% share), decreased by 21%.

Claims in other non-life insurance also decreased. Contrary to the high growth of gross claims in previous years (12% in 2010 and 50% in 2009), other non-life insurance recorded a 7% decrease. This was mostly due to a drop in miscellaneous financial loss insurance (index 59), aircraft insurance (index 6), marine insurance (index 64) and assistance insurance, the largest class in this group (index 98).

6.6.2 Life insurance

Non-consolidated gross claims paid in life insurance totalled EUR 140.5 million and were 31% higher than in 2010. Claims in the life insurance class accounted for 23.7% of all claims paid, or 5.6 percentage points more than the year before.

The bulk of all claims settled is accounted for by the life insurance class (life assurance, annuity insurance, voluntary pension insurance), which totalled EUR 88.2 million, or 4% more than one year earlier. The amount of settled claims experienced a high growth in unit-linked life insurance (index 151) and supplementary voluntary pension insurance, with a growth index of 623. The increase in life insurance was caused by maturities due to the aging of the portfolio and surrenders.

Gross claims paid by member of the Triglav Group (excluding Pozavarovalnica Triglav Re) and growth indexes by insurance class

in EUR

		GROSS CLAIMS PAID			INDEX		STRUCTURE
No.	INSURANCE CLASS	2011	2010	2009	2011/2010	2010/2009	2011
1	Accident insurance	26,272,057	28,429,650	30,563,993	92	93	4.4%
2	Health insurance	63,136,259	57,892,635	51,188,149	109	113	10.6%
3	Comprehensive car insurance	107,558,697	121,730,767	130,041,158	88	94	18.1%
4	Property insurance	81,736,961	94,635,842	116,175,591	86	81	13.8%
5	Motor liability insurance	123,532,936	131,105,452	142,688,550	94	92	20.8%
6	General liability insurance	19,973,854	19,367,906	23,693,252	103	82	3.4%
7	Credit insurance	16,550,627	17,692,229	18,162,036	94	97	2.8%
8	Other non-life insurance	14,281,268	15,312,159	13,724,473	93	112	2.4%
	NON-LIFE INSURANCE	**453,042,659**	**486,166,641**	**526,237,201**	**93**	**92**	**76.3%**
9	Life insurance	88,162,604	84,817,529	63,918,396	104	133	14.9%
10	Unit-linked life insurance	27,976,054	18,568,703	14,120,278	151	132	4.7%
11	Capital redemption insurance	24,344,033	3,904,953	2,627,827	623	149	4.1%
	LIFE INSURANCE	**140,482,691**	**107,291,185**	**80,666,500**	**131**	**133**	**23.7%**
	TOTAL	**593,525,350**	**593,457,825**	**606,903,702**	**100**	**98**	**100.0%**

6.6.3 Gross claims paid by Pozavarovalnica Triglav Re from reinsurance contracts

Gross claims paid from reinsurance contracts by Pozavarovalnica Triglav Re totalled EUR 55.6 million, or 10% less than the preceding year. This significant decrease was caused by lower gross claims settled in the Triglav Group in other classes, i.e. damage to property insurance and land motor vehicle insurance, due to favourable loss events in Eastern and South Europe. Gross claims settled in general liability insurance were higher by as much as 134% (due to a claim settlement with a large policyholder).

Gross claims paid in business outside the Triglav Group totalled 19% more, which was above all a result from claims paid for devastating events in 2011 and 2010. The most significant natural disaster, the earthquake and tsunami in Japan, had the greatest impact on Pozavarovalnica Triglav Re's business in 2011, followed by the earthquake in New Zealand, severe floods in Australia and Copenhagen, Denmark, and the most severe monsoon rainfall in Thailand in recent decades, which lasted for as long as four months. In business with the Triglav Group, there were no extraordinary loss events with significant impact on Pozavarovalnica Triglav Re's operations.

6.7 Gross operating costs

Total consolidated gross operating costs of the Triglav Group reached EUR 286.4 million and were 2% lower than the year before. Gross operating costs for non-life insurance came to EUR 190.8 million (index 98), in the life-insurance segment they amounted to EUR 37.2 million (index 99), in health insurance they totalled EUR 6.9 million (index 85) and in non-insurance activities, they were EUR 51.6 million (index 97).

Acquisition costs (fees and charges) totalled EUR 30.9 million and increased by 7% over the preceding year. The costs of the acquisition of goods sold amounted to EUR 24.5 million and were 10% lower than the year before, while depreciation costs were EUR 11.6 million and went up 3% compared to 2010. Labour costs totalling EUR 136.2 million, or 4% less than in 2010, accounted for the majority of operating costs (46.1%). Costs of services provided by natural persons totalled EUR 3.0 million, representing a decrease of 20%, while other operating costs remained at the same level as the year before (EUR 89.2 million).

Total insurance business gross operating costs (EUR 234.6 million) decreased by 2% from 2010. The increase in insurance business operating costs was the same as the growth of gross written premium. The share of insurance business operating costs in gross written premium was thus 23.7%, which is the same as in 2010.

In total insurance business gross operating costs, broken down by functional groups, the costs of insurance contract acquisition accounted for 55.6%, or 0.4 percentage points more than in the preceding year, followed by 11.5% in assessment costs (11.4% in 2010), 1.9% in expenses arising from asset management (the same as in 2010), while other operating expenses represented 30.9%, down 0.6 percentage points compared to the year before.

Gross operating costs by nature

in EUR

	GROSS OPERATING EXPENSES			INDEX		STRUCTURE
NATURAL TYPE OF COSTS	2011	2010	2009	2011/2010	2010/2009	2011
1. Acquisition costs (fees and charges)	**30,926,417**	**28,872,958**	**31,309,074**	**107**	**92**	**10.5%**
2. Cost of goods sold	**24,487,665**	**27,122,451**	**24,423,372**	**90**	**111**	**8.3%**
3. Depreciation of operating assets	**11,598,595**	**11,231,762**	**12,497,195**	**103**	**90**	**3.9%**
4. Labour costs	**136,195,600**	**141,905,945**	**144,138,700**	**96**	**98**	**46.1%**
- wages and salaries	96,152,794	99,924,116	101,302,896	96	99	32.5%
- social security and pension insurance costs	22,652,065	22,772,526	23,662,385	99	96	7.7%
- other labour costs	17,390,741	19,209,303	19,173,419	91	100	5.9%
5. Costs of services provided by natural persons other than SPs together with pertaining taxes	**3,043,158**	**3,783,322**	**3,793,934**	**80**	**100**	**1.0%**
6. Other operating costs	**89,237,493**	**89,253,813**	**81,341,661**	**100**	**110**	**30.2%**
- costs of entertainment, advertising, trade shows	17,482,936	17,864,671	16,535,312	98	108	5.9%
- costs of material and energy	9,929,943	9,673,483	9,288,991	103	104	3.4%
- maintenance costs	8,527,111	8,780,727	9,017,548	97	97	2.9%
- reimbursement of labour-related costs	4,885,484	5,796,068	4,884,354	84	119	1.7%
- costs of intellectual and personal services	3,817,644	2,768,653	3,272,132	138	85	1.3%
- costs not related to performance, excluding insurance	2,623,521	3,754,571	3,287,102	70	114	0.9%
- costs of services - transport and communications	5,096,185	5,340,285	5,199,290	95	103	1.7%
- costs for insurance premiums	2,002,248	1,850,330	1,722,507	108	107	0.7%
- payment transaction costs and banking services	3,980,632	4,096,357	4,117,482	97	99	1.3%
- rents	7,692,983	6,532,582	6,739,159	118	97	2.6%

- costs of services of professional training	1,040,200	1,070,049	891,383	97	120	0.4%
- other costs of services	22,158,606	21,726,037	16,386,401	102	133	7.5%
TOTAL operating costs	**295,488,928**	**302,170,251**	**297,503,936**	**98**	**102**	**100.0%**
Consolidation eliminations	-9,090,898	-9,031,929	-9,001,966	101	100	
TOTAL	**286,398,030**	**293,138,322**	**288,501,970**	**98**	**102**	

6.8 Risk equalisation

In 2011 Triglav Group equalised 92% of the risks within its own equalisation capacities. Within the Group's equalisation capacities, losses were covered by the current inflow of technical premium by the insurance class and allocated insurance contract provisions. The Triglav Group was able to equalise risks that exceeded its own equalisation capabilities by reinsurance and, to a lesser extent, by co-insurance arrangements.

6.8.1 Insurance technical provisions

As at the last day of 2011, the Triglav Group allocated EUR 2,234.1 million to gross insurance technical reserves, which are the basis for balanced operations and ensure the long-term safety of our insured parties. Compared to 2010, the total amount of gross provisions decreased by 2%, with provisions for non-life insurance decreasing by 2% and provisions for life insurance by 1%.

Provisions by type as at 31 December 2011, compared to the same day of 2010:

- **Gross provisions for unearned premiums** decreased by 2% and reached EUR 291.7 million. Unearned premium from non-life insurance amounted to EUR 291.3 million (index 98), while unearned premium from life insurance totalled EUR 0.4 million, which was 17% more than one year earlier;
- **Gross provisions for outstanding claims** decreased by 1% and amounted to EUR 705.5 million. The decrease is the result of the reduction in claims due to implementing measures in risk underwriting and portfolio selection and a lower number of mass natural disaster claims. Claims provisions from non-life insurance totalled EUR 684.8 million (index 99) and those from life insurance EUR 20.6 million (index 96).
- **Mathematical provisions** stood at EUR 1,210.0 million, representing a 1% decrease over last year. Of the total amount of mathematical provisions, EUR 685.2 million originated from the long-term business fund backing life insurance, EUR 158.1 million from the long-term business fund backing SVPI, EUR 2.2 million from the long term business fund backing SVPI, i.e. annuities, and EUR 364.5 million from the long-term business fund backing unit-linked life insurance. The main reasons for lower provisions are the increase in number of surrendered supplementary voluntary pension insurance due to the completion of a 10-year saving period and a reduction in provisions for unit-linked life insurance, which is the result of a general decrease in value of investments linked to the insurance assets.
- **Provisions for bonuses and rebates** decreased by 7% to EUR 16.6 million;
- **Other insurance technical provisions** totalled EUR 10.4 million or 46% less than in 2010, primarily due to the decrease in provisions for unexpired risk, the value of which is based on insurance technical results by individual insurance class. The improvement in these results caused a decrease in provisions.

Gross insurance technical provisions as at 31 December 2011

in EUR

	GROSS INSURANCE TECHNICAL PROVISIONS			INDEX	
	31.12.2011	31.12.2010	31.12.2009	2011/2010	2010/2009
Unearned premium	291,740,398	296,367,451	301,267,271	98	98
Mathematical provisions	1,209,960,825	1,225,930,838	1,104,651,736	99	111
Claims provisions	705,464,250	711,728,317	711,229,696	99	100
Provisions for bonuses and rebates	16,599,643	17,836,389	19,364,696	93	92
Other insurance technical provisions	10,377,656	19,052,894	25,250,664	54	75
INSURANCE TECHNICAL PROVISIONS	**2,234,142,772**	**2,270,915,889**	**2,161,764,063**	**98**	**105**

6.8.2 Reinsurance

The Triglav Group allocated EUR 79.2 million of reinsurance premium to external equalisation, which was 8% more than in 2010. Reinsurance premium accounts for 8.0% of total gross written premium. The change in gross premium reserves related to reinsurers' share amounted to EUR 3.2 million, which was as much as 95% more than one year earlier. An amount of EUR 23.2 million was received from reinsurance (index 76). Gross claims provisions for reinsurers' share increased by EUR 2.9 million, whereas EUR 2.5 million was received from reinsurance commissions, which led to a negative reinsurance result of EUR -47.5 million.

7. FINANCIAL RESULT OF THE TRIGLAV GROUP IN 2011

The Triglav Group ended 2011 with a larger profit than the preceding year. Despite the financial crisis and the developments in the banking sector, the Group performed well, posting a profit before tax of EUR 58.0 million. Net profit of the Group totalled EUR 47.5 million, which was 78% more than in the previous year. Net profit attributable to the controlling company amounted to EUR 47.1 million, while net profit attributable to non-controlling interest holders totalled EUR 436 thousand. Significant growth was recorded in the return on equity ratio, which climbed to 9.6%, compared to 5.5% in 2010. The combined ratio in non-life insurance, which shows the profitability of operations, improved as well (any value of this ratio below 100 means that the non-life insurance portfolio, as the core business, is earning a profit). It totalled 90.1%, which is an improvement of 1.9 percentage points over 2010.

7.1 Premium income, claims incurred and expenses

Net premium earned (calculated on the basis of gross written insurance and co-insurance premium, reduced by the reinsurers share and adjusted by the change in gross unearned premiums taking into account the reinsurers share in unearned premiums) amounted to EUR 916.3 million or 3% less than in 2010. A significant growth of 11% was recorded in net premium earned from health insurance, whereas net premium earned from non-life insurance and life insurance decreased by 5% and 4% respectively. The amount by which gross written premiums from co-insurance and reinsurance operations were decreased was 8% higher than in 2010 and equalled EUR 80.1 million. On the other hand, gross unearned premiums grew by EUR 7.0 million, the same as in the preceding year.

Net claims incurred (gross claims increased by assessment costs, reduced by the reinsurers and co-insurers shares and subrogated receivables, adjusted by the change in gross claims provisions taking into account the reinsurers share in these provisions and increased by equalisation scheme expenses for supplementary health insurance) totalled EUR 576.1 million, which was 3% more than in 2010. A decrease of 5% was recorded in non-life insurance. Net

claims incurred increased by 31% in life insurance and by 9% in health insurance. The reinsurers' and co-insurers' shares of gross claims decreased compared to 2010 by 26% and totalled EUR 22.5 million. Claims provisions decreased by EUR 2.0 million, whereas in 2010 they decreased by EUR 6.3 million.

Gross operating costs totalled EUR 286.4 million, decreasing 2% over the preceding year. Of the total amount of gross operating costs, the insurance business operating costs amounted to EUR 234.8 million (index 98), whereas costs arising from non-insurance operations equalled EUR 51.6 million (index 97). Operating costs of insurance business accounted for 23.7% of consolidated gross written premium, the same as in 2010.

7.2 Income and expenses from financial assets

Income from financial assets decreased by 18% and reached EUR 149.0 million. Income from financial assets in associates reached EUR 4.3 million, income from other financial assets was EUR 119.0 million and net unrealised gains on unit-linked life insurance assets amounted to EUR 25.8 million. Consolidated financial expenses totalled EUR 202.0 million, which represents a 66% increase over 2010. Expenses from financial assets in associates totalled EUR 19.2 million, while expenses from other financial assets equalled EUR 107.0 million. Net unrealised losses on unit-linked life insurance assets reached EUR 75.8 million.

The Group's **returns on financial assets** represent the difference between income and expenses from financial assets. In 2011 they amounted to EUR 53.0 million, compared to EUR 60.0 million the year before. Negative returns were caused by a permanent impairment of financial assets in the amount of EUR 63.2 million, which were carried out by Zavarovalnica Triglav due to the developments in the Slovene banking sector and the general financial crisis, forcing it to impair Greek securities holdings.

7.3 Change in other insurance technical provisions and other

Change in other insurance technical provisions totalled EUR -2.9 million on account of a decrease in mathematical provisions, caused by a higher number of maturities due to the aging of the life insurance portfolio, surrenders and a decrease in provisions for unexpired risks, affected by better insurance technical results recorded in individual insurance classes.

Change in insurance technical provisions for unit-linked insurance contracts equalled EUR -11.4 million due to a decline in the decline in price of fund units. **Expenses for bonuses and discounts** reached EUR 6.5 million (index 113).

Compared to 2010 **other income from insurance operations** of the Triglav Group in 2011 increased by 18% and totalled EUR 26.4 million, while other income amounted to EUR 57.2 million (index 93). **Other insurance expenses** totalled EUR 56.0 million (index 91), whereas other expenses reached EUR 61.3 million (index 72).

Income statement for 2011 - according to IFRS

in EUR

	2011	2010	INDEX
NET PREMIUM INCOME	**916,278,896**	**946,170,224**	**97**
Gross written premium	989,398,804	1,013,560,225	98
Ceded written premium	-80,087,864	-74,371,737	108
Change in unearned premiums	6,967,956	6,981,736	100
TOTAL INCOME FROM FINANCIAL ASSETS	**148,981,933**	**181,533,361**	**82**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	4,269,157	6,332,162	67
- profit on equity investments accounted for using the equity method	4,265,615	3,525,434	121
- interest income	3,060	1,353,194	0
- dividends	0	0	
- fair value gains	0	187,561	0
- realised gains on disposals	0	1,261,807	0
- other financial income	482	4,166	12
INCOME FROM OTHER FINANCIAL ASSETS	118,961,870	132,682,856	90
- interest income	85,744,485	83,863,954	102
- dividends	4,366,741	3,110,228	140
- fair value gains	6,575,898	12,834,622	51
- realised gains on disposals	16,145,886	26,366,161	61
- other financial income	6,128,860	6,507,892	94
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	25,750,906	42,518,343	61
OTHER INCOME FROM INSURNCE OPERATIONS	**26,441,506**	**22,433,024**	**118**
- fees and commission income	17,402,868	14,633,234	119
- other income from insurance operations	9,038,638	7,799,790	116
OTHER INCOME	**57,156,897**	**61,561,494**	**93**
NET CLAIMS INCURRED	**576,117,033**	**557,704,906**	**103**
- gross claims settled	593,872,215	588,325,459	101
- reinsurers' and co-insurers' share	-22,450,576	-30,148,316	74
- changes in claims provisions	-1,961,843	-6,334,129	31
- equalisation scheme expenses for supplementary health insurance	6,657,237	5,861,892	114
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-2,909,572**	**62,450,614**	
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**-11,402,162**	**66,351,880**	
EXPENSES FOR BONUSES AND DISCOUNTS	**6,458,995**	**5,735,228**	**113**
CHANGE IN LIABILITIES FROM INVESTMENT CONTRACTS	**0**	**0**	
OPERATING COSTS	**203,308,320**	**208,135,976**	**98**
- acquisition costs	130,633,390	132,463,862	99
- other operating costs	72,674,930	75,672,114	96
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**202,010,429**	**121,554,254**	**166**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	19,175,570	4,683,649	409
- loss on investments accounted for using the equity method	16,977,661	1,504,027	1,129
- interest expense	0	589,645	0
- fair value losses	1,775,494	174,093	1,020
- realised loss on disposals	94,434	0	
- loss on impairment of financial assets	327,453	2,387,884	14
- other expenses from financial assets and liabilities	528	28,000	2
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	107,035,830	88,273,022	121
- interest expense	5,849,807	6,531,136	90
- fair value losses	10,847,926	12,215,391	89
- realised loss on disposals	17,273,701	9,414,307	183
- loss on impairment of financial assets	62,861,127	48,664,399	129
- other expenses from financial assets and liabilities	10,203,269	11,447,789	89
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	75,799,029	28,597,583	265
OTHER INSURANCE EXPENSES	**55,953,030**	**61,439,998**	**91**
OTHER EXPENSES	**61,323,544**	**85,074,981**	**72**
PROFIT/ LOSS BEFORE TAX	**57,999,615**	**43,250,266**	**134**
INCOME TAX EXPENSE	-10,502,374	-16,600,458	63
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD	**47,497,241**	**26,649,808**	**178**
Net profit / loss attributable to the controlling company	47,060,748	27,846,858	169
Net profit / loss attributable to non-controlling interest holders	436,490	-1,197,048	

Financial performance indicators

FINANCIAL PERFORMANCE INDICATORS	2011	2010	2009
Claims ratio	61.0%	61.9%	73.9%
Expense ratio	29.2%	30.1%	30.1%
Combined ratio:	90.1%	92.0%	104.0%
Insurance business gross operating costs as % of gross premium written	23.7%	23.7%	23.4%
Gross written premium per employee of the insurance company * (in EUR)	226,147	219,767	215,576

*Only the employees of the insurance companies and the reinsurance company within the Triglav Group were taken into account.

8. FINANCIAL STANDING OF THE TRIGLAV GROUP IN 2011

The balance sheet total of the Triglav Group as at 31 December 2011 stood at EUR 2,962.0 million, which is 2% lower than in 2010.

8.1 Equity and liabilities

The total value of equity as at 31 December 2011 was EUR 489.5 million or 2% less than in the year before. Its share in the balance-sheet total equalled 16.5%, the same as in 2010. Controlling interests amounted to EUR 465.3 million, while non-controlling interests holders had EUR 24.2 million. The share capital of EUR 73.7 million was divided into 22,735,148 ordinary shares (*see also Section 4.1. Equity*) and was EUR 50.0 million higher than as at the end of 2010. At the 35th regular General Meeting of Shareholders of Zavarovalnica Triglav a resolution was passed to increase the share capital by capitalisation of reserves without issuing new shares, from net profit brought forward.

The **fair value reserve**, which represents changes in the fair value of available-for-sale financial assets, totalled EUR 2.8 million. This reduction was affected by an impairment due to the falling asset value resulting from the developments on financial markets induced by the financial crisis.

Share premium amounted to EUR 53.2 million. Reserves from profit increased significantly due to a transfer of EUR 160.0 million from accumulated profits and equalled EUR 230.8 million (index 333). Reserves from profit include legal, statutory and contingency reserves in the amount of EUR 20.0 million, credit risk equalisation reserves of EUR 34.9 million and other profit reserves of EUR 176.0 million.

Accumulated profits for the year were EUR 107.3 million. In addition to EUR 46.2 million in net profit for the year, they also include EUR 61.1 million of net profit brought forward.

Subordinated liabilities of the Group remained at the 2010 level. They amounted to EUR 40.9 million and accounted for 1.4% share of total balance sheet liabilities.

Gross insurance technical provisions decreased by 2% to EUR 2,234.1 million by the end of 2011. In the balance sheet total they accounted for 75.4%, which is 0.3 percentage points more than in 2010. As at the last day of 2011 mathematical provisions amounted to EUR 1,210.0 million, which is 1% lower than at the end of the previous year. Provisions for gross unearned premiums shrunk by 2%, gross claims provisions by 1%, while the volume of other insurance technical provisions shrunk by 27%.

Financial liabilities of EUR 39.5 million were 13% higher than in 2010. In the balance sheet total they accounted for only 1.3% (in 2010: 1.2%).

Operating liabilities of the Group reached EUR 57.9 million, after a 15% decrease from the level reported at the 2010 year end. Their share in the balance sheet total was 2.0% or 0.3 percentage points less than in the preceding year. Liabilities from direct insurance operations decreased as well. They fell by 10% and amounted to EUR 20.9 million, whilst liabilities from co-insurance and reinsurance operations rose by 29% and reached EUR 36.1 million. Current tax liabilities equalled EUR 826.7 thousand.

Other liabilities decreased as well (by 11%). Reaching 61.0 million, they accounted for a 2.1 share of the balance sheet total.

8.2 Assets

As at the 2010 year end, financial assets stood at EUR 2,326.0 million, which represents a 2% rise compared to 2010. The percentage of financial assets in total assets grew by 3.1 percentage points, reaching 78.5%. Unit-linked insurance assets amounted to EUR 364.7 million and financial investments to EUR 1,961.3 million. In total financial investments, EUR 439.7 million is accounted for by deposits and loans, EUR 245.2 million by investments held to maturity, EUR 1,192.9 million by investments available for sale and EUR 83.5 million by investments recognised at fair value through profit and loss.

With 58.9%, debt securities account for the bulk of total financial assets: as at 31 December 2011 they amounted to EUR 1,370.6 million (index 98). In 2011 investments in equity securities decreased by 4% to EUR 561.1 million, representing 24.1% of total financial assets. Loans and receivables increased by 31% and as at 31 December 2011 stood at EUR 389.2 million. Their share in total financial assets increased to 16.7%. Derivative financial instruments were recognised at EUR 1.5 million (index 64) and re-insurers' financial investments from reinsurance schemes at EUR 3.7 million (index 120).

Financial investments of the Triglav Group in associates decreased significantly compared to 2010 (index 18). As at the end of 2011 they amounted to EUR 20.5 million, representing 0.7% of total assets. The decrease in financial investments in associates was affected mostly by the deletion of Abanka Vipa d.d. from the associates group and its transfer to investments available for sale.

Investment property stood at EUR 96.8 million, up by 15% compared to 2010. They accounted for 3.3% of total assets.

The Triglav Group's **receivables** as at 31 December 2011 totalled EUR 205.0 million, which represents a 5% decrease from the 2010 year end. Receivables accounted for 6.9% of total assets. Receivables from direct insurance operations amounted to EUR 118.6 million (index 93), receivables from co-insurance and reinsurance operations totalled EUR 40.7 million (index 90), while other receivables stood at EUR 45.3 million (index 105).

The **insurance technical provisions transferred to reinsurance contracts** of the Triglav Group as at 31 December 2011 stood at EUR 44.0 million, which was 1% less than one year earlier. Assets from reinsurance contracts from claim provisions totalled EUR 29.3 million, while unearned premiums equalled EUR 14.6 million.

Property, plant and equipment amounted to EUR 128.8 million and accounted for 4.3% of total assets. **Intangible assets** equalled EUR 63.3 million, accounting for 2.1% of total assets.

Cash and cash equivalents amounted to EUR 22.8 million, **other assets** totalled EUR 12.6 million, whereas non-current assets held for sale equalled EUR 1.5 million, arising from real property recognised in the company Slovenijales.

Consolidated balance sheet as at 31.12.11 – according to IFRS

in EUR

	31 December 2011	31 December 2010	INDEX
Intangible assets	63,333,465	61,218,108	103
Property, plant and equipment	128,808,682	142,550,661	90
Deferred tax receivables	40,661,243	27,545,028	148
Investment property	96,784,890	84,256,259	115
Investments in associates	20,504,563	117,067,739	18
Financial assets	2,326,023,820	2,282,449,510	102
Financial investments	1,961,339,446	1,904,557,249	103
- loans and deposits	439,712,247	364,944,602	120
- held to maturity	245,218,281	253,578,582	97
- available for sale	1,192,865,725	1,195,021,035	100
-recognised at fair value through profit and loss	83,543,191	91,013,031	92
Unit-linked insurance assets	364,684,374	377,892,261	97
Reinsurers' share of technical provisions	43,983,083	44,221,316	99
Receivables	205,049,270	216,643,960	95
- receivables from direct insurance operations	118,559,323	127,992,948	93
- receivables from reinsurance and co-insurance operations	40,739,474	45,432,007	90
- current tax receivables	459,509	2,427	18,933
- other receivables	45,290,964	43,216,578	105
Other assets	12,597,206	12,949,696	97
Cash and cash equivalents	22,771,667	34,108,090	67
Non-current assets held for sale	1,482,215	1,385,441	107
TOTAL ASSETS	**2,962,000,104**	**3,024,395,808**	**98**
EQUITY AND LIABILITIES			
Share capital	489,469,838	498,977,808	98
Controlling interests	465,264,933	*470,765,036*	*99*
- share capital	73,701,402	23,701,391	311
- share premium	53,204,076	53,655,516	99
- reserves from profit	230,826,820	69,417,981	333
- fair value reserve	2,786,975	45,520,845	
- net profit/loss brought forward	61,135,220	269,153,671	23
- net profit/loss for the year	46,175,732	11,313,293	408
- currency translation differences	-2,565,292	-1,997,661	128
Non-controlling interests	24,204,905	*28,212,772*	*86*
Subordinated liabilities	40,932,090	40,932,090	100
Insurance technical provisions	1,869,646,881	1,894,832,826	99
- unearned premium	291,740,398	296,367,451	98
- mathematical provisions	845,464,934	849,847,775	99
- claims provisions	705,464,250	711,728,317	99
- other insurance technical provisions	26,977,299	36,889,283	73
Insurance technical provisions for unit-linked insurance contracts	364,495,891	376,083,063	97
Employee benefits	10,392,165	10,278,077	101
Other provisions	19,140,222	17,797,395	108
Deferred tax liabilities	9,613,587	14,110,839	68
Other financial liabilities	39,491,120	34,870,425	113
Operating liabilities	57,860,742	68,049,411	85
- liabilities from direct insurance operations	20,928,061	23,243,104	90
- liabilities from reinsurance and co-insurance operations	36,106,029	27,928,812	129
- current tax liabilities	826,652	16,877,495	5
Other liabilities	60,957,569	68,463,874	89
TOTAL EQUITY AND LIABILITIES	**2,962,000,104**	**3,024,395,808**	**98**

Financial position indicators

FINANCIAL POSITION INDICATORS	2011	2010	2009
Equity in total liabilities	16.5%	16.5%	16.7%
Average balance of equity as % of gross written premium	50.0%	48.2%	48.7%
Return on equity	9.6%	5.5%	-1.3%
Gross insurance technical provisions as % of total liabilities	75.4%	75.1%	75.4%
Average balance of gross insurance technical provisions as % of gross written premium	227.7%	218.7%	199.6%
Financial assets as % of total assets	78.5%	75.5%	74.4%
Ratio of financial assets to gross insurance contract provisions	104.1%	100.5%	98.6%

9. CASH FLOW STATEMENT

In 2011 the operating cash flow of the Triglav Group was negative and equalled EUR -93.4 million (in 2010: EUR 69.4 million). Investing cash flow totalled EUR 94.4 million (in 2010 it was negative at EUR -56.2 million), whereas the financing cash flow was negative at EUR -12.4 million (index 142). The closing balance of cash and cash equivalents amounted to EUR 22.8 million, exceeding the 2010 figure by 33%.

Summary cash flow statement

in EUR

		2011	2010	INDEX
A. OPERATING CASH FLOW				
a.	Income statement items	15,483,061	83,347,693	19
b.	Changes in net current assets-operating balance sheet items	-108,901,945	-13,961,043	780
c.	**Operating cash flow**	**-93,418,884**	**69,386,650**	
CASH FLOWS FROM INVESTING ACTIVITIES				
a.	Cash inflows from investing activities	3,154,641,695	3,830,451,648	82
b.	Cash outflows from investing activities	-3,060,222,681	-3,886,606,162	79
c.	**Total cash flow from investing activities**	**94,419,014**	**-56,154,514**	
C. CASH FLOWS FROM FINANCING ACTIVITIES				
a.	Cash inflows from financing activities	21,248,068	26,245,413	81
b.	Cash outflows from financing activities	-33,673,683	-34,977,421	96
c.	**Total cash flow from financing activities**	**-12,425,615**	**-8,732,007**	**142**
D. Opening balance of cash and cash equivalents		**34,108,090**	**30,443,966**	**112**
E1. Net cash flow for the period		**-11,425,485**	**4,500,129**	
E2. Foreign exchange differentials		**89,061**	**-836,005**	
F. Closing balance of cash and cash equivalents		**22,771,666**	**34,108,090**	**67**

10. RISK MANAGEMENT

Taking and managing risks is the core business of insurance companies. The Triglav Group draws its expertise from more than 110 years of insurance tradition. The Triglav Group's

management system is continuously adapted to the Group's growth and the expansion of its operations. The system developed by the Group provides for effectiveness and represents an important element of its corporate governance. Risk management is embedded in all business processes. It is based on clear and precise organisation and the well-defined competences and powers of functions and committees. Managing and controlling uncertainties in business opportunities are crucial for making better business decisions and improving performance results.

The established risk management system is used to verify whether the second line of defence effectively covers all major risks, and to identify, measure and manage financial, insurance and operational risks. Simultaneously, Triglav:
- defines its risk appetite and monitors risk exposure;
- implements an integrated risk management system in compliance with Solvency II requirements; and
- creates a favourable environment for the development of risk management culture in line with the Company's business strategy.

10.1 Main characteristics of the risk management system

10.1.1 Risk management system objectives

The risk management system objectives include:
- increasing the total value of the Group by focusing on returns as well as risks;
- maintaining a suitable capital, liquidity and profitability level of the Group;
- supporting efficient decision-making by providing thorough insight into risks and their effects or consequences;
- ensuring the security and satisfaction of investors, employees, clients as well as the satisfaction of all stakeholders in the Group's operations.

The risk management system is made of three lines of defence with clearly defined responsibilities as described below.

The first of the three lines of defence in the system is spread over individual divisions, which are primarily responsible for active risk management. They are also responsible for the effective functioning of internal controls and the implementation of business activities within the set limits and in accordance with the strategic objectives.

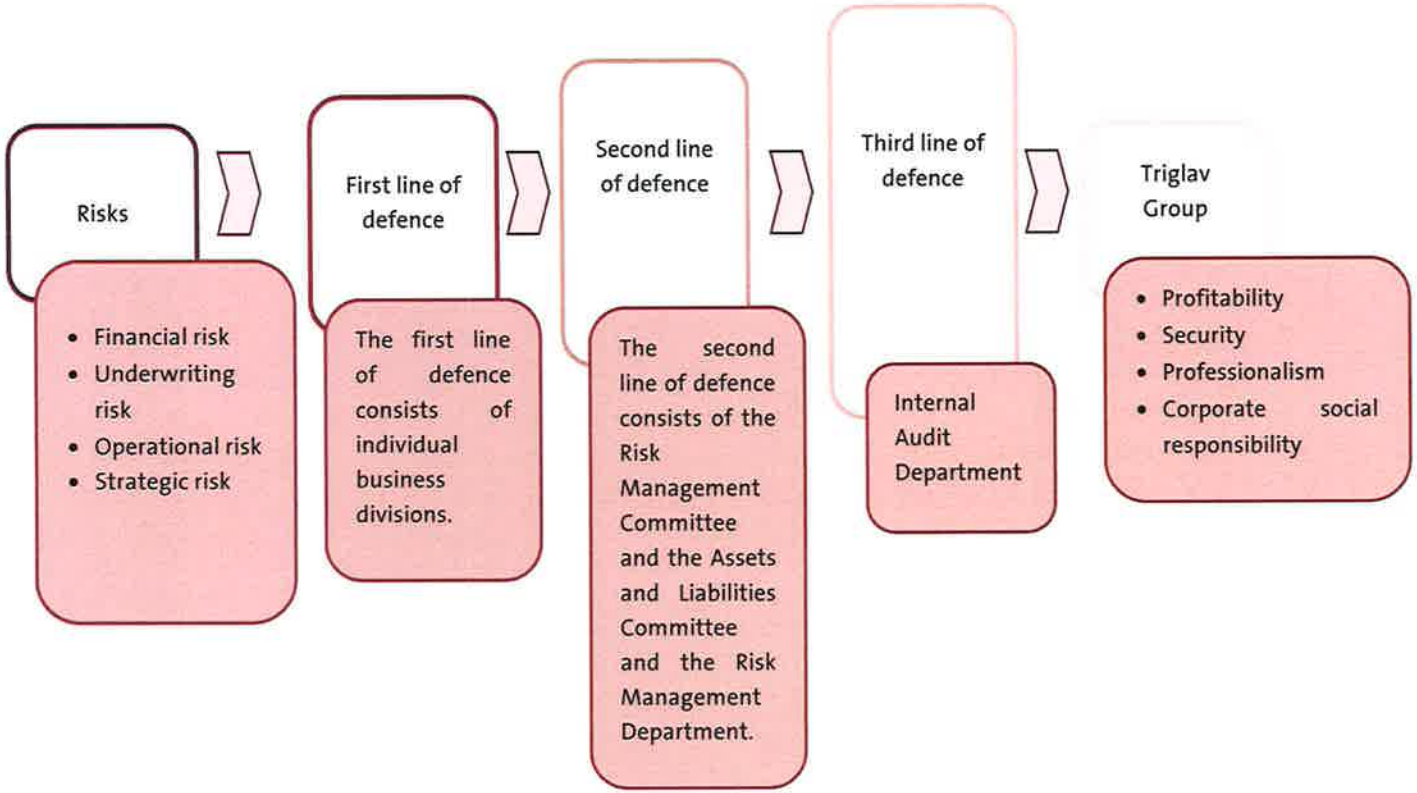
The second line of defence consists of the Risk Management Committee, the Assets and Liabilities Committee (ALCO) (see chart) and the Risk Management Department. The two committees supervise the functioning of the integrated management system and the proper communication. Each committee includes at least one Management Board member, the relevant executive directors and the directors of departments directly accountable to the Management Board of Zavarovalnica Triglav.

The Risk Management Department draws up a risk management framework (methodologies used for risk identification, measurement and management, minimum requirements for the internal control system, development of assets and liabilities management models, setting investment policy limits and operational risk limits, verifying compliance with the risk management framework). The Director of the Risk Management Department, who is directly accountable to the Management Board, is also a member of the Risk Management Committee and of the ALCO. This and other parts of the organisational structure clearly reflect the Company's awareness on the importance of risk management.

The compliance function is another important element of the risk management system, which advises divisions and the Management Board on all relevant issues regarding compliance with the legislation in force, monitors the state of compliance of Triglav on an on-going basis, develops activities for the prevention of money laundering and the financing of terrorism and supervises their implementation.

The third line of defence is represented by the Internal Audit Department, which in accordance with legal requirements regularly tests the effectiveness and reliability of the internal control environment. Furthermore, it periodically evaluates the quality of the risk management system.

Risk management chart



Risk-related decision-making competences and authorities are shown in the table below:

Management Board	• Defines the risk management strategy in line with the business strategy of Zavarovalnica Triglav; • Approves the risk management policy; • Approves individual components of the risk management system; • Approves the internal documents with reference to risk management.
Risk Management Committee	• Gives preliminary approval to the Management Board's decisions relating to individual components of the risk management system, including the target risk exposure; • Defines risk management standards; • Defines methodologies of risk measurement and management for all risk categories; • Defines operational risk exposure limits and monitors the operational risk exposure levels; • Monitors the implementation of IT security polices; • Monitors the implementation of the compliance system; • Monitors the outsourcing risk exposure levels.
Assets and Liabilities Committee (ALCO)	• Gives preliminary approval to the Management Board's decisions relating to assets and liabilities management; • Approves investment policies for individual long-term business funds and assets backing liabilities; • Gives preliminary approval to the Management Board's decisions relating to bonus allocations • Monitors risk exposures arising from assets and liabilities management to the insureds; • Monitors changes in the external environment relating to assets and liabilities management (e.g. changes concerning measurement methods, the legislative environment, external reporting).
Risk Management Department	• Develops the risk management system of Zavarovalnica Triglav, including the methods, processes, models and framework of the internal control system; • Regularly carries out risk analyses and reports on exposure levels to the Management Board; • Drafts the Management Board's decisions on risk reduction; • Coordinates preparations for Solvency II; • Provides operational support to the Risk Management Committee and the ALCO • Promotes good practices in the risk management culture through workshops, seminars and the like.
Individual divisions	• Actively manage risks in their business segments by adhering to the set limits and strategic guidelines; • Develop internal controls within the framework of the internal control system; • Cooperate with the Risk Management Department in risk analyses and/or model development.

The scope of risk management activities is defined in the global risk management strategy statement. Accordingly, risk management policies have been developed that define risk governance, risk management roles and responsibilities with respect to the stated risk appetite.

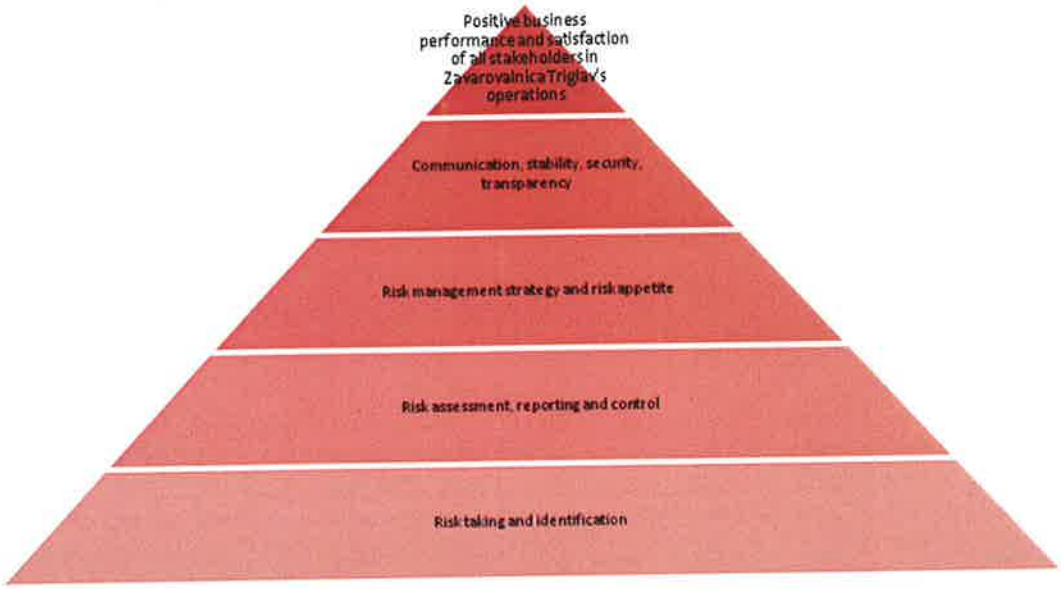
The risk exposure limits are:
- general limits by portfolio
- additional limits by risk type.

10.1.2 Added value of the risk management system

Risk management enables the Group to efficiently transform risks into value. By employing the risk management system, the Group is able to control and adapt the entire risk portfolio and limit exposure towards certain types of risk. Efficient and prudent risk taking and management gives Triglav financial strength and thus the possibility to cater to the clients' needs, to fulfil the obligations towards them as well as to create value for its shareholders.

The Group has a conservative culture and attitude regarding risks, which are managed state-of-the-art tools. As risk management represents one of the most important functions of the Company, an appropriate level of funds must be allocated for the organisational structure, strategic guidelines, staff training as well as regular and continuous risk reviews. The Group's risk management system is based on the monitoring and identification of risks. To efficiently evaluate risks, the Group employs a set of advanced tools, designed also for analysing the interconnectedness of risks at the Group level. The same applies for reporting and monitoring which are supplemented by several Rules. A common denominator is transparent information sharing, which builds the basis of this part of the Group's risk management system. As a consequence, the Group's operations are more transparent, stable and secure, enabling it to perform well and increase the satisfaction level of all stakeholders in its operations.

Added value of the Triglav Group's risk management system



To enable efficient risk taking and risk identification, which form the essence of Triglav's risk management system, all business divisions have clearly defined limits and apply an internal control system for monitoring their operations.

The Risk Management Strategy is defined in a clear and precise manner, in line with Triglav's business strategy. Its goals are to reinforce Triglav's financial stability and strength, to cater to the clients' needs and to fulfil the obligations towards them as well as to increase the value of the Company for its shareholders. Moreover, the Strategy sets out the risk appetite, i.e., the framework and level of risks Triglav is willing to assume and manage. The system is designed to allow transparency and efficient communication.

10.1.3 Risk management at the Group level

Risk management at the Group level is more extensive than that the level of individual companies. The risk management system at the group level must be adequate, efficient and proportional to, as well as compliant with the structure, nature, volume and complexity of operations and related risks. The system focuses particularly on the risks at the Group level and examines the risks at the level of individual subsidiaries, the interactions of risks between the subsidiaries, as well as risk concentration. Due to the diversity of the structures and systems within the Group, the decision making at the Group or subsidiary level incorporates the specifics of the situation and the effect of the decision on both levels. This was enabled by the

reorganisation and centralisation of functions in the Group in recent years, and the establishment of the Subsidiary Governance Committee.

In spite of its complexity, the Triglav Group has established an efficient and particularly reliable risk management system. The systems at the Group level are characterised by two concepts: the requirement of consistent risk management across the entire Group and the concept of centralised risk management. The Triglav Group's system takes both into account and considers them as complementary rather than contrasting concepts.

The Group has established the strategy and policy defining, categorising and monitoring the risks to which it is exposed. This is the basis for the risk management strategy, which has been enacted in the policies of all members of the Group. Individual subsidiaries are then responsible for the adequate implementation of both strategies in daily operations at the member level.

The hierarchy structure and participation of all employees as well as the strong organisational structure, emphasising the importance of risk management at all levels provide for the efficacy of the system. Clear and transparent information flows both top-down and bottom-up, further strengthening the system. Implemented compatible IT systems enabling the unification of internal control systems in turn facilitate the efficient flow of information, as well as the transparency of the decision-making process

Major development activities concerning the risk management system in 2011 included:
- establishment of a minimum internal control standard to ensure the regularity and reliability of financial and accounting reporting of the insurance companies within the Group;
- development of ALM models for long-term business funds and assets backing the liabilities of Zavarovalnica Triglav;
- other preparatory activities for the Solvency II Directive and phase 2 of the IFRS 4 financial reporting standards.

10.2 Capital management and capital adequacy management

In compliance with the legislation in force, the amount of available capital for meeting capital adequacy requirements is measured at the level of individual insurance companies as well as at the level of the Triglav Group. In parallel, capital adequacy is monitored by applying Standard & Poor's model and in accordance with Directive 2009/138/EC of the European Parliament and of the Council (Solvency II). Decisions concerning capital management are supported by the results of all capital models. The fact that legal requirements are binding is also accounted for, whilst meeting the capital adequacy requirements of credit rating agencies represents a major strategic objective of the Triglav Group. As a rule, credit rating agencies set capital adequacy requirements above those stipulated by local legislation.

10.2.1 Legally required capital adequacy

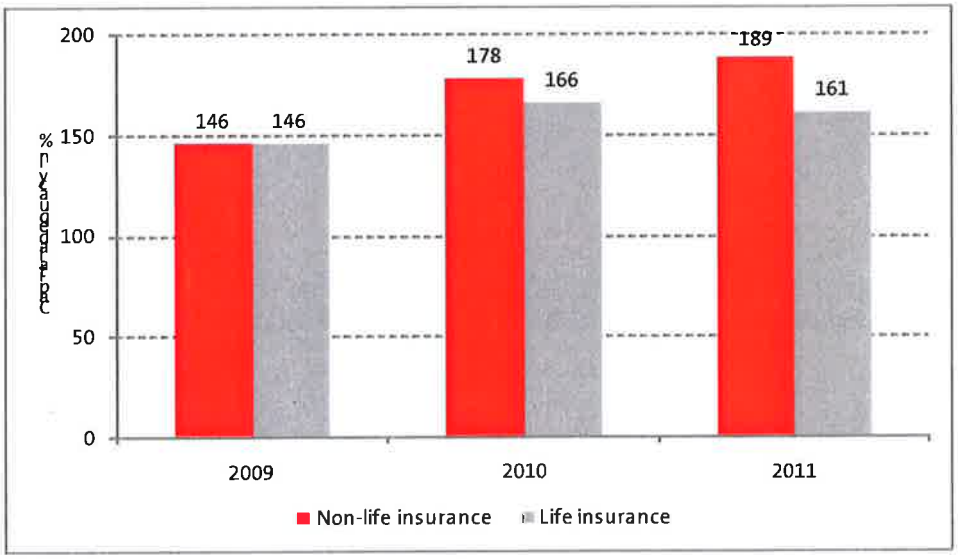
The amount of, and primarily the fluctuations in, the available capital of the insurance companies of the Triglav Group depend on several factors, such as the structure and nature of services, the volume of premiums, assets and liabilities, market interest rates and other capital market parameters. Every Triglav Group member continually monitors its capital adequacy and keeps a certain amount of available capital above the capital requirement for maintaining core business and covering potential losses. Available capital surplus offers high protection against loss arising from unexpected adverse events. In addition to current capital adequacy levels, the

Triglav Group also monitors the maintenance of planned capital adequacy levels and capital adequacy as such. In doing so, it monitors the effects of the environment on capital adequacy and provides for optimal capital allocations of the Group and group members.

The main objective is to maintain a suitable capital level in the Group and in all its members. Furthermore, we also take into account the Group members' overall solvency needs by regularly monitoring the coverage ratios of insurance liabilities with respective assets.

► In Zavarovalnica Triglav, the minimum required capital to available capital ratio in non-life insurance as at 31 December 2011 was 189% (vs. 178% as at 31 December 2010), while in life insurance the respective ratio was 161% (vs. 166% as at 31 December 2010). Throughout 2011, as in 2010, Zavarovalnica Triglav maintained the required capital adequacy.

Minimum required capital to available capital ratio



11.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

The Triglav Group, Abanka Vipa and its subsidiaries together form a financial conglomerate (according to the EU Directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and the relevant laws of the Republic of Slovenia). The law requires a financial conglomerate to regularly monitor its capital adequacy by calculating the available solvency margin at the consolidated level and taking into account the capital adequacy requirements for all the sectors in which the financial conglomerate is involved (insurance, banking, asset management).

10.2.3 Rating agency capital adequacy

Under Standard & Poor's (hereinafter: S&P) capital adequacy model, measuring capital adequacy remains the essential component of the credit rating process.

► As at 31 December 2011, Zavarovalnica Triglav was rated "A – stable outlook" (FSR, ICR), which reaffirms its high level of capital adequacy. Despite lowering the sovereign rating on the Republic of Slovenia, S&P not only maintained its "A" credit rating on Zavarovalnica Triglav, but also took the Company off credit watch, which was initially issued due to a potential short-term downgrading of its credit rating. The rating agency maintained the negative medium-term outlook assigned to Zavarovalnica Triglav's credit rating.

10.3 Financial risk

► In the assets and liabilities management of long-term business funds and assets backing liabilities, in reinsurance operations, and in all funding operations within the scope of capital management, Triglav is exposed to the following financial risks:

- equity risk and interest rate risk,
- credit risk, and
- liquidity risk.

Financial risks are managed on the basis of clearly defined competences and powers, which include exposure limits and reporting processes at the level of the Group and its members (risk-related decision-making competences and powers are shown in the figure under 10.1).

The investment policies of Zavarovalnica Triglav's individual long-term business funds and assets backing liabilities are structured so as to account for the nature and characteristics of the Company, to optimise asset spread and to maximise return.

10.3.1 Market risks and portfolio assets and liabilities management in insurance portfolios

► In assets and liabilities management Triglav is most exposed to interest rate and equity risks on the assets side. To a lesser extent, Triglav is also exposed to the regulatory risk of potential changes in the minimum standard for setting the applicable technical interest rate for calculating mathematical provisions on the existing insurance portfolio.

Triglav monitors and manages market risks by applying several techniques, such as optimum strategic asset allocation with regard to the nature of liabilities and the effect of the external economic environment, regular monitoring of the current ratios of long-term business funds and assets backing liabilities, regular monitoring of capital adequacy by applying models and hedging against certain risks with derivative financial instruments. Triglav's life insurance portfolio includes unit-linked insurance policies, where most of the financial risk is borne by the insureds.

The goal of the asset-liability management process is to ensure an optimal return on investments with respect to the nature of insurance liabilities. Due to regulatory constraints, insurance liabilities are not sensitive to market parameter changes under the current legislation. Thus, the process of asset-liability management optimisation takes into account the static nature of insurance liabilities as an input parameter and aims at improving the investment policies by optimising the ratio between the market sensitivity of the balance sheet and the return on assets. This process also considers the results of other capital adequacy measurement models (Standard & Poor's, Solvency II), but only to the legally acceptable limit.

By means of the optimisation process, investment policies are determined for long-term business funds and assets backing liabilities, specifying the strategic asset allocation for every portfolio. These policies are approved by the Assets and Liabilities Committee, which also regularly monitors the current ratios for all long-term business funds and assets backing liabilities.

10.3.2 Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values.

▶Triglav is also exposed to reinvestment risk which arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments.

10.3.3 Equity risk

Triglav manages the equity risk of securities in the portfolio through exposure limits as well as through geographical and sectorial diversification. It invests most of its assets within the European Union, and only spreads the investments to other geographic areas in order to hedge the risks and the profitability of its equity portfolio. To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk.

10.3.4 Liquidity risk

The risk or threat of a liquidity mismatch, i.e., the mismatched maturity of assets and liabilities, can cause liquidity problems or a shortage in liquidity needed to settle due liabilities.

▶Liquidity risk is offset against the volume of highly liquid securities and the regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Group makes use of a number of credit lines with domestic and foreign banks.

10.3.5 Foreign exchange risk

▶Triglav's exposure to foreign exchange risk is minor, as most of its assets are denominated in euros.

In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries that emerged from the former Yugoslavia, which in total represent no more than 5% of the portfolio.

10.3.6 Credit risk

Triglav's main exposures to risk of loss due to a counterparty's failure to meet its obligations arise from debt securities holdings and insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations).

The Group manages its exposure to credit risk through a scheme of exposure limits, which constitute part of the investment policies for different types of assets. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on the financial markets.

▶The aim is to achieve optimum diversification of the credit portfolio and to achieve the desired "A" credit rating.

10.4 Underwriting risks

Underwriting risks are associated with the threat of a loss or adverse change in the value of insurance liabilities due to inadequate assumptions in pricing and provisioning. Triglav is exposed to these risks in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in loss development changes,

the allocation of insurance technical provisions, changes in policyholders' behaviour and general changes in the external economic environment.

Individual insurance companies within the Triglav Group are primarily responsible or active management of the underwriting risk. Underwriting risk is managed by clearly structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorisation system. In addition, underwriting risks are managed with a set of actuarial techniques applied in product pricing and insurance technical provisions allocations, as well as by means of regular performance monitoring, optimisation of reinsurance schemes and regular supervision of the adequacy of insurance contract provisions.

Reinsurance is one of the basic tools used to mitigate underwriting risks. Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract. Net retained lines, as defined in reinsurance contracts, are based on the tables of maximum net retained lines of Zavarovalnica Triglav. For each business year, a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance,
- a table of maximum coverage based on retained lines, and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The choice of suitable reinsurers depends to a great extent on their credit rating, enabling the Group to conduct more stable business operations, which are reflected in more stable cash flows.

10.4.1 Underwriting risk concentration

Underwriting risk concentration is managed by adequate re-insurance schemes, which are used as the basis for the tables of maximum net retained lines. Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, or an industry or an insurance peril. It may also occur as a result of a correlation between individual insured perils. Even a single event in a business segment or industry may have a material impact on re-payment capacity.

Particular attention is paid to events with a low frequency and a high impact, for example storms, hail and floods. Over the last four years, on average the Group has been exposed to two natural disasters per year resulting in reinsurance claims. Past events showed that the reinsurance scheme is suitable, as Triglav was able to discharge its obligations arising from its insurance contracts without exposure to increased liquidity risk and capital adequacy risk.

Experience from previous years suggests that the number of such natural events will continue to rise in the future, and therefore Triglav will continue to adapt its reinsurance schemes accordingly, on an on-going basis. Natural events predominantly affect the fire, technical and car insurance classes (comprehensive car insurance), as well as crop insurance.

In the previous two years, Triglav began to intensely adapt its business to climate change. In the future reinsurance schemes of this kind are likely to become increasingly costly and coverage increasingly narrower. In an attempt to minimise climate change impacts, Triglav started to adapt its products accordingly and exercise greater prudence in the process of underwriting insurance contracts.

10.4.2 Geographical and sectorial concentration

The Triglav Group is active mostly in the territory of the Republic of Slovenia and countries of the former Yugoslavia, with a minor amount of business in the neighbouring EU countries. On the basis of previous experience, the Group believes that all potential risk concentrations have suitable reinsurance cover. The Group also provides "fronting" services, ceding most of the business to a foreign insurer.

In terms of business segments, Triglav is the strongest in motor vehicle insurance, with motor liability insurance accounting for the largest share in this insurance class. As motor liability insurance is characterised by high risk dispersion, this segment does not entail any risk concentration for the Group. A potential risk of sector concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance programme, which has proved to be adequate in recent years.

As one of only three insurance companies in Slovenia to offer supplementary health insurance, with a 18.7% market share, and one of two reinsurers in the country, holding 46.5% of the market, the Group consequently has a considerable insurance concentration risk in these two lines of business. As regards the reinsurance portfolio, the Triglav Group manages the concentration risk by geographical spread of inwards reinsurance risks and with adequate retrocession of outwards reinsurance risks. As supplementary health insurance is characterised by high risk dispersion, this segment does not entail any risk concentration for the Group.

10.4.3 Low-frequency and high-severity risks

Reinsurance protection against earthquakes and other natural disasters is arranged, in line with the high level of potential claims in the Republic of Slovenia. Thus far, Triglav has not encountered any earthquake of catastrophic proportions. The earthquake models available to the Company show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters Triglav faces almost every year.

A potentially catastrophic loss occurrence could arise from the nuclear peril that Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, as no major loss event has been reported in 25 years, and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim from a nuclear loss event would not exceed claims from a single natural disaster event.

10.5 Operational risks

In the framework of Triglav's operations, operational risk is defined as the risk of loss due to:

- inadequate or inefficient internal procedures (disruption of work procedures, client complaints, lack of reliable information for the management, disruptions to business continuity, improper cost management, poor change management, inconsistent or incomplete process documentation, etc.);
- unsuitable or inefficient staff behaviour (inadequate human resource management, key staff turnover, lack of know-how and skills, inappropriate staff behaviour, etc.);
- inadequate and inefficient functioning of systems (obsolete software and/or infrastructure, lack of documented audit trails in software, inadequate control of system operability, etc.); or
- external events (changes in legislation, natural disasters, competition, fraud, etc.).

For identifying and measuring operational risks, Zavarovalnica Triglav drew up a framework which defines their type, underlying reasons, consequences, assessment methods and internal control identification. In 2011, Triglav carried out an extensive analysis of the internal control system, focusing on the accuracy and reliability of financial reporting in all departments. The analysis results are used as a basis for further upgrades of the internal control environment in Zavarovalnica Triglav and monitoring of operations in the Triglav Group subsidiaries.

In general, insurance companies have a large potential exposure to insurance fraud. To manage this type of operational risk, Triglav established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity, and reporting to the Management Board on the findings and initiated procedures. In the coming years, also these activities will to the extent reasonable be transferred to other Group members.

Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function.

10.6 Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value. Achieving strategic goals and managing strategic risks is a responsibility of all three lines of defence against risk. Strategic risk management is directly and most actively managed by: the Management Board of Zavarovalnica Triglav, the Subsidiary Governance Committee, the Project Steering Committee, the Life Insurance Product Forum, the Non-life Insurance Product Forum, the Risk Management Committee and the Assets and Liabilities Committee.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. A clear organisational structure of functions and committees provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals. At Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enable the Group to effectively manage strategic risks.

Sources of strategic risks



Strategy

The Strategy of the Triglav Group is devised in a clear manner with precisely defined goals, tools and implementation processes. The same is true for the strategies of other insurance companies, which have been harmonised with the strategy of the Group. All strategies follows trends in the industry, legislative and legal matters as well as the micro- and macro-environment. They enable fast and efficient adaptation to the changes in the environment. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the strategy has been successful and efficient.

Business processes

Internal controls set up to monitor operational risks (*see Section 10.5*) enable employees to adopt and implement more appropriate and correct decisions and enhance the Group's general ability to adapt to the changes in the environment.

Assets and liabilities

Due to the nature of their operations, members of the Triglav Group employ different assets and liabilities management systems. Nevertheless, all systems are designed to allow optimum and efficient management of assets and liabilities. In this regard, synergies and information and expertise sharing are used to facilitate and improve the Group's operations. The Group effectively manages assets risks by active monitoring of its liabilities, premium inflow, real property situation, investments and developments in financial and all other markets, which positively affects its financial results.

Competition

Risk type	Level	Situation
Buyer risk	Medium	The Company is affected by changes in consumer behaviour due to the influence of the economic situation on their purchasing power.
Supplier risk	Low	The procurement process provides for the transparency of procurement and suppliers. Triglav is focused not only on procurement-related cost effectiveness, but also on transparency and due implementation of the procurement processes.
Competition risk	Medium	Triglav is successfully facing intensive competition, as proven by its market share.
Product risk	Low	By designing new and upgrading existing products and making a portfolio selection in line with its strategic orientation, the Company increases the appeal and quality of its products and lowers the amount of claims paid.
Regulatory risk	Low	For a long period of time, Zavarovalnica Triglav has been preparing for the Solvency II Directive and phase 2 of the IFRS 4.

Risk management is discussed in greater detail in *Section 4 of the Triglav Group's Accounting Report*.

10.7 Internal audit

The Internal Audit Department (IAD) is an independent organisational unit directly accountable to the Management Board. The internal audit function is defined by law. By providing independent and impartial consulting and auditing services, the IAD helps the Management Board protect property and improve the quality, prudence and effectiveness of operations within the scope of the adopted business strategy, policies and plans. The IAD helps the Management Board achieve objectives by encouraging well-thought out and organised methods of evaluating and improving processes of risk monitoring and risk management.

In its work, the IAD abides by professional and ethical rules on internal auditing, set by the Institute of Internal Auditors based in the USA, the Slovene Institute of Internal Auditors, the Insurance Act and other pieces of legislation, as well as internal company rules, particularly the Internal Auditing Rules of Zavarovalnica Triglav.

Through continuous and comprehensive supervision of Zavarovalnica Triglav's business, the IAD verifies whether insurance operations are performed duly and pursuant to the Insurance Act, the secondary legislation issued on the basis thereof and the internal company rules. The IAD also verifies if the insurance company keeps accounting records, draws up bookkeeping documents, measures accounting items and compiles financial and other reports in compliance with the Insurance Act and pertaining secondary legislation, as well as its own internal rules. Moreover, the Internal Audit Department supervises the maintenance of the register of insurance agents who act as such either as employees or on the basis of another type of legal relationship, in accordance with the Insurance Act and pertaining secondary legislation, as well as the internal rules of Zavarovalnica Triglav itself.

In addition to regular and extraordinary audits of the departments where major risks have been identified, the IAD also carries out the following series of activities:

- regularly monitors the implementation of recommendations made by internal and external auditors;
- cooperates with external auditors and other supervisory bodies;
- based on an audit risk assessment of Zavarovalnica Triglav's departments, draws up IAD's medium-term and annual audit plans and submits these drafts to the Management and Supervisory Boards for comment and approval;
- at regular intervals, reports to the Supervisory Board on the internal audit tasks performed, their outcomes (findings) and the implementation of internal auditors' recommendations;
- annually reports to the Management and Supervisory Boards on the implementation of its annual audit plan, the adequacy of internal auditing tools and major findings of internal auditors arsing from internal audits performed;
- organises training sessions so as to maintain the required know-how, skills and other qualifications necessary for successful internal auditing;
- improves the quality of its work by carrying out suitable measures aimed at eliminating any deficiencies identified in regular internal audits and periodic external quality assessments;
- provides consulting services in agreement with the management and the Management Board;
- transfers the internal auditing know-how and good practices to other Group members.

In 2011, the IAD performed 21 ordinary and 1 extraordinary performance audits of the Company. In 2011 the Internal Audit Department complied with its medium-term and annual audit plans.

The IAD reported on all of them in writing to the Management Board, which discussed the received reports and took appropriate action to carry out the recommendations given, i.e. eliminate the identified irregularities and deficiencies, by the agreed deadlines. The persons responsible for implementing the recommendations were required to report to the IAD, which in turn monitored the implementation and reported to the Management and Supervisory Boards.

The IAD also participated in 10 ISO audits in other members of the Triglav Group and pursued all of its other internal audit activities described above.

11. SUSTAINABLE DEVELOPMENT IN ZAVAROVALNICA TRIGLAV

Report parameters

The starting point for reporting on sustainable development in the Triglav Group and in Zavarovalnica Triglav is the Global Reporting Initiative (GRI G3), which served as the basis for this report. Data are collected by the specialised departments of the parent company, which, as the entity in charge of reporting, reports on all aspects of sustainable development. . In daughter companies data collection in accordance with GRI guidelines is being gradually introduced. Where indictors are already followed at the Group level, reports are accordingly prepared at the level of the parent company.

Sustainable development reports, based on the Group's social responsibility, are produced annually for both the previous year and the current year simultaneously. A transitional report for 2010 was published in April 2011. The Sustainable Development Report forms part of the Triglav Group's Annual Report.

The topics in the report were selected in dependence of their relevance and importance for summarising the objectives and effects on the sustainable development of the Triglav Group, in line with the purpose of the report. There were no changes of data provided in previous reports which would have affected the state of affairs.

The business, markets, organisational structures, composition and profiles of the Triglav Group and Zavarovalnica Triglav are described in the Section 1. The Triglav Group in 2011, whilst the ownership structure and relevant changes are outlined in Section 4. Share capital and shareholders of Zavarovalnica Triglav.

Key stakeholder groups and corporate governance

The corporate governance structure and the principles of corporate governance of the parent company and subsidiaries are presented in the Annual Governance Statement, included in the Management Report. The Management Board of Zavarovalnica Triglav is appointed pursuant to the Articles of Association. The principles of corporate governance of the Triglav Group are set out in the Governance Policy (published at www.triglav.eu, section Public Notices - 2010) and stem from both the Slovene Corporate Governance Code and international good practices.

The key stakeholder groups include shareholders, insurers, policy holders, insured persons, public entities, supervisory bodies, suppliers, creditors, employees, analysts, media and local and broader communities. Stakeholders and strategies defining communication and cooperation with them are also set out in the Governance Policy. Cooperation exists with all of

the stakeholder groups related to the parent company and subsidiaries of the Triglav Group. In this context, integrated and active communication with all publics plays a crucial role, as well as responsible dialogue with the environment in which business is conducted. Special attention is devoted to internal communication among the employees of Zavarovalnica Triglav and the Triglav Group.

Small shareholders may submit their queries and initiatives to the Supervisory Board of Zavarovalnica Triglav by e-mail, while employees may turn directly to the Works Council and to the employee representative on the Supervisory Board.

11.1 Corporate social responsibility

Next to professionalism and security, corporate social responsibility is one of the three values of the Triglav Group's organisational culture. It has been embedded into the strategic objectives to 2015 and into the measures designed for achieving them, since it is understood as the basis of sustainable development, brand identity and the mission of the Triglav Group. Activities in this field constitute an important pillar of the Group's business operations and a part of the traditional dialogue of the Triglav Group with the social environment.

Corporate social responsibility was made part of the business strategy of the Triglav Group in 2011 for the second year. The planned adoption of the Corporate Social Responsibility Strategy combined numerous activities and laid down the medium-term operational guidelines.

Corporate Social Responsibility Strategy

The sustainable development orientation of the Triglav Group has been structured along the following priorities "social environment, business efficiency and the natural environment" and intertwined through all business processes of the Triglav Group. It is built into:

- the day-to-day work of employees (within the framework of the Internal Communication Strategy and through the "Triglav.smo" project);
- all relations with suppliers;
- e-business development and on-line insurance contracting;
- partner relations with investors;
- rapid and appropriate payment of insurance money and benefits to clients;
- an interlocutor's position in relations with the professional public;
- mitigation of impacts on the natural environment and endeavours to use green energy resources and reduce CO2 emissions.

The Corporate Social Responsibility Strategy adopted in 2011 recognises five key segments that can contribute to the long-term development of the Company and to the preservation of nature.

- **CLIENTS**

The Triglav Group builds both its distinctiveness and its positive relations with stakeholders on the principles of corporate social responsibility and sustainable development.

- **BUSINESS PARTNERS**

Triglav encourages its business partners to act in a socially responsible manner and applies sustainable development criteria in selecting its suppliers, services and products.

- **INVESTORS**

The value of the brand of Zavarovalnica Triglav is strengthened and business efficiency increased by practicing corporate social responsibility.

- **PUBLIC**

In pursuing corporate social responsibility activities, the Triglav Group actively cooperates with the public and participates in creating the conditions for the sustainable development of society as a whole.

- **EMPLOYEES**

Loyalty to the Triglav Group grows stronger with the development of a common corporate culture. The Group creates a favourable working environment and also encourages its employees to attract other stakeholders to the realisation of common values.

The Group develops environmentally responsible insurance products and promotes the sustainable behaviour of the insured through premium policy incentives.

Commitments to external initiatives

With the iTriglav online insurance portal, Zavarovalnica Triglav follows the recommendations of the Slovene Consumers' Association with regard to financial literacy, which the association addressed to the Insurance Supervision Agency and the Slovenian Insurance Association last year.

The new corporate website of the Triglav Group, through which the Triglav Group communicates with users in both Slovene and English, is a step forward towards strengthening its dialogue with all groups of stakeholders. Interactive tools for monitoring business results as well as movements and comparison of share prices, represent another significant step towards more transparent and accessible reporting on the operations of the Triglav Group for investors.

On 23 June 2011, Zavarovalnica Triglav signed the Declaration on Fair Business at the initiative of the organization United Nations Global Compact Slovenia. The declaration was prepared by the anti-corruption working group, Ethos, which operates within the Slovene organization of the UN for sustainable development. The decision to sign that document signifies the Company's desire to actively contribute to a transparent and fair business environment for a more efficient and competitive economy.

Membership in associations

Zavarovalnica Triglav is a member of the Slovenian Insurance Association and abides by the Insurance Code. It is also a member of the Chamber of Commerce and Industry of Slovenia, the Marketing Association of Slovenia, the anti-corruption working group, Ethos, operating within the UNGC Slovenija, the Public Relations Society of Slovenia (PRSS), the Institute for the Development of Social Responsibility (IRDO), the Association of Employees' Councils of Slovenian Companies, the Supervisors Association of Slovenia, the American Chamber of Commerce of Slovenia and the Slovenian-German Chamber of Commerce. Subsidiaries outside Slovenia are members of industry associations and economic groupings in their relevant countries.

Awards and prizes

In 2011, the companies of the Triglav Group received the following awards and prizes in different areas:

- according to the Trusted Brand Survey, Zavarovalnica Triglav is the most trusted insurance company in Slovenia;
- the Papirus Award for the best internal magazine went to "Obzornik";
- Zavarovalnica Triglav once again gained the TOP 10 Educational Management Award, conferred by Planet GV in cooperation with the Institute of Educational Management SOFOS;
- the golden award in its specific category and placement among the overall big winners at the world's largest annual report competition – the Gold ARC Award 2011 for the 2009 annual report;
- the award by Finance, the Slovene financial daily, for the best 2010 annual report of financial institutions in sustainable development reporting.

Key objectives and results in implementing corporate social responsibility in 2011

OBJECTIVES FOR 2011	STATUS	RESULTS IN 2011
In 2011 Zavarovalnica Triglav will take stock of the state of corporate social responsibility and continue formulating its strategy in this area.	Achieved	Within its corporate social responsibility project, Zavarovalnica Triglav took stock of the state of this field in the Company and identified the business segments facing the biggest challenges in the coming years. On this basis, Zavarovalnica Triglav prepared its Corporate Social Responsibility Strategy to 2015.
In 2010 internal communication tools will be modernised at the Triglav Group level and adjusted to the needs of individual interest groups. On top of that, a corporate blog and internal website will be set up.	Partly achieved	Zavarovalnica Triglav joined the project of introducing the intranet for those employed in Zavarovalnica Triglav and the Triglav Group. Additionally, Obzornik International contributes to internal communication in the Group with topics of importance to all employees.
Prevention programmes aimed at improving traffic safety at the level of the Triglav Group will be constantly implemented.	Achieved	Zavarovalnica Triglav carried out the Days of Safe Driving for families and the campaigns named "Let's wipe worries off Slovene roads" and "Safe roads everywhere"; in addition, it provided the first-grade pupils with yellow neckerchiefs.

In the area of corporate volunteering, Zavarovalnica Triglav joined in "The Day for Changes", organised by the charitable organisation Slovene Philanthropy. More than 300 employees together with their families and friends took part in this event. The project "Children of Triglav – Carefree Play" has been launched, by which Zavarovalnica Triglav will support municipalities and local communities in renovating dilapidated and dangerous playgrounds.

In addition, Zavarovalnica Triglav set up waste separation bins and reduced the consumption of plastic packaging by introducing water jugs and personal water bottles.

Key guidelines of the 2012 Corporate Social Responsibility Strategy

Key guidelines of the 2012 Corporate Social Responsibility Strategy

Guideline	Objectives for 2012
To direct prevention activities towards creating sound bases for the development of the natural environment and society	- to direct prevention activities towards creating sound bases for the development of the natural environment and society; - to start the campaign "Children of Triglav – Safe on Roads" and to set up the first training ground for children; - to start the communication campaign for a higher level of road traffic culture in Slovenia; - to start the project "Children of Triglav – Life after Accidents".
Stronger employee participation and integration;	- to include more than 5% of employees or their family members

	into the corporate volunteering campaign "Let's Clean Up the World"; - to implement the intranet.
To fight against corruption and for the rule of law	- to implement the Declaration on Fair Business; - to continue activities in the anti-corruption working group operating under the auspices of the Slovene organisation of the UN for sustainable development, the UNGC Slovenia.
To establish and nurture long-term partnerships with key stakeholders, based on fairness and sustainable development values	- to introduce, in agreement with suppliers, the criterion of social responsibility in the selection process; - to give more than 3,000 children the opportunity to watch the World Cup Ski Jumping final in Planica; - to proceed with the project "Children of Triglav – Carefree Play, in Harmony with Nature" and to renovate up to five playgrounds in Slovenia.
To mitigate adverse effects on the natural environment	- to continue setting up waste separation bins at business premises of Zavarovalnica Triglav; - to start calculating the carbon footprint of Zavarovalnica Triglav.

Framework objective: Good practices of and guidelines for corporate social responsibility will be transferred to subsidiaries.

Economic effects

The Triglav Group is the leading insurance-financial group in Slovenia and one of the leading players in South-East Europe. Through income generation it contributes to the economic growth of the countries in which it operates, especially where it holds large market shares and plays the role of a market leader. Financial results of the Company are presented in *Chapter 7. Financial Overview of the Annual Report*.

Prevention activity

The two key underlying objectives of the targeted and long-term prevention activity are raising broad public awareness and the reduction of risks and potential accidents.

In 2011, the Triglav Group dedicated EUR 2.1 million to prevention activity. The funds were used for equipment purchases of many fire-fighter associations and unions and enabled several companies to modernise their facility protection equipment and train their employees in fire and burglary protection, how to respond in the case of robbery or burglary, improve health and safety at work and similar.

11.2 Human resources management

In human resources management, the Triglav Group is aware of invaluable contribution of each individual. The Group follows the revised Strategy to 2015, believing that mutual understanding and common action are based on two-way communication, proactive leadership, identification of the best employee qualities and the boosting of employee development – all of which are encouraged with material and non-material forms of remuneration. Recruitment activities in 2011 were marked by the adopted plans, the implementation of business objectives and integrated, cost management.

With regard to human resources management, the following guidelines remain at the forefront of the revised Triglav Group Strategy:

- successful management of the number and structure of staff in dependence of process redesign and reorganisation;
- increased mobility and internationalisation of human resources;
- identification of prospective employees and planning their career paths;
- development and retention of key, promising employees;
- renewal of the organisational culture in compliance with the reorganisation of processes in the Group; and
- increasing the share of performance-related pay for high achievers.

Employment policy

Thanks to the security of employment, the size of the business system, and its values and reputation, gaining employment with either the parent company or the Triglav Group represents a challenge for experienced professionals and managers, and an opportunity for young and promising employment seekers. Triglav scholarship holders are also given an opportunity to assert themselves. Surveys conducted in recent years have shown that Zavarovalnica Triglav has staff of above-average quality and that they are well taken care of.

The employment policy based on prudent planning and staff selection, training and motivation is, consequently, reflected in the quality of products and services, and in motivated and loyal employees. Its aim is to contribute to achieving good business results and long-term business development, and to allow for the selection from among the best on offer in the labour market.

Ethical conduct

In 2011, respect for ethical principles was confirmed by signing the Declaration on Fair Business and by embedding integrity into the foundation of the renovated identity of the Triglav brand (see *also Items 1.6 Brand-building of Triglav and rebranding process, and Commitments to external initiatives in the preceding Item 11.1*). Great emphasis is placed on the attitude of employees to clients and business partners, and to tolerant and fair relations between employees and a proper work attitude. The Triglav Group builds its reputation on maintaining the highest standards of business ethics and equitable partnerships, rejecting any discrimination among employees, clients and partners. No case of discrimination was recorded in 2011.

Absenteeism

The rate of absenteeism in Zavarovalnica Triglav dropped compared to 2010 by 0. 10 percentage points and was 0.79 percentage points below the national level reported for the Republic of Slovenia (data for January-September 2011). This proved a continuing downward trend in absenteeism rate. Temporary absence from work due to illness or injury is measured by the number of lost working days in a year. In terms of sickness benefits determined by law, there are two categories absence due to ill health: sick leave paid by the employer (up to 30 days) and sick leave with benefits reimbursed by the Health Insurance Institute of Slovenia (ZZZS) (sick leave above 30 days, care for and/or accompanying a sick person, and blood donations).

Absenteeism rates in Zavarovalnica Triglav and Slovenia by year and type of sick leave

v %

YEAR	PAID BY ZAVAROVALNICA TRIGLAV	PAID BY ZZZS	RATE OF ABSENTEEISM IN ZAVAROVALNICA TRIGLAV	RATE OF ABSENTEEISM IN SLOVENIA [1]
2006	2.29	1.74	4.03	4.09
2007	2.31	1.76	4.07	4.21
2008	2.34	2.05	4.39	3.69
2009	2.36	1.74	4.10	4.00
2010	2.23	1.58	3.81	4.17
2011	1.98	1.73	3.71	4.50[2]

[1] Source: Health Insurance Institute of Slovenia - sick leave data base
[2] Data from January to September 2011

The share of work days lost due to sick leave reimbursed by Zavarovalnica Triglav decreased by 0.25 percentage points, while there was also a 0.15 percentage point increase in the share of work days lost due to sick leave reimbursed by the Health Insurance Institute of Slovenia.

Labour turnover

In 2011, 49 employees were recruited and 90 left the Company. Labour turnover in Zavarovalnica Triglav was at a rate of 3.6%. The trends registered in previous years generally continued. Among leavers, the main reason was the retirement of staff in the older age group (above 56 years of age), and among newly employed the majority were between 20–30 years old. Men slightly prevailed among the newly recruited employees (53%), while among the leavers the percentage by gender was equal (50%) in contrast to the previous year when men prevailed (58%).

Number of persons who left and joined Zavarovalnica Triglav in 2011 and their age

	THOSE WHO JOINED		THOSE WHO LEFT	
AGE GROUP	NUMBER	as a %	NUMBER	as a %
20-25	10	20.4	8	8.9
26-30	16	32.7	12	13.3
31-35	6	12.2	6	6.7
36-40	9	18.4	5	5.6
41-45	6	12.2	5	5.6
46-50	0	0.0	10	11.1
51-55	1	2.0	11	12.2
56 and over	1	2.0	33	36.7
Total	**49**	**100.0**	**90**	**100.0**

Number of persons who left and joined Zavarovalnica Triglav in 2011 and their gender

	THOSE WHO JOINED		THOSE WHO LEFT	
AGE GROUP	NUMBER	as a %	NUMBER	as a %
Men	26	53.1	45	50.0
Women	23	46.9	45	50.0
Total	**49**	**100.0**	**90**	**100.0**

11.2.1 Employment and human resources structure

Recruiting was carried out on the basis of the adopted employment plan and the set business objectives and strategic goals, with emphasis on integrated cost management. As at 31 December 2011, the Triglav Group employed 5,064 staff, which was 183 less than one year earlier.

Number of employees in the Triglav Group as at 31 December

	NUMBER OD EMPLOYEES			DIFFERENCE
TRIGLAV GROUP MEMBER	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009	2011 - 2010
Zavarovalnica Triglav d.d.	2,400	2,441	2,514	-41
Zavarovalnica Triglav d.d. Ljubljana	37	38	38	-1
Triglav Zdravstvena zavarovalnica d.d.	78	78	82	0
Triglav Osiguranje d.d., Zagreb	518	566	663	-48
Triglav Osiguranje d.d., Sarajevo	234	248	135	-14
Triglav Pojišťovna a.s., Brno	116	125	121	-9
Lovćen Osiguranje a.d., Podgorica	264	272	267	-8
Triglav Osiguranje a.d.o., Belgrade	488	603	484	-115
Triglav penzijski fondovi a.d.	5	9	9	-4
Triglav Osiguranje a.d., Banja Luka	84	86	77	-2
Triglav Osiguruvanje a.d., Skopje	150	155	152	-5
Triglav Skladi d.o.o.	36	34	35	2
AS Triglav - servis in trgovina d.o.o.	31	31	30	0
TRI - PRO d.o.o.	75	79	73	-4
Triglav nepremičnine d.d.	5	5	3	0
Triglav Naložbe finančna družba d.d.	5	4	6	1
Slovenijales d.d.	196	239	300	-43
Golf Arboretum, d.o.o., Volčji potok	11	11	12	0
Gradis IPGI d.d.	1	4	3	-3
TRI-PRO BH d.o.o	16	12	24	4
Unis automobili i dijelovi d.o.o.	33	34	34	-1
Autocentar BH d.o.o., Sarajevo	47	47	47	0
Triglav INT d.d.	4	0	0	4
Lovćen životna osiguranja, Podgorica	6	0	0	6
Sarajevostan d.d., Sarajevo	126	126	128	0
Triglav Auto d.o.o., Banja Luka	0	0	0	0
Lovćen Auto a.d.o., Nikšić	98	0	0	+98
Total	**5,064**	**5,247**	**5,237**	**-183**

The educational structure continued to improve in the reporting year, as the number of employees with higher education or university degrees, as well as with masters or doctoral degrees increased at the expense of staff with only secondary school education or less.

Employees of the Triglav Group as at 31 December – structure by education level

	31 Dec. 2011		31 Dec. 2010		31 Dec. 2009	
LEVEL OF EDUCATION	**NUMBER**	**as a %**	**NUMBER**	**as a %**	**NUMBER**	**as a %**
1st - 4th level	1,105	21.8	1,172	22.3	1,456	27.8
5th level	1,849	36.5	1,966	37.5	1,792	34.2
6th level	596	11.8	554	10.6	663	12.7
7th level	1,399	27.6	1,443	27.5	1,242	23.7
Masters and PhD	115	2.3	112	2.1	84	1.6
Total	**5,064**	**100.0**	**5,247**	**100.0**	**5,237**	**100.0**

The number of fixed-term employees in Zavarovalnica Triglav was 86 (3.6%), while 2,314 employees (96.4%) were in permanent employment. The share of fixed-term employees increased by 2.0 percentage points.

Employees in Zavarovalnica Triglav as at 31 December 2011- by employment type

TYPE OF EMPLOYMENT	**2011**	**SHARE (%)**	**2010**	**SHARE (%)**	**2009**	**SHARE (%)**
Fixed-term	86	3.6	136	5.6	173	6.9
Permanent	2,314	96.4	2,305	94.4	2,341	93.1
Total	**2,400**	**100.0**	**2,441**	**100.0**	**2,514**	**100.0**

The share of women reached 27.3% in top management and 38.5% in middle management.

As at the end of the year, 2,244 or 93.5% of all staff were employed under the collective agreement. The remaining 6.5% of all employees are senior management.

11.2.2 Staff training and development

11.2.2.1 Staff training

The training of staff and their acquisition of new skills are of key importance for the implementation of the Group's strategy. The volume of best practices transfer and internal functional trainings has increased in support of the unification of business standards and the redesign of business processes, with the leading role played by Zavarovalnica Triglav The training policy is carried out in accordance with the training and education plan aimed at improving the competencies and skills of individual groups of employees.

In granting the scholarships, Zavarovalnica Triglav followed its medium-term recruiting needs and entered into scholarship contracts with six promising university students. However, the number of trainees slightly decreased, including Zavarovalnica Triglav's scholarship holders who completed their studies.

The number of employees involved in work-study was slightly reduced. However, with every tenth employee involved, work study continued to account for 10.5% of the total staff and as many as 39 employees (15%) completed their studies.

Number of training participants in Zavarovalnica Triglav in 2011, 2010 and 2009

TRAINING TYPE	2011	2010	2009	INDEX 2011/2010	INDEX 2010/2009
Scholarships	28	31	40	90	78
Work study	253	288	284	88	101
Trainees	14	17	9	82	189
Probationers	57	46	76	124	61
External training	503	504	450	100	112
In-house training	9,150	8,795	8,586	104	102
Total	**10,005**	**9,681**	**9,445**	**103**	**102**

The total number of training programme participants rose by 3% compared to 2010. In accordance with the long-term orientation, the volume of external functional training accounted for only 5% of total functional training, while the number of participants was nearly the same. In in-house training, compared to the previous year, the number of hours was almost the same and the number of participants slightly higher. In-house training courses in Zavarovalnica Triglav were also attended by employees from other companies of the Triglav Group and colleagues from external agencies. These primarily covered specialised insurance topics, sales techniques, IT, foreign languages and legally required training, as well as the programmes of the Triglav Academy, designed for managers, sales agents/officers and loss adjusters.

An eight-month course at the Triglav International Business Academy was concluded in May 2011, with 26 promising Triglav Group employees participating.

Professional in-house training in the parent company was introduced to the staff of subsidiaries. The first three-week professional training under mentorship was organised for 12 selected participants.

Number of functional training hours per employee in 2011, 2010 and 2009

	2011	2010	2009	INDEX 2011/2010	INDEX 2010/2009
Total number of participants in functional training	9,653	9,299	9,036	104	103
Number of participants in external training	503	504	450	100	112
Number of participants in in-house training	9,150	8,795	8,586	104	102
Total number of functional training hours	75,373	76,249	75,397	99	101
Number of functional training hours per employee	31.4	31.2	30.0	101	104

Internal consolidation of Zavarovalnica Triglav and the Triglav Group is accompanied by a growing volume of functional training. Compared to 2010 the number of participants in this form of training was 4% higher, but the umber of functional training hours per employee was 1% lower. Thanks to the large number of hours of (and participants in) the in-house training, carried out by internal lecturers and trainers, e-learning and a rational approach to the conduct of in-house training provided by external lecturers, training costs were 7% lower than in the preceding year. Total training costs amounted to EUR 1.3 million and costs per employee were EUR 540 (index 94).

Training costs of Zavarovalnica Triglav in 2011, 2010 and 2009

	2011	2010	2009	INDEX 2011/2010	INDEX 2010/2009
Total costs*	**1,295,396**	**1,395,797**	**1,197,013**	**93**	**117**
Costs per employee	540	572	476	94	120
Costs per participant	142	144	127	98	114

* data include both direct (scholarships, grants, tuition fees, work study costs, probationer pay and payments to external in-house trainers) and indirect training costs (travel costs in Slovenia and abroad, subsistence and overnight stay allowances related to training)

11.2.2.2 Management by objectives and annual development interviews

Regular annual interviews are part of management by objectives. The employees, in cooperation with their superiors, set their objectives for the current business year and the activities for the improved appraisal of their competencies. Employees with special authorisations also had annual appraisal interviews with their superiors, since the performance related part of their salaries (incentive bonus) depends on such appraisals.

11.2.2.3 Measurement of the organisational climate

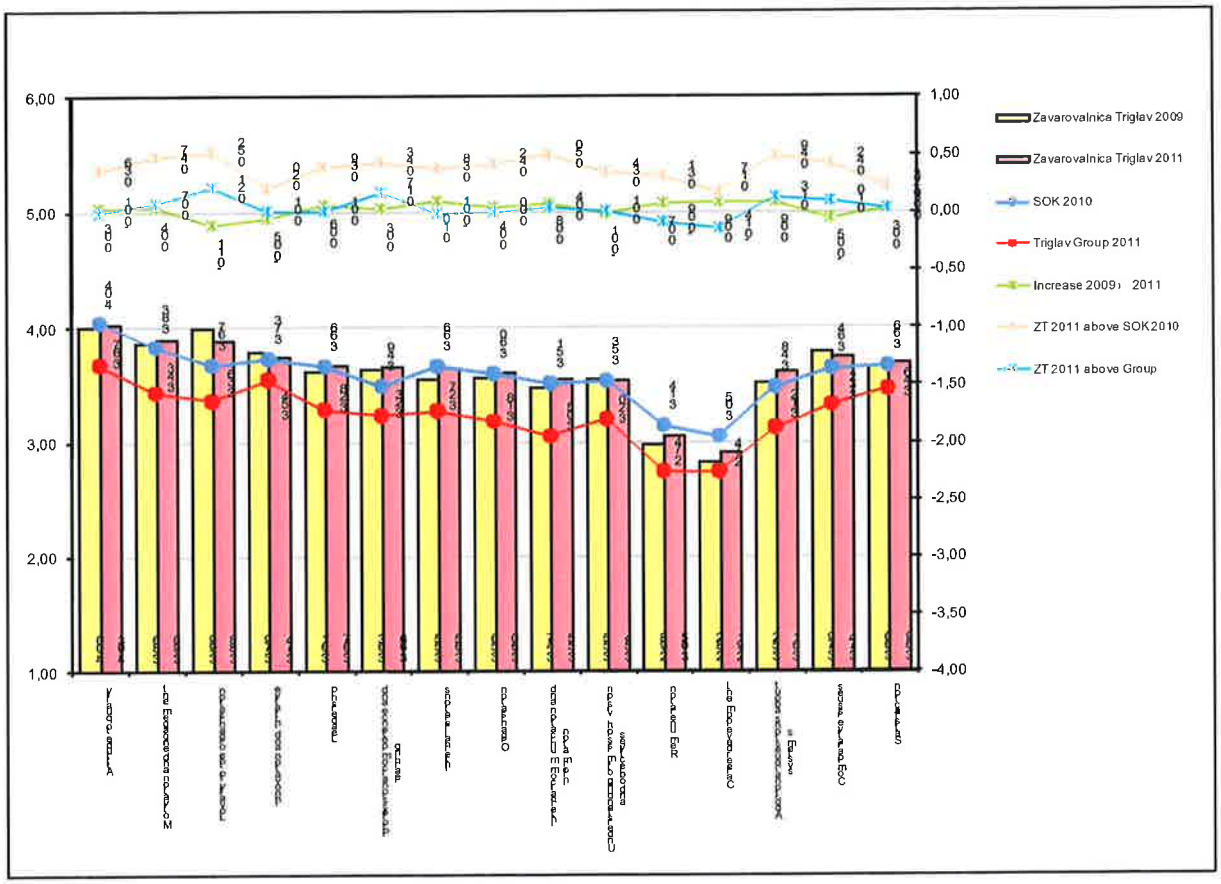
The fourth measurement of the organisational climate in Zavarovalnica Triglav, conducted in 2011, showed that positive climate prevails in the Company. The average level (3.61) is above the Slovene average and increased by 0.03 in comparison to the last measurement in 2009.

Employees have a high attitude to quality; they are loyal to the organisation, motivated and engaged. Internal relations have improved, especially communication to and dialog with the superiors. Learning and professional competence are improving and the staff is well informed of the strategic orientation.

The measurement of the organisational climate indicated some challenges presented in a lower response rate of employees in the survey, insufficiently effective and recognised remuneration and career development systems, and insufficient understanding of the business operations of the Triglav Group. Measures for improving the results were adopted by the Management Board.

The organisational climate was also measured in all companies of the Triglav Group for the first time. The average level is somewhat lower than that of Zavarovalnica Triglav (3.57), while the strengths and challenges are similar to those in the parent company.

Organisational climate in Zavarovalnica Triglav



12.2.3 Safety and health at work

A team approach is applied in relation to safety and health at work, in cooperation with experts from various business segments in both the parent company and the Triglav Group.

Risks related to safety and health at work are managed by means of regular monitoring, implementing the measures set out, and setting new, higher requirements.

Better control of the safety and health at work system has been achieved by setting up a system of electronic recording of requirements and the retention of prescribed documents.

A safe and healthy working environment is also guaranteed by regular work place inspections, advising employees at their working place, preparing instructions on safe and healthy working practices, training at the working place, and continuous monitoring of the measures adopted. Training on safety and health at work was organised in several regional units of Zavarovalnica Triglav within the "Harmony of Life and Work" (Triglav.smo) project (see *Section 11.2.4 Care for employee satisfaction below*). Such training will continue in 2012.

Protection against fire

In order to achieve a higher level of intervention in protection against fire:
- an e-application was developed to keep records of fire protection measures;
- regular maintenance of active fire safety systems and equipment was carried out at all locations in Slovenia;

- practical training for evacuation and fighting initial fires was organised in order to mitigate the risk for employees.

Injuries at work

The number of injuries at work was reduced again in 2011. With 24 injuries in total, the number was 8% lower than in the year before. Compared to the previous year, the number of injuries resulting from business trips was lower by 11; there were 25% less injuries resulting from accidents while commuting to/from work, but injuries at work were nearly three times more frequent. Slips were the main cause of injuries.

Injuries at work in 2011, 2010 and 2009

	NO. OF INJURIES 2011	SHARE IN 2011 (%)	NO. OF INJURIES 2010	SHARE IN 2010 (%)	NO. OF INJURIES 2009	SHARE IN 2009 (%)	INDEX 2011/2010	INDEX 2010/2009
At work	17	71	6	23	8	24	283	75
On business trips	1	4	12	46	11	33	8	109
Commuting to/from work	6	25	8	31	14	42	75	57
Total	**24**	**100**	**26**	**100**	**33**	**100**	**92**	**79**

11.2.4 Care for employee satisfaction

With the great support of the management, Zavarovalnica Triglav launched the long-term project "Harmony of Life and Work" (Triglav.smo) within which a series of activities took place in 2011. The purpose and aim of the project is to contribute to well-being and maintaining personal health of employees, and thus boost their satisfaction and loyalty. The project was presented in a special folder and with the book "The Way" by a well known Slovene alpinist Nejc Zaplotnik. During the Week of the Child, Zavarovalnica Triglav invited the children of its employees to visit the Company. Collective participation in the Ljubljana Marathon was organised; the Ljubljana Regional Unit prepared an ecological market place and on the first day of winter every employee was presented an apple for health. A rich range of events and campaigns devoted to health at work and the well-being of employees has also been planned for 2012.

Additional benefits for employees

Attention was devoted not only to safe and healthy working environment and to the provision of safe working conditions, but also to regular periodic health checks of employees. Efforts were made to enable normal work to the staff who became disabled while employed with Zavarovalnica Triglav and employees with other health problems, as well as to enable their wellbeing by adapting work processes to their reduced working capacity by assigning them appropriate jobs, flexible working hours and making similar modifications.

Parental leave is available to either parent. In the reporting year, parental or child care leave was taken by 105 women and two men, i.e. by 107 employees in total. The father's leave of 15 days (in the period up to the child's age of six months) was used by 49 employees, and the father's leave of 75 days (to be used up to the child's age of three years) was taken by 10 fathers.

All employees (of either gender) who used parental leave returned to their work place. Employees' needs and requirements are followed in working time adjustments, as much as work processes allow. Special attention is devoted to young mothers by offering them reduced working hours pursuant to the Parental Protection and Family Benefit Act. At the end of the year, the benefit of reduced working hours was taken by 28 parents (mothers).

Employees can also take unpaid leave in agreement with their superiors. In 2011, two employees had such leave.

Also in 2011 the staff of Zavarovalnica Triglav enjoyed various insurance benefits:
- premiums were paid under group accident insurance for all employees;
- favourable insurance terms are available for additional accident insurance to employees and their family members;
- additional accident insurance is provided for all business trips;
- after one year in employment, all employees may opt for supplementary voluntary pension insurance and voluntary pension insurance.

To 88.6% of its staff Zavarovalnica Triglav contributes 4% of their gross salaries for supplementary voluntary pension insurance.

Employees of Zavarovalnica Triglav can use several holiday facilities in Slovenia and Croatia at favourable prices and those with the status of a disabled individual can even use these facilities free of charge. Employees enjoy occasional discounts on clothes, cars, car tyres and similar goods.

Care for employees outside working hours

The "Triglav.smo" project represents an upgrading of the care for employees and promotion of their active leisure time. Employees of Zavarovalnica Triglav thus participated in the Ljubljana marathon and climbed Nanos Mountain in the "Let's Clean the Mountains" campaign. In addition to active sports activities, employees enjoy discounts on the purchase of theatre and concert tickets, tickets for various sports events, and the organisation of trips and outings.

Triglav supports the organisation of various social events and gatherings under the auspices of trade unions, including the some important and traditional events, such as the Triglav Group Day, the New Year's gatherings of employees and gift-giving to their children, as well as the Winter and Summer Games of Financial Organisations (ŠIFO).

For retirees, New Year's gatherings and gift-givings are organised and their outings are co-financed.

11.3 Communication with stakeholders

In the present serious social and economic conditions, communication plays an even more important role in corporate governance. The Triglav Group continues to foster an active dialogue with all stakeholders.

The Public Relations Department is in charge of promoting the public image of Zavarovalnica Triglav and providing a uniform platform and guidelines for all Triglav Group companies. In line with the rapid growth of online services and e-business, the Group develops and promotes state-of-the-art communication channels, including with public media. The Public Relations Department has a broad range of responsibilities:
- to provide and implement internal and external communication in support of management's decisions;
- to provide for the Company's communication strategy and communication with employees;
- to communicate with the media and other stakeholders;

- to support the marketing strategy and the development of new products;
- to strengthen and promote corporate social responsibility with the local community, both with the general public and with the Company's employees.

Internal communication

Internal communication is one of the processes gaining greater significance in the business operations of Zavarovalnica Triglav and the Triglav Group. Therefore, a programme of internal communication was prepared within the EVERYTHING WILL BE ALRIGHT corporate campaign in autumn 2011. The campaign also includes activities with which staff will be given detailed information of the strategy, the objectives and the vision of the Company, in which they will have the opportunity of active participation; two-way communication will be established, and any lack of information avoided. The programme's objectives are:

- to motivate employees for the implementation of the common business objectives of the Company;
- to promote cooperation among staff;
- to build loyalty to the Company;
- to actively involve employees in changes and empower them to participate in the implementation of strategic plans;
- to properly and timely inform the employees of the Company's strategy and reorganisation.

Several tools and activities will be used, aiming at strengthening the trust and free flow of information among employees, and promoting their motivation. The in-house newsletter "Obzornik", which twice in a row won the award for the best internal magazine in Slovenia, will reveal new horizons of topics on the strategy and internal communication. The new magazine "Obzornik International" will be regularly issued at the Triglav Group level. Another important information channel in Zavarovalnica Triglav is the already-established system of electronic notices, which will be upgraded to include the intranet for more responsive communication.

Development requires the establishment of an interactive internal website that will lead to better understanding and implementation of strategic goals. The good practice of meetings of the Management Board with employees in all regional units of Zavarovalnica Triglav will continue, as well as visits to all companies of the Triglav Group.

Framework objective: In 2012, at the Triglav Group level, to continue upgrading internal communication tools and actively communicating about changes within the Group.

External communication

The social and economic role of Zavarovalnica Triglav and the Triglav Group is reflected in their appearance in public media and, in turn, their greater visibility and public attention require high levels of transparency and publicity.

In communication with external publics emphasis is laid on providing balanced, consistent and up-to-date information to stakeholders on developments in Zavarovalnica Triglav and the Triglav Group. Fast and topical information promotes confidence in and a favourable image of both the Company and the Group. Information on important events is given through press releases and by organising press conferences and other corporate events.

Better transparency of communication with stakeholders was achieved with the renewal of the www.triglav.eu website in 2011. Web contents are arranged clearly and in a state-of-the art manner, based on good user experience. The website enables more intense and in-depth two-way communication with investors and the professional public. In accordance with the

adopted commitment, any information on the website is published in compliance with the Media Act, the Communication Code of the Triglav Group, the Corporate Governance Code for Joint Stock Companies, the Ljubljana Stock Exchange Guidelines on Disclosure for Listed Companies, the Financial Instruments Act, the Insurance Act, and the Statute of Zavarovalnica Triglav.

Communication with investors

All information relevant to investors is currently published on SEOnet, the Ljubljana Stock Exchange information system, as well as on Zavarovalnica Triglav's website www.triglav.eu — Investor Relations webpage.

In 2011, Open House Days were organised for investors, and all relevant information was provided on the occasion. A new, important step forward was made when the shares of Zavarovalnica Triglav were listed on the Prime Market of the Ljubljana Stock Exchange, which required transparent corporate communication and management at the highest, internationally comparable level. This was a significant step towards the implementation of the strategy to 2015. The prime market listing provides opportunity for even closer cooperation with investors, further improvement in business transparency and better liquidity of shares.

Investor relations and pertaining contacts are disclosed in *Section 4. Share capital and shareholders of Zavarovalnica Triglav of the Management Report.*

11.4 Suppliers and business partners

Suppliers

In 2011, Zavarovalnica Triglav finally reorganised and redesigned its purchasing process, which shall only be carried out at the Company headquarters, and purchases for regional units and representative offices will run through central purchasing departments. Such an arrangement provides for:

- better control of consumption;
- higher cost efficiency;
- transparency of purchasing procedures; and
- uniform implementation of the set purchasing procedures.

Criteria for supplier selection

Equal treatment of all participating suppliers is guaranteed by taking into account at least four, but mostly six to eight criteria, when considering the bids received in Zavarovalnica Triglav under a call for tenders. Price is a mandatory criterion of selection, the other being the quality of goods and services, compliance of equipment and services with international, national and other generally accepted standards, payment conditions and after-sale services provided by the supplier, delivery or completion dates, warranty, extension of business network in Slovenia and the former Yugoslav states, and (recently) the environmental and social responsibility of the supplier (e.g. management of waste generated in the production of the purchased material, whether the supplier's workers are regularly employed or just contractually hired, whether the purchased goods are produced in countries using child labour, whether goods have been purchased at unfair prices, and similar).

With the introduction of procurement committees, which take care of the opening of received tenders and of the analysis and evaluation of the suppliers' quotations according to the set

criteria, the Company has mitigated the risk of possible corrupt acts of individuals involved in the purchasing process.

At the end of 2011, Triglav started to establish strategic partnerships with suppliers of key importance for the uninterrupted operation of the systems in Zavarovalnica Triglav and for an undisturbed supply of materials and services.

Zavarovalnica Triglav's insurance policyholders are invited to provide minor goods and services on occasional or one-off basis, especially in local markets covered by regional units, which helps consolidate the bond between the Company and local communities.

Contacts with business partners and their benefits

Zavarovalnica Triglav in close contact only with its strategic and permanent suppliers who regularly maintain its buildings and equipment. Regular meetings are held with permanent suppliers in order to agree on services to be provided in the following period, while at meetings strategic suppliers present their proposals for improving the functioning of the existing systems in Zavarovalnica Triglav and for the organisation of necessary trainings for equipment and building administrators.

Communication with business partners and suppliers

An agreed manner of communication with suppliers has been established for placing complaints and orders, especially for the urgent solution of problems. Zavarovalnica Triglav has appointed persons responsible for forwarding complaints and placing orders, while the suppliers on their side appoint persons responsible to resolve the complaint or to have the order be carried out. Meetings with strategic partners are organised once or twice a year with the aim of reviewing the current operation and discussing the possible improvement of services and mutual cooperation.

Care for fair competition

Zavarovalnica Triglav observes the Protection of Competition Act which, also governs (un)fair competition. All agreements made by Zavarovalnica Triglav contain the clause regarding the contract administrator who is responsible for the observance of contractual provisions. All agreements require all contracting parties to safeguard confidentiality and business secrets. The competitiveness of suppliers is checked in public tenders and random offers. In this way, prices are controlled and price rigging by suppliers is prevented. In 2011, the clause on prevention of conflict of interest and the anti-corruption clause were added to contractual provisions.

In 2011, Zavrovalnica Triglav was not involved in any case of the Competition Protection Office. The legal action on the grounds of unfair competition taken in 2009 against Zavarovalnica Generali was still pending in 2010.

Remuneration of insurance agencies and their sales staff

Zavarovalnica Triglav sells its non-life insurance services through contracted points of sale and its life insurance services through insurance agents and brokers.

Sales staff working at contracted points of sales, i.e., brokers and agents, are offered attractive terms and conditions, which include not only stimulating remuneration (fee) but also competitive products, effective business processes, training courses and programmes and

partnership-based business relations. The sales staff are also invited to social events, such as ski flying in Planica

Tow executive directors in charge of insurance sales and directors of regional units participate in the selection of contracted partners. The executive director in charge of insurance sales and a regional unit's director also sign an Insurance Agency Agreement. The precondition for any such agreement is an authorisation to perform insurance operations in accordance with the Insurance Act. Moreover, the contracted partner has to guarantee that the agency services will be provided solely by the persons holding a legally required authorisation to perform insurance operations, and who are under an employment contract with the contracted partner.

11.5 Responsibility to the insured

Zavarovalnica Triglav pays special attention to developing long-term business relations with its clients. Such an orientation in taken into consideration as early as in the development stage of insurance products based on the recognition of market needs and the observation of global trends. In the insurance industry, the service provided to the clients in case of the occurrence of a claim or an insurance event is most important. Zavarovalnica Triglav keeps to the principle of fair and fast claims handling.

Measuring customer satisfaction

In addition to client surveys on their satisfaction with the provided services, Zavarovalnica Triglav continuously monitors and resolves any complaints and clients' comments, which provide a good basis for improving business processes and, in turn, the satisfaction of clients. In order to detect the critical points in the sales process, Zavarovalnica Triglav regularly carries out the mystery shopper research in three sales channels: with insurance agents, and at the Company's own and contracted points of sale. The results of the research show what measures and actions are to be taken to improve the services.

The results of such visits to own points of sale show that the overall assessment of visits in October was 82.7, which is somewhat higher than 81.8 in February (out of 100 points).

Communication with clients in non-life insurance

The responsibility of Zavarovalnica Triglav to its clients is primarily exercised by the fair and professional attitude of the sales staff to the insured. Sales agents are obliged to provide clients with the insurance cover that guarantees their security.

Sales agents in the field and at all points of sale maintain on-going contact with the clients. Furthermore, in Slovenia information is provided on a toll free phone line (080 555 555) and a special help line (080 2864) provides assistance to clients 24/7. These communication channels are supplemented with online applications at www.triglav.si, where clients can conclude certain insurance contracts or report a claim. In brochures and other information materials, the insurance services provided are presented in a clear and transparent manner, which allows for easy understanding.

Providing high-quality services, Zavarovalnica Triglav improves the financial and other forms of security of the insured and, at the same time, combines its products with prevention activities for higher traffic safety, in particular for child safety in traffic, as presented in *Item 11.6.3 Prevention activity promotion*.

Throughout 2011, Triglav informed their clients of new products and services. The optimal combination of media was used for advertising aimed at reaching a broad portion of the target population; moreover, a direct approach was applied with information leaflets and brochures at business premises and points of sale.

Communication with clients in life insurance

The widespread sales network is the most important connection with clients. The sales staff and agents are continually educated and trained in order to provide high-quality and correct cooperation (see also *Item 5.1.2*).

Holders of life insurance policies of Zavarovalnica Triglav can monitor and even partly manage their insurance through the new online insurance portal iTriglav (see also *Item 5.6 Development of IT support/ Personal insurance IT system*).

In recent years, marketing communication has primarily been oriented to direct sales promotion in the form of consulting promotion events with various benefits for the clients. Direct marketing campaigns in which the existing clients are offered an opportunity to upgrade their existing insurance are very important for raising clients' awareness and improving access to new products and services.

11.6 Responsibility to the social environment

The Triglav Group is actively involved in all activities everywhere the Group is present. Numerous initiatives and actions of the Group's commitment to social responsibility are described in several sections above, especially in Section *11.1 Corporate social responsibility*. Therefore, this item only contains an explanation of the Company's cooperation with the social environment in the form of donations and sponsorships, and provides a contact for information on sustainable development.

Information on sustainable development:
Zavarovalnica Triglav d.d., Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana
Urša Manček, Assistant to the President of the Management Board
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E-mail: ursa.mancek@triglav.si

11.6.1 Sponsorships and donations policy

In late 2011 a new Sponsorship Strategy was adopted, which defines the sponsorship relation as a partnership, equally beneficial to sponsorship recipients, sponsors and society at large. Sponsor partnerships are used to develop corporate volunteering and encourage projects cantered mainly around training, environmental protection, culture and health care.

An annual sponsorship budget is a part of the annual communication budget of Zavarovalnica Triglav. The authorisations for financing all sponsorships approved at the Headquarters, are vested with the Management Board of Zavarovalnica Triglav Directors of regional offices are authorised to grant sponsorship funds in their respective areas, in accordance with the Decision on the Scope of Authorisations, the agreed guidelines and the Sponsorship and Donation Strategy.

11.6.2 Main sponsorships and donations

In 2011, Zavarovalnica Triglav allocated EUR 4.0 million for sponsorships and EUR 0.3 million for donations. The Group as a whole allocated EUR 4.8 million for sponsorships and donations. The largest portion of such funds was granted for sports activities, followed by cultural activities, training, humanitarian activities, health care and environmental protection.

Sports

Through cooperation and partnerships Triglav supports a wide range of sports activities on the national and local levels and especially the inclusion of young people in recreational and competitive sport. Zavarovalnica Triglav is a partner of numerous teams and organizers of sports events (see below), and of individual top-level Slovene sport champions: ski jumpers and flyers Jernej Damjan and Peter Prevc, cross-county skier Saša Farič, snowboarder Žan Košir and extreme sportsmen with disabilities, such as Gal Jakič.

In 2011, Zavarovalnica Triglav was one of important sponsors of the World Rowing Championship in Bled and of the Vitranc Cup in Kranjska Gora. Zavarovalnica Triglav also supported some running events, such as the Marathon of Three Hearts in Radenci, the run in Črnomelj, the Run of Four Hearty Men around Lake Bohinj and the organisation of the First Jure's Ascent of Pokljuka.

Zavarovalnica Triglav is one of the largest sponsors of the Ski Association of Slovenia (mainly of the national Nordic skiing and biathlon teams, and the general sponsor of the World Cup final in ski jumping and ski flying in Planica). A multi-annual cooperation agreement has been signed with the Ski Association of Slovenia. In addition, for many years Zavarovalnica Triglav has been a partner and supporter of the Hockey Association of Slovenia and of the Adriatic Water Polo League. For more than 25 years it has organised the traditional and well-known campaign "Triglav generacije v Planici" (Triglav Generations in Planica), intended to encourage and maintain a sporting spirit amongst children. In 2011 once again, Triglav brought 3,300 children from all over Slovenia to watch ski jumping and ski flying in Planica; children from the Janez Levec Special Education Centre were among the guests with the best ski fliers.

Among others, Zavarovalnica Triglav is a sponsor of the Olimpija basketball club (BC), the Domžale BC, the Krka Telekom BC, the Elekro BC and the Cedevita BC. In cycling, Zavarovalnica Triglav sponsors the Sava cycling club and the Adria Mobil cycling club from Novo Mesto. Zavarovalnica Triglav also supported the Franja Marathon, organised by the Rog cycling club and sponsors the ACH Volley ball club in addition to Trimo handball club in Trebnje and Pivovarna Laško handball club in Celje.

The subsidiaries of the Triglav Group also support sports activities in their environments.

Zavarovalnica Triglav Osiguranje sponsored the tennis player Toni Androić as well as several sports clubs: the Podravka Vegeta Handball Club, the Zagreb Ice Hockey Club (which systematically works with young people), the Zagreb Croatian Tennis Club, the Iva Majoli Tennis Centre and the Slaven Belupo and Rijeka football clubs.

Zavarovalnica Lovćen Osiguranje financially supported the Lovćen-Cetinje football club, the Lovćen handball club as well as the water-polo and swimming associations of Montenegro.

Triglav Osiguranje, Sarajevo, joined a group of sponsors which provided funds for a Davis Cup tennis competition (BiH - Estonia). Furthermore, it sponsored the Play Off basketball club and an outdoor skating rink in the centre of Sarajevo.

Zavarovalnica Triglav Osiguranje, Belgrade, was the sponsor of the Crvena Zvezda football club and the Metaloplastika – Zorka Keramika handball club.

ATP tennis tournament Challenge Banja Luka 2011 was financed by several partners, including Triglav Osiguranje, Banja Luka, which was also the main sponsor of alpine skiing disciplines in FIS Cup "Jahorina 2011"

Triglav Osiguruvanje, Skopje, financially supported the organisation of an international traditional skiing event the Šarplaninski Cup.

Support of cultural creativity

The Triglav Group provides funds and support to various and diverse cultural activities. In 2011, Zavarovalnica Triglav provided support to Cankarjev dom (Music of the World), the Ljubljana Summer Festival, the Association of singing choirs of Primorska and the Puppet theatre in Ljubljana. It received the Diamond Award for 15 years of sponsorship of Cankarjev dom.

Triglav Osiguranje, Sarajevo, decided to sponsor a precious project called "Mystery of Standing Tombstones of Zgošća", which was initiated by the Cultural Heritage Association. The primary aim of this project is to have Zgošća standing tombstones listed as a UNESCO world heritage site.

Triglav Osiguranje Zagreb financially supported the popular Croatian Split Pop Music Festival with long tradition. Moreover, Triglav Osiguruvanje, Skopje, provided financial support to the 2011 "Zlatna bubamara" (Golden Ladybird) popularity prizes and the 2011 Skopje Wine Festival. Triglav Osiguranje, Belgrade, sponsored the event "Fashion Selection", featuring Zvonko Marković, one of the most enterprising fashion designer in Serbia.

Support of education

The organisation of a youth competition of ideas, innovations and solutions regarding uncertainties and natural disasters ("Facing Disasters in the 21st Century") was made possible with the support of Zavarovalnica Triglav and co-organised in the framework of the global conference "Challenge: Future Summit".

In cooperation with Triglav National Park, Zavarovalnica Triglav supported the production of the film, "Triglav National Park", which shows the values, characteristic features and specifics of this protected area and the life in it.

Small children also continued to receive support. Zavarovalnica Triglav sponsored the Happy Cici School, which is an educational section of the Ciciban and Cicido magazines. In addition, financial support was granted for the publishing of the Slovene Historical Atlas, and a donation was made into the scholarship fund of the Stanislav Škrabec Foundation.

Triglav Osiguranje, Belgrade, sponsored the project »Triglav Osiguranje in European Beat« aimed to help identify, encourage, develop and educate 300 young talents in primary and secondary schools.

Support of humanitarian activities and civil society initiatives

In cooperation with the Institute for Innovative Safe Driving Education, "Vozim", Zavarovalnica Triglav sponsored the safe driving education project "I still drive – but I don't walk". Once again, the Festival for the Third Age was sponsored, as well as the Slovenske Konjice swimming club

event organised at the 8th International Day without Wheelchairs, and training of disabled divers.

Triglav Osiguranje, Zagreb, was among the organisers and sponsor of a congress and symposium on endocrinology, reproduction and menopause, which took place in the framework of Contres. It also helped organise a reception for the Slovene and Croatian businessmen, hosted by the President of the Republic of Croatia as well as donated to the humanitarian non-governmental association for animal protection SPAS.

Triglav Osiguranje, Sarajevo, participated in the project Children, set up for testing children car seats and advising on their correct use. Furthermore, it enabled the Association of the Blind of Bosnia and Herzegovina to organise and IBSA Bowling competition for the blind and partially sighted.

Varied and rich social life is promoted also by Lovćen Osiguranje – in 2011 it provided financial assistance to a pensioners' association as well as made donations to the 25th May Grammar School and the police station in Nikšić.

Triglav Osiguruvanje, Skopje, donated funds to the refurbishment and reconstructions of five kindergartens.

Triglav Osiguranje, Banja Luka, responded to the invitation to participate in a humanitarian campaign organised by the Association of Paediatricians of the Republic of Srpska, under the auspices of the President of Republic of Srpska, aimed at children with special needs and developmental disorders.

Triglav support to initiatives in environmental protection is described in item *11.7 Responsibility to the social and natural environments*, while the support of volunteering among the employees and the Day for changes are presented in item *11.1 Corporate social responsibility, Key objectives and results in implementing corporate social responsibility in 2011.*

11.6.3 Prevention activity promotion

The new Rules on Prevention and Suppression Activities of Zavarovalnica Triglav, prepared in 2010, regulate the general principles and guidelines needed for the development of prevention activities, which have a tradition of more than one hundred years and are closely related to the development and implementation of our basic insurance activity.

In 2011, EUR 2.1 million was earmarked for prevention activities. The amount of funds intended for prevention of damage and hazards in the social and natural environment is determined in the percentage of insurance premium for each class of insurance separately. Prevention measures are carried out directly or indirectly, through other service providers such as the insureds (natural persons or legal entities), organisations, institutions, corporations and other providers (also individuals).

Safe driving

Greater road traffic safety is one of the key objectives of prevention activities in the Triglav Group. In the campaigns named "Let's wipe worries off the Slovene roads", prepared in cooperation with Radio Center, traffic participants were awarded with a safe driving course at the Automobile Association of Slovenia's training centre at Vransko. Two hundred families were invited to the Days of Safe Driving for families with Zavarovalnica Triglav, adapted to

different age and interest groups (safe driving, economical driving, off-road driving, scooter programme, cycling ground, TRIAL motor driving, etc.).

Lovćen Osiguranje provided funds for roadworthiness tests and modernisation of the necessary technical equipment, in order to increase the efficacy of prevention activities and road traffic safety.

Framework objective: Constant implementation of prevention programmes aimed at improving traffic safety at the level of the Triglav Group.

Child safety in traffic

Prevention activities were again carried out at the beginning of the new school year. First-grade pupils were provided with yellow neckerchiefs and reflective items, and the mascot "Watch Out Doggy" accompanied children across the road in front of 48 elementary schools all over Slovenia.

11.6.4 Anti-competitive behaviour

In 2011, Zavrovalnica Triglav was not involved in any case of the Competition Protection Office. The legal action on the grounds of unfair competition taken against Zavarovalnica Generali was still pending in 2011.

11.7 Responsibility to the social and natural environments

Protection of the environment in work processes

The activities in the companies of the Triglav Group exert no major environmental impact, since they mainly comprise office work. Nevertheless, environmentally responsible behaviour is embedded in the day-to-day business life of Zavarovalnica Triglav. The Company is aware of the society's joint environmental responsibility, as natural disasters have the power to severely affect its operations. The areas of its environmental impact include the use of natural resources for heating and cooling of working premises, the consumption of water and paper, and the disposal of waste.

Zavarovalnica Triglav expanded the volume of its online business with its clients (*see item 5.2 Development activities*). In 2011, the separation of waste was introduced at the Company Headquarters by setting up waste separation bins in the corridors. To reduce the disposal of plastic packaging, employees received water bottles personalised with their names. In 2012, waste separation will be introduced in all regional units and companies of the Triglav Group. Triglav contributes to the preservation of clean water by recommending the use of the "stop" button when flushing the toilet. Triglav's employees are encouraged to use electrical energy responsibly and to print email messages only when absolutely necessary. In its numerous offices, recycling is encouraged by installing special containers for collecting waste paper and empty ink cartridges from printers and photocopiers with the aim of encouraging their recycling.

Zavarovalnica Triglav installs energy saving bulbs in its business facilities, replaces old heating systems with new gas powered devices, installations or electric heaters. Environmental awareness is raised by encouraging employees to use company bicycles for transportation around town related to work.

Environmental criteria have been included in the supplier selection procedures (*see item 11.4 Suppliers and business partners*).

Environmentally responsible insurance products

The endeavours of Zavarovalnica Triglav are directed into four central orientations:

- Fast claims handling offers effective support to agricultural producers in cases of increasingly frequent natural disasters.
- Insured persons who invest in active protection enjoy premium policy incentives. Their premiums for equal insurance cover are up to 80% lower than premiums for equal unprotected agricultural crops grown in the open. The existing and potential insured farmers were both trained and informed. They are made aware of the increased likelihood that extreme loss events and natural disasters will occur (hailstorms, windstorms, floods, frosts, droughts, etc.), which may as a result require them to gradually discontinue certain crops in those areas which are more exposed or vulnerable.
- In crop and fruit insurance, the Group increasingly promotes active defence against insurable and uninsurable risks with anti-hail nets, in the insurance of greenhouses, tunnels and sprinkler systems against spring frost and with irrigation systems.
- For several years, with some animal insurance products less intensive breeding has been promoted, which not only involves fewer insurance perils but represents a smaller burden on the environment and involve less insurance risk.

Care for the broader natural environment

To further encourage responsible mountaineering, the all-Slovene "Let's Clean the Mountains" campaign was extended to cover the highlands of Slovenia. In its second season, the drive again joined many Slovene and foreign mountaineers and mountain lovers who removed waste from the mountains. With this campaign, Zavarovalnica Triglav wishes to support the responsible and sustainable enjoyment of mountains. Under the slogan "In addition to beautiful memories, let's also take rubbish down from the mountain", thus far in two seasons 50,000 (100% degradable) refuse sacks have been distributed in 35 mountain huts in Julian and Kamnik-Savinja Alps, in the Karavanke mountains and in the Highlands. In the second season, a virtual mountain booklet was shared with supporters of the campaigns; they were familiarized with the mountain code of conduct and their knowledge tested about security in the mountains. The community of the campaign supporters on Facebook increased to more than 15,000 members actively participating in the dialogue on responsible approaches to nature. The campaign, with which many lovers of mountains and nature have already identified themselves, will be continued in 2012.

GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES GR CONTENT

STANDARD DISCLOSURES – PART 1 About organisation			
Disclosures	**Content**	**Scope of reporting / reasons for partial omission**	**Page /reference**
1	Strategy and analysis		
1.1	The importance of sustainable development for the organisation and strategy – implemented by the President of the Management Board	full	
2	Organisational profile		
2.1 - 2.10	Organisation profile: Name, brands, location of the organisation's headquarters, organisational structure, ownership structure, markets served, key data, significant changes regarding structure and ownership, awards	full	91-92, Management report - 3-13, 31-32
3	Report parameters		
3.1 - 3.8	Report profile, scope and boundaries	full	89
3.10 - 3.11	The effects of any re-statements of information provided in earlier reports, and the reasons for such re-statement, significant changes from previous reporting periods	full	89, Management report - 8 - 10 Financial report – 67-70
3.12	Global reporting initiative (GRI) guidelines GR Content		113
4	Governance, commitments and engagement		
4.1 - 4.4	Governance structure, mechanisms for small shareholders and employees to provide recommendations or initiatives to the Supervisory Board and the Works Council and employee's representatives on the Supervisory Board	full	89-90, Management report - 17-30
4.12 - 4.13	Commitments to external initiatives, support of external initiatives, memberships in associations	full	91
4.14 - 4.15	Stakeholder engagement, selection criteria for engaged stakeholders	full	89
STANDARD DISCLOSURES – PART III Performance indicators			
	Environmental performance indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, payments to shareholders	full	107 - 110 Management report - 35, 67-74
EC3	Pension scheme liabilities.	full	102
	Environmental performance indicators		
EN 5	Energy savings as a result of improved energy efficiency	partially (quantitative measurements not yet fully implemented)	111-112
EN 7	Initiatives to reduce indirect energy consumption and reductions achieved	Partially (quantitative measurements not yet fully	93, 111-112

		implemented)	
	Labour practices and decent work performance indicators		
LA1	Total workforce by employment type, employmentcontract, and region, broken down by gender	partially (data capture not broken down by gender)	96 - 97
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	full	95
LA4	Percentage of employees covered by collective bargaining agreements	full	97
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work–related injuries by region and gender	partially (data capture not broken down by gender)	95, 100 - 101
LA10	Average number of hours of training per year per employee by gender and employee category	partially (data capture not broken down by gender and employee category)	98
LA 11	Programmes for skills management and lifelong learning	full	97 – 99, 101
LA 13	Composition of governance bodies	partially (reports broken down by gender only)	97
LA 15	Return to work and retention rates after parental leave, by gender.	full	101
	Social indictors		
SO7	Anti-competitive behaviour	full	105
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	full	106
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, Including advertising, promotion and sponsorship.	full	103 – 104

The reporting of Zavarovalnica Triglav and the Triglav Group on sustainable development is based on GRI GR3, with regard to which both comply with the criteria for C level reporting.

12. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

After the balance sheet date there were no significant events that influenced the financial statements for 2011.

Events after the balance sheet date material to the operations in 2012 are the following:

- In the court action of Zavarovalnica Triglav against Milan Marolt and Nadežda Klemenčič, described in detail in *Section 8.6 of the Accounting Report*. Major pending legal disputes, Zavarovalnica Triglav was served a decision by the court of first instance on 9 February 2012. The court had refused Zavarovalnica Triglav's claims. The Company lodged an appeal against this decision of the court of first instance on 23 February 2012.
- In the review procedure by the Insurance Supervision Agency (ISA) pertaining to risk management, with a special emphasis on unit-linked life insurance, which is described in detail in *Section 8.7.1 of the Accounting Report*. Reviews by supervisory bodies, the Insurance Supervision Agency, the ISA issued Zavarovalnica Triglav with a request for an audit with which the ISA would review the facts and evidence in this case and in the course of which a review of the operations related to the subsidiary company Vardar Osiguruvanje (Triglav Osiguruvanje a.d., Skopje) would also be conducted.
- Due to the downgrading of Slovenia's sovereign rating in 2012, the value of holdings of government securities of the Republic of Slovenia did not change signficantly by the date of approval of financial statements.
- On 15 March 2012, the Supervisory Board appointed the previous Executive Director of the Property Insurance Claims Department, Stanislav Vrtunski, as the new member of the Management Board for a period of five years. As Member of the Management Board, he will be in charge of life, health and accident insurance marketing, excluding key accounts. The decision on his appointment as a new member of the Management Board shall take effect as soon as the Insurance Supervision Agency issues him the authorisation to serve as a management board member.
- On 26 March 2012, the Supervisory Board of Zavarovalnica Triglav gave approval to the continuation of procedures related to introducing a strategic partner (International Finance Corporation – IFC) into the ownership structure of the holding company Triglav INT.
- On 26 March 2012, Zavarovalnica Triglav's Supervisory Board approved the termination of the term of office and of the employment contract of Management Board Member, Igor Stebernak. His term of office as Management Board Member shall expire by no later than 30 June 2012.

13. INFORMATION ON THE TRIGLAV GROUP AS AT 31 DECEMBER 2011

Insurance

ZAVAROVALNICA TRIGLAV D.D.	
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POZAVAROVALNICA TRIGLAV RE D.D.	
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Fax:	++ 386 (1) 433 14 19
E-mail address:	mail@triglavre.si
Website:	www.triglavre.si
Activity:	Reinusrance
Equity stake of Zavarovalnica Triglav / Triglav Group:	87.00% / 87.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	87.00% / 87.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 4,306,500 / EUR 4,306,500

TRIGLAV ZDRAVSTVENA ZAVAROVALNICA D.D.	
Address:	Pristaniška ulica 10, 6000 Koper, Slovenia
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E-mail address:	info@zdravstvena.net
Website:	www.zdravstvena.net
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	99.51% / 99.51%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	99.51% / 99.51%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 25,695,615 / EUR 25,695,615

TRIGLAV OSIGURANJE D.D., ZAGREB	
Address:	Antuna Heinza 4, 10000 Zagreb, Croatia
Telephone:	++ 385 (1) 563 27 00
Fax:	++ 385 (1) 563 27 09
E-mail address:	centrala@triglav-osiguranje.hr
Website:	www.triglav-osiguranje.hr
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	99.76% / 99.76%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	99.76% / 99.76%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 17,443,144 / EUR 17,443,144

TRIGLAV POJIŠŤOVNA A.S., BRNO	
Address:	Novobranska 544/1, 602 00 Brno, Czech Republic
Telephone:	++ 420 (5) 424 250 00
Fax:	++ 420 (5) 422 179 10
E-mail address:	triglav@triglav.cz
Website:	www.triglav.cz
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 100%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 100%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 13,263,239

LOVĆEN OSIGURANJE A.D., PODGORICA	
Address:	Ulica Slobode 13a, 81 000 Podgorica, Montenegro
Telephone:	++ 382 (20) 404 400
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E-mail address:	info@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 94.95%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 94.95%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 16,172,602

TRIGLAV OSIGURANJE D.D., SARAJEVO	
Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
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E-mail address:	info@triglavbh.ba
Website:	www.triglavbh.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 78.71%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 78.71%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 3,344,235

TRIGLAV OSIGURANJE A.D., BANJA LUKA	
Address:	Trg srpskih junaka br. 4, 78000 Banja Luka, Bosnia and Herzegovina
Telephone:	++ 387 (51) 215 262
Fax:	++ 387 (51) 215 262
E-mail address:	info@triglavrs.ba
Website:	www.triglavrs.ba
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 100%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 100%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 2,845,566

TRIGLAV OSIGURANJE A.D.O., BELGRADE	
Address:	Ulica Kralja Petra br. 28, 11000 Belgrade, Serbia
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Website:	www.triglav.rs
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 96.08%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 96.08%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 8,859,745

TRIGLAV OSIGURUVANJE A.D., SKOPJE	
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E-mail address:	osig@triglav.mk
Website:	www.triglav.mk
Activity:	Insurance
Equity stake of Zavarovalnica Triglav / Triglav Group:	- / 73.38%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	- / 73.38%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	- / EUR 2,207,582

Asset management

TRIGLAV SKLADI D.O.O.	
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Telephone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglavskladi.si
Website:	www.triglavskladi.si
Activity:	Mutual fund management
Equity stake of Zavarovalnica Triglav / Triglav Group:	67.50% / 96.43%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	96.43% / 96.43%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 563,345 / EUR 804,790

TRIGLAV NALOŽBE FINANČNA DRUŽBA D.D.	
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Telephone:	++ 386 (1) 434 55 40
Fax:	++ 386 (1) 434 55 50
E-mail address:	info@triglav-fd.si
Website:	www.triglav-fd.si
Activity:	Asset management
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 43,231,211 / EUR 43,231,211

TRIGLAV NEPREMIČNINE, UPRAVLJANJE IN SVETOVANJE D.D.	
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Activity:	Real estate management
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%

Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100,00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 133,440 / EUR 133,440

TRIGLAV PENZIJSKI FONDOVI A.D.	
Address:	Kralja Petra 45, 11000 Beograd, Serbia
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E-mail address:	office@triglavpenzija.rs
Website:	www.triglavpenzija.rs
Activity:	Fund management
Equity stake of Zavarovalnica Triglav / Triglav Group:	70.44% / 98.93%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	70.44% / 98.93%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 1,726,246 / EUR 2,424,439

Other

TRIGLAV INT HOLDINŠKA DRUŽBA D.D.	
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E-mail address:	tina.cvar@triglav.si
Activity:	Holding company
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 88,598,008 / EUR 88,598,008

TRI - PRO D.O.O.	
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Fax:	++ 386 (1) 724 66 75
E-mail address:	info@tri-pro.si
Website:	www.tri-pro.si
Activity:	Insurance agency
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 8,763 / EUR 8,763

AS TRIGLAV - SERVIS IN TRGOVINA D.O.O.	
Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 580 68 72
Fax:	++ 386 (1) 580 68 75
E-mail address:	info@as-triglav.si

Activity:	Maintenance and repair of motor vehicles
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 43,663 / EUR 43,663

SLOVENIALES D.D.	
Address:	Dunajska cesta 22, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 474 42 00
Fax:	++ 386 (1) 431 41 45
E-mail address:	info@Sloveniales.si
Website:	www.Sloveniales.si
Activity:	Trade
Equity stake of Zavarovalnica Triglav / Triglav Group:	61.74% / 61.74%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	61.74% / 61.74%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 7,049,037 / EUR 7,049,037

GRADIS IPGI D.D.	
Address:	Industrijska cesta 1, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 541 19 97
Fax:	++ 386 (1) 541 19 98
E-mail address:	info@gradis-ipgi.si
Website:	www.gradis-ipgi.si
Activity:	Construction
Equity stake of Zavarovalnica Triglav / Triglav Group:	56.95% / 85.66%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	56.95% / 85.66%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 455,980 / EUR 685,851

HOTEL GRAD PODVIN D.D.	
Address:	Mošnje 1, Radovljica, Slovenia
Telephone:	++ 386 (4) 532 52 00
Fax:	++ 386 (4) 532 52 50
E-mail address:	info@gradpodvin.com
Website:	www.gradpodvin.com
Activity:	Tourism
Equity stake of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Share of voting rights of Zavarovalnica Triglav / Triglav Group:	100.00% / 100.00%
Nominal value of equity stake held by Zavarovalnica Triglav / Triglav Group:	EUR 636,697 / EUR 636,697

14. SALES NETWORK OF TRIGLAV GROUP

The registered office of Zavarovalnica Triglav is where the management, governance, developmental and coordinating functions are performed. Products and services offered by Triglav can be easily and quickly accessed through the network of 12 regional offices throughout Slovenia.

Zavarovalnica Triglav's own sales network is expanded by insurance agencies and insurance brokerage firms. Agency contracts for selling insurance products are concluded with companies carrying out motor vehicle roadworthiness tests. Moreover, the range of products and services is also available in banks, post offices, travel agencies and on the web portal of Zavarovalnica Triglav.

14.1 Insurance and re-insurance

- **ZAVAROVALNICA TRIGLAV D.D., LJUBLJANA, HEADQUARTERS – REGISTERED OFFICE**

Branch offices:
- Celje
- Koper
- Kranj
- Krško
- Ljubljana
- Maribor
- Murska Sobota
- Nova Gorica
- Novo mesto
- Postojna
- Slovenj Gradec
- Trbovlje

- **POZAVAROVALNICA TRIGLAV RE D.D., LJUBLJANA – REGISTERED OFFICE**

- **TRIGLAV ZDRAVSTVENA ZAVAROVALNICA D.D., KOPER – REGISTERED OFFICE**

Triglav Zdravstvena zavarovalnica has its agencies in all 12 regional units of Zavarovalnica Triglav and health insurance outlet at its registered office.

- **TRIGLAV OSIGURANJE D.D., ZAGREB – REGISTERED OFFICE**

Branch offices:
- Čakovec
- Koprivnica
- Pula
- Rijeka
- Zagreb
- Osijek

- Split
- Varaždin
- Zadar

- **TRIGLAV OSIGURANJE D.D., SARAJEVO – REGISTERED OFFICE**

Branch offices:
- Bihać
- Tuzla
- Mostar
- Zenica
- Travnik
- Goražde

- **TRIGLAV POJIŠT'OVNA A.S., BRNO – REGISTERED OFFICE**

Branch offices:
- Brno
- Praga (3 outlets)
- Ceske Budejovice
- Ostrava
- Pardubice
- Plzen
- Liberec
- Olomouc

- **LOVĆEN OSIGURANJE A.D., PODGORICA – REGISTERED OFFICE**

Branch offices:
- Podgorica
- Nikšić
- Berane
- Pljevlja
- Bijelo Polje
- Kotor

Offices and agencies:
- Bar
- Ulcinj
- Danilovgrad
- Kolašin
- Tuzi
- Žabljak
- Plav
- Rožaje
- Mojkovac
- Budva
- Tivat
- Herceg Novi
- Šavnik
- Plužine

- **TRIGLAV OSIGURANJE A.D.O., BELGRADE – REGISTERED OFFICE**

Branch offices:
- Belgrade
- Novi sad
- Kruševac
- Niš
- Valjevo
- Kikinda
- Subotica
- Šabac
- Kragujevac
- Čačak
- Jagodina
- Vranje

Agencies:
- Bor
- Bećej
- Novi Pazar
- Pančevo
- Negotin
- Vršac

- **TRIGLAV OSIGURANJE A.D.O., BANJA LUKA – REGISTERED OFFICE**

Branch offices:
- Banja Luka
- Prijedor
- Gradiška
- Mrkonjić Grad
- Doboj
- Bijeljina
- Zvornik
- Istočno Sarajevo
- Trebinje

- **TRIGLAV OSIGURUVANJE A.D., SKOPJE – REGISTERED OFFICE**

Offices, outlets and agencies:
- Skopje
- Bitola
- Ohrid
- Gostivar
- Tetovo
- Kumanovo
- Veles
- Gevgelija

- Negotino
- Resen
- Prilep
- Kićevo
- Radoviš
- Kočani
- Štip
- Kavadarci
- Strumica
- Kruševo
- Berovo
- Delčevo
- Struga
- Vinica
- Đorđe Petrov

14.2 Asset management

- **TRIGLAV SKLADI D.O.O., LJUBLJANA – REGISTERED OFFICE**
- **TRIGLAV NALOŽBE FINANČNA DRUŽBA D.D., LJUBLJANA – REGISTERED OFFICE**
- **TRIGLAV NEPREMIČNINE, UPRAVLJANJE IN SVETOVANJE D.D., LJUBLJANA – REGISTERED OFFICE**
- **VOLUNTARY PENSION FUND MANAGEMENT COMPANY TRIGLAV PENZIJSKI FONDOVI A. D., BELGRADE – REGISTERED OFFICE**

TRIGLAV GROUP

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS 2011

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APPENDIX

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the consolidated financial statements for the year ended 31 December 2011, and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report so that it is a true and fair presentation of the Group's assets and the results of its operations for the year ended 31 December 2011.

The Management Board additionally confirms that the appropriate accounting policies were consistently used and that the accounting estimates were prepared according to the principles of prudence and good management. The Management Board furthermore confirms that the consolidated financial statements, together with the notes are prepared on a going concern basis and that they comply with the applicable legislation and International Financial Reporting Standards, as adopted by the EU.

The Management Board confirms that the Business Report includes a fair presentation of the development and financial position of the Group, including a description of the major risks to which Zavarovalnica Triglav as the parent company and its consolidated subsidiaries are exposed to as the Group.

The Management Board is also responsible for appropriate accounting practices, for the adoption of appropriate measures for the protection of property, and for the prevention and identification of fraud and other irregularities or illegal acts.

Matjaž Rakovec

President of the Management Board

Andrej Slapar

Member of the Management Board

Igor Stebernak

Member of the Management Board

Marica Makoter

Member of the Management Board

Independent Auditor's Report

To the Shareholders of Zavarovalnica Triglav, d.d.

We have audited the accompanying consolidated financial statements of the company Zavarovalnica Triglav d.d. and its subsidiaries (the Triglav Group), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Triglav Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Emphasis of matter

Without qualifying our opinion we draw your attention to Note 6.11 to the consolidated financial statements (Equity, revenue reserves), referring to the inconsistency of requirements of the Insurance Act with the International Financial Reporting Standards as adopted by the European Union. The Group forms and discloses equalization provisions within equity in accordance with the International Financial Reporting Standards as adopted by the European Union. If these consolidated financial statements were prepared according to provisions of the Insurance Act, these equalization provisions would have been formed and charged against the operating profit or loss and disclosed among technical provisions.

Other matters

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying consolidated financial statements.

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

Ljubljana, 29 March 2012

KPMG Slovenija, d.o.o.
1

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only.

III. CONSOLIDATED FINANCIAL STATEMENTS

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

	Notes	31 December 2011	31 December 2010
ASSETS			
Intangible assets	6.1	63,333,465	61,218,108
Property, plant and equipment	6.2	128,808,682	142,550,661
Deferred tax receivables	6.16	40,661,243	27,545,028
Investment property	6.3	96,784,890	84,256,259
Investments in associates	6.4	20,504,563	117,067,739
Financial assets	6.5	2,326,023,820	2,282,449,510
Financial investments		1,961,339,446	1,904,557,249
- loans and deposits		439,712,247	364,944,602
- held to maturity		245,218,281	253,578,582
- available for sale		1,192,865,725	1,195,021,035
- recognised at fair value through profit and loss		83,543,191	91,013,031
Unit-linked insurance assets		364,684,374	377,892,261
Reinsurers' share of technical provisions	6.6	43,983,083	44,221,316
Receivables	6.7	205,049,270	216,643,960
- receivables from direct insurance operations		118,559,323	127,992,948
- receivables from reinsurance and coinsurance operations		40,739,474	45,432,007
- current tax receivables		459,509	2,427
- other receivables		45,290,964	43,216,578
Other assets	6.8	12,597,206	12,949,696
Cash and cash equivalents	6.9	22,771,667	34,108,090
Non-current assets held for sale	6.10	1,482,215	1,385,441
TOTAL ASSETS		**2,962,000,104**	**3,024,395,808**
EQUITY AND LIABILITIES			
Equity	6.11	489,469,838	498,977,808
Controlling interests		465,264,933	470,765,036
- share capital		73,701,402	23,701,391
- share premium		53,204,076	53,655,516
- reserves from profit		230,826,820	69,417,981
- fair value reserve		2,786,975	45,520,845
- net profit brought forward		61,135,220	269,153,671
- net profit/loss for the year		46,175,732	11,313,293
- currency translation differences		-2,565,292	-1,997,661
Non-controlling interests		24,204,905	28,212,772
Subordinated liabilities	6.12	40,932,090	40,932,090
Insurance technical provisions	6.13	1,869,646,881	1,894,832,826
- unearned premiums		291,740,398	296,367,451
- mathematical provisions		845,464,934	849,847,775
- claims provisions		705,464,250	711,728,317
- other insurance technical provisions		26,977,299	36,889,283
Insurance technical provisions for unit-linked insurance contracts	6.13	364,495,891	376,083,063
Employee benefits	6.14	10,392,165	10,278,077
Other provisions	6.15	19,140,222	17,797,395
Deferred tax liabilities	6.16	9,613,587	14,110,839
Other financial liabilities	6.17	39,491,120	34,870,425
Operating liabilities	6.18	57,860,742	68,049,411
- liabilities from direct insurance operations		20,928,061	23,243,104
- liabilities from reinsurance and co-insurance operations		36,106,029	27,928,812
- current tax liabilities		826,652	16,877,495
Other liabilities	6.19	60,957,569	68,463,874
TOTAL CAPITAL AND LIABILITIES		**2,962,000,104**	**3,024,395,808**

B. CONSOLIDATED INCOME STATEMENT

in EUR

	Notes	2011	2010
NET PREMIUM INCOME	7.1	**916,278,896**	**946,170,224**
- gross written premium		989,398,804	1,013,560,225
- ceded written premium		-80,087,864	-74,371,737
- change in unearned premiums		6,967,956	6,981,736
INCOME FROM FINANCIAL ASSETS	7.2	**148,981,933**	**181,533,361**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES		*4,269,157*	*6,332,162*
- profit on equity investments accounted for using the equity method		4,265,615	3,525,434
- interest expense		3,060	1,353,194
- fair value gains	7.4	0	187,561
- realised gains on disposals	7.5	0	1,261,807
- other financial income		482	4,166
INCOME FROM OTHER FINANCIAL ASSETS		*118,961,870*	*132,682,856*
- interest income		85,744,485	83,863,954
- dividends		4,366,741	3,110,228
- fair value gains	7.4	6,575,898	12,834,622
- realised gains on disposals	7.5	16,145,886	26,366,161
- other financial income		6,128,860	6,507,892
NET UNREALISED GAINS ON UNITLINKED LIFE INSURANCE ASSETS		25,750,906	*42,518,343*
OTHER INCOME FROM INSURANCE OPERATIONS	7.6	**26,441,506**	**22,433,024**
- fees and commission income		17,402,868	14,633,234
- other income from insurance operations		9,038,638	7,799,790
OTHER INCOME	7.7	**57,156,897**	**61,561,494**
NET CLAIMS INCURRED	7.8	**576,117,033**	**557,704,906**
- gross claims settled		593,872,215	588,325,459
- reinsurers' share		-22,450,576	-30,148,316
- changes in claims provisions		-1,961,843	-6,334,129
- equalisation scheme expenses for supplementary health insurance		6,657,237	5,861,892
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.9	**-2,909,572**	**62,450,614**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	7.9	**- 11,402,162**	**66,351,880**
EXPENSES FOR BONUSES AND DISCOUNTS	7.10	**6,458,995**	**5,735,228**
OPERATING EXPENSES	7.11	**203,308,320**	208,135,976
- acquisition costs		130,633,390	132,463,862
- other operating costs		72,674,930	75,672,114
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.3	**202,010,429**	**121,554,254**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES		19,175,570	*4,683,649*
- loss on investments accounted for using the equity method		16,977,661	1,504,027
- interest expense		0	589,645
- fair value losses	7.4	1,775,494	174,093
- realised loss on disposals		94,434	0
- loss on impairment of financial assets	7.3	327,453	2,387,884
- other expenses from financial assets and liabilities		528	28,000
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES		*107,035,830*	*88,273,022*
- interest expense		5,849,807	6,531,136
- fair value losses	7.4	10,847,926	12,215,391
- realised loss on disposals	7.5	17,273,701	9,414,307
- loss on impairment of financial assets	7.3	62,861,127	48,664,399
- other expenses from financial assets and liabilities		10,203,269	11,447,789
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		*75,799,029*	*28,597,583*
OTHER INSURANCE EXPENSES	7.12	**55,953,030**	**61,439,998**

in EUR

	Notes	2011	2010
OTHER EXPENSES	7.13	**61,323,544**	**85,074,981**
PROFIT/ LOSS BEFORE TAX		**57,999,615**	**43,250,266**
Income tax expense	7.14	-10,502,374	-16,600,458
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		**47,497,241**	**26,649,808**
Net profit / loss attributable to the controlling company		47,060,748	27,846,858
Net profit / loss attributable to non-controlling interest holders		436,490	-1,197,048

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C. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR

		Notes	2011	2010
I.	NET PROFIT/LOSS FOR THE YEAR AFTER TAX		47,497,241	26,649,810
II.	OTHER COMPREHENSIVE INCOME AFTER TAX		-43,870,371	-9,683,289
	1. Net gains/losses from the re-measurement of available-for-sale financial assets		-69,942,764	-20,471,532
	- Gains/losses recognised in fair value reserve		-130,511,883	-39,298,578
	- Transfer from fair value reserve to profit/loss		60,569,123	18,827,046
	2. Net gains/losses from non-current assets held for sale		-198,746	0
	3. Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	7.2	-2,164,189	-483,129
	4. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	7.14	9,274,697	9,349,361
	5. Currency translation adjustment	6.11	-566,861	-538,760
	6. Tax on other comprehensive income	7.14	19,727,492	2,460,771
III.	**COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX**		**3,626,870**	**16,966,521**
	Controlling interests		3,718,858	18,458,702
	Non-controlling interests		-91,988	-1,492,181

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY[1]

in EUR

			Reserves from profit													
2011	Share capital	Share premium	Contingency reserves	Treasury share reserves	Legal and statutory reserves	Credit risk reserves	Catastrophe reserves	Other reserves from profit	Fair value reserve	Net profit brought forward	Net profit/loss	Treasury shares	Currency translation differences	TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	23,701,392	53,655,514	529,798	364,680	19,451,956	33,436,225	0	16,000,000	45,520,845	269,153,671	11,313,295	-364,680	-1,997,661	**470,765,035**	28,212,772	**498,977,808**
Comprehensive income for the year after tax									-42,774,286		47,060,748		-567,604	**3,718,858**	-91,988	**3,626,870**
Dividend payment										-9,088,053				**-9,088,053**	-22,019	**-9,110,072**
Increase of share capital	50,000,000									-50,000,000				**0**		**0**
Allocation to reserves from profit								160,000,000		-160,000,000				**0**		**0**
Allocation to other equity items					-20,971				40,416	-19,445				**0**		**0**
Allocation to credit risk reserves						1,429,813					-885,016			**544,797**	-51,128	**493,669**
Allocation to net profit/loss brought forward										11,313,295	-11,313,295			**0**		**0**
Other		-451,438								-224,248				**-675,686**	-3,842,732	**-4,518,418**
CLOSING BALANCE FOR THE PERIOD	**73,701,402**	**53,204,076**	**529,798**	**364,680**	**19,430,985**	**34,866,038**	**0**	**176,000,000**	**2,786,975**	**61,135,220**	**46,175,732**	**-364,680**	**-2,565,292**	**465,264,933**	**24,204,905**	**489,469,838**

[1] For additional notes on equity see Section 6.11.

in EUR

2010	Share capital	Share premium	Reserves from profit: Contingency reserves	Treasury share reserves	Legal and statutory reserves	Credit risk reserves	Catastrophe reserves	Other reserves from profit	Fair value reserve	Net profit brought forward	Net profit/loss	Treasury shares	Currency translation differences	TOTAL EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY	Non-controlling interests	TOTAL
OPENING BALANCE FOR THE PERIOD	23,701,392	53,892,536	1,211,903	364,680	20,019,013	32,861,909	87,361	0	54,370,241	271,086,496	-5,861,927	-364,680	-1,458,901	**449,910,023**	27,877,664	**477,787,687**
Comprehensive income for the year after tax									-8,849,396		27,846,858		-538,760	**18,458,702**	-1,492,180	**16,966,522**
Net profit allocations to reserves from profit						574,316		16,000,000			-16,533,563			**40,753**	-40,753	**0**
Offset of loss from previous years					-595,396					595,396				**0**		**0**
Allocation and use of contingency and catastrophe reserves			-682,105				-87,361			769,466				**0**		**0**
Allocation to net profit/loss brought forward										-5,861,927	5,861,927			**0**		**0**
Recognition of reserves resulting from intragroup transactions		-237,022								3,100,787				**2,863,765**		**2,863,765**
Other					28,339					-536,547				**-508,208**	1,868,042	**1,359,834**
CLOSING BALANCE FOR THE PERIOD	**23,701,392**	**53,655,514**	**529,798**	**364,680**	**19,451,956**	**33,436,225**	**0**	**16,000,000**	**45,520,845**	**269,153,671**	**11,313,295**	**-364,680**	**-1,997,661**	**470,765,035**	**28,212,772**	**498,977,808**

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E. CONSOLIDATED CASH FLOW STATEMENT[2]

in EUR

		Notes	2011	2010
A. OPERATING CASH FLOW				
a.	**Income statement items**		**15,483,061**	**83,347,693**
1.	Net written premium for the period	7.1	921,231,920	943,572,313
2.	Investment income (excluding financial income) arising from	7.2	52,023,035	97,321,632
	- insurance technical provisions		48,394,304	85,873,869
	- other sources		3,628,731	11,447,763
3.	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		92,424,896	94,388,281
4.	Net claims paid	7.8	-575,979,434	-565,839,477
5.	Bonuses and rebates paid	7.10	-10,789,820	-7,023,719
6.	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.11	-180,378,877	-223,122,725
7.	Investment expenses (excluding financial expenses) arising from	7.3	-128,112,894	-80,215,840
	- technical sources		-113,123,136	-65,974,172
	- other sources		-14,989,758	-14,241,668
8.	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.13	-130,489,363	-165,401,229
9.	Corporate income tax and other taxes excluded from operating expenses		-24,446,402	-10,331,543
b.	**Changes in net current assets-operating balance sheet items**		**-108,901,945**	**-13,961,043**
1.	Movements in receivables from insurance operations	6.7	-8,701,560	-45,957,161
2.	Movements in receivables from reinsurance operations		13,231,300	-13,254,063
3.	Movements in other receivables from (re)insurance operations		11,946,762	-911,942
4.	Movements in other receivables and assets		-5,150,334	-10,282,220
5.	Movements in deferred tax assets		-8,192,753	-4,525,176
6.	Movements in inventories		543,313	376,634
7.	Movements in debts from direct insurance operations	6.18	-763,375	12,553,097
8.	Movements in debts from reinsurance operations		1,501,610	4,861,141
9.	Movements in operating debts		-93,986,597	27,622,054
10.	Movements in other liabilities (excluding unearned premiums)		2,732,819	23,166,123
11.	Movements in deferred tax liabilities	6.16	-22,063,130	-7,609,531
c.	**Operating cash flow**	**8.5**	**-93,418,884**	**69,386,650**
B. CASH FLOWS FROM INVESTING ACTIVITIES				
a.	**Cash inflows from investing activities**		**3,154,641,695**	**3,830,451,648**
1.	Cash inflows from interest from investing activities and from	6.5	81,672,158	82,919,195
	- investment financed by insurance technical provisions		77,990,411	77,320,216
	- other investment		3,681,747	5,598,979
2.	Cash inflows from dividends received and profit sharing, arising from	6.5	4,820,953	4,742,245
	- investment financed by insurance technical provisions		1,563,343	2,155,552
	- other investment		3,257,610	2,586,693
3.	Cash inflows from the disposal of intangible assets financed by	6.1	776,499	255,070
	- insurance technical provisions		155,769	223,281
	- other sources		620,730	31,789
4.	Cash inflows from the disposal of property, plant and equipment financed by	6.2	2,239,195	2,295,708

[2] For additional notes to the cash flow statement see Chapter 8.5.

in EUR

		Notes	2011	2010
	- insurance technical provisions		294,039	1,377,554
	- other sources		1,945,156	918,154
5.	Cash inflows from the disposal of non-current investments financed by	6.5	854,302,483	944,433,982
	- insurance technical provisions		741,489,085	781,575,078
	- other sources		112,813,398	162,858,904
6.	Cash inflows from the disposal of current investments financed by	6.5	2,210,830,407	2,795,805,448
	- insurance technical provisions		2,055,075,841	2,618,867,548
	- other sources		155,754,566	176,937,900
b.	**Cash outflows from investing activities**		**-3,060,222,681**	**-3,886,606,162**
1.	Cash outflows for the purchase of intangible assets	6.1	-5,123,713	-4,656,655
2.	Cash outflows for the purchase of property, plant and equipment financed by	6.2	-9,586,447	-17,108,853
	- insurance technical provisions		-4,532,464	-3,260,195
	- other sources		-5,053,983	-13,848,658
3.	Cash outflows for the purchase of non-current investments financed by	6.5	-926,368,493	-1,226,313,687
	- insurance technical provisions		-788,020,378	-1,078,995,831
	- other sources		-138,348,115	-147,317,856
4.	Cash outflows for the purchase of current investments financed by	6.5	-2,119,144,028	-2,638,526,967
	- insurance technical provisions		-1,968,482,135	-2,520,295,968
	- other sources		-150,661,893	-118,230,999
c.	**Total cash flow from investing activities**		**94,419,014**	**-56,154,514**
C. CASH FLOWS FROM FINANCING ACTIVITIES				
a.	**Cash inflows from financing activities**		**21,248,068**	**26,245,413**
1.	Cash inflows from paid-in capital		0	0
2.	Cash inflows from long-term loans received	6.12	4,857,115	11,330,000
3.	Cash inflows from short-term loans received		16,390,953	14,915,413
b.	**Cash outflows from financing activities**		**-33,673,683**	**-34,977,421**
1.	Cash outflows for paid interest		-3,829,877	-2,686,525
2.	Cash outflows for repayments of principal		0	0
3.	Cash outflows for payments of long-term financial liabilities		-13,933,500	-12,936,550
4.	Cash outflows for payments of short-term financial liabilities		-7,030,545	-19,346,321
5.	Cash outflows from dividends paid and profit sharing		-8,879,761	-8,024
c.	**Total cash flow from financing activities**		**-12,425,615**	**-8,732,007**
D. Opening balance of cash and cash equivalents			**34,108,090**	**30,443,966**
E1. Net cash flow for the period		6.9	**-11,425,485**	**4,500,129**
E2. Foreign exchange differences			**89,061**	**-836,005**
F. Closing balance of cash and cash equivalents			**22,771,666**	**34,108,090**

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Company profile

Zavarovalnica Triglav d.d. (hereinafter: "Zavarovalnica Triglav" or "the controlling company") with its subsidiaries and associated companies form the Triglav Group (hereinafter: "the Group").

Zavarovalnica Triglav is a public limited company, with its registered office at Miklošičeva 19 in Ljubljana, Slovenia. The controlling interest in Zavarovalnica Triglav is held by the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije, hereinafter: ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba, hereinafter: SOD), which participate with 34.47% and 28.07% of the share capital, respectively.

Insurance is the core business of the Group, including a wide range of life, property and health insurance, as well as reinsurance products. In addition, the Group provides a variety of asset management, servicing and other financial services.

On 29 March 2012, the Management Board approved the issuance of the consolidated financial statements. Zavarovalnica Triglav also prepared separate financial statements in accordance with IFRS. The consolidated financial statements are available at the headquarters of Zavarovalnica Triglav and on its website.

1.2. Management and supervisory bodies

Supervisory Board

The Supervisory Board monitors and supervises the management and performance of Zavarovalnica Triglav. According to the Articles and Memorandum of Association, the Supervisory Board has nine members (six representatives of shareholders and three representatives of employees). Members of the Supervisory Board are given a four-year mandate and can be re-elected without limitation. In 2011, the Supervisory Board had the following members:

- Borut Jamnik, shareholder representative (Chairman and member until 19 September 2011);
- Anton Ribnikar, shareholder representative (Chairman as of 17 October 2011);
- Uroš Slavinec, shareholder representative (Vice President);
- Igor Mihajlovič, shareholder representative;
- Aljoša Valentinčič, shareholder representative;
- Vladimir Uršič, shareholder representative;
- Branko Gorjan, employee representative;
- Peter Celar, employee representative;
- Boris Gabor, employee representative (member until 29 May 2011);
- Miran Krštinc, employee representative (member as of 30 May 2011).

The Supervisory Board members-shareholder representatives began their term of office on 7 April 2009 for a period of four years, to 7 April 2013. On 28 June 2010, the General Meeting of Shareholders appointed Vladimir Uršič a Supervisory Board member-

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shareholder representative in substitution with a term of office starting on the date of appointment and ending on 7 April 2013. On the basis of a letter of resignation as Chairman and member of the Supervisory Board of Zavarovalnica Triglav as of 19 September 2011, the term of office of Borut Jamnik was terminated on that date.

As the term of office of the Supervisory Board members-employee representatives Branko Gorjan, Peter Celar and Boris Gabor ended on 29 May 2011, at the meeting of the Worker's Council held on 8 April 2011, the following were elected members of the Supervisory Board as employee representatives: Peter Celar, Branko Gorjan and Miran Krštinc. The four-year term of office of the newly elected members-employee representatives commenced on 30 May 2011.

At the meeting on 17 October 2011, the Supervisory Board appointed Anton Ribnikar as its Chairman.

Management Board
The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Articles and Memorandum of Association, the Supervisory Board can appoint three to six members (the President and five members) to the Management Board. The President and members of the Management Board are appointed for a five-year term with the possibility of reappointment or early termination of office in the case of a serious breach of obligations. In 2011, the Management Board had the following composition:

- Matjaž Rakovec, President;
- Andrej Slapar, member;
- Igor Stebernak, member;
- Vladimir Mišo Čeplak, member, employee representative (until 30 September 2011);
- Marica Makoter, member, employee representative (as of 21 December 2011).

Vladimir Mišo Čeplak held office as member of the Management Board until 30 September 2011.
On 30 August 2011, the Supervisory Board appointed Marica Makoter to the Management Board as employee representative for a five-year term of office. On 21 December 2011 Marica Makoter was issued a decision by the Insurance Supervision Agency authorising her to take office as a member of the Management Board.

1.3. Employees

The table below shows the educational structure of employees and the average number of employees in Zavarovalnica Triglav in 2010 and 2011.

LEVEL OF EDUCATION	31 December 2011	31 December 2010
Primary and Vocational (I-IV)	243	1,172
Secondars School (V)	2,711	1,966
Post-Secondary Education (VI)	596	554
Higher Education and University (VII)	1,399	1,443
Masters and Doctorate (VIII-IX)	115	112
TOTAL	**5,064**	**5,247**
Average number of employees in year	**5,140**	**5,247**

1.4. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: "IFRS").

1.5. Reporting basis

The consolidated financial statements have been prepared on the historical cost basis, except for the following items:

- derivative financial instruments, which are measured at fair value;
- financial assets measured at fair value through profit and loss;
- available-for-sale financial assets measured at fair value; and
- equity instruments in associates, which are accounted for using the equity method.

The methods used for measuring fair value are described in Section 2.8.

For the preparation of the statement of financial position, the Group classifies individual items into groups of assets and liabilities depending on their nature, listed in the order of their liquidity and/or maturity. In additional disclosures, the Group posts current and non-current assets as well as current and non-current liabilities as separate items, depending on whether they are expected to be paid or settled within 12 months of the balance sheet date (current) or after more than 12 months of the balance sheet date (non-current).

Financial assets and liabilities on the statement of financial position are offset only when the Group has a legal right to offset the amounts and intends either to settle them on a net basis, or to settle the asset and settle the liability simultaneously. Income and expenses on the income statement are offset only if so provided by the standards, explained in the notes or required by the accounting policies of the Group.

The consolidated annual report is adopted by the Management Board and approved by the Supervisory Board. In the event the Supervisory Board fails to approve the report, it is discussed by the General Meeting of Shareholders. The distribution of profits is discussed separately for each company of the Group by the General Meeting of Shareholders.

1.6. Basis for consolidation

The entities in which the Group directly or indirectly holds more than half of the voting rights or otherwise has the power to exercise control over their operations (subsidiaries) have been fully consolidated. The subsidiaries are consolidated from the date on which effective control was transferred to the Group and are no longer consolidated from the date that such control ceases. The changes in the equity share of the controlling company which do not cause a loss of control are accounted for as equity transactions. The difference between the amount for which the non-controlling interests are adjusted and the fair value of paid or received consideration is recognised directly in equity and allocated to shareholders of the controlling company. In the case of a loss of control over the subsidiary, assets (including goodwill) and liabilities are derecognised by their carrying value as at the date of loss of control and the carrying amount of non-controlling interest is derecognised.

All intercompany transactions, balances and any income and expenses arising from intra-group transactions have been eliminated in the process of consolidation.

The subsidiaries' accounting policies are predominantly the same as the accounting policies of Zavarovalnica Triglav. Where necessary, the accounting policies for subsidiaries have been changed in order to ensure consistency with the policies adopted by the Group. In the consolidated statement of financial position, non-controlling interests are disclosed separately from the equity of the controlling company. Net profit / loss attributable to minority interests is disclosed separately in the statement of changes in equity and in the income statement.

In 2011 the following changes occurred in the ownership structure of the Group:

Capital increase in Lovćen Osiguranje a.d., Podgorica

In 2010 Zavarovalnica Triglav raised additional capital in the amount of EUR 6,500,000 by issuing 125,000 new shares, which were entered into the Court Register in 2011. Zavarovalnica Triglav's stake in this company consequently increased from 91.84% to 94.95%.

Capital increase in Triglav Osiguranje a.d.o., Belgrade

Triglav Osiguranje, Belgrade raised capital by issuing 312,000 shares at the nominal value of RSD 700 each, totalling RSD 218,400,000 or EUR 2,173,134. This share capital increased raised Zavarovalnica Triglav's stake in said company from 94.49% to 96.08%.

Recapitalisation of Triglav Osiguranje d.d. Zagreb

In 2010 Triglav Osiguranje raised additional capital in the amount of HRK 51,410,000 or EUR 6,974,630 by issuing 20,564 shares of 2,500 HRK each, which were entered into the Court Register in 2011. Additional share capital increase was carried out in 2011 with the issue of 6,818 shares at the nominal value of HRK 2,200, totalling HRK 14,999,600 or EUR 2,002,002. All shares were purchased by Zavarovalnica Triglav, which increased its stake in the said company from 99.59% to 99.76%.

Acquisition of shares in Triglav Osiguranje a.d., Banja Luka

Zavarovalnica Triglav acquired 4 shares of Triglav Osiguranje a.d., Banja Luka in the total amount of EUR 4,090, thus becoming the 100% owner of the company.

Acquisition of shares of Triglav Osiguruvanje a.d., Skopje

Zavarovalnica Triglav purchased 1,820 ordinary registered shares from stock option beneficiaries at a price of MKD 26,232.44 per share, amounting to MKD 47,743,060.80 or EUR 776,613, thus increasing its equity stake in that subsidiary from 70.36% to 73.38%.

Capital increase in Triglav INT, holdinška družba d.d., Ljubljana

With the aim of making the management of the Triglav Group more effective, Zavarovalnica Triglav transferred its shareholdings in subsidiaries outside Slovenia to Triglav INT d.d., which was then recapitalised with an in-kind contribution of EUR 88,548,008. The value of the financial investment arising from capital increase by in-kind contribution was initially determined by the book value of the in-kind contribution. The book value of the in-kind contribution as at the date of investment is the disclosed value of the assets in Zavarovalnica Triglav's financial statements as at that date.

The share capital increase of Triglav INT d.d. was carried out by issuing 88,548,008 ordinary registered par value freely transferable shares. The issue value per share is EUR 1.00. After the recapitalisation Zavarovalnica Triglav remained the 100% owner of the company.

The table below shows the book value of financial assets transferred to Triglav INT as in-kind contribution:

in EUR

	Book value
Triglav Osiguranje, Zagreb	22,984,995
Triglav Osiguranje, Beograd	14,450,828
Triglav Osiguranje, Sarajevo	7,859,517
Triglav Osiguranje, Banja Luka	1,516,747
Triglav Osiguruvanje, Skopje	14,445,081
Lovćen Osiguranje, Podgorica	18,799,329
Triglav Pojišťovna, Brno	8,491,511
TOTAL	**88,548,008**

The fair value of the above financial investments ranges between EUR 92.3 million and EUR 108.8 million. For the description of valuation models see Section 3.5.

The squeeze-out of minor shareholders of Triglav Naložbe d.d., Ljubljana

Zavarovalnica Triglav squeezed out the minority shareholders of Triglav Naložbe d. d. by acquiring 2,512,210 shares of the company in the total amount of EUR 3,965,624. As at 31 December 2011 the company was 100% owned by Zavarovalnica Triglav.

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The squeeze-out of minor shareholders of Grad Podvin d.d., Ljubljana

Zavarovalnica Triglav "squeezed out" the minority shareholders of Grad Podvin d.d. by acquiring 4,071 shares of the company in the total amount of EUR 1,628. As at 31 December 2011 the company was 100% owned by Zavarovalnica Triglav.

Acquisition of shares of Gradis IPGI d.d., Ljubljana

Zavarovalnica Triglav acquired 13,571 ordinary registered shares of Gradis IPGI d.d. in the amount of EUR 1,503,847.00 from Triglav nepremičnine d.d., and thus increased its stake from 49.88% to 56.95%.

Capital increase in As Triglav d.d., Ljubljana

Zavarovalnica Triglav increased share capital of As Triglav by EUR 34,900.00, and remained the 100% owner of the company.

Capital increase in Triglav Penzijski fondovi a.d., Belgrade

Share capital was increased with the issue of 3,000 ordinary shares with a nominal value of RSD 1,000.00, totalling RSD 3,000,000.00 or EUR 29,410.90. The recapitalisation increased Zavarovalnica Triglav's stake in the said company from 70.00% to 70.44%. The shares were entered into the Central Securities Register in Belgrade on 18 January 2012.

Liquidation or winding up of PHS Center Štemarje d.o.o. in a simplified procedure

Center Štemarje d.o.o., 100% owned by Zavarovalnica Triglav, was deleted from the Companies Register on 28 March 2011. On the day of the liquidation all assets and liabilities of the company were transferred to Zavarovalnica Triglav. Net assets totalled EUR 942,917, which was EUR 14,932 above the book value of the investment in the said company.

Liquidation or winding up of THP Krona d.o.o. in a simplified procedure

THP Krona d.o.o., 100% owned by Zavarovalnica Triglav, was deleted from the Companies Register on 1 April 2011. On the day of liquidation, total assets and liabilities of the company were transferred to Zavarovalnica Triglav. Net assets amounted to EUR 506,658, which was EUR 117,449 above the book value of the investment in said company.

Other changes in the Triglav Group

As at 31 December 2010, the equity stake of Zavarovalnica Triglav in Abanka Vipa d.d. (Abanka) was 25.61%. In line with IAS 28 - Investments in Associates and Joint Ventures, this financial investment was posted as an investment in an associated company in 2010, since the attached voting rights gave Zavarovalnica Triglav significant influence in Abanka.

As at 31 December 2011 Zavarovalnica Triglav still had the same stake as at 31 December 2010. On 20 January 2011 Zavarovalnica Triglav received a decision from the Securities Market Agency on the suspension of its voting rights in Abanka.

Due to this decision and the consequent loss of significant influence in the company, in 2011 the financial investment in Abanka was excluded from financial assets in associates and recognised as a financial asset available for sale. The same applies to other items in income statement and the statement of financial position related to Abanka.

Other changes in the Triglav Group refer to indirect subsidiaries. These changes were as follows:

- Triglav Osiguranje a.d., Banja Luka established Triglav Auto d.o.o, Banja Luka, for motor vehicle roadworthiness testing services (100% owned);
- Lovćen Osiguranje Podgorica a.d. established Lovćen životna osiguranja a.d., Podgorica, of which it is the 100% owner. The life insurance portfolio was transferred to the company.
- Triglav naložbe d.d. acquired 2 subsidiaries through the sale of its financial investment in Intercement d.o.o.: Salnal d.d. and Sianal d.d.
- Triglav nepremičnine d.d. bought Pista d.o.o., Belgrade, and became its 100% owner.

Using the full consolidation method, the said companies are consolidated in the financial statements and listed under numbers 1 to 30. The companies listed under numbers 31 to 34 are not consolidated using the full consolidation method, as they are not of material importance to the Group. The companies listed under numbers 35 and 36 were excluded from consolidation in 2011.

in EUR

	COMPANY	ADDRESS	TAX RATE (in%)	ACTIVITY	EQUITY STAKE (in%)		SHARE OF VOTING RIGHTS (in%)		VALUE OF EQUITY AS AT 31 DECEMBET	
					2011	2010	2011	2010	2011	2010
1	Pozavarovalnica Triglav RE, d.d., Ljubljana	Miklošičeva 19, Ljubljana, Slovenia	20	Reinsurance	87.00	87.00	87.00	87.00	36,116,708	36,039,556
2	Triglav, Zdravstvena zavarovalnica, d.d., Koper	Pristaniška 10, Koper, Slovenia	20	Insurance	99.51	99.51	99.51	99.51	6,808,987	5,507,322
3	Triglav Osiguranje, d.d., Zagreb	Antuna Heinza 4, Zagreb, Croatia	20	Insurance	99.76	99.59	99.76	99.59	17,097,723	15,721,394
4	Triglav Osiguranje, d.d., Sarajevo	Dolina br. 2, Sarajevo, Bosnia and Herzegovina	5	Insurance	78.71	68.94	78.71	78.71	16,574,222	18,066,605
5	Triglav Pojišt'ovna, a.s., Brno	Novobranska 1, Brno, Czech Republic	20	Insurance	100.00	100.00	100.00	100.00	8,447,011	8,692,989
6	Lovćen Osiguranje, a.d., Podgorica	Slobode 13a, Podgorica, Montenegro	9	Insurance	94.95	91.84	94.95	91.84	8,158,696	7,039,417
7	Lovćen životna osiguranja, a.d., Podgorica	Novaka Miloševa br.6, Podgorica, Montenegro	9	Insurance	94.95	91.84	94.95	91.84	1,422,414	1,280,000
8	Triglav Osiguranje, a.d.o., Beograd	Kralja Petra 28, Beograd, Serbia	10	Insurance	96.08	94.49	96.08	94.49	6,666,570	5,781,112
9	Triglav penzijski fond a.d., Beograd	Kralja Petra 45, Beograd, Serbia	10	Fund management	98.93	99.10	98.93	99.10	997,486	1,071,279
10	Triglav Osiguranje, a.d., Banja Luka	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	100.00	99.86	100.00	99.86	1,891,605	2,842,293
11	Triglav Osiguruvanje, a.d., Skopje	Gradski zid, blok br. 8, Skopje, FRYOM	10	Insurance	73.38	70.36	73.38	70.36	7,955,520	8,501,502
12	Triglav Skladi, družba za upravljanje, d.o.o., Ljubljana	Slovenska 54, Ljubljana, Slovenia	20	Asset management	96.43	67.50	96.43	96.43	25,161,392	26,692,554
13	AS Triglav, d.o.o., Ljubljana	Verovškova 60b, Ljubljana, Slovenia	20	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	34,971	-2,999
14	TRI-PRO, d.o.o., Domžale	Ljubljanska 86, Domžale, Slovenia	20	Insurance agency	100.00	100.00	100.00	100.00	388,194	383,436
15	Triglav INT, holdinška družba, d.d., Ljubljana	Miklošičeva 19, Ljubljana, Slovenia	20	Holding company	100.00	100.00	100.00	100.00	85,747,502	47,114
16	Triglav Nepremičnine, d.d., Ljubljana	Verovškova 60c, Ljubljana, Slovenia	20	Real estate management	100.00	100.00	100.00	100.00	750,445	723,095
17	TRIGLAV Naložbe, finančna družba, d.d., Ljubljana	Slovenska 54, Ljubljana, Slovenia	20	Holding company	100.00	92.42	100.00	92.42	43,405,649	39,139,812
18	Slovenijales, d.d., Ljubljana	Dunajska 22, Ljubljana, Slovenia	20	Retail trade	61.74	61.74	61.74	61.74	36,430,767	36,803,865
19	Golf Arboretum, d.o.o., Volčji Potok	Volčji potok 3a, Radomlje, Slovenia	20	Sport facilities management	80.10	74.02	80.10	74.02	823,955	837,433
20	Gradis IPGI, d.d., Ljubljana	Industrijska 2, Ljubljana, Slovenia	20	Construction	85.66	83.48	85.66	83.48	-2,851,473	-2,486,622
21	Slovenijales trgovina, d.o.o., Ljubljana	Plemljeva 8, 1210 Ljubljana, Slovenja	20	Retail trade	61.74	61.74	61.74	61.74	8,826,709	655,832
22	TRI-PRO BH d.o.o., Sarajevo	Topal Osman Paše 30, Sarajevo,Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	-138,311	-138,500
23	Autocentar BH d.o.o., Sarajevo	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	5	Car retailer	78.71	68.94	78.71	78.71	1,334,775	1,281,514
24	Unis automobili i dijelovi d.o.o., Sarajevo	M. EF. Pandže Br.13, Sarajevo, Bosnia and Herzegovina	5	Car retailer	64.42	64.42	64.42	64.42	1,135,607	689,414

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in EUR

	COMPANY	ADDRESS	TAX RATE (in%)	ACTIVITY	EQUITY STAKE (in%)		SHARE OF VOTING RIGHTS (in%)		VALUE OF EQUITY AS AT 31 DECEMBET	
					2011	2010	2011	2010	2011	2010
25	Sarajevostan, d.d., Sarajevo	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	5	Real estate management	49.80	38.43	49.80	43.88	3,269,718	3,201,653
26	Lovćen Auto a.d.o., Nikšić	Bul. 13. jula b.b., Nikšić, Montenegro	9	Maintenance and repair of motor vehicles	94.95	91.84	94.95	91.84	231,041	1,026,538
27	Triglav Auto d.o.o., Banja Luka	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Maintenance and repair of motor vehicles	100.00	-	100.00	-	1,023	-
28	Salnal, d.d., Deskle	Anhovo 1, 5210 Deskle, Slovenia	20	Real estate management	100.00	-	100.00	-	21,064,603	-
29	Sianal, d.o.o., Ljubljana	Slovenska 54, Ljubljana, Slovenia	20	Real estate management	100.00	-	100.00	-	558,122	-
30	Pista d.o.o., Beograd	Ul.Milutina Milankovića 7a, Beograd, Serbia	10	Real estate management	100.00	-	100.00	-	4,838,588	-
31	PROF-IN, d.o.o., Sarajevo	M.P.Sokolovića 15, Sarajevo, Bosnia and Herzegovina	5	Fund management	60.31	42.21	60.31	60.31	1,984,213	1,426,440
32	Polara Invest, d.d., Banja Luka	Veselina Masleše 1, Banja Luka, Bosnia and Herzegovina	5	Asset management	75.47	68.08	75.47	68.08	1,389,660	1,147,359
33	Zdravstveni center morje, d.o.o., Koper	Ljubljanska 6/a, Koper, Slovenia	20	Health services	69.50	69.50	69.50	69.50	30,606	54,980
34	Hotel Grad Podvin, d.d., Radovljica	Mošnje 1, Radovljica, Slovenia	20	Tourism	100.00	98.98	100.00	98.98	1,531,493	1,180,586
35	Poslovno hotelsko stanovanjski center Štemarje, d.o.o., Škofja Loka	Kapucinski trg 9, Škofja Loka, Slovenia	20	Real estate management	-	97.27	-	97.27	-	948,740
36	Turistično hotelsko podjetje KRONA, d.o.o., Škofja Loka	Mestni trg 32, Škofja Loka, Slovenia	20	Real estate management	-	97.27	-	97.27	-	509,874

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2. MAIN ACCOUNTING POLICIES

2.1. The use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities as at the reporting date and the amount of income and expenses in the reporting period. Although these estimates are based on the management's best knowledge of current events and activities, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis. A change in an accounting estimate is recognised for the period to which the estimate refers as well as for any future periods affected.

The most important uncertainty estimates and decisive judgments prepared by the management while applying the accounting principles and having the strongest impact on the figures in the financial statements are the following:

- Insurance technical provisions: Provisions are calculated on the basis of insurance contracts and past trends in occurred loss events and adjusted for future expectations. The accounting policies are presented in Section 2.19, the main assumptions in Section 3, and an analysis of changes in these provisions in Section 6.13. A liability adequacy test as at 31 December 2011 is also given.
- Calculation of the fair value of financial assets and impairment thereof: An estimate of the fair value of financial assets, the price of which cannot be determined in an active capital market, has been made on the basis of several assumptions. Possible changes in these assumptions are reflected in the amount or even the impairment of these assets. Due to the financial crisis, the assessed fair value is subject to greater uncertainty. The accounting policies are presented in Sections 2.7, 2.8 and 2.9. The parameters and assumptions applied in the valuation of non-quoted financial assets are presented in Section 3.5. The values of individual types of assets are reported in Section 6.5. Sensitivity analysis for the calculation of fair values is presented in Section 4.3.

2.2. Functional and presentation currency

Items included in the separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the respective entity operates (functional currency). The consolidated financial statements are presented in euros, which is the presentation currency of the Group.

Foreign exchange differences arising from changes in the amortised cost of monetary items, denominated in foreign currency and classified as available-for-sale financial assets, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as financial assets measured at fair value through profit or loss, are recognised in the income statement. Foreign exchange differences from non-monetary items, such as equity instruments classified as available for sale financial assets, are recognised in equity as fair value reserve together with the effects of the measurement at fair value under other comprehensive income.

The financial statements of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the final exchange rate as at the balance sheet date; and
- income, expenses and costs at the average exchange rate for the year.

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For the consolidation of equity items the historical exchange rate is used. Differences arising from the use of the historical exchange rate are disclosed as a separate equity item: currency translation differences.

2.3. Intangible assets

Intangible assets are accounted for using the cost model. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Amortisation is calculated using the straight-line amortisation method.

	Annual amortisation rate
Software	20.00%
Other economic rights	1% - 20%

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each business year. If the expected useful life of an asset differs from previous estimates, the amortisation period is adjusted accordingly.

Intangible assets with an indefinite useful life are not amortised, but are subject to impairment tests on an annual basis. These assets are impaired if their carrying amount exceeds their recoverable amount.

Upon acquisition of a subsidiary or associated company, the difference between the Group's share in the fair value of assets and liabilities acquired and the fair value of the given consideration is calculated. Where the consideration exceeds the net assets acquired, goodwill is recognised.

Intangible assets governed by IFRS 4 also include assets that in business combinations are recognised as:

- contractual rights arising from insurance contracts acquired in a business combination (the list of insurance policyholders) accounted for as intangible assets with an indefinite useful life;
- the value arising from insurance contracts as the difference between fair value and the value actually accounted for in accordance with accounting policies (the value of business acquired-VOBA). At initial recognition, the measurement of these assets depends on the measurement of the underlying insurance obligations on the basis of which these assets were recognised (provisions for outstanding claims).

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets.

Deferred acquisition costs for life insurance contracts are considered in the calculation of mathematical provisions using the Zillmer method. Negative reserves after the application of this method are not capitalised. A change in the deferred acquisition cost of life insurance contracts is recognised as a change in the mathematical provision.

Accounting policies regarding the impairment of intangible assets are described in Section 2.15.

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2.4. Property, plant and equipment

Property, plant and equipment are accounted for using the cost model. The cost of an item of property, plant and equipment comprises its purchase price and any other costs directly attributable to bringing the asset to the location and the conditions necessary for it to be capable of operating.

After initial recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line depreciation method. Depreciation rates are given below.

	Annual depreciation rate
Buildings	1.5% - 5.0%
Transport vehicles	12.50%
Computers and hardware	50.00%
Office and other furniture	10% - 20%
Other equipment	6.7% - 25.0%

Depreciation of an asset begins when it is available for use. The depreciation charge for each period is recognised in profit or loss. Depreciation of an asset ceases as at the date that the asset is derecognised.

The residual value and useful life of an asset are reviewed as at the reporting date and adjusted in the event expectations differ from previous estimates.

The gain or loss from the derecognition of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in profit or loss when it is derecognised.

Maintenance and repair costs are recognised in the income statement as incurred. Further investments that increase future economic benefits increase the value of property, plant and equipment.

Accounting policies regarding the impairment of property, plant and equipment are described in Section 2.15.

2.5. Investment property

Investment property is property held to earn rentals. Property is classified as investment property if not used by the holder for performing its business activities or if only a minor part of the building is used for that purpose.

Investment property is accounted for using the cost model. The cost of purchased investment property comprises its purchase price and any directly attributable expenditure. After initial recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated and impaired using the same method as that used for property, plant and equipment described under 2.4.

Fair values for disclosure purposes are based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification.

All income arising from investment property is rental income and is shown in the income statement under "Other income". Expenses arising from investment property consist of the

depreciation charges and maintenance costs of the investment property. In the income statement, they are disclosed under "Other expenses".

Accounting policies regarding the impairment of investment property are described in Section 2.15.

2.6. Investments in associates

Associates are those entities in which the Group has a significant influence. In the consolidated financial statements, investments in associates are accounted for using the equity method. The part of the profit or loss of associates attributable to the Group is recognised in the income statement. The percentage of change in the other comprehensive income of the associate is recognised in the other comprehensive income of the Group.

2.7. Financial assets (excluding operating receivables and cash)

Financial assets are classified into the following groups: financial assets at fair value through profit and loss, financial assets held to maturity, loans and receivables and available-for-sale financial assets. Their classification depends on the initial intent at the time of their purchase. Management decides on the classification of assets at the date of initial recognition.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset (allowances to agents, consultants, and brokers, fees paid to the Stock Exchange and other transfer related fees).

The trade date is used for the initial recognition of financial assets, except for loans and receivables, for which the settlement date is used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are classified as available for sale and not classified as loans and receivables, financial assets held to maturity, or financial assets recognised at fair value through profit and loss.

After initial recognition, financial assets classified as available for sale are measured at their fair value, without deducting transaction costs that may occur in their sale or other disposal. Financial instruments not listed on a stock exchange are measured at fair value on the basis of their prices in the latest transactions (official price offers by stock broking firms or banks for certain securities) or using different pricing models (discounting of expected cash flow). Details on valuation models are described in Section 3.5. Equity instruments not quoted in an active market and for which the fair value cannot be reliably measured are measured at cost.

Changes in fair value are recognised directly in other comprehensive income as an increase (gain) or decrease (loss) in the revaluation surplus, with the exception of asset impairments and foreign exchange differences regarding monetary items, such as debt securities recognised in the income statement.

When available-for-sale financial assets are derecognised, the accumulated losses or gains, previously recognised under other comprehensive income, are transferred to the income statement.

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Held-to-maturity financial assets

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group definitely intends to hold and is able to hold to their maturity.

Financial assets held to maturity are measured at amortised cost reduced for impairment.

Financial assets at fair value through profit and loss

This category is divided into two groups: financial instruments held for trading and financial instruments measured at fair value through profit and loss.

A financial asset is classified as such if the underlying purpose of its acquisition was for resale within a short period of time, if it forms part of a portfolio of financial instruments aimed at short-term profit generation or if this classification was decided on by the management. Derivative financial instruments are always classified as financial instruments held for trading.

A financial asset designated at fair value through profit and loss is an asset:

- held in long-term business funds[3] for the purpose of covering liabilities arising from insurance contracts, relating to a change in the fair value of these assets; such a classification eliminates or reduces any mismatches that might arise from the measurement of assets and liabilities or the recognition of gains and losses arising from various contracts; or
- managed and its performance measured based on fair value in accordance with the Group's investment policy.

After initial recognition, financial assets measured at fair value through profit or loss, excluding derivative financial markets not traded and not quoted on stock markets, are measured at fair value on the basis of prices quoted in an active market.

Gains and losses arising from a change in fair value are recognised in the income statement.

The category of financial assets designated at fair value through profit and loss also includes financial assets with embedded derivative financial instruments. These are measured at fair value through profit and loss.

[3] Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance and unit-linked insurance.

Loans and receivables

Loans and receivables (excluding receivables from insurance operations) are non-derivative financial assets with fixed or determinable payments not listed in an active market.

After initial recognition, loans and receivables are measured at cost and later at amortised cost using the effective interest method. The impairments of loans and receivables are recognised if there is objective evidence that the receivable will not be recovered in accordance with the contractual terms.

Derivative financial instruments

After initial recognition, derivatives are measured based on their fair value, with effects recognised in the income statement. The fair value is determined on the basis of the price quoted in an active market. If the price is not known, 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). Derivatives include financial instruments used for protecting cash flows against interest rate risk as well as for protecting the cash flows of individual financial instruments and other items. All of the documented gains and losses due to changes in fair value are recognised in profit or loss through financial income or expenses.

2.8. Fair value of financial assets

The fair value of financial instruments traded on organised financial markets is measured on the basis of their prices quoted as at the reporting date. In the event no quoted price is available, the price offered by stock brokers is used as the reference price.

If there is no active market for a financial instrument, its fair value is measured by valuation techniques. These valuation techniques include the use of recent arm's length transactions (if any), comparison with the current fair value of another instrument with similar key features, discounted cash flow analyses and option pricing models. If there is a valuation technique commonly used by market participants for establishing instrument prices and if such a technique has yielded reliable estimates of prices used in actual market transactions, such a technique is applied by the Group.

In the discounted cash flow method, future cash flows and discount rates are applied as estimated by the management, reflecting interest rates on comparable instruments.

When the fair value of financial instruments cannot be reliably measured, the financial instruments are measured at cost (paid or received amount) increased by expenses incurred in the underlying transaction.

For disclosure purposes, a price level hierarchy has been applied for all financial assets measured at fair value as follows:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices).
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- Level 3: valuation through valuation models operating mostly based on unobservable market inputs.

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2.9. Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to cash flows from the financial asset expire;
- the Group retains the contractual rights to cash flows from the financial asset and assumes the obligation to pay cash flows to one or several payees by agreement;
- the Group transfers the contractual rights to cash flows from the financial asset, and:
  - has transferred all of the risks and benefits arising from the financial asset, or
  - has not retained or transferred the risks and benefits arising from the financial asset, but has transferred control over that asset.

2.10. Reinsurers' share of technical provisions

Reinsurers' share of technical provisions is an asset arising from reinsurance contracts.

The value of these assets is measured based on the expected losses, i.e. claims provisions for reinsured claims in accordance with reinsurance contracts and taking into account unearned premiums.

Assets from reinsurance contracts are derecognised when the rights from the underlying insurance contracts expire or are transferred to a third party.

2.11. Receivables from insurance operations

Receivables from insurance operations are recognised when insured persons are charged the premium. Receivables from active reinsurance are recognised based on estimates and calculations based on valid reinsurance contracts. After initial recognition, receivables are measured at fair value reduced by the impairment allowance, so as to show their expected recoverable amount.

Subrogation receivables are recognised when the first instalment is paid by the debtor, after a receivable has been tested in court or based on an agreement made with the subrogation debtor. In credit insurance, subrogated receivables are recognised upon occurrence.

2.12. Other assets

Other assets include inventories, deferred expenses and accrued revenue.

At initial recognition inventories are measured at cost. The cost of inventory comprises all costs of purchase. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula.

Short-term deferred expenses are amounts that will impact profit or loss in the following accounting periods. They are accrued in order to ensure their even impact on profit or loss, or to accrue prepaid expenses not yet incurred.

Accrued revenue refers to revenue earned in the current accounting period but that will be collected in a subsequent period.

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2.13. Cash and cash equivalents

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

2.14. Non-current assets held for sale

Non-current assets held for sale include assets that meet the criteria to be classified as such in accordance with IFRS 5. These assets are measured at the lower of the carrying amount and fair value less costs to sell.

2.15. Impairment

Intangible assets and property, plant and equipment

At the reporting date, the value of intangible assets is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount is assessed. The recoverable amount of intangible assets with an indefinite useful life and of intangible assets not yet put into use is measured on an annual basis, irrespective of any objective signs of impairment.

The value of goodwill and contractual rights is tested as at the reporting date so as to ascertain if there are any objective signs of impairment. Impairment of goodwill and contractual rights is recognised for a cash generating unit, which represents an individual company. In the event signs of impairment are present, the recoverable amount of assets is estimated that represent its value in use.

Goodwill impairment testing is carried out in compliance with the International Valuation Standards (IVS). The testing and the estimation of potential impairment is carried out in accordance with the estimated recoverable amount. The basis for the explicit forecast period are the available plans of the management and assessors' estimates of market convergence towards more developed ones, taking into account the forecasted economic convergence of international financial institutions and other EU regulators. The discount rate is calculated by applying the CAPM method and surpluses for specific risks. Goodwill impairment tests are carried out on an annual basis.

At the reporting date, the value of property, plant and equipment is estimated to determine whether there are any objective signs of impairment. In the event there are objective signs of impairment, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the recoverable amount exceeds the carrying value, the assets are not impaired.

If the carrying amount of an asset or group of assets exceeds their recoverable amount, an impairment loss is recognised in the amount equalling the difference between the two.

For material assets, impairments are assessed on an individual basis. The impairment of the remaining financial assets is carried out collectively, on the basis of the nature of their exposure to risk.

The previously recognised impairment losses of property, plant and equipment and intangible assets are reversed only if their recoverable amount increases and if this increase can be objectively related to an event occurring after the previous impairment was recognised. An impairment loss of an asset is derecognised only up to the amount of the carrying amount that would have resulted after the depreciation charge, if in previous periods no impairment loss had been recognised.

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Investment property

The value of investment property is estimated on an annual basis in order to determine whether there are any objective signs of impairment. In the event of any sign of impairment of investment property, the recoverable amount (the higher of an asset's fair value less costs to sell and its value in use) is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in an amount equalling the difference between the two.

Financial assets and investments in associates

Objective signs of the impairment of investments in associates are reviewed on an annual basis. Underperformance of an associate may represent an objective sign of impairment.

The impairment loss of an available-for-sale financial asset is calculated on the basis of its current fair value. If there is objective evidence of the impairment of an available-for-sale financial asset, the accumulated loss, previously recognised in other comprehensive income, is transferred to the income statement. For equity securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), a significant decrease in the fair value of a security (above 40%) or a long-term decrease in the fair value of a security (continuing for more than nine months). For debt securities, objective evidence of impairment includes statutory changes (bankruptcy, liquidation, etc.), payment arrears or other significant negative events related to the creditworthiness of the issuer.

The reversal of the previously recognised impairment losses of equity instruments, classified as available-for-sale financial assets, is recognised in other comprehensive income.

The impairment loss of a financial asset, measured at amortised cost, is calculated as the difference between that asset's carrying amount and the present value of expected future cash flows, determined on the basis of the historical effective interest rate.

A reversal of previously recognised impairment of financial assets measured at amortised cost and debt instruments classified as available for sale is recognised in the income statement. Impairment may be reversed if such a reversal can be objectively related to an event occurring after the previous impairment was recognised.

Insurance receivables

The adequacy of the value disclosed is tested for each group of receivables. All insurance receivables are tested for impairment or impairment reversal at least at the end of the business year. Impairments are recorded as an adjustment of the value of receivables and are formed individually or collectively for receivables with similar credit risk. Credit risk is assessed based on the classification of receivables by maturity and the experience of previous years regarding the recovery of receivables with the same maturity. Impairment loss is recognised as an expense from insurance operations.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions (assets from reinsurance contracts) is tested for impairment on an annual basis. These assets are impaired only if there is objective evidence resulting from an event occurring after the initial recognition of the reinsurance asset showing that the amounts due from reinsurers in accordance with a contract may not be recovered and if the event has a reliably measurable effect on the amounts that will be

recovered by Zavarovalnica Triglav from the reinsurer An impairment loss of assets from reinsurance contracts is recognised in the income statement.

2.16. Equity

Share capital equals the nominal value of paid-up ordinary shares, denominated in euros. When Zavarovalnica Triglav or a subsidiary acquires shares of Zavarovalnica Triglav, their value is disclosed as a deduction from the Group's equity. The same amount is then allocated to treasury share reserves as required by the Companies Act (hereinafter: "ZGD-1").

Share premium is formed from the paid-in capital surplus and other capital contributions in line with the Memorandum and Articles of Association. Share premium also includes amounts resulting from the introduction of IFRS (the reversal of a general equity revaluation adjustment).

Reserves from profit are legal reserves, statutory and other reserves, treasury share reserves, credit risk equalisation reserves reserves. Some insurance companies outside the Republic of Slovenia that are members of the Triglav Group set aside contingency reserves as well.

The consolidated financial statements also include legal, statutory and other reserves from profit. Legal reserves are formed and used in line with the Companies Act (ZGD-1) and the local legislation of each subsidiary. Together with share premium, they have to amount to no less than 10% of the share capital. They represent tied capital set aside in order to protect creditors' interests.

Statutory reserves represent up to 20% of share capital of the parent company. Based on a decision by the Management Board, Zavarovalnica Triglav may allocate up to 5% of net profit to statutory reserves in any business year, decreased by any amounts used for covering losses brought forward and amounts allocated to legal reserves and reserves from profit. Statutory reserves may be used for covering loss after tax for the business year or loss brought forward, for treasury share reserves, for increasing share capital from authorised capital, as well as for dividend payment policy purposes.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The Insurance Act defines equalisation reserves as a liability and requires that they are recognised under insurance technical provisions and formed or used through the income statement. Pursuant to local legislation, such reserves are also formed by the following subsidiary insurance companies outside the Republic of Slovenia:

- Lovćen Osiguranje a.d., Podgorica;
- Triglav Osiguranje, a.d.o., Beograd.

As this is not in compliance with IFRS, the Group discloses equalisation reserves under reserves from profit in accordance with IFRS and forms them from profit for the year in the statement of changes in equity or from retained profit. Contingency reserves are formed in accordance with the local legislation of Croatia and Bosnia and Herzegovina. They amount to no less than one third of net profit for the current year and are earmarked for covering possible future losses.

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2.17. Subordinated liabilities

Subordinated liabilities refer to subordinated debt instruments which are, in accordance with the underlying agreements, to be paid last in the event of the issuer's bankruptcy or liquidation. Subordinated liabilities are measured at amortised cost.

2.18. Classification of insurance and financial contracts

All products in the portfolio of the Triglav Group are classified as insurance contracts, because all of the products bear significant insurance risk. The significance is determined on the basis of additional payments upon the occurrence of a loss event. The significance of additional amounts is assessed by comparing the greatest difference between the value of the payment in the event of a loss event and the payment in other cases. Percentages from 105% to 110% are used for the assessment of significance.

For the purpose of accounting for assets covering liabilities that arise from insurance contracts, in addition to assets backing liabilities, three long-term business funds have been formed: a long-term business fund for unit-linked products, a long-term business fund for supplementary voluntary pension insurance and a combined long-term business fund for life, annuity and voluntary pension insurance.

2.19. Insurance-technical provisions

Unearned premium provisions

Unearned premium provisions are formed for the part of gross written premium that refers to the following business year(s). These are calculated separately for individual insurance contracts using the pro rata temporis method, except for insurance policies where insurance coverage changes during their term and where the expiry of insurance coverage is agreed to be more than one year after the insurance policy is taken out. Unearned premiums are calculated both for life and non-life insurance contracts.

Claims provisions

Claims provisions are formed for claims incurred but not settled until the reporting date. Claims provisions are formed for reported claims as well as for unreported and inadequately reported claims.

Provisions for reported claims are set aside on the basis of individual loss files. Provisions for non-life annuities in Zavarovalnica Triglav are calculated as a capitalised annuity value based on the German mortality tables of 1994 and an interest rate of 2.75%, as prescribed by the regulator. Other insurance companies in the Triglav Group use different local mortality tables.

Provisions for incurred but not reported claims (IBNR) are calculated by means of "triangle" methods (a combination of Chain Ladder and Bornhuetter- Ferguson methods). The basis for calculation is a sample of past claims experience with appropriate allowance for future trends. For this purpose a several-year-long time series of settled claims is applied.

With the exception of annuities, provisions for outstanding claims are not discounted. The methods used and estimates made are reviewed at least on an quarterly basis.

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Mathematical provisions

Mathematical provisions for life, annuity, pension and unit-linked products are calculated separately for each individual policy. For life, annuity and pension contracts in the pay-out period, a modified net premium prospective method is applied, taking into account insurance contract acquisition costs. For pension contracts in the saving period, where the nature of products makes the aforementioned method inappropriate, the retrospective net premium method is applied. The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products, additional provisions are formed for covering contractual risk payments.

All calculations allow for prudent actuarial assumption bases, the legislation in force and all liabilities to policyholders arising from contracts and the respective terms and conditions.

Mathematical provisions also contain components for discretionary benefits allocated to policyholders in the past, based on the terms and conditions of the underlying contracts.

A portion of fair value reserve of available-for-sale financial assets, which will be distributed among policyholders after maturity, is also included in mathematical provisions. The principle of shadow accounting is applied. All effects from fair value measurement of available-for-sale financial assets are recorded in equity (fair value reserve). The sums are then transferred to mathematical provisions on the reporting date, as follows:

- the entire fair value reserve from available-for-sale financial assets (disclosed as investment in the fund covering the Supplementary Voluntary Pension Insurance Fund (SVPI)) is transferred from other comprehensive income to mathematical provisions;
- an 80% portion of the entire fair value reserve from available-for-sale financial assets (disclosed under the life insurance long-term business fund) is transferred from other comprehensive income to mathematical provisions.

The applied assumptions and other parameters are presented in greater detail in Section 2.3.1.

Other insurance-technical provision

Provisions for bonuses in non-life insurance are formed for the part of the premium that will be reimbursed to those beneficiaries who meet certain beneficiary criteria set out in insurance conditions (total loss ratio over the last three years, financial discipline in premium payment and total insurance premium). An annual analysis and preset criteria are used to calculate the amount of premium reimbursement.

Provisions for cancellations represent that part of unearned premiums which is expected to be reimbursed in the event of early cancellation and for which deferred acquisition costs have been formed.

Provisions for unexpired risk are formed for policies where, based on past experience, it is assumed that the amount of unearned premiums will not suffice for covering all future claims.

In Triglav Pojišťovna, Czech Republic, the provisions are formed according to Czech insurance Bureau requirements.

2.20. Other provisions

Employee benefits comprise provisions for jubilee and retirement benefits and unused leave. The calculation of these provisions is made by using the actuarial evaluation method, i.e. the method of the estimated relevance of units or the method including profit proportionally to the work carried out. In line with IAS 19, the calculation is based on the following actuarial assumptions:

- demographic variables (employee mortality and labour turnover),
- financial assumptions, such as:
  - o discount rate with reference to the yield curve published by the European Central Bank or other European bonds as at the reporting date and estimates of
  - o future salary increases taking into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the labour market.

2.21. Other financial liabilities

At initial recognition financial liabilities are measured at the cost arising from relevant underlying documents. They are decreased by amortised costs and increased by accrued interest. In the financial statement financial liabilities are disclosed at amortised value. Interest paid on loans taken is recognised as expense and accordingly accrued over the term of the underlying loan.

2.22. Operating liabilities and other liabilities

Operating liabilities and other liabilities are recognised in the statement of financial position based on the contractual obligation to pay. At initial recognition, operating and other liabilities are measured at cost.

2.23. Premium income

Net premium income is calculated on the basis of gross written premium and gross outward reinsurance premium, reduced by reinsurers' and retrocessionaires' share and adjusted depending on the change in gross provisions for unearned premiums taking into account the reinsurers' and retrocessionaires' share in provisions for unearned premiums. The invoiced premium serves as the basis for recognising gross written premium.

2.24. Income from financial assets

Income from financial assets arises from interest income, dividends, changes in fair value, capital gains and other financial income. In the income statement, interest income is carried at amortised cost using the effective interest rate, which does not apply to financial assets recognised at fair value through profit and loss. Income from dividends is recognised in the income statement once the right to the payment is obtained. Income from changes in fair value arises from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss. Gains on disposal arise from the derecognition of financial assets other than those recognised at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a realised gain.

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Income from financial assets includes net unrealised gains on unit-linked life insurance assets. The latter arise from changes in the fair value of unit-linked life insurance assets.

2.25. Other income from insurance operations

Other income from insurance operations represents fees and commission income (asset management fees, reinsurance commissions, entrance and withdrawal fees and other) and includes other income from insurance operations (income from green card sales, loss adjustment services, assistance services and other). It is recognised in the income statement once a service has been provided and/or invoiced.

2.26. Other income

Other income includes investment property income, income from intangible assets and property, plant and equipment, as well as other income not directly related to insurance operations. Other income is recognised in the income statement when an invoice is issued.

2.27. Claims incurred

Net claims represent gross claims settled (claims incurred and claim handling costs), reduced by the reinsurers' share and subrogated receivables, and adjusted by the change in gross provisions for outstanding claims, taking into account the reinsurers' share of these provisions. Claim handling costs consist of external and internal costs of assessing the eligibility and amount of claims, including court fees and charges, expert fees and subrogation recovery expenses.

Gross claims are recognised in the income statement once they have been settled.

2.28. Other operating costs and costs of insurance acquisition costs

Gross operating costs are recognised as original expenses by natural type of cost. In the income statement these costs are classified by function. Claim handling costs are a constituent part of claims incurred, asset management costs are a constituent part of investment expense, whilst insurance contract acquisition costs and other operating costs are separately disclosed in the statement. All operating costs are disclosed by natural type and function.

2.29. Expenses from financial assets and liabilities

Other financial expenses are interest expenses, fair value losses, net realised losses on financial assets, permanent impairment losses and other financial expenses.

In the income statement, interest expense is recognised using the effective interest method, which does not apply to the financial assets measured at fair value through profit and loss.

Expenses due to changes in fair value arise from the subsequent remeasurement of the fair value of financial assets recognised at fair value through profit and loss.

Losses on disposal arise from the derecognition of financial assets other than those measured at fair value through profit and loss. The difference between the carrying amount of a financial asset and its sales value represents a loss incurred.

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Expenses from financial assets include net unrealised losses on unit-linked life insurance assets. These expenses reflect the change in the fair value of unit-linked insurance assets.

2.30. Other insurance expenses

Other insurance expenses include entrance, withdrawal and management fees, losses arising from the impairment of receivables, fire protection tax, prevention expenses and other insurance-related expenses. Other insurance expenses are disclosed in the income statement once a service is provided.

2.31. Other expenses

Other expenses comprise other expenses not directly arising from insurance operations. Other expenses are disclosed in the income statement once a service is provided.

2.32. Taxes

Tax expense for the year comprises current and deferred tax. Deferred tax is calculated for all temporary differences between the amounts of assets and liabilities used for taxation and their carrying amount. The impact of the recognition of deferred tax receivables or liabilities is disclosed as income or expense in the income statement, excluding taxes charged on a business event recognised under other comprehensive income.

In the Republic of Slovenia, current income tax is charged at a 20% tax rate and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in Section 1.6).

In consolidation, temporary differences may be recognised, arising either from the difference between the official financial statements of a subsidiary and those adjusted for consolidation purposes, or from consolidation procedures.

2.33. Adoption of new and revised IFRS

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective for accounting periods beginning on 1 January 2011.

The following amendment to published Standards will be effective after 1 January, 20112:

- Amendments to IFRS 7: Disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July, 2011)

  The Amendments require disclosure of information that enables users of financial statements:

  - To understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
  - To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

  The Amendments define »continuing involvement« for the purpose of applying the disclosure requirements.

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3. MAIN ASSUMPTIONS

The main assumptions used for measuring the value of insurance contracts and non-tradable financial assets are described below.

3.1. Parameters and assumptions in calculating life insurance provisions

3.1.1. Life and annuity insurance

For life and annuity insurance contract liabilities valuation, a modified prospective net premium method is applied by taking into account insurance acquisition costs, all of the contractual obligations and the previously allocated surplus. The insurance technical parameters used by the method are either the same as those used for calculating insurance premiums or corrected so as to reflect the subsequent circumstances which increase the value of liabilities. A correction to reflect the current circumstances applies to the annuity insurance products of Zavarovalnica Triglav, where the relevant liabilities are valued on the basis of rather conservative mortality tables and a prudently set lower interest rate of 3.8% p.a. for the contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a. For the purpose of valuing annuity insurance contracts, instead of the legally allowed German mortality tables of 1987, Zavarovalnica Triglav applies the German mortality tables of 1994.

The guaranteed interest rate used for valuation at the Group level ranges between 2.75% p.a. and 3.8% p.a. The calculation takes into account insurance contract acquisition costs below the legally imposed level of 3.5% of the sum insured under life insurance policies.

3.1.2. Voluntary pension insurance

During the accumulation period, mathematical provisions are evaluated using the retrospective method. This method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, the guaranteed interest rate and the additional allocated surplus made to individual accounts arising from profit sharing. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

Voluntary pension insurance belongs to the group of insurance contracts, as it includes the option of discretionary participation in the profits from the long-term business fund. Moreover, for the majority of voluntary pension insurance contracts the annuity factors are guaranteed and defined at the time of underwriting.

The insurance technical parameters used in the calculation are either the same as those used when underwriting a policy, or they are adapted to the circumstances expected in the pension annuity pay-out period in the event these circumstances are worse than those taken into account in the premium calculation. The guaranteed technical interest rate used for the valuation of liabilities during the premium payment period ranges between 2% p.a. and 4.5% p.a. For the pension annuity pay-out period, a prudently set lower interest rate of 3.8% is applied to contracts containing a fixed interest rate guarantee of 4% or 4.5% p.a.

For the purpose of valuing its liabilities during the pay-out period of pension annuities bearing an interest rate from 2.75% p.a. to 3.80% p.a., instead of the legally allowed German mortality tables of 1987 the Group applies the German mortality tables of 1994, which are more conservative.

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3.1.3. Supplementary voluntary pension insurance (SVPI)

During the accumulation period, mathematical provisions are evaluated using the retrospective method. The method takes into account all of the premiums received up to the day of valuation, entrance charges, any sums paid out, guaranteed interest rates and the additional allocated surplus made to individual accounts arising from extra returns on funds. During the pension annuity pay-out period, provisions are set aside on the basis of the current value of the expected future liabilities of the insurance company (the prospective net method).

The technical parameters used are either the same as those used when underwriting a policy or adjusted due to circumstances which will change later and increase the value of liabilities - primarily when valuing liabilities arising from pension annuity pay-outs. For valuation purposes, instead of the legally allowed German mortality tables of 1987, the Group applies the more conservative German mortality tables of 1994. During the accumulation period, the insurance companies of the Group guarantee a minimum annual return on net premiums paid, equalling 50% of the average annual interest rate on government securities with a maturity of over one year (figures published by the Ministry of Finance of the Republic of Slovenia). During the annuity pay-out period, the insurance companies value their liabilities at an interest rate ranging from 3.25% to 3.8%.

3.1.4. Unit-linked insurance

The liabilities for unit-linked insurance contracts are evaluated for each insurance policy as the fair value of assets in the investment account decreased by capitalised future management charges on initial units (actuarial funding). For certain insurance products additional provisions are formed to cover contractual risk payments under basic and additional policies.

3.2. The liability adequacy test (LAT) for life insurance

The purpose of LAT is to verify the adequacy of provisioning for life insurance. The test consists of comparing the amount of provisions with the best estimate of provisions, arrived at on the basis of the present value of the best estimate of the future expected contractual and other cash flows. The calculation is performed for each separate contract while the results are aggregated on the level of homogenous groups. The test is based on a unified methodology that determines, among others, the grouping of policies into homogenous groups, the choice of risk-free discount rates and the type of cash flows being modelled. The portfolio balance is tested as at the last day of the business year.

3.2.1. Segmentation of life insurance products for the purpose of LAT test

Insurance contracts are segmented into homogenous groups which feature similar risks and are kept within the same portfolio. As a rule, insurance contracts are grouped according to their insurance classes:

- traditional life insurance,
- unit-linked life insurance and
- capital redemption insurance (supplementary voluntary pension insurance).

The adequacy of liabilities is measured on the level of a homogenous group. If the test shows that the liabilities are insufficient, the total amount of the difference is recognised as an increase in provisions and an expense in the income statement.

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3.2.2. Parameters and assumptions applied to life insurance

Mortality, longevity and morbidity assumptions

Assumptions regarding mortality, longevity and morbidity rates are based on internal analysis of the company's life insurance portfolio, on the data of national statistical offices, the data of reinsurers and other sources.

Persistency

The model takes into account the lapse rates determined on the basis of analysis of past experience. The Group continuously monitors the persistency of insurance policies by duration and type of insurance, and adapts their assumptions accordingly.

Expenses

The calculation takes into account policy handling/maintenance expenses, claim handling expenses and asset management expenses, as defined on the basis of an analysis of the individual company's expenses in preceding years. Estimated future expenses are increased every year in line with the expected inflation rate.

Increasing insurance premiums

In the case of insurance policies for which the monthly premium directly or indirectly follows the increase in salaries, the increase is calculated in line with the expected inflation rate.

Expected returns and discount interest rates

The applied methodology determines that the discount rates used should reflect the yield of the local government bonds denominated in the currency of the contract being modelled. For the purpose of the LAT test, the yield curve of Slovene sovereign debt securities denominated in euros as at 30 December 2011 was applied. The reference value for a period of 10 years totalled 6.651%.

The best estimate of provisions was additionally determined on the basis of the yield curve of AAA-rated government bonds, published by the European Central Bank (ECB), which is used to verify the adequacy of the provisioning level as at 31 December 2011. The reference value of the curve for a 10-year period is 2.645%. Zavarovalnica Triglav also used the yield curves published by the ECB to test the adequacy of the provisioning level in the preceding years.

Profit participation

The determination of the profit participation rate is at the discretion of each Group member and regulated by internal rules. The estimated future allocation of surpluses are in line with the expected performance, the previous profit allocation rates and the policyholders' reasonable expectations.

In the model, profit is allocated in an excess of the technical interests for with-profit policies. The allocation is determined on the basis of the mathematical provisions as at the end of the financial year.

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Annuity factor guarantee

The liability adequacy test allows for the possibility of a change in annuity factors by the insurer in the event of insurance policies for which the mortality forecasts indicate that life expectancy is likely to increase to such an extent that the contract conditions justify such a change. The calculation also assumes the probability that 80% of the policyholders will choose to receive a pension annuity, while the others will opt for a lump-sum payout.

3.2.3. Results of the liability adequacy test for life insurance

Liability adequacy tests based on available data show that provisions formed at the Group level are adequate.

3.2.4. Sensitivity analysis of LAT test to parameter changes

The valuation of liabilities depends on variables such as mortality, lapse rate, operating costs and the estimated percentage of policyholders deciding to opt for a pension annuity. Parameters are sensitivity tested in order to assess the impact of changes to the above-mentioned variables on future liabilities, the level of provisions and net profit or loss for the year. The changes represent reasonable potential changes in the parameters which could significantly impact the performance of the company.

Individual sensitivity analyses always take into account the change of a selected parameter with all the remaining variables unchanged without accounting for the value of assets backing the liabilities.

The changes under consideration were:

- an increase in mortality rates by 10%,
- a decrease in longevity rates by 10%,
- an increase in lapse rates by 10%,
- an increase in expenses by 10%,
- an increase in the annuisation rate by 10%.

Test results have proven mathematical provisions in all these scenarios of changing key technical parameters to be adequate.

3.3. Parameters and assumptions in calculating non-life insurance provisions

The unearned premium for most insurance policies is calculated pro-rata temporis, assuming a uniform distribution of claims frequency during the term of insurance contracts. Insurance policies with a variable sum insured are the exception to this rule. These policies include credit insurance, since the insurance cover in such cases gradually decreases, and construction and erection insurance, where the insurance cover rises. For such type of insurance, the calculation of unearned premiums is based on the assumption of a constant claim frequency throughout the duration of the insurance contract and variable insurance cover.

In general, the claims provisions are calculated in the Group as the sum of total claims reported but not settled (RBNS) and incurred but not reported (IBNR) claims. Provisions for incurred but not reported claims are calculated using the run-off triangles method.

Previous experience shows that claims from mass loss events, such as hail, floods and storms, are reported with considerable delay. None of the standard actuarial methods for determining the amount of IBNR claims after mass loss events is suitable for calculating

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these claims. Such claims can represent a significant part of the entire amount of incurred but not reported claims. In order to ensure an up-to-date calculation of the actual amount of claims after mass loss event, additional provisions for IBNR or insufficiently reported claims after mass loss events are formed, based on a joint assessment by actuaries and the department in charge of insurance claims.

Claims provisions also include provisions for annuities in the case of liability insurance. Provisions for these claims were calculated as a capitalised annuity value as at the cut-off date based on applicable mortality tables and an interest rate of 2.75%

3.4. Liability adequacy test (LAT) for non-life insurance

The insurance companies of the Group form reserves for unexpired risks for those lines of business where the expected loss ratio exceeds 100%. Additional reserves for unexpired risks are calculated as a product of unearned premiums and the difference between the value of the loss ratio and 100%.

Additional tests are performed to check the adequacy of the unearned premiums and unexpired risk reserves. The amounts of future gross claims and gross claim handling costs are applied in these tests and compared with the amount of established provisions for unearned premiums reduced by deferred insurance acquisition costs.

The results of tests show that the level of unearned premiums reserves, together with the level of unexpired risk reserves, is sufficient.

3.5. Parameters and assumptions applied in measuring non-quoted financial assets

In accordance with the internal rules on the valuation of equity investments relating to certain non-tradable assets, their fair value is established by arriving at a valuation (i.e. by making an appraisal) in compliance with IAS 39. The methods used include: the discounted cash flow method, the listed comparable companies method and the asset valuation method. The choice of method depends on the nature of the business of the company under appraisal. In order to obtain an impartial opinion, most of the value appraisals of other non-tradable assets have been provided by outsourced assessors.

Value appraisals of other non-tradable assets are based on the assumptions the assessor makes on the basis of public information and, where possible, on an interview with the management of the company under appraisal. The applied estimates and assumptions involve certain risks as to their future realisation. With the aim of reducing this risk, the assumptions and estimates applied are verified by different methods (by comparing assumptions and estimates against the industry average, individual traded companies, etc.). Moreover, a sensitivity analysis of the following value drivers is applied in order to estimate the value range of the company: the discount rate, net sales income, the EBITDA margin, and cash flow growth over a forecast period.

Sensitivity analyses for more detailed forecast periods (most commonly 5 to 10 year periods are taken into account) involve the following ranges for the above mentioned categories: income growth (2.5–5.5%), the EBITDA margin (3.0–8.2%), the discount rate (10.3–14.5%) and cash flow growth over a forecast period of (2.0–4.5%). The value, i.e. the range, of any of the given categories, depends on the character of the business and/or the risks associated with the analysed company and/or industry in which it operates.

Depending on the chosen assumptions, the process of value appraisal can result in differently appraised value ranges. A value within the calculated appraised value range is selected as the best assessment of an asset's fair value. In some cases, the appraised value range is rather wide. Due to the above mentioned uncertainty inherent to the process of

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appraising the value of non-tradable assets, which results in a relatively wide appraised value range, the Group aims to apply a consistent and prudent approach to best assessing an asset's fair value and thus minimising any subjective elements in this process.

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4. RISK REPORT

We define risk as the threat or possibility that an action or event will adversely or beneficially affect our ability to achieve our strategic objectives. We understand risk management as a process that encourages well-considered and responsible risk taking as a legitimate response to opportunity and uncertainty and enables us to achieve better results for the Group through improved decision-making and targeted risk mitigation and control.

The established risk management system is used to verify whether the second line of defence effectively covers all major risks, and to identify measure and manage financial, insurance and operational risks. Simultaneously, the Triglav Group:

- defines its risk appetite and monitors risk exposure;
- implements an integrated risk management system in compliance with Solvency II requirements; and
- creates a favourable environment for the development of risk management culture in line with the Company's business strategy.

4.1. Main characteristics of the risk management system

4.1.1. Objectives of the risk management system

Objectives of the risk management system:

- increase in the Group's value by added attention paid both to return and risks;
- care for the appropriate capitalisation, liquidity and profitability of the Group;
- support for better decision-making, as it enables in-depth insight into risks and their effects and/or consequences;
- care for the security and satisfaction of investors, employees, clients and other stakeholders.

The risk management system is made of three lines of defence with clearly defined responsibilities as described below.

The first of the three lines of defence in the system is spread over individual divisions, which are primarily responsible for active risk management per division. They are also responsible for the effective functioning of internal controls and the implementation of business activities within the set limits and in accordance with the strategic objectives.

The second line of defence consists of the Risk Management Committee, the Assets and Liabilities Committee (ALCO) (see chart below) and the Risk Management Department. The two committees supervise the functioning of the integrated management system and the proper communication of activities. Each committee includes at least one Management Board member, the relevant executive directors and the directors of departments directly accountable to the Management Board of Zavarovalnica Triglav.

The Risk Management Department draws up a risk management framework (methodologies used for risk identification, measurement and management, minimum requirements for the internal control system, development of assets and liabilities management models, setting investment policy limits and operational risk limits, verifying compliance with the risk management framework).The Director of the Risk Management Department, who is directly accountable to the Management Board, is also a member of the Risk Management Committee and Chairman of the ALCO. This and other parts of the

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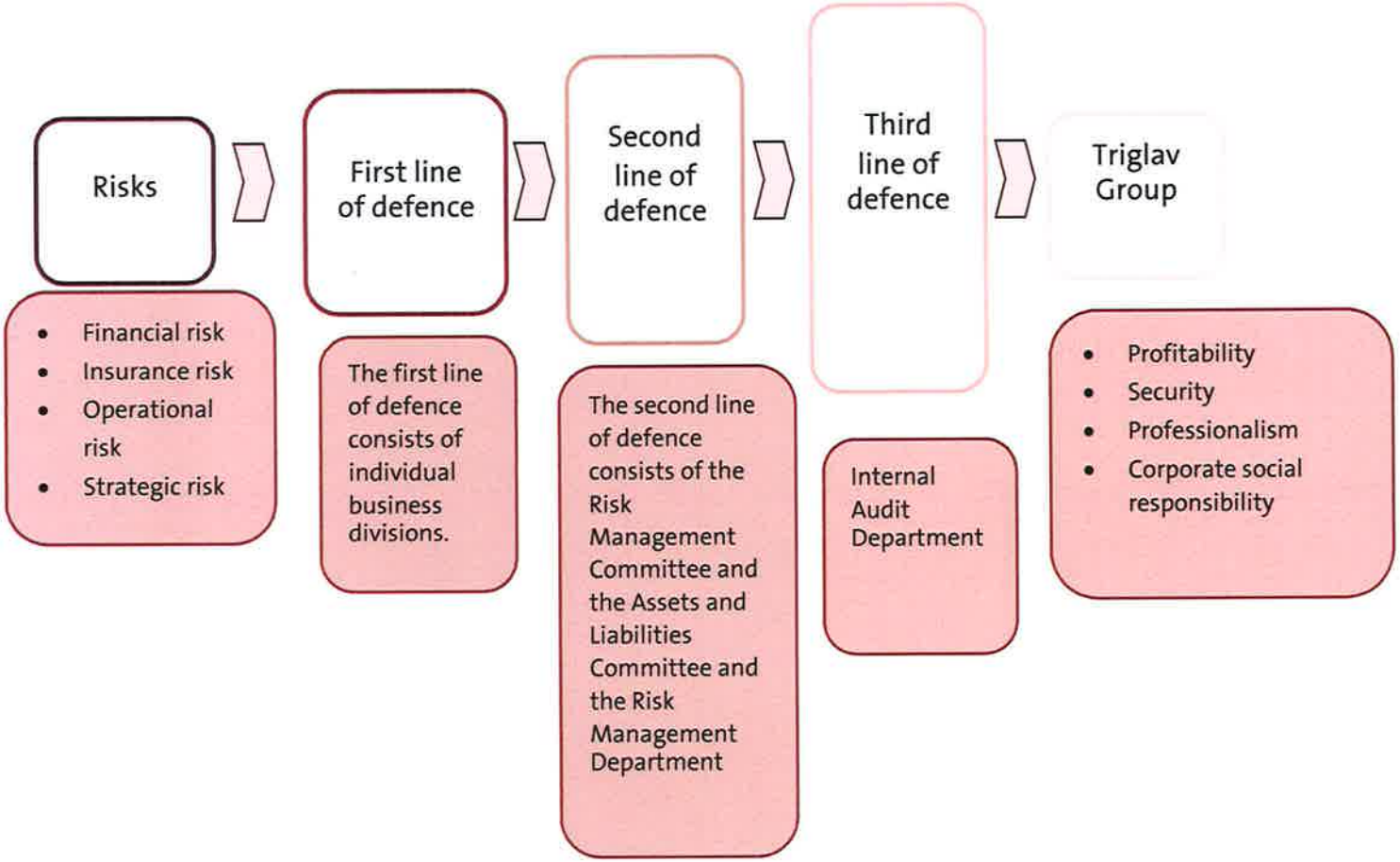
organisational structure clearly reflect the Company's awareness on the importance of risk management.

An important component of the risk management system is the compliance function, which was set up in order to provide advice on all areas of regulatory principles, to monitor regulatory compliance, and to develop and monitor anti money-laundering and terrorist financing measures with respect to regulatory requirements.

Internal audits represent the third line of defence in the scope of the risk management system. The internal audit constantly test the quality of the internal control framework in compliance with the regulatory requirements. It also performs an assessment of the risk governance and risk management system on a periodic basis.

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The Risk Management Scheme



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Risk-related decision-making competences and authorities are shown in the figure below:

Management Board	• Defines the risk management strategy in line with the business strategy of Zavarovalnica Triglav; • Approves the risk management policy; • Approves individual components of the risk management system; • Approves the internal documents with reference to risk management.
Risk Management Committee	• Gives preliminary approval to the Management Board's decisions relating to individual components of the risk management system, including the target risk exposure; • Defines risk management standards; • Defines methodologies of risk measurement and management for all risk categories; • Defines operational risk exposure limits and monitors the operational risk exposure levels; • Monitors the implementation of IT security polices; • Monitors the implementation of the compliance system; • Monitors the outsourcing risk exposure levels.
Assets and Liabilities Committee (ALCO)	• Gives preliminary approval to the Management Board's decisions relating to assets and liabilities management; • Approves investment policies for individual long-term business funds and assets backing liabilities; • Gives preliminary approval to the Management Board's decisions relating to bonus allocations • Monitors risk exposures arising from assets and liabilities management to the insureds; • Monitors changes in the external environment relating to assets and liabilities management (e.g. changes concerning measurement methods, the legislative environment, external reporting).
Risk Management Department	• Develops the risk management system of Zavarovalnica Triglav, including the methods, processes, models and framework of the internal control system; • Regularly carries out risk analyses and reports on exposure levels to the Management Board; • Drafts the Management Board's decisions on risk reduction; • Coordinates preparations for Solvency II; • Provides operational support to the Risk Management Committee and the ALCO • Promotes good practices in the risk management culture through workshops, seminars and the like.
Individual divisions	• Actively manage risks in their business segments by adhering to the set limits and strategic guidelines; • Develop internal controls within the framework of the internal control system; • Cooperate with the Risk Management Department in risk analyses and/or model development.

The scope of risk management activities is defined in the global risk management strategy statement. Accordingly, risk management policies have been developed that define risk governance, risk management competencies and authorities with respect to the stated risk appetite. Core development activities are focused on Zavarovalnica Triglav; however, the framework is gradually phased throughout the Triglav Group in line with its strategic objectives as well as Solvency II requirements.

The risk exposure limits are:
- overall portfolio limits,
- supplementary limits for individual risk types.

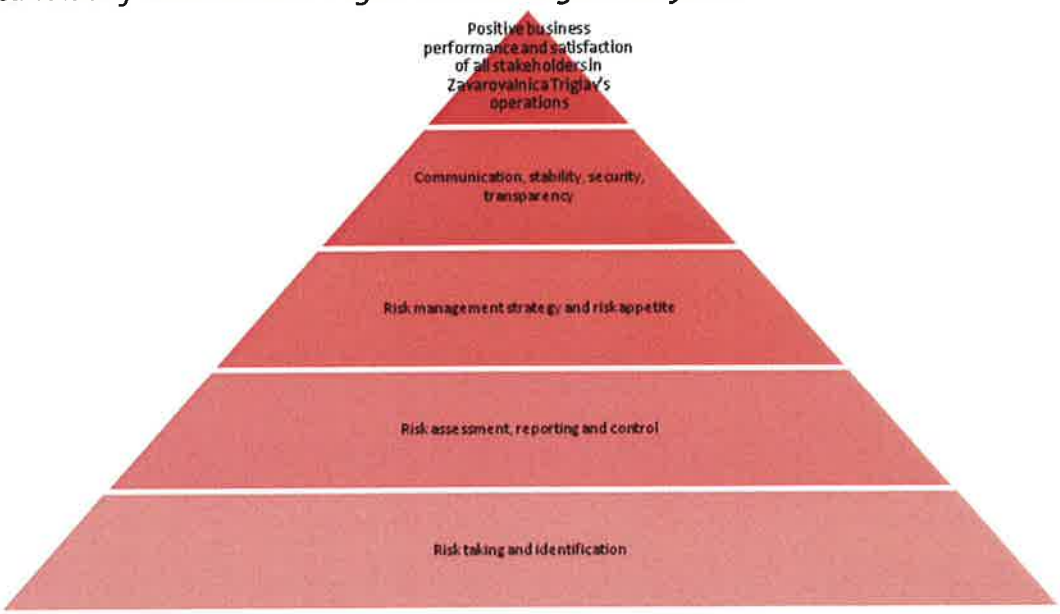
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4.1.2. Added value of the risk management system

Risk management provides the opportunity to efficiently turn risk into value. It enables the Group to control and adjust its entire risk profile and to limit its amount of exposure to certain risks. The successful and prudent assumption and management of risks give the Company financial strength and, consequently, the ability to fulfil its obligations to its clients and meet their expectations, at the same time creating sustainable value for its investors.

The Group has developed a conservative culture and approach to risks which it controls with modern risk management tools. Since risk management is one of the most important functions of the Company, it requires adequate resources in terms of organisational structure, strategic orientation, staff training, and regular or continuous risk review. Monitoring and identification of risks constitute the foundation of the risk management system. The Group uses a set of advanced tools for efficient risk assessment, which among other things also analyse the interconnectedness of risks at the Group level. The same applies to reporting and control, supplemented with various rules and regulations. Common to all these, however, is a transparent sharing of information on which the risk management system for the Group as a whole is based. Consequently, the operation of the entire Group is more transparent, stable and secure. All together, this leads to favourable results and raises the satisfaction of all the participants in the business process.

Added value of Zavarovalnica Triglav's risk management system



To enable efficient risk taking and risk identification, which form the essence of the Company's risk management system, all business divisions have clearly defined limits and apply an internal control system for monitoring their operations.

The Risk Management Strategy is defined in a clear and precise manner, in line with the Group's business strategy. Its goals are to reinforce the Group's financial stability and strength, to cater to the clients' needs and to fulfil the obligations towards them as well as to increase the value of the Group for its shareholders. Moreover, the Strategy sets out the risk appetite, i.e., the framework and level of risks the Group is willing to assume and manage. The system is designed to allow transparency and efficient communication.

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4.1.3. Risk management at the Group level

Risk Management at the Group level is more extensive than risk management system at the level of individual companies. At the Group level, the risk management system must be adequate, efficient and in proportion to the structure, nature, volume and complexity of transactions and the risks related. The system pays special attention to risks at the Group level and analyses the risks at the level of individual Group members, the interconnectedness of those risks and, of course, the concentration of risks. Because of the diversity of structures and systems within the Group, any decision made at the level of either the Group or an individual company must take into account the specifics of the situation and the impact of the decision at both levels. The Group reorganisation and centralisation of functions, including the establishment of the Subsidiary Management Committee, made such risk management possible.

In spite of its size and complexity, the Triglav Group succeeded in setting up an efficient and, most importantly, a reliable system of risk management. Two concepts are characteristic of systems at the Group level. The first requires consistent risk management at the broad level of the entire Group, while the second is the concept of centralised risk management. The Triglav Group applies both concepts and considers them complementary rather than contradictory to one another.

The Group itself has designed a strategy and policies that define, categorise and control the risks to which the Group is exposed. On this basis, the strategy of risk management has also been devised through policies distributed to all Group members, who then take care of the appropriate implementation of both strategies in the day-to-day operations at the level of Group member.

The efficiency of the system is secured by the hierarchy structure and through the cooperation of all employees, as well as thanks to a strong corporate culture which stresses the importance of risk management at all levels. Moreover, the system is supported by clear and transparent top-down and bottom-up information flow. The efficient flow of information and the transparency of the decision-taking process are possible thanks to compatible IT systems which at the same time enable uniform internal control systems.

Major development activities concerning the risk management system in 2011 included:

- definition of the minimum internal control standard to ensure the regularity and reliability of financial and accounting reporting for the insurance companies within the Group;
- development of ALM models for long-term business funds and assets backing liabilities of Zavarovalnica Triglav.
- other preparatory activities for the implementation of the Solvency II Directive and of IFRS 4 Phase II.

4.2. Capital management and capital adequacy management

The amount of available capital for meeting capital adequacy requirements is measured in compliance with the legislation in force at the level of individual subsidiaries as well as at the Group level. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with the Directive 2010/138/EC of the European Parliament and of the Council (Solvency II).
Decisions concerning capital management are supported by the results of all capital models.

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While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements represents one of our strategic business objectives. Typically, the rating agencies' requirements are stricter.

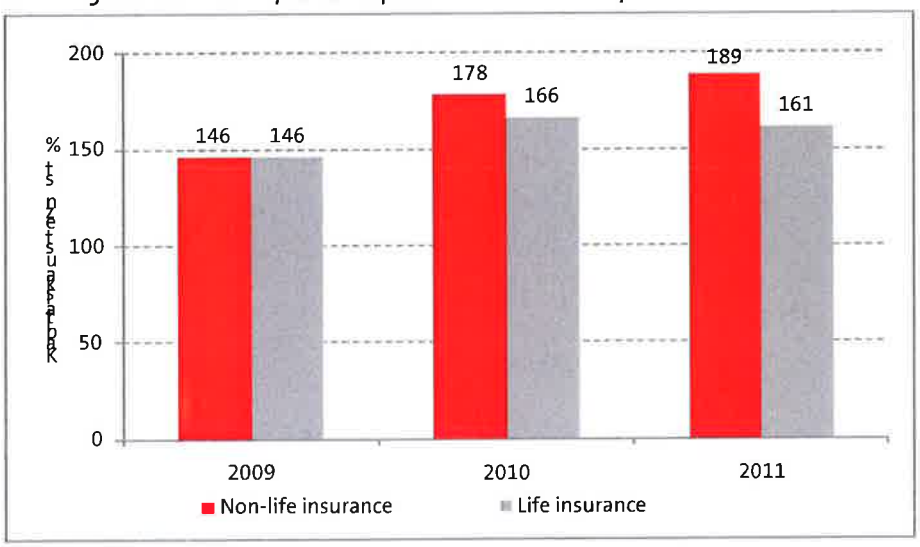
4.2.1. Group Capital Adequacy

Each Group member is required to measure the amount of the available solvency margin against the relevant local or sectoral capital requirement on a regular basis. The amount of required capital and, above all, the fluctuation in the level of the capital available to insurance companies of the Triglav Group, are subject to various factors, mostly the structure and nature of services, the volume of premium, assets and liabilities, as well as the impact of interest rates and capital markets parameters on changes in the said items. The Group members regularly monitor their capital adequacy in line with the applicable legislation, whereby they are required to maintain a surplus of the available solvency margin over the capital requirement in order to maintain their core business and ensure coverage of potential losses. Capital surplus offers high coverage of losses due to unexpected adverse events, with regard to the previous and current developments in the environment of the Group and future expectations. In addition to measuring current capital adequacy levels, the Group members monitor their planned capital adequacy levels, which enables them to monitor the effects of the extended and narrow environment on capital adequacy. Furthermore, this enables optimal distribution of capital both at the level of the Group and in its individual members.

Regulators impose minimum capital requirements on the level of the Group as well as on the level of individual Group members. The main objective is to maintain a suitable capital level in the Group and in all its members.
Furthermore, the capital adequacy ratios of insurance technical provisions are continually monitored for the purpose of assessing the solvency needs of individual Group members.

As at 31 December 2011, in Zavarovalnica Triglav the minimum required capital to available capital ratio in non-life insurance was 189% (vs. 178% as at 31 December 2010), whereas in life insurance the ratio was 161% (vs. 166% as at 31 December 2010). Throughout 2011, as in previous years, Zavarovalnica Triglav maintained the required capital adequacy.

Index of minimum required capital to availabe capital ratio



4.2.2. Capital adequacy of the Triglav Group as a financial conglomerate

Within the scope of the directive on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and related Slovene law, the Triglav Group, Abanka Vipa and its subsidiaries form a financial conglomerate. The law requires that a financial conglomerate regularly monitors its capital adequacy by calculating consolidated available capital, taking into account sectoral regulatory solvency requirements for all three financial sectors represented in the conglomerate (insurance, banking, asset management).

4.2.3. Rating agency capital adequacy

Under Standard & Poor's (hereinafter: S&P) capital adequacy model, measuring capital adequacy remains the essential component of the credit rating process.

As at 31 December 2011, Zavarovalnica Triglav was rated "A – stable outlook" (FSR, ICR), which reaffirms its high level of capital adequacy. Despite lowering the sovereign rating on the Republic of Slovenia, S&P not only maintained its "A" credit rating on Zavarovalnica Triglav, but also took the Company off credit watch, which was initially issued due to a potential short-term downgrading of its credit rating. The rating agency maintained the negative medium-term outlook assigned to Zavarovalnica Triglav's credit rating.

4.3. Financial risk and sensitivity analysis

All financial instruments are exposed to market risks, i.e. the risk that future market conditions will affect the value of financial instruments, as well as to credit risk, i.e. counterparty default risk. Financial risks therefore arise in the assets and liabilities management of long-term business funds and assets backing liabilities, in reinsurance operations and in all funding operations within the scope of capital management.

The main types of financial risk to which the Group is exposed are:
- equity and interest rate risk related to the operating activities (core business) of Group members,
- credit risk
- liquidity risk.

Financial risks are managed through a system of clearly defined competences and powers that includes a scheme of exposure limits and a reporting process, both on the Group level and in individual group members. The investment policies of individual Group members are approved by the Assets and Liabilities Committee (ALCO), which regularly monitors the group members' exposure against investment limits.

Investment policies are structured so as to account for the nature and characteristics of individual members' liabilities, optimise asset spread and maximise return.

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The breakdown of the Triglav Group's financial assets portfolio by industry is shown in the table below.

in EUR

Industry	31 December 2011	Percentage*	31 December 2010	Percentage*
(Raw) materials	29,012,238	1.25%	20,288,527	0.89%
Communications	46,189,478	1.99%	45,356,311	1.99%
Cyclical activities	35,951,877	1.55%	15,278,176	0.67%
Non-cyclical activities	84,411,100	3.63%	58,523,430	2.56%
Highly diversified activity - conglomerates	7,383,155	0.32%	0	0.00%
Energy	85,317,770	3.67%	42,554,031	1.86%
Finance	837,199,318	35.99%	871,464,589	38.18%
Manufacturing	55,471,424	2.38%	52,370,632	2.29%
Technologies	57,317	0.00%	76,176	0.00%
Goods and services of public interest	47,503,621	2.04%	34,248,165	1.50%
EMU countries	564,425,439	24.27%	591,954,690	25.94%
EU countries (except EMU)	104,730,454	4.50%	112,241,272	4.92%
Other countries	108,366,355	4.66%	65,715,480	2.88%
Small businesses and households	1,607,986	0.07%	1,382,726	0.06%
No data	318,396,290	13.69%	370,995,304	16.25%
TOTAL	**2,326,023,822**	**100.00%**	**2,282,449,510**	**100.00%**

*Percentages are calculated on the basis of carrying amounts.

4.3.1. Market risk and asset-liability management of insurance portfolios

In assets and liabilities management we are most exposed to interest rate and equity risks on the assets side. To a lesser extent we are also exposed to the regulatory risk of potential changes in the minimum standard for setting the applicable technical interest rate for calculating mathematical provisions on the existing insurance portfolio.

In order to monitor and manage market risks to which the Triglav Group members are exposed, a wide variety of techniques is applied, such as optimum strategic asset allocation with regard to the nature of liabilities and the effect of the external economic environment, regular monitoring of the current ratios of long-term business funds and assets backing liabilities, regular monitoring of capital adequacy by applying the models described in section 4.2 and hedging against certain risks arising from derivative financial instruments. Moreover, the life insurance portfolio includes unit-linked insurance policies, where most of the financial risk is borne by the insureds.

The goal of the asset-liability management process is to ensure an optimal return on investments with respect to the nature of insurance liabilities. Due to regulatory constraints, insurance liabilities are not sensitive to market parameter changes under the current legislation. Thus, the optimisation process aims at producing a set of investment policies that take into account the static nature of insurance liabilities and optimise the relationship between the sensitivity of the balance sheet to market parameters and investment return. In order to maximise the effect, this process also considers the results of other capital adequacy measurement models (Standard & Poor's, Solvency II), but only to the legally acceptable limit.

By means of the optimisation process, investment policies are determined specifying the strategic asset allocation for every portfolio. These policies are approved by ALCO, which

regularly monitors the current ratios for all long-term business funds and assets backing liabilities and the compliance of investment structure with the Group's investment policies.

Sections 4.3.2 and 4.3.3 show the results of the sensitivity analysis of the Group's financial assets for both major risks and their impact on comprehensive income and the income statement of the Group.

4.3.2. Interest rate risk

Interest rate risk is the risk of changes in market interest rates affecting the value of interest-sensitive assets, as well as the risk that interest-sensitive assets and interest-sensitive liabilities reach their maturity at different times at different values. Reinvestment risk arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into "measured at fair value through profit and loss" and "available-for-sale" categories and derivative financial instruments. The value of these assets as at 31 December 2011 amounted to EUR 1,064,169,778 and as at 31 December 2010 to EUR 1,069,818,712. The share of debt securities in the total portfolio is shown in the detailed overview of financial assets per groups of assets in Section 6.5.

The table below shows a sensitivity analysis of the Group's portfolio to interest rate risk and its impact on comprehensive income and the income statement.

in EUR

	31 December 2011		31 December 2010	
Type of security	**+100bp**	**-100bp**	**+100bp**	**-100bp**
Government securities	-13,879,083	13,879,084	-39,735,631	39,735,631
Securities issued by financial institutions	-3,632,285	3,632,285	-8,837,737	8,837,737
Securities issued by companies	-12,617,178	12,617,178	-9,679,015	9,679,015
Composite securities	-6,220,840	6,220,840	-8,197,577	8,197,577
Other	0	0	-1,137,177	1,137,177
Total	**-36,349,386**	**36,349,387**	**-67,587,137**	**67,587,137**
Impact on comprehensive income	-32,643,346	32,643,346	-61,677,611	61,677,611
Impact on the income statement	-3,706,040	3,706,040	-5,909,525	5,909,525

4.3.3. Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of securities within the Group's portfolio that are sensitive to such fluctuations. These risks are managed through investment limits as well as through geographical and sectoral diversification. The Group invests most of its assets within the European Union and only spreads the investments to other geographic areas in order to hedge the risks and the profitability of its equity portfolio.
To a large extent, the portfolio consists of debt securities: this diversification causes a slightly lower equity risk.

The structure of the equity portfolio per type of exposure is shown in the table below. The amounts shown are based on the carrying values of assets.

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in EUR

	31 December 2011	31 December 2010
Equities in the EU	427,081,235	391,956,919
Equities in the USA	33,460	1,812,824
Equities in Asia*	3,393	3,703
Equities in emerging markets	54,829,800	123,349,490
Global equities**	79,145,836	68,574,526
Total	**561,093,724**	**585,697,462**

*Equity investments in developed Asian countries (Japan, Hong Kong)
**Globally diversified equity investments

The equity portfolio's sensitivity to equity price fluctuations and their impact on comprehensive income and/or the income statement of the Group is shown in the table below.

in EUR

	31 December 2011		31 December 2010	
	10%	-10%	10%	-10%
Equities in the EU	42,708,124	-42,708,124	39,195,692	-39,195,692
Equities in the USA	3,346	-3,346	181,282	-181,282
Equities in Asia	339	-339	370	-370
Equities in emerging markets	5,482,981	-5,482,981	12,334,949	-12,334,949
Global equities	7,914,584	-7,914,584	6,857,453	-6,857,453
Total	**56,109,374**	**-56,109,374**	**58,569,746**	**-58,569,746**
Impact on comprehensive income	19,939,944	-13,632,743	19,468,522	-19,468,522
Impact on the income statement	36,169,430	-42,476,631	33,677,004	-33,677,004

The above analysis demonstrates the sensitivity of the equity portfolio to equity price fluctuations. If the prices of the equities in the portfolio as at 31 December 2011 were 10% above their disclosed values, the comprehensive income and profit of the Group would be EUR 19.9 million and EUR 36.2 million higher, respectively. In contrast, if the prices of the equities in the portfolio as at 31 December 2011 were 10% lower, the comprehensive income and profit of the Group would be EUR 13.6 million and EUR 42.5 million lower, respectively.

Due to the established long-term decrease in the fair value of equity securities, the Triglav Group, in accordance with International Financial Reporting Standards, impaired certain equity securities. The impacts of impairments are disclosed in Section 7.3.

4.3.4. Liquidity risk

Liquidity risk is the risk or threat of a liquidity mismatch, i.e., the mismatched maturity of assets and liabilities. Such a mismatch can cause liquidity problems or a shortage in liquidity needed to settle due liabilities. Liquidity risk is offset against the volume of highly liquid securities and regular monitoring of projected and actual cash flows from assets and liabilities. In order to obtain additional liquidity when needed, the Group makes use of a number of credit lines with domestic and foreign banks.

The following tables show the maturity structure of the Group's financial assets and liabilities.

Maturity structure of financial assets and liabilities

31 December 2011

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Investments in associates	20,504,563					20,504,563
Financial assets	495,131,141	335,614,391	664,673,714	534,315,284	296,289,292	2,326,023,822
Reinsurers' share of technical provisions	482,240	25,893,097	11,481,694	4,526,098	1,599,954	43,983,083
Receivables	5,503,317	199,350,508	178,131	9,695	7,619	205,049,270
Cash and cash equivalents	17,553,389	5,218,278	0	0	0	22,771,667
TOTAL FINANCIAL ASSETS	**539,174,650**	**566,076,274**	**676,333,539**	**538,851,077**	**297,896,865**	**2,618,332,405**
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	10,998,000	29,934,090	0	40,932,090
Insurance technical provisions	368,800,112	690,276,031	395,169,444	292,975,857	486,921,328	2,234,142,772
Other financial liabilities		29,231,960	10,259,160			39,491,120
TOTAL FINANCIAL LIABILITIES	**368,800,112**	**719,507,991**	**416,426,604**	**322,909,947**	**486,921,328**	**2,314,565,982**

31 December 2010

in EUR

FINANCIAL ASSETS	Not defined	Under 1 year	From 1 to 5 years	From 5 to 10 years	Over 10 years	TOTAL
Investments in associates	117,067,739	0	0	0	0	117,067,739
Financial assets	546,480,998	182,333,283	516,233,632	735,936,383	301,465,214	2,282,449,510
Reinsurers' share of technical provisions	0	26,319,593	12,485,687	3,989,017	1,427,018	44,221,316
Receivables	0	214,269,173	2,361,523	13,264	0	216,643,960
Cash and cash equivalents	0	34,108,090	0	0	0	34,108,090
TOTAL FINANCIAL ASSETS	**663,548,737**	**457,030,139**	**531,080,842**	**739,938,664**	**302,892,232**	**2,694,490,615**
FINANCIAL LIABILITIES AND PROVISIONS	**ni določeno**	**pod 1 letom**	**med 1 in 5 let**	**med 5 in 10 let**	**nad 10 let**	**SKUPAJ**
Subordinated liabilities	0	0	10,998,000	29,934,090	0	40,932,090
Insurance technical provisions	364,755,023	693,613,838	291,589,363	240,770,641	680,187,024	2,270,915,889
Other financial liabilities	0	21,476,980	13,393,444	0	0	34,870,425
TOTAL FINANCIAL LIABILITIES	**364,755,023**	**715,090,818**	**315,980,807**	**270,704,731**	**680,187,024**	**2,346,718,404**

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4.3.5. Foreign exchange risk

Our exposure to foreign exchange risk is minor, as most of our assets are denominated in euros. In terms of the foreign exchange risk structure, the highest exposures are to the currencies of the countries that emerged from the former Yugoslavia, which in total represent no more than 5% of the portfolio.

4.3.6. Credit risk

Credit risk is the risk of loss due to a counterparty's failure to meet its obligations. The main credit risk exposures arise from debt securities holdings and insurance operations (reinsurance credit risk, credit risk of default on receivables from insurance operations).

The Group manages its exposure to credit risk through a system of exposure limits, which constitute part of the investment policies for different types of assets. The aim is to achieve optimum diversification of the credit portfolio and achieve the desired "A" credit rating. Exposures to individual issuers and changes in their credit ratings are continually monitored in order to ensure timely and suitable responses to potential adverse developments on the financial markets.

Credit risk exposure arising from insurance business operations is regularly monitored by analysing:

- The maturity structure of receivables from insurance operations (see Section 2.11 for guidelines and Section 6.7 for analysis of receivables by maturity) and
- Reinsurers' and co-insurers' credit ratings. The Group monitors the financial standing of reinsurers and, as a rule, enters into retrocession reinsurance agreements for liability insurance only with A- rated reinsurers, and for all other insurance classes only with at least BBB+ rated reinsurers (70% of reinsurers are A-rated).

The Group's financial assets that may be exposed to credit risk (i.e. financial investments, assets from reinsurance contracts, operating receivables and cash or cash equivalents) as at 31 December 2011 amounted to EUR 2,618,332,403 (vs. EUR 2,694,490,615 as at 31 December 2010).

The table below shows the credit-rating structure of debt securities.

in EUR

Credit rating	31 December 2011	Percentage	31 December 2010	Percentage
AAA	133,986,431	9.39%	133,895,788	9.60%
AA	405,105,707	28.39%	592,502,034	42.47%
A	299,579,162	20.99%	255,087,967	18.28%
BBB	298,354,327	20.91%	237,912,752	17.05%
BB	107,408,814	7.53%	87,944,398	6.30%
B	18,428,007	1.29%	977,491	0.07%
No credit rating	164,140,370	11.50%	86,856,459	6.23%
TOTAL	**1,427,002,818**	**100.00%**	**1,395,176,889**	**100.00%**

In 2011, the single largest exposure of the Triglav Group was to Abanka Vipa amounting to EUR 94,601,082, same as the year before (EUR 79,175,397).

Total exposure of the Triglav Group to Greece, Portugal, Spain, Ireland, Italy and Hungary on the reporting date amounting to EUR 73.9 million.

Due to adverse developments in the global financial markets and increased credit risk, certain debt securities were impaired. The impact of impairments is described in detail in Section 7.3.

4.4. Underwriting risk

Zavarovalnica Triglav assumes underwriting risks through the insurance contracts it underwrites. The risks in this category are associated with both insurance perils covered by individual insurance classes and specific work processes related to performing insurance operations. Underwriting risks arise in the process of risk underwriting, i.e. in the assumption of risk, in the development of insurance products and their pricing, as well as in loss development changes, the allocation of insurance technical provisions, changes in policyholders' behaviour and general changes in the external economic environment.
Divisions in charge of the core business are primarily responsible for active management of the underwriting risk. This type of risk is managed by clearly structured competences and powers, which include suitable delimitation of powers, underwriting limits and an authorisation system. To manage risks related to the development of insurance products, Zavarovalnica Triglav has established two product forums for life and non-life insurance, which are in charge of product development, pricing and terms and conditions. In addition, insurance risks are managed with a set of actuarial techniques applied in product pricing and insurance technical provision allocations, as well as by means of regular performance monitoring, optimisation of reinsurance schemes and regular supervision of the adequacy of insurance contract provisions.
Reinsurance is one of the basic tools used to mitigate underwriting risks. For each business year a plan of reinsurance is adopted that contains:

- calculated retained lines by individual class of insurance,
- a table of maximum coverage based on retained lines, and
- procedures, bases and criteria for establishing the highest probable loss arising from individual risks underwritten.

The choice of suitable reinsurers depends to a great extent on their credit rating (see also Section 4.3.6). This provides even more stable operations, which result in more stable cash flows.

4.4.1. Underwriting risk concentration

Underwriting risk concentration occurs due to the concentration of an insurance operation in a geographic area, or an industry or an insurance peril. It may also occur as a result of a correlation between individual insurance classes. In case an underwriting risk concentration arises in a business segment or industry, a single event may have a material impact on re-payment capacity.

Insurance risk concentration is managed by adequate re-insurance schemes, which are based on the tables of maximum net retained lines.

Particular attention is paid to events with a low frequency and a high impact, for example natural disasters such as earthquakes, storms, hail and floods. Over the previous four years, on average we sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Our catastrophe reinsurance programme is designed as excess of loss reinsurance with four layers with a total limit of EUR 100,000,000 over the priority of EUR 7,500,000. Moreover, we have an aggregate reinsurance cover with an annual aggregate of EUR 15,000,000 and is thus protected also against a possible increased occurrence of natural disasters in a particular year.

Past events showed that the reinsurance scheme is suitable and that we were able to discharge our obligations arising from our insurance contracts despite adverse loss event developments, whilst liquidity risk and capital adequacy risk did not increase. Experience from previous years suggests that an increased number of mass loss events represent one of the main risks to which we are exposed. Whereas a single event does threaten the Company's operations, several such events can pose a serious threat.

For the Group earthquakes are events with the biggest potential loss risk. The re-insurance scheme is designed accordingly. In the case of an earthquake with a return period of 1,000 years, the retained loss of the Group increased by 20% would account for two thirds of the maximum risk that the Group is still able to assume according to the tables of maximum net retained lines.

Natural events predominantly affect fire, technical and car insurance classes (comprehensive car insurance). Crop insurance is also subject to the occurrence of natural events. In the previous two years we began to intensely adapt our business to climate change. In the future reinsurance schemes of this kind are likely to become increasingly costly and coverage increasingly narrower. In an attempt to minimise climate change impacts, the Group started to adapt its products accordingly and exercise greater prudence in the process of underwriting insurance contracts.

The concentration of life underwriting risk is low, as the risk sum insured is below EUR 35,000 and accounts for 99.6% of the life, annuity and unit-linked portfolio. For additional accidental death insurance, the risk sum insured is lower than EUR 50,000 and represents 99.3% of the respective portfolio. Both sums insured represent the stipulated retention in line with the reinsurance agreement for most insurance policies.

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4.4.2. Geographical and sectorial concentration

Triglav conducts insurance business mainly in the territory of the Republic of Slovenia and the countries of the former Yugoslavia, with limited operations in the Czech Republic. On the basis of previous experience, the Group believes that all potential risk concentrations is adequately reinsured.

The table below summarises the gross written premium in the countries in which the insurance companies of the Group operate.

	Gross written premium in EUR		Share (in %)	
Country	**2011**	**2010**	**2011**	**2010**
Slovenia	816,330,978	836,565,987	82.51	82.54
Croatia	53,226,451	55,628,110	5.38	5.49
Montenegro	30,670,813	32,338,112	3.10	3.19
Czech Republic	27,431,720	26,879,014	2.77	2.65
Bosnia and Herzegovina	20,835,500	21,113,034	2.11	2.08
Serbia	20,796,183	19,358,650	2.10	1.91
FYROM	20,107,159	21,677,318	2.03	2.14
TOTAL	**989,398,804**	**1,013,560,225**	**100.00**	**100.00**

In terms of business segments, the Triglav Group is most active in car insurance, as shown in 7.1. Zavarovalnica Triglav is one of only three insurance companies that offer supplementary health insurance in Slovenia, with a 17.7% market share, and one of only two companies offering reinsurance, with a 44% market share. In both segments, Triglav is exposed to concentration risk in the existing insurance market. Regarding the reinsurance portfolio, Triglav manages the concentration risk by geographical spread of inwards reinsurance risks and with adequate retrocession of outwards reinsurance risks. As supplementary health insurance is characterised by high risk dispersion, this segment does not entail any risk concentration for the Group.

Motor liability insurance represents the bulk of the insurance portfolio. As motor liability insurance is characterised by high risk dispersion, this segment does not entail any risk concentration for the Group. A potential risk of sector concentration exists in comprehensive motor vehicle insurance. However, it is covered by a catastrophe reinsurance programme, which has proved to be adequate in recent years.

4.4.3. Low-frequency and high severity risk

The threat of earthquakes represents the highest potential risk in this segment for the Group. Reinsurance protection against earthquakes and other natural disasters is arranged accordingly. Thus far, no earthquake of catastrophic proportions has occurred. The earthquake models available show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating the amount of potential claims do not represent a greater threat than the other natural disasters with which Triglav is faced almost every year.

Another potentially catastrophic loss occurrence could arise from the nuclear peril that Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such a loss occurrence is characterised by an extremely low frequency, since no major loss event has been reported in 25 years and the correlation between such a potential loss event and the arising liabilities is low or null. In the worst-case scenario, a net claim arising from nuclear risk

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would not exceed claims arising from a single natural event (see also Section 4.4.1). The earthquake in Japan that struck in March 2011 and damaged nuclear reactors should be noted, as well as the subsequent exposure of Zavarovalnica Triglav to Japanese nuclear risks. The participation of the Japanese Nuclear Pool is the largest in the Slovene nuclear pool portfolio. The share of Zavarovalnica Triglav amounts to EUR 105,640,192 and is divided among 42 risks. In underwriting nuclear risks the rule is that if several risks (nuclear reactors) exist on a single location, the share of aggregate exposure may not exceed Zavarovalnica Triglav's own share for such risks.

4.5. Operational risks

Operational risk is defined as the risk of loss due to:

- Inadequate or failed internal processes (process disruptions, customer complaints, lack of reliable management information, business continuity issues, mismanagement of business-related costs, inefficient change management, inconsistent or incomplete process documentation, etc.);
- Inappropriate or inefficient human behaviour (inadequate human resource management, loss of key personnel, lack of knowledge and competences, employee misconduct, etc.);
- Inadequate or failed systems (outdated software applications and/or infrastructure in use, lack of audit trails in software, inadequate backup and recovery times, etc.);
- External events (changes in regulation, natural disasters, competition, fraudulent activity, etc.).

Zavarovalnica Triglav has determined a framework to identify and measure operational risks, their reasons and their consequences, assessment methodology and identification of internal controls. To provide a unified standard, an extensive analysis of the internal controls system was performed at Zavarovalnica Triglav in 2011, focused on the regularity and reliability of financial reporting in Zavarovalnica Triglav. On the basis of the analysis results, the Risk Management Department suggested mitigation measures for the identified risks and specified minimum standards for internal controls.

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, a special department was established and put in charge of the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board on the findings and initiated procedures. In the scope of the aforementioned internal control system, activities to prevent fraudulent behaviour will to the extent reasonable be transferred to all members of the Triglav Group in the year to come.

Another important segment of operational risks are compliance risks which are managed in the framework of the compliance function (see also Section 4.1).

4.6. Strategic risk

Strategic risk is the probability or possibility that an event will adversely or beneficially affect the Triglav Group's ability to achieve its strategic objectives and thus the Group's value. Achieving strategic goals and managing strategic risks is a responsibility of all three lines of defence against risk. Strategic risk management is directly and most actively managed by: the Management Board of Zavarovalnica Triglav, the Subsidiary Governance

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Committee, the Project Steering Committee, the Life Insurance Product Forum, the Non-life Insurance Product Forum, the Risk Management Committee and the Assets and Liabilities Committee.

Strategic risks are addressed upon their creation, i.e. during the strategic planning process. The strategy implementation process is monitored with internal controls, while competences and responsibilities of the above-mentioned bodies in managing strategic risk are clearly defined. A clear organisational structure of functions and committees provides for an effective strategic risk control as well as the achievement of short-, mid- and long-term goals. At Group level, special attention is paid to the synergies between individual Group members' strategies, their mutual harmonisation as well as compliance with the strategy of the Triglav Group.

Continuous training for employees as well as the application of state-of-the-art models, tools and good business practices enable the Group to effectively manage strategic risks.

Sources of strategic risks



Strategy

The Strategy of the Triglav Group is devised in a clear manner with precisely defined goals, tools and implementation processes. The same is true for the strategies of other insurance companies, which have been harmonised with the strategy of the Group. All strategies follows trends in the industry, legislative and legal matters as well as the micro- and macro-environment. They enable fast and efficient adaptation to the changes in the environment. Good business results achieved despite the economic crisis and effects of unpredictable weather events show that the implementation of the strategy has been successful and efficient.

Business processes

Internal controls set up to monitor operational risks enable employees to adopt and implement more appropriate and correct decisions and enhance the Group's general ability to adapt to the changes in the environment.

Assets and liabilities

Due to the nature of their operations, members of the Triglav Group employ different assets and liabilities management systems. Nevertheless, all systems are designed to allow optimum and efficient management of assets and liabilities. In this regard, synergies and information and expertise sharing are used to facilitate and improve the Group's operations. The Group effectively manages assets risks by active monitoring of its liabilities,

premium inflow, real property situation, investments and developments in financial and all other markets, which positively affects its financial results.

Competition

Risk type	Level	Situation
Buyer risk	Medium	The Company is affected by changes in consumer behaviour due to the influence of the economic situation on their purchasing power.
Supplier risk	Low	The procurement process provides for the transparency of procurement and suppliers. Zavarovalnica Triglav is focused not only on procurement-related cost effectiveness, but also on transparency and due implementation of the procurement processes.
Competition risk	Medium	Zavarovalnica Triglav is successfully facing intensive competition, as proven by its market share.
Product risk	Low	By designing new and upgrading existing products and making a portfolio selection in line with its strategic orientation, the Company increases the appeal and quality of its products and lowers the amount of claims paid.
Regulatory risk	Low	For a long period of time, Zavarovalnica Triglav has been preparing for the Solvency II Directive and phase 2 of the IFRS 4.

5. SEGMENT REPORTING

The management monitors the operations of the Group by business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and by geographical segments (separately for the Slovene and foreign markets).

Distribution of income and expenses between the segments

Income

Income from insurance premiums is disclosed separately by insurance group and insurance class, as well as by geographical areas (separately for Slovenia and other countries).

Investment income is posted separately by insurance group. Within individual insurance classes and types of insurance technical provisions, investment income is distributed according to the structure of technical provisions. Investment income from assets backing liabilities, long-term business funds and investments not financed by insurance technical provisions is accounted for separately. The latter are accounted for separately by insurance group as well.

Other income from insurance operations and other income is accounted for by insurance group. In order to ensure an appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income.

Furthermore, all income is accounted for by geographical area – separately for Slovenia and for other countries.

Expenses

Net claims incurred are disclosed separately by insurance group and insurance class. Direct claim handling costs are posted by insurance class. Part of the claim handling costs, primarily accounted for by their natural type within operating costs, is shown by insurance groups and insurance classes directly and by using a matrix which is the same as that used for distributing other operating costs.

Changes in insurance technical provisions (provisions for bonuses and discounts and other insurance technical provisions) are accounted for directly by insurance group and by insurance class.

Investment expenses are posted separately by insurance groups. Investment expenses within individual insurance classes and types of insurance technical provisions are distributed according to the same criteria as investment income. Within individual insurance groups, expenses from investments are disclosed separately for assets backing liabilities, long-term business funds and investments not financed from insurance technical provisions. The latter are also accounted for separately by insurance group.

Other net insurance expenses are accounted for separately by insurance group and by insurance class - partly directly and partly by using a matrix. Other expenses from insurance operations and other expenses are posted separately by insurance group. In order to ensure the appropriate presentation of the insurance-technical result, operating expenses of non-insurance companies are disclosed as other expenses in the income statement. In the Notes to financial statements they are disclosed also by nature.

Furthermore, all expenses are accounted for by geographical area – separately for Slovenia and for other countries.

Additional disclosures

Depreciation and amortisation charges by business segment are disclosed under operating expenses in Section 7.11.

Values of investments in intangible assets, property, plant and equipment and investment property by business segments are shown in the table below.

in EUR

2011	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	5,078,782	1,390,944	13,460	902,901	**7,386,087**
Investments in property plant and equipment	4,478,560	131,549	24,689	1,678,530	**6,313,328**
Investments in investment property	3,814,365	1,245,658	0	205,737	**5,265,760**

in EUR

2010	Non-life	Life	Health	Non-insurance	TOTAL
Investments in intangible assets	4,928,585	332,173	201,407	135,444	**5,597,608**
Investments in property plant and equipment	17,162,194	1,909,969	213,361	3,761,566	**23,047,090**
Investments in investment property	4,121,135	0	0	3,175,432	**7,296,567**

5.1. Business segments

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and the previous year.

The management monitors the operations of the Group according to the following main segments:

- non-life insurance,
- life insurance,
- health insurance and
- non-insurance operations.

Consolidated statement of comprehensive income by business segment

in EUR

		2011					2010				
		Non-life	Life	Health	Non-insurance	TOTAL	Non-life	Life	Health	Non-insurance	TOTAL
I.	NET PROFIT/LOSS FOR THE YEAR AFTER TAX	32,608,246	5,374,188	3,433,425	6,081,382	47,497,241	27,797,828	5,847,392	383,925	-7,379,336	26,649,809
II.	OTHER COMPREHENSIVE INCOME AFTER TAX	-24,974,852	-16,497,683	-798,620	-1,599,216	-43,870,371	-7,781,809	-2,723,016	-16,545	838,080	-9,683,289
	1. Net gains/losses from the remeasurement of available-for-sale financial assets	-39,247,654	-29,273,313	-798,620	-623,177	-69,942,764	-8,844,043	-12,462,554	-3,014	838,080	-20.471.532
	2. Net gains/losses related to non-current assets held for sale	0	0	0	-198,746	-198,746	0	0	0	0	0
	3. Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	-688,350	-401,331	0	-1,074,508	-2,164,189	-220,883	-262,246	0	0	-483.129
	4. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	9,274,697	0	0	9,274,697	0	9,349,361	0	0	9.349.361
	5. Currency translation differences	-538,961	-56,488	0	28,588	-566,861	-73,736	-465,024	0	0	-538.760
	6. Tax on other comprehensive income	15,500,113	3,958,752	0	268,627	19,727,492	1,356,853	1,117,448	-13,530	0	2.460.771
III.	**COMPREHENSIVE INCOME / LOSS FOR THE YEAR AFTER TAX**	**7,633,394**	**-11,123,495**	**2,634,805**	**4,482,166**	**3,626,870**	**20,016,019**	**3,124,376**	**367,380**	**-6,541,256**	**16,966,520**
	Controlling interests	7,575,824	-11,184,247	2,628,427	4,698,854	3,718,858	19,805,900	3,044,860	375,085	-4,767,144	18,458,701
	Non-controlling interests	57,570	60,752	6,378	-216,688	-91,988	210,119	79,516	-7,704	-1,774,112	-1,492,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SEGMENT (in EUR)

in EUR

	31 December 2011						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	**1,727,489,315**	**1,352,282,081**	**22,952,603**	**288,845,146**	**3,391,569,145**	**-429,569,041**	**2,962,000,104**
Intangible assets	58,347,323	2,091,664	503,270	1,242,965	62,185,222	1,148,243	63,333,465
Property, plant and equipment	95,093,620	11,165,759	2,638,647	19,910,656	128,808,682	0	128,808,682
Deferred tax receivables	31,530,559	5,156,245	586,802	3,387,637	40,661,243	0	40,661,243
Investment property	36,017,082	3,236,659	0	46,552,001	85,805,742	10,979,148	96,784,890
Investments in associates	227,046,559	9,188,006	0	107,678,422	343,912,987	-323,408,424	20,504,563
Financial assets	943,491,451	1,307,690,817	15,312,405	59,529,147	2,326,023,820	0	2,326,023,820
Financial investments	943,491,451	943,006,443	15,312,405	59,529,147	1,961,339,446	0	1,961,339,446
- loans and deposits	241,728,764	185,861,724	7,410,950	4,710,809	439,712,247	0	439,712,247
- held to maturity	4,420,046	240,798,235	0	0	245,218,281	0	245,218,281
- available for sale	664,130,314	467,455,530	7,901,455	53,378,426	1,192,865,725	0	1,192,865,725
- investments recognised at fair value	33,212,325	48,890,954	0	1,439,912	83,543,191	0	83,543,191
Unit-linked insurance assets	0	364,684,374	0	0	364,684,374	0	364,684,374
Reinsurers' share of technical provisions	100,568,860	17,461	0	0	100,586,321	-56,603,238	43,983,083
Receivables	215,274,084	8,797,084	3,862,792	38,651,204	266,585,164	-61,535,894	205,049,270
- receivables from direct insurance operations	115,165,850	1,969,843	3,641,378	0	120,777,071	-2,217,748	118,559,323
- receivables from reinsurance and co-insurance operations	69,524,867	8,192	0	0	69,533,059	-28,793,585	40,739,474
- current tax receivables	392,857	154	0	66,498	459,509	0	459,509
- other receivables	30,190,510	6,818,895	221,414	38,584,706	75,815,525	-30,524,561	45,290,964
Other assets	8,457,864	244,655	28,757	4,014,806	12,746,082	-148,876	12,597,206
Cash and cash equivalents	11,661,913	4,693,731	19,930	6,396,093	22,771,667	0	22,771,667
Non-current assets held for sale	0	0	0	1,482,215	1,482,215	0	1,482,215

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in EUR

	31 December 2011						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
EQUITY AND LIABILITIES	**1,727,489,315**	**1,352,282,081**	**22,952,603**	**288,845,146**	**3,391,569,145**	**-429,569,040**	**2,962,000,104**
Equity	460,317,468	80,010,670	6,808,987	223,023,290	770,160,415	-280,690,577	489,469,838
Controlling interests	460,317,468	80,010,670	6,808,987	223,023,290	770,160,415	-304,895,482	465,264,933
- share capital	115,916,612	31,119,897	25,822,144	159,361,215	332,219,868	-258,518,466	73,701,402
- share premium	43,254,651	13,067,907	0	17,558,739	73,881,297	-20,677,221	53,204,076
- reserves from profit	199,910,474	32,091,323	0	2,950,511	234,952,308	-4,125,488	230,826,820
- fair value reserve	9,768,055	-8,964,301	-744,499	19,297,694	19,356,949	-16,569,974	2,786,975
- net profit brought forward	53,276,018	6,727,413	-20,368,943	21,058,080	60,692,568	442,652	61,135,220
- net profit/loss for the year	39,808,441	6,704,672	2,100,285	3,147,653	51,761,051	-5,585,319	46,175,732
- currency translation differences	-1,616,783	-736,241	0	-350,602	-2,703,626	138,334	-2,565,292
Non-controlling interests	0	0	0	0	0	24,204,905	24,204,905
Subordinated liabilities	28,623,604	13,672,424	1,500,000	0	43,796,028	-2,863,938	40,932,090
Insurance technical provisions	1,051,421,356	866,517,668	8,466,282	0	1,926,405,306	-56,758,425	1,869,646,881
- unearned premium	307,369,081	427,347	2,025,805	0	309,822,233	-18,081,835	291,740,398
- mathematical provisions	0	845,464,934	0	0	845,464,934	0	845,464,934
- claims provisions	718,208,945	20,625,387	5,306,508	0	744,140,840	-38,676,590	705,464,250
- other insurance technical provisions	25,843,330	0	1,133,969	0	26,977,299	0	26,977,299
Insurance technical provisions for unit-linked insurance contracts	0	364,495,891	0	0	364,495,891	0	364,495,891
Employee benefits	8,194,705	1,488,470	159,001	549,989	10,392,165	0	10,392,165
Other provisions	8,136,557	333,893	399,522	10,270,250	19,140,222	0	19,140,222
Deferred tax liabilities	1,905,791	-307,328	0	8,015,124	9,613,587	0	9,613,587
Other financial liabilities	51,698,726	5,498,322	0	28,310,568	85,507,616	-46,016,496	39,491,120
Operating liabilities	77,207,270	8,211,610	2,405,045	26,693	87,850,618	-29,989,876	57,860,742
- liabilities from direct insurance operations	11,009,638	8,139,667	2,405,045	0	21,554,350	-626,289	20,928,061
- liabilities from reinsurance and co-insurance operations	65,421,610	48,006	0	0	65,469,616	-29,363,587	36,106,029
- current tax liabilities	776,022	23,937	0	26,693	826,652	0	826,652
Other liabilities	39,983,838	12,360,461	3,213,766	18,649,232	74,207,297	-13,249,728	60,957,569

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SEGMENT (in EUR)

	31 December 2011						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	**1,733,483,813**	**1,371,773,621**	**21,030,161**	**181,209,126**	**3,307,496,721**	**-283,100,913**	**3,024,395,808**
Intangible assets	55,600,363	2,040,489	666,119	575,777	58,882,748	2,335,360	61,218,108
Property, plant and equipment	104,983,948	11,854,573	2,768,874	22,943,265	142,550,660	1	142,550,661
Deferred tax receivables	23,602,204	1,954,592	337,510	1,650,722	27,545,028	0	27,545,028
Investment property	30,365,502	2,868,430	0	40,043,178	73,277,109	10,979,150	84,256,259
Investments in subsidiaries	165,472,911	3,163,877	0	6,195,163	174,831,951	-174,831,951	0
Investments in associates	41,350,577	9,961,715	0	46,284,875	97,597,167	19,470,572	117,067,739
Financial assets	929,961,154	1,325,171,811	13,931,086	38,675,433	2,307,739,484	-25,289,974	2,282,449,510
Financial investments	929,961,154	947,279,551	13,931,086	38,675,433	1,929,847,223	-25,289,974	1,904,557,249
- loans and deposits	232,609,747	146,269,065	6,503,259	4,852,503	390,234,575	-25,289,973	364,944,602
- held to maturity	6,835,249	246,648,512	0	94,820	253,578,582	0	253,578,582
- available for sale	652,732,775	502,586,871	7,427,827	32,273,562	1,195,021,035	0	1,195,021,035
- investments recognised at fair value	37,783,382	51,775,101	0	1,454,548	91,013,031	0	91,013,031
Unit-linked insurance assets	0	377,892,261	0	0	377,892,261	0	377,892,261
Reinsurers' share of technical provisions	102,234,428	3,502	0	0	102,237,930	-58,016,614	44,221,316
Receivables	245,413,319	12,838,418	3,254,315	12,726,224	274,232,276	-57,588,316	216,643,960
- receivables from direct insurance operations	120,866,434	2,753,839	3,184,477	3,520	126,808,269	1,184,679	127,992,948
- receivables from reinsurance and co-insurance operations	80,291,715	19,927	0	0	80,311,642	-34,879,635	45,432,007
- current tax receivables	0	0	0	2,427	2,427	0	2,427
- other receivables	44,255,170	10,064,652	69,839	12,720,277	67,109,938	-23,893,360	43,216,578
Other assets	8,156,237	419,626	64,685	4,468,290	13,108,838	-159,142	12,949,696
Cash and cash equivalents	26,343,171	1,496,588	7,573	6,260,758	34,108,090	0	34,108,090
Non-current assets held for sale	0	0	0	1,385,441	1,385,441	0	1,385,441

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in EUR

	31.12.2010						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
EQUITY AND LIABILITIES	**1,733,483,813**	**1,371,773,621**	**21,030,161**	**181,209,126**	**3,307,496,721**	**-283,100,913**	**3,024,395,808**
Equity	456,070,219	85,510,921	5,507,322	104,709,965	651,798,427	-152,820,619	498,977,808
Controlling interests	456,070,219	85,510,921	5,507,322	103,073,988	650,162,450	-179,397,414	470,765,036
- share capital	81,203,605	14,692,690	25,822,144	59,696,057	181,414,496	-157,713,105	23,701,391
- share premium	43,693,036	13,067,907	0	12,779,808	69,540,752	-15,885,236	53,655,516
- reserves from profit	68,587,824	1,984,281	0	2,901,227	73,473,332	-4,055,351	69,417,981
- fair value reserve	40,693,061	6,218,252	54,121	4,973,948	51,939,382	-6,418,537	45,520,845
- net profit brought forward	218,340,970	45,505,597	-18,813,110	30,392,434	275,425,891	-6,272,220	269,153,671
- net profit/loss for the year	4,656,203	4,721,947	-1,555,833	-7,286,860	535,458	10,777,835	11,313,293
- currency translation differences	-1,104,480	-679,753	0	-382,627	-2,166,860	169,199	-1,997,661
Non-controlling interests	0	0	0	1,635,978	1,635,978	26,576,794	28,212,772
Subordinated liabilities	27,259,666	15,037,956	1,500,000	0	43,797,622	-2,865,532	40,932,090
Insurance technical provisions	1,073,402,775	871,682,869	7,763,797	0	1,952,849,441	-58,016,615	1,894,832,826
- unearned premium	308,530,961	363,380	1,938,553	0	310,832,894	-14,465,443	296,367,451
- mathematical provisions	0	849,847,775	0	0	849,847,775	0	849,847,775
- claims provisions	728,892,703	21,471,714	4,915,071	0	755,279,488	-43,551,171	711,728,317
- other insurance technical provisions	35,979,111	0	910,173	0	36,889,284	-1	36,889,283
Insurance technical provisions for unit-linked insurance contracts	0	376,083,063	0	0	376,083,063	0	376,083,063
Employee benefits	7,797,879	1,659,139	160,819	660,240	10,278,077	0	10,278,077
Other provisions	8,227,411	0	122,113	9,447,872	17,797,395	0	17,797,395
Deferred tax liabilities	9,914,983	1,628,056	13,530	5,255,150	16,811,719	-2,700,880	14,110,839
Other financial liabilities	10,471,471	12,401	1,101,811	45,759,891	57,345,574	-22,475,149	34,870,425
Operating liabilities	90,670,795	10,429,236	2,530,578	32,113	103,662,723	-35,613,312	68,049,411
- liabilities from direct insurance operations	10,689,403	10,413,892	2,530,578	0	23,633,873	-390,769	23,243,104
- liabilities from reinsurance and co-insurance operations	63,136,010	15,345	0	0	63,151,355	-35,222,543	27,928,812
- current tax liabilities	16,845,382	0	0	32,113	16,877,495	0	16,877,495
Other liabilities	49,668,614	9,729,979	2,330,192	15,343,894	77,072,680	-8,608,806	68,463,874

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in EUR

	2011					2010				
	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER
NET PREMIUM INCOME	**916,278,896**	**622,224,753**	**213,951,694**	**80,102,449**	**0**	**946,170,224**	**652,006,405**	**221,741,724**	**72,422,095**	**0**
- gross written premium	989,398,804	695,184,863	214,024,239	80,189,702	0	1,013,560,225	719,738,383	221,373,955	72,447,887	0
- ceded written premium	-80,087,864	-80,073,669	-14,195	0	0	-74,371,737	-74,355,937	-15,800	0	0
- change in unearned premiums	6,967,956	7,113,559	-58,350	-87,253	0	6,981,736	6,623,959	383,569	-25,792	0
TOTAL INCOME FROM FINANCIAL ASSETS	148,981,933	57,673,229	79,089,050	538,870	11,680,784	**181,533,362**	**69,946,117**	**106,722,516**	**444,963**	**4,419,766**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	4,269,157	482	904,067	0	3,364,608	6,332,162	2,640,068	1,568,394	0	2,123,700
- profit on equity investments accounted for using the equity method	4,265,615	0	904,067	0	3,361,548	3,525,434	634,933	829,158	0	2,061,343
- drugi prihodki od finančnih sredstev v povezanih družbah	3,542	482	0	0	3,060	2,806,728	2,005,135	739,236	0	62,357
INCOME FROM OTHER FINANCIAL ASSETS	118,961,870	57,672,747	52,434,077	538,870	8,316,176	132,682,857	67,306,049	62,635,779	444,963	2,296,066
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	25,750,906	0	25,750,906	0	0	42,518,343	0	42,518,343	0	0
OTHER INCOME FROM INSURNCE OPERATIONS	**26,441,506**	**11,086,941**	**15,340,479**	**14,086**	**0**	**22,433,024**	**4,944,278**	**17,477,620**	**11,126**	**0**
- fees and commission income	17,402,868	2,538,224	14,864,644	0	0	14,633,234	-1,567,510	16,200,744	0	0
- other income from insurance operations	9,038,638	8,548,717	475,835	14,086	0	7,799,790	6,511,788	1,276,876	11,126	0
OTHER INCOME	**57,156,897**	**4,784,876**	**232,321**	**36,224**	**52,103,476**	**61,561,494**	**9,305,290**	**472,491**	**13,579**	**51,770,134**
NET CLAIMS INCURRED	**576,117,033**	**366,936,881**	**139,655,048**	**69,525,104**	**0**	**557,704,906**	**387,106,040**	**107,005,609**	**63,593,257**	**0**
- gross claims settled	593,872,215	390,913,095	140,482,689	62,476,431	0	588,325,459	423,739,664	107,291,185	57,294,610	0
- reinsurers' and co-insurers' share	-22,450,576	-22,450,576	0	0	0	-30,148,316	-30,148,316	0	0	0
- changes in claims provisions	-1,961,843	-1,525,638	-827,641	391,436	0	-6,334,129	-6,485,308	-285,576	436,755	0
- equalisation scheme expenses for supplementary health insurance	6,657,237	0	0	6,657,237	0	5,861,892	0	0	5,861,892	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-2,909,572**	**-8,608,879**	**5,475,511**	**223,796**	**0**	**62,450,614**	**-2,973,409**	**64,796,824**	**627,199**	**0**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**-11,402,162**	**0**	**-11,402,162**	**0**	**0**	**66,351,880**	**0**	**66,351,880**	**0**	**0**
EXPENSES FOR BONUSES AND DISCOUNTS	**6,458,995**	**6,457,203**	**1,792**	**0**	**0**	**5,735,228**	**5,734,492**	**736**	**0**	**0**
OPERATING EXPENSES	**203,308,320**	**163,016,584**	**33,696,548**	**6,595,188**	**0**	**208,135,976**	**166,180,092**	**34,133,099**	**7,822,785**	**0**

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in EUR

	2011					2010				
	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER
- costs of insurance contract acquisition	130,633,390	109,739,851	19,736,401	1,157,138	0	132,463,862	111,067,397	19,997,235	1,399,230	0
- other operating costs	72,674,930	53,276,733	13,960,147	5,438,050	0	75,672,114	55,112,695	14,135,864	6,423,555	0
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**202,010,429**	**77,700,867**	**117,623,920**	**87,969**	**6,597,673**	**121,554,254**	**66,032,626**	**47,172,551**	**104,298**	**8,244,779**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	19,175,570	13,714,642	2,559,602	0	2,901,326	4,683,649	65,544	2,556,881	1,196	2,060,028
- loss on investments accounted for using the equity method	16,977,661	11,938,620	2,538,220	0	2,500,821	1,504,027	7	11,121	0	1,492,899
- other expenses from financial assets and liabilities in associates	2,197,909	1,776,022	21,382	0	400,505	3,179,622	65,537	2,545,760	1,196	567,129
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	107,035,830	63,986,225	39,265,289	87,969	3,696,347	88,273,022	65,967,082	16,018,087	103,102	6,184,751
- permanent impairments	62,861,127	44,887,428	15,964,595	66,624	1,942,480	48,664,399	42,008,125	2,330,252	83,941	4,242,081
- other expenses from financial assets and liabilities	33,971,434	11,865,487	20,822,381	0	1,283,566	39,608,623	23,958,957	13,687,835	19,161	1,942,670
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	75,799,029	0	75,799,029	0	0	28,597,583	0	28,597,583	0	0
OTHER INSURANCE EXPENSES	**55,953,030**	**39,675,068**	**15,920,559**	**357,403**	**0**	**61,439,998**	**43,065,739**	**17,981,071**	**393,188**	**0**
OTHER EXPENSES	**61,323,544**	**7,281,704**	**1,011,311**	**531,912**	**52,498,617**	**85,074,981**	**28,819,673**	**1,361,800**	**39,560**	**54,853,948**
PROFIT/ LOSS BEFORE TAX	**57,999,615**	**43,310,371**	**6,631,017**	**3,370,257**	**4,687,970**	**43,250,267**	**42,236,837**	**7,610,781**	**311,476**	**-6,908,827**
Income tax expense	-10,502,374	-10,702,125	-1,256,829	63,168	1,393,412	-16,600,458	-14,439,009	-1,763,389	72,449	-470,509
NET PROFIT/LOSS	**47,497,241**	**32,608,246**	**5,374,188**	**3,433,425**	**6,081,382**	**26,649,809**	**27,797,828**	**5,847,392**	**383,925**	**-7,379,336**

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5.2. Reporting by geographical area

in EUR

31 December 2011	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	**3,015,049,209**	**376,519,936**	**3,391,569,145**	**-429,569,041**	**2,962,000,104**
Intangible assets	50,731,242	11,453,980	62,185,222	1,148,243	63,333,465
Property, plant and equipment	86,280,649	42,528,033	128,808,682	0	128,808,682
Deferred tax receivables	38,475,326	2,185,917	40,661,243	0	40,661,243
Investment property	64,166,737	21,639,005	85,805,742	10,979,148	96,784,890
Investments in subsidiaries	336,061,478	7,851,509	343,912,987	-323,408,424	20,504,563
Investments in associates	2,125,551,370	200,472,450	2,326,023,820	0	2,326,023,820
Financial assets	1,770,552,792	190,786,654	1,961,339,446	0	1,961,339,446
Financial investments	370,997,749	68,714,498	439,712,247	0	439,712,247
- loans and deposits	211,599,458	33,618,823	245,218,281	0	245,218,281
- held to maturity	1,117,989,900	74,875,825	1,192,865,725	0	1,192,865,725
- available for sale	69,965,684	13,577,507	83,543,191	0	83,543,191
- investments recognised at fair value	354,998,578	9,685,796	364,684,374	0	364,684,374
Unit-linked insurance assets	81,923,035	18,663,286	100,586,321	-56,603,238	43,983,083
Reinsurers' share of technical provisions	213,401,379	53,183,785	266,585,164	-61,535,894	205,049,270
Receivables	84,628,155	36,148,916	120,777,071	-2,217,748	118,559,323
- receivables from direct insurance operations	64,234,278	5,298,781	69,533,059	-28,793,585	40,739,474
- receivables from reinsurance and co-insurance operations	435,240	24,269	459,509	0	459,509
- current tax receivables	64,103,706	11,711,819	75,815,525	-30,524,561	45,290,964
- other receivables	6,665,824	6,080,258	12,746,082	-148,876	12,597,206
Other assets	10,309,954	12,461,713	22,771,667	0	22,771,667
Cash and cash equivalents	1,482,215	0	1,482,215	0	1,482,215
Non-current assets held for sale	50,731,242	11,453,980	62,185,222	1,148,243	63,333,465

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in EUR

31 December 2011	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
EQUITY AND LIABILITIES	**3,015,049,209**	**376,519,936**	**3,391,569,145**	**-429,569,040**	**2,962,000,104**
Equity	690,276,727	79,883,688	770,160,415	-280,690,577	489,469,838
Controlling interests	690,276,727	79,883,688	770,160,415	-304,895,482	465,264,933
- share capital	250,215,863	82,004,005	332,219,868	-258,518,466	73,701,402
- share premium	72,118,328	1,762,969	73,881,297	-20,677,221	53,204,076
- reserves from profit	216,767,136	18,185,172	234,952,308	-4,125,488	230,826,820
- fair value reserve	21,168,811	-1,811,862	19,356,949	-16,569,974	2,786,975
- net profit brought forward	76,434,327	-15,741,759	60,692,568	442,652	61,135,220
- net profit/loss for the year	53,572,262	-1,811,211	51,761,051	-5,585,319	46,175,732
- currency translation differences	0	-2,703,626	-2,703,626	138,334	-2,565,292
Non-controlling interests	0	0	0	24,204,905	24,204,905
Subordinated liabilities	42,432,090	1,363,938	43,796,028	-2,863,938	40,932,090
Insurance technical provisions	1,705,835,686	220,569,620	1,926,405,306	-56,758,425	1,869,646,881
- unearned premium	246,082,775	63,739,458	309,822,233	-18,081,835	291,740,398
- mathematical provisions	806,053,274	39,411,660	845,464,934	0	845,464,934
- claims provisions	629,969,034	114,171,806	744,140,840	-38,676,590	705,464,250
- other insurance technical provisions	23,730,603	3,246,696	26,977,299	0	26,977,299
Insurance technical provisions for unit-linked insurance contracts	354,900,127	9,595,764	364,495,891	0	364,495,891
Employee benefits	9,037,774	1,354,391	10,392,165	0	10,392,165
Other provisions	11,314,516	7,825,706	19,140,222	0	19,140,222
Deferred tax liabilities	9,447,240	166,347	9,613,587	0	9,613,587
Other financial liabilities	54,801,866	30,705,750	85,507,616	-46,016,496	39,491,120
Operating liabilities	74,957,364	12,893,254	87,850,618	-29,989,876	57,860,742
- liabilities from direct insurance operations	15,803,708	5,750,642	21,554,350	-626,289	20,928,061
- liabilities from reinsurance and co-insurance operations	58,628,262	6,841,354	65,469,616	-29,363,587	36,106,029
- current tax liabilities	525,394	301,258	826,652	0	826,652
Other liabilities	62,045,819	12,161,478	74,207,297	-13,249,728	60,957,569

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in EUR

31 December 2010	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
ASSETS	**2,959,464,036**	**342,770,403**	**3,302,234,439**	**-277,838,631**	**3,024,395,808**
Intangible assets	48,473,062	10,409,686	58,882,748	2,335,360	61,218,108
Property, plant and equipment	95,927,127	46,623,532	142,550,660	1	142,550,661
Deferred tax receivables	25,660,183	1,884,845	27,545,028	0	27,545,028
Investment property	56,600,108	16,677,001	73,277,109	10,979,150	84,256,259
Investments in subsidiaries	174,663,984	167,967	174,831,951	-174,831,951	0
Investments in associates	97,597,167	0	97,597,167	19,470,572	117,067,739
Financial assets	2,135,353,233	172,386,251	2,307,739,484	-25,289,974	2,282,449,510
Financial investments	1,765,043,238	164,803,985	1,929,847,223	-25,289,974	1,904,557,249
- loans and deposits	324,231,220	66,003,356	390,234,576	-25,289,973	364,944,602
- held to maturity	234,345,596	19,232,985	253,578,582	0	253,578,582
- available for sale	1,130,200,741	64,820,293	1,195,021,035	0	1,195,021,035
- investments recognised at fair value	76,265,680	14,747,351	91,013,031	0	91,013,031
Unit-linked insurance assets	370,309,995	7,582,266	377,892,261	0	377,892,261
Reinsurers' share of technical provisions	83,619,943	18,617,986	102,237,930	-58,016,614	44,221,316
Receivables	217,103,390	51,866,604	268,969,994	-52,326,034	216,643,960
- receivables from direct insurance operations	85,179,544	41,628,726	126,808,269	1,184,679	127,992,948
- receivables from reinsurance and co-insurance operations	78,462,393	1,849,249	80,311,642	-34,879,635	45,432,007
- current tax receivables	0	2,427	2,427	0	2,427
- other receivables	53,461,454	8,386,203	61,847,656	-18,631,078	43,216,578
Other assets	7,598,631	5,510,207	13,108,838	-159,142	12,949,696
Cash and cash equivalents	15,481,766	18,626,324	34,108,090	0	34,108,090
Non-current assets held for sale	1,385,441	0	1,385,441	0	1,385,441

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in EUR

31 December 2010	SLOVENIA	OTHER	TOTAL (before eliminations)	ELIMINATIONS	TOTAL (after eliminations)
EQUITY AND LIABILITIES	**2,959,464,036**	**342,770,403**	**3,302,234,439**	**-277,838,631**	**3,024,395,808**
Equity	584,220,336	67,578,091	651,798,427	-152,820,619	498,977,808
Controlling interests	584,220,336	65,942,113	650,162,450	-179,397,414	470,765,036
- share capital	111,594,955	69,819,541	181,414,496	-157,713,105	23,701,391
- share premium	67,339,398	2,201,354	69,540,752	-15,885,236	53,655,516
- reserves from profit	56,634,268	16,839,063	73,473,332	-4,055,351	69,417,981
- fair value reserve	51,449,286	490,096	51,939,382	-6,418,537	45,520,845
- net profit brought forward	285,920,585	-10,494,693	275,425,891	-6,272,220	269,153,671
- net profit/loss for the year	11,281,845	-10,746,388	535,458	10,777,835	11,313,293
- currency translation differences	0	-2,166,860	-2,166,860	169,199	-1,997,661
Non-controlling interests	0	1,635,978	1,635,978	26,576,794	28,212,772
Subordinated liabilities	42,432,090	1,365,532	43,797,622	-2,865,532	40,932,090
Insurance technical provisions	1,727,856,225	224,993,216	1,952,849,441	-58,016,615	1,894,832,826
- unearned premium	244,595,553	66,237,342	310,832,894	-14,465,443	296,367,451
- mathematical provisions	814,805,488	35,042,287	849,847,775	0	849,847,775
- claims provisions	634,829,595	120,449,893	755,279,488	-43,551,171	711,728,317
- other insurance technical provisions	33,625,589	3,263,694	36,889,284	-1	36,889,283
Insurance technical provisions for unit-linked insurance contracts	368,298,956	7,784,107	376,083,063	0	376,083,063
Employee benefits	8,620,626	1,657,451	10,278,077	0	10,278,077
Other provisions	10,600,148	7,197,248	17,797,395	0	17,797,395
Deferred tax liabilities	16,632,751	178,968	16,811,719	-2,700,880	14,110,839
Other financial liabilities	47,624,635	9,720,939	57,345,574	-22,475,149	34,870,425
Operating liabilities	93,842,632	9,820,090	103,662,723	-35,613,312	68,049,411
- liabilities from direct insurance operations	18,087,071	5,546,802	23,633,873	-390,769	23,243,104
- liabilities from reinsurance and co-insurance operations	59,092,497	4,058,858	63,151,355	-35,222,543	27,928,812
- current tax liabilities	16,663,064	214,431	16,877,495	0	16,877,495
Other liabilities	59,335,638	12,474,760	71,810,398	-3,346,524	68,463,874

in EUR

	2011			2010		
	TOTAL	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER
NET PREMIUM INCOME	**916,278,896**	**758,449,927**	**157,828,969**	**946,170,224**	**785,497,019**	**160,673,205**
- gross written premium	989,398,804	816,330,978	173,067,826	1,013,560,225	836,565,987	176,994,238
- ceded written premium	-80,087,864	-62,575,390	-17,512,474	-74,371,737	-57,207,348	-17,164,389
- change in unearned premiums	6,967,956	4,694,339	2,273,617	6,981,736	6,138,380	843,356
TOTAL INCOME FROM FINANCIAL ASSETS	148,981,933	134,165,135	14,816,798	**181,533,362**	**166,793,188**	**14,740,174**
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	4,269,157	4,269,157	0	6,332,162	6,332,155	7
- profit on equity investments accounted for using the equity method	4,265,615	4,265,615	0	3,525,434	3,525,434	0
- drugi prihodki od finančnih sredstev v povezanih družbah	3,542	3,542	0	2,806,728	2,806,721	7
INCOME FROM OTHER FINANCIAL ASSETS	118,961,870	105,047,057	13,914,813	132,682,857	118,472,214	14,210,643
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	25,750,906	24,848,921	901,985	42,518,343	41,988,819	529,524
OTHER INCOME FROM INSURNCE OPERATIONS	**26,441,506**	**19,216,379**	**7,225,127**	**22,433,024**	**16,944,604**	**5,488,420**
- fees and commission income	17,402,868	15,839,413	1,563,455	14,633,234	12,866,874	1,766,360
- other income from insurance operations	9,038,638	3,376,966	5,661,672	7,799,790	4,077,730	3,722,060
OTHER INCOME	**57,156,897**	**49,512,450**	**7,644,447**	61,561,494	54,304,621	7,256,873
NET CLAIMS INCURRED	**576,117,033**	**492,922,581**	**83,194,452**	**557,704,906**	**459,480,752**	**98,224,154**
- gross claims settled	593,872,215	500,889,938	92,982,277	588,325,459	495,735,070	92,590,389
- reinsurers' and co-insurers' share	-22,450,576	-18,400,675	-4,049,901	-30,148,316	-26,622,790	-3,525,526
- changes in claims provisions	-1,961,843	3,776,081	-5,737,924	-6,334,129	-15,493,421	9,159,292
- equalisation scheme expenses for supplementary health insurance	6,657,237	6,657,237	0	5,861,892	5,861,892	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	**-2,909,572**	**-8,078,044**	**5,168,472**	**62,450,614**	**58,197,454**	**4,253,160**
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	**-11,402,162**	**-13,398,829**	**1,996,667**	**66,351,880**	**63,677,795**	**2,674,085**
EXPENSES FOR BONUSES AND DISCOUNTS	**6,458,995**	**5,319,138**	**1,139,857**	**5,735,228**	**5,309,382**	**425,846**
OPERATING EXPENSES	**203,308,320**	**145,854,419**	**57,453,901**	**208,135,976**	**152,806,242**	**55,329,734**
- costs of insurance contract acquisition	130,633,390	97,374,714	33,258,676	132,463,862	100,277,835	32,186,027
- other operating costs	72,674,930	48,479,705	24,195,225	75,672,114	52,528,407	23,143,707

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in EUR

	2011			2010		
	TOTAL	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**202,010,429**	**196,935,445**	**5,074,984**	**121,554,254**	**116,899,414**	**4,654,840**
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	19,175,570	19,175,570	0	4,683,649	4,678,078	5,571
- loss on investments accounted for using the equity method	16,977,661	16,977,661	0	1,504,027	1,504,027	0
- other expenses from financial assets and liabilities in associates	2,197,909	2,197,909	0	3,179,622	3,174,051	5,571
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	107,035,830	103,170,143	3,865,687	88,273,022	83,976,746	4,296,276
- permanent impairments	62,861,127	61,938,686	922,441	48,664,399	47,587,135	1,077,264
- other expenses from financial assets and liabilities	33,971,434	32,969,318	1,002,116	39,608,623	36,389,610	3,219,013
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	75,799,029	74,589,732	1,209,297	28,597,583	28,244,590	352,993
OTHER INSURANCE EXPENSES	**55,953,030**	**36,125,402**	**19,827,628**	**61,439,998**	**42,168,579**	**19,271,419**
OTHER EXPENSES	**61,323,544**	**52,924,727**	**8,398,817**	**85,074,981**	**76,744,996**	**8,329,985**
PROFIT/ LOSS BEFORE TAX	**57,999,615**	**52,739,052**	**5,260,563**	**43,250,267**	**48,254,818**	**-5,004,551**
Income tax expense	-10,502,374	-9,914,476	-587,898	-16,600,458	-16,531,576	-68,882
NET PROFIT/LOSS	**47,497,241**	**42,824,576**	**4,672,665**	**26,649,809**	**31,723,242**	**-5,073,433**

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6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1. Intangible assets

in EUR

	Goodwill	Contractual rights and the value of business acquired	Other intangible assets	Deferred acquisition costs	Total
COST					
As at 1 January 2010	**6,672,656**	**25,054,033**	**32,749,707**	**37,493,637**	**101,970,033**
- increase	125,266	0	5,597,608	1,080,279	6,803,153
- decrease	0	0	-881,573	0	-881,573
- impairment	-4,337,295	0	0	0	-4,337,295
- exchange rate differences	0	0	-58,604	13,431	-45,173
As at 31 December 2010	**2,460,627**	**25,054,033**	**37,407,138**	**38,587,347**	**103,509,145**
- increase	0	0	7,386,089	489,438	7,875,527
- decrease	0	0	-2,748,925	-1,625,982	-4,374,907
- impairment	-1,312,384	0	0		-1,312,384
- other	0	0	223,623	0	223,623
- exchange rate differences	0	0	-21,428	-81,795	-103,223
As at 31 December 2011	**1,148,243**	**25,054,033**	**42,246,497**	**37,369,008**	**105,817,781**
ACCUMULATED AMORTISATION					
As at 1 January 2010	**0**	**-13,255,446**	**-15,208,245**	**0**	**-28,463,691**
- amortisation	0	-7,870,646	-2,859,067	0	-10,729,713
- disposal	0	0	806,091	0	806,091
- impairment	0	-3,927,941	0	0	-3,927,941
- other changes	0	0	0	0	0
- exchange rate differences	0	0	24,217	0	24,217
As at 31 December 2010	**0**	**-25,054,033**	**-17,237,004**	**0**	**-42,291,037**
- amortisation	0	0	-2,946,727	0	-2,946,727
- disposal	0	0	2,765,866	0	2,765,866
- impairment	0	0	0	0	-1,312,384
- exchange rate differences	0	0	-12,419	0	-12,419
As at 31 December 2011	**0**	**-25,054,033**	**-17,430,284**	**0**	**-43,796,701**
CARRYING AMOUNT					
As at 31 December 2010	2,460,627	0	20,170,134	38,587,347	61,218,108
As at 31 December 2011	1,148,243	0	24,816,213	37,369,008	63,333,464

Other intangible assets are computer software and other licences.

The Group did not pledge any intangible assets as collateral. As at 31 December 2011, trade payables for intangible assets amounted to EUR 689,814 (vs. EUR 1,523,409 as at 31 December 2010).

The amortisation for the current year is split between several items of the income statement. For details, see expenses by nature and function in Section 7.11.

As at 31 December 2011, intangible assets with an indefinite useful life amounted to EUR 9,368 and remained the same compared to previous year.

The Group has no individual intangible assets of material value to the consolidated financial statements.

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Goodwill

in EUR

GOODWILL DUE TO	As at 31 December 2010	Increase	Decrease	As at 31 December 2011
- takeover of Triglav Osiguranje, a.d.o, Beograd	1,312,384	0	-1,312,384	0
- additional acquisition of equity shares of TRI-PRO, d.o.o.	112,759	0	0	112,759
- additional acquisition of equity shares of Golf Arboretum, d.o.o.	146,422	0	0	146,422
- additional acquisition of equity shares of Lovćen Osiguranje, a.d.	763,796	0	0	763,796
- first consolidation of Sarajevostan, d.o.o.	125,266	0	0	125,266
TOTAL GOODWILL	**2,460,627**	**0**	**-1,312,384**	**1,148,243**

The goodwill of the above stated items was tested as at 31 December 2011. It was calculated that goodwill impairment is required for certain items in Triglav Osiguranje a.d.o., Belgrade. Total goodwill impairment of EUR 1.3 million is disclosed under other expenses (see Section 7.13).

The following are the changed circumstances and/or new facts that influenced the goodwill impairment in Triglav Osiguranje, a.d.o., Belgrade:

- failure to achieve business plans and operating at a loss;
- lower than expected long-term returns in relation to the assumed investment risks, mainly due to lower operating efficiency and productivity of resources used for the operation.

Goodwill impairment as at the reporting date was tested by using the constant nominal discount rate of 18.7% over the entire forecast period (detailed projections and residual value); the rate was also in compliance with the nominal component of the expected cash flow derived from long-term expectations of international financial institutions. Projections for the period of inconstant growth were made for a period of 14 years with the assumption of constant growth thereafter. A longer than 5-year period of inconstant growth was used because of the expected convergence economic growth of the country in which the evaluated company is operating and consequently, the convergence of insurance market to more developed countries due to a possible consideration of changes in key value parameters (profitability and operational risk) along with the general development of insurance markets and the implementation of the envisaged measures and their impact on the Company's business operation in accordance with the Group's strategy. For these reasons the assessed Company was expected to achieve sustainable profitability in its core business over the Strategy period, and at the same time to manage the transition to the Group's standards. The development practice of insurance markets in more developed countries shows that, subject to the expected development of appropriate safeguards in the assets and operations of a company, and the expected stabilised growth in insurance contracts along with stable conditions on the insurance market, a moderate but constant growth can also be expected in cash flows, thus diminishing the probability and impact of a possibly incorrect basis for the value assessment of expected cash flows over the residual constant period. In general, decreasing growth rates of value parameters were applied in projection extrapolations within the framework of long-term economic growth rates in the country of operation. Measures and their effects are expected on the basis of the experience of other Triglav Group members, adjusted to the relevant market and company. A 3% nominal infinite growth rate was applied, derived from the expected long-term economic growth in the economically strongest EU country increased by the expected long-

term difference in the inflation between the country in which the evaluated company is operating and the economically strongest EU country.

6.2. Property, plant and equipment

in EUR

	Land	Buildings	Equipment	TOTAL
COST				
As at 1 January 2010	**20,199,397**	**121,505,885**	**73,210,759**	**214,916,041**
- acquisition	1,873,808	9,923,727	11,249,556	23,047,091
- disposal	-2,267,093	-2,550,813	-12,751,922	-17,569,828
- exchange rate differences	-39,389	-379,242	-161,084	-579,715
As at 31 December 2010	**19,766,723**	**128,499,557**	**71,547,309**	**219,813,589**
- acquisition	32,200	1,900,225	4,380,903	6,313,328
- disposal	-1,741,973	-1,523,855	-4,141,181	-7,407,009
-changes of the Group	-5,511,130	1,342,214	0	-4,168,916
- other changes	714,220	-6,206,930	-578,426	-6,071,136
- exchange rate differences	-42,653	-334,112	28,185	-348,580
As at 31 December 2011	**13,217,387**	**123,677,099**	**71,236,790**	**208,131,276**
ACCUMULATED DEPRECIATION				
As at 1 January 2010	**0**	**-24,774,939**	**-57,245,820**	**-82,020,759**
- depreciation for the current year	0	-3,014,197	-6,668,648	-9,682,845
- disposals	0	2,199,612	12,142,504	14,342,116
- exchange rate differences	0	14,043	84,519	98,562
As at 31 December 2010	**0**	**-25,575,481**	**-51,687,445**	**-77,262,926**
- depreciation for the current year	0	-2,309,045	-6,342,823	-8,651,868
- disposal	0	605,437	3,869,404	4,474,841
-changes of the Group	0	703,144	2,082	705,226
- other changes	0	892,534	568,858	1,461,392
- exchange rate differences	0	-14,035	-35,223	-49,258
As at 31 December 2011	**0**	**-25,697,446**	**-53,625,147**	**-79,322,593**
CARRYING AMOUNT				
As at 31 December 2010	**19,766,723**	**102,924,076**	**19,859,864**	**142,550,663**
As at 31 December 2011	**13,217,387**	**97,979,653**	**17,611,646**	**128,808,686**

An increae in value of buildings due to changes of the Group represents value of the buildings of the group entity Pista d.o.o., Beograd. For the explanation of other changes see Section 6.3.

Property, plant and equipment pledged as collateral by the Group as at 31 December 2011 amounted to EUR 4,838,415 (vs. EUR 23,875,547 as at 31 December 2010). The statutory limitation on the Group's property, plant and equipment as at 31 December 2011 was EUR 7,334,541 (vs. EUR 25,621,629 as at 31 December 2010).

As at 31 December 2011, trade payables for property, plant and equipment amounted to EUR 638,775 (vs. EUR 99,376 as at 31 December 2010).

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are presented by functional group, as described in Section 2.28. For details, see expenses by nature and function in Section 7.11.

As at 31 December 2011, property, plant and equipment under financial lease totalled EUR 12,348,365 (vs. EUR 11,726,498 as at 31 December 2010).

6.3. Investment property

in EUR

	Land	Buildings	Total
COST			
As at 1 January 2010	**36,433,224**	**53,505,498**	**89,938,722**
- acquisition	535,980	6,760,587	7,296,567
- disposal	-10,009	-1,776,433	-1,786,442
- other changes	-426,047	0	-426,047
- impairment	-786,396	-31,558	-817,954
- exchange rate differences	-77	-42,877	-42,954
As at 31 December 2010	**35,746,675**	**58,415,217**	**94,161,892**
- acquisition	2,346,467	2,919,296	5,265,763
- disposal	-725,292	-2,398,927	-3,124,219
- other changes	4,846,451	8,822,996	13,669,447
- impairment	0	-95,323	-95,323
- exchange rate differences	-138	-27,519	-27,657
As at 31 January 2011	**42,214,163**	**67,635,740**	**109,849,903**
ACCUMULATED DEPRECIATION			
As at 31 January 2010	**0**	**-7,941,670**	**-7,941,670**
- depreciation	0	-2,288,158	-2,288,158
- disposal	0	322,599	322,599
- exchange rate differences	0	1,592	1,592
As at 31 December 2010	**0**	**-9,905,637**	**-9,905,637**
- depreciation	0	-1,597,034	-1,597,034
- disposal	0	178,917	178,917
- other changes	0	-1,740,789	-1,740,789
- exchange rate differences	0	-470	-470
As at 31 December 2011	**0**	**-13,065,013**	**-13,065,013**
CARRYING AMOUNT			
As at 31 December 2010	**35,746,675**	**48,509,580**	**84,256,255**
As at 31 December 2011	**42,214,163**	**54,570,727**	**96,784,890**

Transfers of land and buildings from "Property, plant and equipment" to "Investment property" are shown within "Other changes" (Slovenijales: land EUR 4.8 million, buildings EUR 3.4 million; Triglav Osiguruvanje, Skopje: buildings EUR 1.6 million). Other changes also include recognitions of buildings of Triglav Osiguranje, Zagreb in the amount of EUR 4.3 million.

The Group leases its investment properties, i.e. individual business premises. All leasing agreements, stipulated for an initial period from one to ten years, may be rescinded at any moment. Rents do not include conditional rents.

All investment property income relates exclusively to rents and is shown in the income statement under the item "Other income" (see Section 7.7). All investment property expenses relate to depreciation and maintenance costs arising from the investment property and are shown in the income statement under the item "Other expenses" (see Section 7.13). Fair value is disclosed below.

in EUR

	31 December 2011	31 December 2011
Carrying amount	96,784,893	84,256,256
Estimated fair value	125,808,255	150,298,056

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6.4. Investments in associates

As at the balance sheet date of 31 December 2010, Zavarovalnica Triglav held a capital share of 25.61% in the company Abanka Vipa, d.d. (Abanka). In accordance with IAS 28 – Investments in Associates, the investment was carried as an associate due to the significant influence in the company, as exercised through voting rights.

As at the balance sheet date of 31 December 2011, Zavarovalnica Triglav still held the same capital share as at 31 December 2010. On 20 January 2011, however, Zavarovalnica Triglav received a Decision from the Securities Market Agency prohibiting Zavarovalnica Triglav from exercising its voting rights in Abanka.

With regard to the received Decision and consequent loss of important influence, Zavarovalnica Triglav excluded the investment in Abanka d.d. from the group of its associates and classified it as investment available for sale. The same applies to all other items related to that company in both the income statement and the statement of financial position.

The effect of the valuation of investments using the equity method is disclosed as a separate item in the income statement (see Section 7.2 for more details). The fair value of investments in associates, in the event that a price exists on an active market, is stated below.

in EUR

NAME OF LEGAL ENTITY	FAIR VALUE 2011	2010
NAMA trgovsko podjetje d.d.	11,104,076	11,329,854
Goriške opekarne, d.d.[4]	2,260,176	1,731,644

[4] Shares of the company were removed from the stock exchange listing in 2011. The fair value is calculated based on the latest stock market value as of 23 August 2011.

	NAME OF THE LEGAL ENTITY	ADDRESS	TAX RATE in%	ACTIVITY	SHARE IN CAPITAL (in %)		VOTING RIGHTS (in %)		VALUE OF INVESTMENT (in EUR)
					2011	2010	2011	2010	2011
1	Avrigo, d.d.	Kidričeva ulica 20, 5000 Nova Gorica, Slovenia	20	Transport	46.51	42.99	46.51	42.99	3,981,756
2	Elan skupina	Begunje na Gorenjskem 1, 4275 Begunje na Gorenjskem, Slovenia	20	Holding company	25.05	23.16	25.05	23.16	1,253,505
3	Goriške opekarne, d.d.	Merljaki 7, 5292 Renče, Slovenia	20	Manufacturing	47.43	43.83	47.43	43.83	880,259
4	Info TV d.d.	Šmartinska cesta 152, 1000 Ljubljana, Slovenia	20	Radio and television	41.41	38.27	41.41	38.27	0
5	NAMA trgovsko podjetje d.d.	Tomšičeva ulica 1, 1000 Ljubljana, Slovenia	20	Retail	39.07	38.99	39.07	38.99	4,725,768
6	SKUPNA pokojninska družba d.d.,	Trg Republike 3, 1000 Ljubljana, Slovenia	20	Pension funds	30.14	30.14	30.14	30.14	2,952,815
7	Tehnološki center varne vožnje Vransko	Vransko 66a, 3305 Vransko, Slovenia	20	Research and development	25.01	25.01	25.01	25.01	821
8	Triglavko, d.o.o.	Ulica XXX. divizije 23, 5000 Nova Gorica, Slovenia	20	Insurance brokerage	38.47	38.47	38.47	38.47	18,879
9	ZIF Polara Invest Fond A.D., Banja Luka	Veselina Masleše 1, Banja Luka, Republika Srpska-BIH	10	Investment fund	20.09	14.06	20.09	20.09	2,799,786
10	ZIF Prof Plus	Veselina Masleše 1, Banja Luka, Republika Srpska-BIH	10	Investment fund	24.65	23.64	24.65	23.64	3,890,973
	SKUPAJ								**20,504,562**

in EUR

	Name of the legal entity	ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1	Avrigo, d.d.	14,011,573	12,822,464	5,143,201	4,289,633	8,868,372	8,532,831	14,903,916	14,332,864	784,604	712,381
2	Elan skupina	101,055,000	95,086,000	56,004,000	49,670,000	45,051,000	45,416,000	64,857,000	58,293,000	87,000	-1,891,000
3	Goriške opekarne, d.d.	16,128,286	17,188,270	9,024,566	9,583,495	7,103,720	7,604,775	8,787,072	8,529,758	-576,575	-1,347,915
4	Info TV d.d.	Data not availabe	1,922,481	Data not availabe	2,498,644	Data not availabe	-576,163	Data not availabe	898,119	Data not availabe	-664,061
5	NAMA trgovsko podjetje d.d.	13,074,423	14,493,508	3,152,553	4,194,117	9,921,871	10,299,391	14,731,589	15,830,204	465,899	743,848
6	SKUPNA pokojninska družba d.d.,	328,861,757	337,554,250	312,970,057	323,503,070	15,891,700	14,051,180	6,188,142	5,175,071	2,521,774	1,238,684
7	Tehnološki center varne vožnje Vransko	6,887	6,958	0	0	6,887	6,958	152	140	-71	-29
8	Triglavko, d.o.o.	221,889	280,195	122,968	151,488	98,921	128,707	789,858	760,422	-29,786	-28,908
9	ZIF Polara Invest Fond A.D., Banja Luka	13,780,885	16,208,327	339,761	653,924	13,441,124	15,554,403	979,526	1,116,303	-1,306,172	-469,621
10	ZIF Prof Plus	26,691,754	29,967,723	141,806	78,453	26,549,948	29,889,269	2,144,068	1,988,592	65,488	-24,352

6.5. Financial assets[5]

in EUR

	2011	2010
Held to maturity	245,218,283	253,578,582
At fair value through profit and loss	83,543,191	91,013,031
- designated	77,743,543	81,585,831
- held for trading	5,799,648	9,427,200
Available for sale	1,192,865,726	1,195,021,035
Loans and receivables	439,712,248	364,944,602
Unit-linked insurance assets	364,684,374	377,892,260
- at fair value through profit and loss	357,924,243	373,707,231
- loans and receivables	6,760,131	4,185,029
- available for sale	0	0
TOTAL	**2,326,023,820**	**2,282,449,510**

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents).

Overview of financial assets by type

in EUR

2011	HTM	FVTPL - HELD FOR TRADING	FVTPL - CLASSIFIED INTO THIS GROUP	AFS	L&R	TOTAL
Debt and other fixed-return securities	245,218,283	2,022,004	74,189,892	988,511,242	60,612,127	1,370,553,548
Investments in shares, other floating-rate securities and fund coupons	0	4,676,545	357,017,737	199,399,442	0	561,093,724
Financial derivatives	0	257,549	1,211,095	0	0	1,468,644
Loans and receivables	0	0	2,092,612	4,955,042	382,145,634	389,193,288
- deposits with banks	0	0	0	1,023	310,976,269	310,977,292
- loans given	0	0	0	0	69,170,879	69,170,879
- other financial investments	0	0	2,092,612	4,954,019	1,998,486	9,045,117
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	3,714,618	3,714,618
TOTAL	**245,218,283**	**6,956,098**	**434,511,336**	**1,192,865,726**	**446,472,379**	**2,326,023,820**

[5] For presentational ease, abbreviations of individual categories of financial assets are used in the disclosures:
- HTM – financial assets held to maturity
- FVTPL – financial assets at fair value through profit and loss
- AFS – financial assets available for sale
- L&R – loans and deposits

in EUR

2010	HTM	FVTPL - HELD FOR TRADING	FVTPL - CLASSIFIED INTO THIS GROUP	AFS	L&R	TOTAL
Debt and other fixed-return securities	253,578,582	2,308,074	78,516,404	989,014,816	71,759,013	1,395,176,889
Investments in shares, other floating-rate securities and fund coupons	0	5,989,574	374,049,663	205,608,225	50,000	585,697,461
Financial derivatives	0	2,266,585	20,907	0	0	2,287,492
Loans and receivables	0	0	1,569,057	397,993	294,217,633	296,184,684
- deposits with banks	0	0	0	0	235,132,827	235,132,827
- loans given	0	0	0	0	56,559,564	56,559,564
- other financial investments	0	0	1,569,057	397,993	2,525,242	4,492,293
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	3,102,985	3,102,985
TOTAL	**253,578,582**	**10,564,232**	**454,156,031**	**1,195,021,034**	**369,129,631**	**2,282,449,510**

Movements of financial assets

in EUR

FINANCIAL ASSETS	HTM	FVTPL	AFS	L&R	TOTAL
As at 1 January 2010	**261,587,909**	**393,482,832**	**1,075,559,517**	**401,519,598**	**2,132,149,856**
Acquisitions	10,497,069	99,625,459	1,030,165,418	2,765,558,525	3,905,846,471
Maturity	-30,357,309	-6,066,818	-121,633,559	-2,763,143,301	-2,921,200,987
Disposal	-1,055,742	-45,524,921	-776,908,944	-44,688,591	-868,178,198
Amounts transferred from equity at disposal	0	0	19,852,857	0	19,852,857
Valuation through profit and loss	0	16,750,562	0	4,708	16,755,270
Valuation through equity	0	0	-29,380,399	0	-29,380,399
Impairments	0	0	-39,653,222	-2,697,276	-42,350,498
Premiums and discounts	3,661,252	0	786,810	523,170	4,971,232
Interest income	9,318,343	6,304,021	35,460,943	12,107,875	63,191,182
Foreign exchange differences	-72,941	149,128	771,613	-55,077	792,723
As at 31 December 2010	**253,578,582**	**464,720,263**	**1,195,021,034**	**369,129,632**	**2,282,449,511**
Acquisitions	16,988,229	90,760,762	805,679,902	2,377,432,569	3,290,861,462
Maturity	-34,083,032	-19,983,636	-103,642,427	-2,176,143,634	-2,333,852,729
Disposal	0	-44,489,822	-599,233,086	-138,285,335	-782,008,243
Amounts transferred from equity at disposal	0	0	-3,644,673	0	-3,644,673
Valuation through profit and loss	0	-53,287,155	-2,718,777	-129,965	-56,135,897
Valuation through equity	0	-283,920	-86,383,053	0	-86,666,973
Impairments	-2,975,085	27,417	-56,353,893	-702,346	-60,003,907
Premiums and discounts	3,696,131	0	-225,379	608,147	4,078,899
Interest income	8,013,971	3,997,574	37,293,315	14,375,385	63,680,245
Changes in the Group	0	0	5,050,615	502,692	5,553,307
Foreign exchange differences	-513	5,951	2,022,147	-314,767	1,712,818
As at 31 December 2011	**245,218,283**	**441,467,434**	**1,192,865,726**	**446,472,378**	**2,326,023,820**

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Fair value of financial assets held to maturity

in EUR

	2011	2010
Financial assets held to maturity		
- amortised cost	245,218,283	253,578,582
- fair value	218,481,530	239,736,184

Financial assets according to valuation levels

in EUR

	2011	2010
Financial assets available for sale	**1,192,865,726**	**1,195,021,035**
- Level 1	1,084,482,228	1,075,041,003
- Level 2	53,658,357	49,632,988
- Level 3	54,725,140	70,347,043
Financial assets available for sale	**441,467,434**	**464,720,263**
- Level 1	293,999,138	314,000,502
- Level 2	147,468,296	150,719,761
- Level 3	0	0

In valuing financial assets at fair value the Group applied the following price hierarchy:

- Level 1: valuation through market prices quoted for identical assets in an active market (stock exchange prices and Bloomberg generic prices). This group includes financial assets with available market prices in an active market, as well as listed derivative financial instruments.
- Level 2: valuation through comparable market data (other than prices of identical listed assets), acquired directly or indirectly for an identical or similar asset.
- Level 3: valuation through valuation models mostly using unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models using unobservable market inputs, and security holding measured at historical cost, since their fair value cannot be reliably measured. Valuation models used for the measurement of financial assets are described in Section 3.5.

Reclassification of financial assets

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, individual members of the Group opted for a reclassification of financial assets already in 2008. In 2011 and 2010, additional reclassifications of financial assets were performed. The effects of reclassifications are disclosed below.

Reclassifications from financial assets "available for sale" (AFS) category to "loans and receivables" (L&R) category

in EUR

	2011	2010
Amount of reclassified financial assets	6,339,066	0
Effective interest rate at the date of reclassification	14%	0
Carrying amount of reclassified as at 31 December	44,763,595	54,672,139
Fair value of reclassified assets as at 31 December	44,708,640	54,672,139
Impact on comprehensive income if not reclassified	21,640	0
Impact on net profit if not reclassified	144,641	11,761
Loss at disposal of reclassified assets	350,245	164,460
Estimated cash flows	62,747,215	77,217,669

Reclassifications from the financial assets "available for sale" (AFS) category to the "held to maturity" (HTM) category«

in EUR

	2011	2010
Amount of reclassified financial assets	31,054,332	0
Effective interest rate at the date of reclassification %	6%	-
Carrying amount of reclassified assets as at 31 December	81,585,780	71,753,486
Fair value of reclassified financial assets as at 31 December	80,040,798	75,789,089
Impact on comprehensive income if not reclassified	-1,574,884	4,035,603
Impact on net profit if not reclassified	1,402,846	0
Profit from disposal of reclassified financial assets	0	81,063
Estimated cash flows	110,725,011	91,513,556

Reclassifications from the financial assets "measured at fair value through profit and loss" (FVTPL) category to the financial assets "available for sale" (AFS) category

in EUR

	2011	2010
Amount of reclassified financial assets	930,985	0
Effective interest rate at the date of reclassification %	0	0
Carrying amount of reclassified assets as at 31 December	648,297	0
Fair value of reclassified financial assets as at 31 December	648,297	0
Impact on comprehensive income if not reclassified	0	0
Impact on net profit if not reclassified	-214,367	0
Profit from disposal of reclassified financial assets	0	0
Estimated cash flows	648,297	0

6.6. Reinsurers' share of technical provisions

in EUR

	2011	2010
NON-LIFE INSURANCE		
Reinsurers' share of unearned premiums	14,626,864	11,958,410
Reinsurers' share of claims	29,336,584	32,262,523
Reinsurers' share of other technical provisions	5,855	0
Total non-life insurance	**43,696,303**	**44,220,933**
LIFE INSURANCE		
Reinsurers' share of unearned premiums	3,655	383
Reinsurers' share of other mathematical provisions	10,125	0
Reinsurers' share of claims	0	0
Total life insurance	**13,780**	**383**
TOTAL ASSETS FROM REINSURANCE CONTRACTS	**43,983,083**	**44,221,316**

6.7. Receivables

Receivables by maturity

in EUR

2011	Receivables by maturity			
	Not due	Overdue up to 180 days	Overdue over 180 days	Total 31 December 2011
RECEIVABLES FROM DIRECT INSURANCE	**87,198,616**	**25,880,696**	**5,480,011**	**118,559,323**
Receivables from insurers	84,958,154	21,870,751	5,336,405	112,165,310
Receivables from insurance brokers	314,152	1,239,091	56,556	1,609,799
Other receivables from direct insurance operations	1,926,310	2,770,854	87,050	4,784,214
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	**27,744,123**	**6,337,095**	**6,658,256**	**40,739,474**
Premium receivable from co-insurance	537,804	50,506	5,765	594,075
Premium receivable from reinsurance	19,848,071	3,083,384	5,978,835	28,910,290
Receivables from co-insurers' share in claims	22,212	65,527	0	87,739
Receivables from reinsurers' share in claims	4,548,027	3,038,595	631,270	8,217,892
Other receivables from co-insurance and reinsurance operations	2,788,009	99,083	42,386	2,929,478
OTHER RECEIVABLES	**31,389,725**	**12,282,004**	**2,078,743**	**45,750,472**
Other short-term receivables from insurance operations	10,882,648	3,194,814	1,331,603	15,409,065
Short-term receivables from financing	5,664,669	435,192	33,603	6,133,464
Other short-term receivables	13,054,032	8,651,998	713,537	22,419,567
Long-term receivables	1,328,867			1,328,867
Receivables from corporate profit tax	459,509			459,509
TOTAL	**146,332,464**	**44,499,795**	**14,217,010**	**205,049,269**
Insured receivables as at 31 December 2011				4,496,358
Insured receivables as at 31 December 2011				200,552,911

in EUR

2010	Receivables by maturity			
	Not due	Overdue up to 180 days	Overdue over 180 days	Total 31 December 2010
RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	**88,074,378**	**30,721,922**	**9,196,647**	**127,992,948**
Receivables from insurers	79,033,670	28,820,255	8,625,689	116,479,614
Receivables from insurance brokers	1,379,222	352,698	84,773	1,816,693
Other receivables from direct insurance operations	7,661,486	1,548,970	486,185	9,696,641
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	**33,291,739**	**7,540,588**	**4,599,681**	**45,432,007**
Premium receivable from co-insurance	10,764	-2,464	0	8,300
Premium receivable from reinsurance	16,391,128	3,351,951	3,935,511	23,678,590
Receivables from co-insurers' share in claims	58,006	15,466	0	73,472
Receivables from reinsurers' share in claims	14,602,052	3,943,927	653,369	19,199,347
Other receivables from co-insurance and reinsurance operation	2,229,789	231,708	10,801	2,472,298
OTHER RECEIVABLES	**28,471,884**	**13,584,464**	**1,162,658**	**43,219,005**
Receivables for advanced payments for intangible assets	93,835	0	0	93,835
Other short-term receivables from insurance operations	15,492,466	3,797,621	1,710,475	21,000,562
Short-term receivables from financing	570,629	190,081	296,815	1,057,525
Other short-term receivables	11,988,659	9,596,762	-844,632	20,740,788
Long-term receivables	323,868	0	0	323,868
Receivables from corporate profit tax	2,427	0	0	2,427
TOTAL	**149,838,001**	**51,846,974**	**14,958,986**	**216,643,960**
Insured receivables as at 31 December 2010				9,783,795
Insured receivables as at 31 December 2010				206,860,165

The gross and net amounts of each group of receivables are disclosed below:

in EUR

2011	Gross value	Impairment	Net value
Receivables from direct insurance operations	193,528,827	-74,969,504	118,559,323
Receivables from co-insurance and reinsurance operations	40,739,474	0	40,739,474
Other receivables	134,092,655	-88,801,692	45,290,963
TOTAL	**368,360,956**	**-163,771,196**	**204,589,760**

in EUR

2010	Gross value	Impairment	Net value
Receivables from direct insurance operations	192,185,152	-64,192,204	127,992,947
Receivables from co-insurance and reinsurance operations	45,432,008	0	45,432,008
Other receivables	128,208,245	-84,991,666	43,216,578
TOTAL	**365,825,404**	**-149,183,870**	**216,641,534**

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6.8. Other assets

in EUR

	2011	2010
Deferred costs	7,426,729	7,308,797
Inventories	4,199,703	4,777,236
Other assets	970,774	863,663
TOTAL	**12,597,206**	**12,949,696**

6.9. Cash and cash equivalents

in EUR

	2011	2010
Cash in bank accounts in EUR	6,166,462	13,659,004
Cash in bank accounts in other currencies	10,587,395	14,116,203
Cash on hand and cheques in EUR	46,057	33,670
Cash on hand and cheques in other currencies	164,999	39,965
Other	5,806,754	6,259,246
TOTAL	**22,771,667**	**34,108,090**

Within »Other« the Group holds EUR 5.5 million (in 2010 EUR 10 million) from Slovenijales which was frozen due to a legal dispute with Fincor Invest Anstalt. See Section 8.6 for more details.

6.10. Non-current assets held for sale

The amount of non-current assets held for sale arise from the following companies within the Triglav Group:

in EUR

	2011	2010
Slovenijales	1,482,215	1,385,441
TOTAL	**1,482,215**	**1,385,441**

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6.11. Equity

As at 31 December 2011, the share capital amounted to EUR 73,701,392 and was, in comparison to the previous year, increased by EUR 50 million from the retained earnings, following the resolution adopted by the Shareholders' Meeting on 21 June 2011. The share capital was divided into 22,735,148 no-par value shares. Each share represents the same stake and a corresponding amount in the share capital. The portion of each no-par value share in the share capital is determined on the basis of the number of no-par value shares issued. All of the shares have been paid up in full.

Top 10 shareholders of Zavarovalnica Triglav are listed below.

Shareholder	2011 Ownership (in%)	2011 Numer of shares	2010 Ownership (in%)	2010 Number of shares
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	34.47%	7,836,628	34.47%	7,836,628
Slovenska odškodninska družba, d.d., Ljubljana, Slovenia	28.07%	6,380,728	28.07%	6,380,728
Nova ljubljanska banka, d.d., Ljubljana, Slovenia	3.06%	696,213	3.06%	696,213
Claycroft Limited, Nicosia, Cyprus	1.78%	404,460	0.92%	210,000
NFD 1 delniški investicijski sklad, d.d., Ljubljana, Slovenia	1.63%	371,187	1.63%	371,187
Poteza Naložbe, d.o.o., Ljubljana, Slovenia	1.52%	346,570	1.52%	346,570
Hypo Alpe Adria Bank AG Klagenfurt, Klagenfurt, Austria	1.24%	282,055	1.23%	280,720
HIT, d.d., Nova Gorica, Slovenia	1.12%	255,408	1.12%	255,408
Salink Limited, Nicosia, Cyprus	0.89%	202,414	0.0%	0
Unicredit Bank Austria, Vienna, Austria	0.81%	184,648	0.81%	183,772
Other shareholders (individual less than 1%)	25.41%	5,774,837	27.17%	6,173,922
TOTAL	**100.00%**	**22,735,148**	**100.00%**	**22,735,148**

Stock exchange listing and share price

On 5 December 2011, the shares of Zavarovalnica Triglav bearing the ZVTG ticker were transferred from the Standard to the Prime Market of the Ljubljana Stock Exchange. By listing shares on LJSE Prime Market, Zavarovalnica Triglav became one of the most prominent issuers at the Ljubljana Stock Exchange.

The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below

in EUR

	31 December 2011	31 December 2010
Quoted price of the share	10,00	17,61
Carrying amount per share	19,25	21,19

Dividends

	2011	2010
Dividends to be distributed to shareholders	To be defined	9,094,059
Dividend per share		0.40

Authorised capital

In accordance with the Company's Articles and Memorandum of Association, the Management Board is authorised to increase the share capital of Zavarovalnica Triglav by up to EUR 11,055,208.77 through new shares issued for cash. The issue of new shares, the amount of share capital increases, the rights attached to new shares and the conditions for issuing new shares are decided by the Company's Management Board with the approval of the Supervisory Board.

To date, Zavarovalnica Triglav has not yet exercised the right to increase its share capital from said authorisation.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also comprise credit risk equalisation reserves and other profit reserves.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the year to other profit reserves, i.e. up to one half of the net profit remaining after statutory allocations. In addition to prudent risk management, strategic capital needs are considered when forming these profit reserves.

Credit risk equalisation reserves in Slovenia are formed and calculated in line with the Insurance Act. The calculation of these reserves is also stipulated by local legislation in Montenegro and Serbia. The abovementioned legal requirements treat these equalisation reserves as insurance technical provisions. Any change in these reserves should be recognised through the income statement. Since the above mentioned requirements do not comply with IFRS, insurance companies in compliance with IFRS disclose equalisation provisions in reserves from profit. Any changes in these reserves are also recognised as an increase or decrease in the net profit/loss for the year in the statement of changes in equity.

Had the financial statements been prepared in line with the provisions of the Insurance Act, the result for the current year would be lower by EUR 936,144 (in 2010: EUR 574,316). Profit for the current year would thus equal EUR 46,561,097 (in 2010: EUR 26,075,492). In compliance with the Insurance Act, the amount of the abovementioned reserves would have been disclosed among the insurance technical provisions and as at 31 December 2011 these would have amounted to EUR 2,269,008,810 (in 2010: EUR 2,304,352,114 EUR).

Reserves from treasury shares and treasury shares (as a deductible item)

In 2008, Slovenijales d.d. acquired 24,312 shares of Zavarovalnica Triglav d.d. worth EUR 364,680. In the consolidated statement of financial position, they are disclosed as a deductible equity item of the same amount. Equivalent reserves for treasury shares are formed for these shares in the consolidated statement of financial position (from profit from previous years).

Fair value reserve

The fair value reserve represents changes in the fair value of available-for-sale financial assets. The fair value reserve is reduced by the deferred tax liabilities. Changes in the fair value reserve are specified in more detail in the statement of comprehensive income in Chapter III – Consolidated Financial Statements (Consolidated Statement of Comprehensive Income).

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Currency translation adjustment

Currency translation differences arise from foreign exchange differences in consolidation procedures. In 2011, the currency translation adjustment totalled EUR 567,604 (vs. EUR 538,760 in 2010), primarily due to the decrease in the Serbian dinar (RSD).

Notes to the statement of changes in equity

- The statement of changes in equity for the year 2011 discloses the increase in share capital of Zavarovalnica Triglav. Share capital was increased by the transfer of EUR 50 million from the retained earning, following the resolution adopted by the General Meeting of Shareholders on 21 June 2011. The increase in share capital was entered in the Court Register on 28 June 2011.
- Following the resolution on the distribution of accumulated profit for 2010, adopted by the General Meeting of Shareholders on 21 June 2011, EUR 160 million was allocated to other profit reserves, while EUR 9 million was allocated for payment of dividends to shareholders. The decrease in the capital of non-controlling interest holders resulting from the payment of dividends in the amount of EUR 22 thousand relates to the dividends paid by Pozavarovalnica Triglav RE to non-controlling shareholders.
- Credit risk equalisation reserves increased by EUR 1.4 million, allocated from the net profit for the year which totalled EUR 936,000 (EUR 885,000 of net profit attributable to the controlling interest holders and EUR 51,000 to the non-controlling interest holders). The difference in the amount of EUR 494 thousand was carried over directly from other insurance technical provisions made in previous years. Credit risk equalisation reserves have been created in Zavarovalnica Triglav, Pozavarovalnica Triglav RE, Triglav Osiguranje Beograd and Lovćen Osiguranje.
- The share premium decrease arises from the acquisition of shares from non-controlling interest holders of Triglav Naložbe in the amount of EUR 675 thousand, Triglav Osiguruvanje Skopje in the amount of EUR 520 thousand and Triglav Osiguranje Banja Luka in the amount of EUR 2 thousand. Said changes in interest holdings also affected the decrease in capital of non-controlling interest holders as described in Section 1.6.
- At the same time share premium increased by EUR 745 thousand on account of real estate recognition in Triglav Osiguranje Zagreb. The recognition followed the entry of the real estate in the Court Register on the basis of a separation balance sheet between Zavarovalnica Triglav and Triglav Osiguranje in 1993. Considering the above, share premium decreased by EUR 451 thousand in total.

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6.12. Subordinated liabilities

in EUR

	Amortised cost 2011	Amortised cost 2010	Fair value 2011	Fair value 2010
ZT01 bonds	10,998,000	10,998,000	11,217,960	11,217,960
ZT02 bonds	29,947,982	29,934,091	30,300,000	30,682,443
TOTAL SUBORDINATED LIABILITIES	**40,945,982**	**40,932,091**	**41,517,960**	**41,900,403**

Issued bonds are disclosed at amortised cost. For the calculation of fair values, the last known price on the Ljubljana Stock Exchange is taken into account. The price for ZT01 as at 31 December 2011 was 102.0% (same as at the end of the last year) and the price for ZT02 was 101.0% (vs. 102.5% as at 31 December 2010).

The ZT01 bonds were issued in 2003 as subordinated registered bonds denominatd in EUR and in a dematerialised form. A total of 30,000 bonds were issued with the nominal value of EUR 1,000 each. All of the bonds were sold. In years 2009 and 2010 the Company bought 19,002 of the said bonds. As at 31 December 2011 the Company has an outstanding committment for 10,998 bonds. The bond has fixed interest rate of 5.125% p.a. The last coupon and the principal will fall due on 20 October 2013.

The ZT02 were issued in 2009 as subordinated registered bonds denominated in EUR and in a dematerialised form. A total of 30,000 bonds worth EUR 1,000 each were issued. All issued bonds were also sold. The fixed interest rate of this bond is 250 basis points above the 10-year mid-swap rate as at 15 December 2009 and equals 5.95% p.a. The last coupon and the principal will fall due on 21 March 2020.

In the event of winding-up or liquidation, liabilities arising from the above-mentioned bond issue are subordinated to net debt instruments and payable only after the satisfaction of all non-subordinated liabilities to ordinary creditors. These bonds may not be cashed before the maturity set by the amortisation schedule, and likewise Zavarovalnica Triglav has no right to redeem them before maturity. The bonds are not convertible into capital or any other for of debt. ZT01 bonds were listed on the Ljubljana Stock Exchange in 2004, whilst ZT02 bonds were listed in 2010.

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6.13. Insurance technical provisions and insurance technical provisions for unit-linked insurance contracts

in EUR

NON-LIFE INSURANCE	2011	2010
GROSS PROVISIONS FOR UNEARNED PREMIUMS		
Gross provision for unearned premiums	291,217,540	295,892,720
Gross provisions for unearned premiums from coinsurance	97,853	111,351
TOTAL GROSS UNEARNED PREMIUM PROVISIONS	**291,315,393**	**296,004,071**
GROSS CLAIMS PROVISIONS		
Gross provisions for incurred and reported claims	219,320,381	203,400,836
Gross claims provisions for co-insurance	1,453,679	1,127,216
Gross claims provisions for IBNR and IBNER	429,159,213	453,482,545
Expected subrogation	-10,303,807	-11,124,365
Provisions for claim handling costs	45,209,397	43,370,371
GROSS CLAIMS PROVISIONS	**684,838,863**	**690,256,603**
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	**16,599,643**	**17,836,389**
TOTAL OTHER INSURANCE TECHNICAL PROVISIONS	**10,377,656**	**19,052,894**
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	**1,003,131,555**	**1,023,149,957**

LIFE INSURANCE	2011	2010
GROSS UNEARNED PREMIUM PROVISIONS	**425,005**	363,380
GROSS MATHEMATICAL PROVISIONS*		
Gross mathematical provisions covering life insurance	685,151,142	678,945,431
Gross mathematical provisions covering SVPI	158,096,122	170,902,344
Gross mathematical provisions covering SVPI during the annuity pay-out period	2,217,670	0
TOTAL GROSS MATHEMATICAL PROVISIONS	**845,464,934**	**849,847,775**
GROSS CLAIMS PROVISIONS	**20,625,387**	**21,471,714**
OTHER TECHNICAL PROVISIONS	**0**	**0**
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	**866,515,326**	**871,682,869**
TOTAL INSURANCE TECHNICAL PROVISIONS	**1,869,646,881**	**1,894,832,829**
GROSS MATHEMATICAL PROVISIONS COVERING ULI	**364,495,891**	**376,083,063**

* Insurance technical provisions include gross mathematical provisions for the long-term business fund backing unit-linked insurance (ULI), which are disclosed in the financial statements under the separate item "Insurance technical provisions for unit-linked insurance".

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Analysis of changes in insurance technical provisions

in EUR

	31 December 2010	Formation	Use	Release	31 December 2011
Gross unearned premium	296,367,454	261,023,657	-265,650,713	0	291,740,398
Gross mathematical provisions	849,847,775	95,591,627	-96,344,970	-3,629,498	845,464,934
Gross claims provisions	711,728,317	236,562,596	-182,980,946	-59,845,717	705,464,250
Gross provisions for bonuses and discounts	17,836,389	10,806,384	-6,679,290	-5,363,840	16,599,643
Other gross insurance technical provisions	19,052,894	10377656	-19,052,894	0	10,377,656
Gross insurance technical provisions for unit-linked insurance	376,083,063	15,420,062	-26,939,659	-67,575	364,495,891
TOTAL	**2,270,915,892**	**629,781,982**	**-597,648,472**	**-68,906,630**	**2,234,142,772**

Analysis of the decrease in gross mathematical provisions

in EUR

	2011	2010
Surrenders	67,880,879	41,602,591
Endowments	52,149,729	39,208,196
Deaths	3,254,021	3,035,999
TOTAL	**123,284,629**	**83,846,786**

Analysis of changes in loss events for non-life insurance

in EUR

	Year of occurence								
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**SKUPAJ**
Cumulative loss assessment									
at the end of year of occurrence	345,954,557	337,227,075	395,532,468	452,588,309	580,563,977	560,952,881	535,615,958	509,028,152	3,717,463,379
1 year after year of occurrence	364,915,806	349,418,055	388,699,228	441,568,602	558,871,106	502,868,739	492,902,084		3,099,243,621
2 years after year of occurrence	388,566,812	364,418,433	386,951,625	437,542,206	531,833,942	492,609,753			2,601,922,772
3 years after year of occurrence	419,309,049	394,812,349	391,396,176	429,583,969	530,609,243				2,165,710,786
4 years after year of occurrence	493,011,817	437,600,736	391,600,750	430,229,469					1,752,442,772
5 years after year of occurrence	527,660,587	462,894,947	391,808,717						1,382,364,251
6 years after year of occurrence	550,965,574	481,557,073							1,032,522,647
7 years after year of occurrence	547,869,910								547,869,910
Cumulative loss assessment	**547,869,910**	**481,557,073**	**391,808,717**	**430,229,469**	**530,609,243**	**492,609,753**	**492,902,084**	**509,028,152**	**3,876,614,402**
Cumulative payments until balance sheet date	503,451,976	443,306,936	360,350,789	391,732,738	484,352,971	430,631,228	403,543,688	293,090,943	3,310,461,269
Claims provisions balance	**44,417,934**	**38,250,136**	**31,457,928**	**38,496,732**	**46,256,272**	**61,978,525**	**89,358,396**	**215,937,209**	**566,153,133**

* The triangle includes gross claims provisions for incurred and reported claims as well as gross claims provisions for IBNER.

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6.14. Employee benefits

in EUR

	31 December2010	Formation	Use	Release	31 December 2011
Provisions for (redundancy) payments (at retirement)	9,605,902	2,753,779	-2,912,415	-651,786	8,795,480
Provisions for jubilee rewards	672,174	945,786	-15,220	-6,055	1,596,685
TOTAL	**10,278,076**	**3,699,565**	**-2,927,635**	**-657,841**	**10,392,165**

The change in provisions for jubilee rewards and (redundancy) payments (at retirement) is disclosed under other operating costs.

6.15. Other provisions

in EUR

	2011	2010
As at 1 January	**17,797,395**	**15,386,717**
Formation	3,080,127	2,623,111
Use	-1,737,300	-212,433
As at 31 December	**19,140,222**	**17,797,395**

The increase in other provisions is shown as »Other income« in the income statement. Other provisions include provisions for litigation, which mostly arise from the legal action of Jugobanka against Slovenijales (EUR 9.6 million), due to which EUR 5.5 million is frozen in the bank account of Slovenijales. For detail, see Section 8.6.

The maturity of over 90% of other provisions is above 12 months.

6.16. Deferred tax assets and liabilities

in EUR

	2011	2010
Deferred tax assets		
As at 1 January	**27,545,028**	**20,426,847**
Increase	13,116,215	7,118,181
Decrease	0	0
As at 31 December	**40,661,243**	**27,545,028**
Deferred tax liabilities		
As at 1 January	**14,110,839**	**16,383,815**
Increase	0	0
Decrease	-4,497,252	-2,272,976
As at 31 December	**9,613,587**	**14,110,839**
Net deferred tax assets	**31,047,656**	**13,434,189**

Deferred tax assets are recognised for temporary differences arising from the impairment of receivables, financial assets and investment property, from employee benefits and from differences between the tax and carrying amount on property, plant and equipment.

Deferred tax liabilities are recognised due to the valuation of available-for-sale financial assets.

The change in deferred tax assets is recognised in the income statement, increasing and/or decreasing income tax expense, whilst the change in deferred tax liabilities is recognised in other comprehensive income. The impact of changes on the income statement and the comprehensive income is shown in Section 7.14.

6.17. Other financial liabilities

in EUR

	2011	2010
Loans secured by fixed-return securities	500,000	8,700,000
Loans from banks	14,867,924	13,705,631
Loans from other institutions	395,308	1,606,405
Long-term liabilities for a finance lease	6,721,004	7,286,371
Other financial liabilities	17,006,884	3,572,018
TOTAL FINANCIAL LIABILITIES	**39,491,120**	**34,870,425**

As at 31 December 2011 the Group has outstanding liabilities for loans totalling EUR 15.8 million (vs. EUR 24.0 million as at 31 December 2010). Outstanding liabilities refer to loans received by non-insurance group entities in the amount of EUR 8.8 million and loans received by insurance group entities in the amount of EUR 7.0 million.

The interest rates on these loans range between 2.5% and 6.5%. The interest rates linked to 3M or 6M EURIBOR was 1.3% to 4.0% plus margin.

Long-term liabilities for a finance lease are related to Triglav Osiguranje, Zagreb in the amount of EUR 6.6 million. These amounts are intended for completing the construction of an office building in Zagreb and Belgrade.

Other financial liabilities mostly refer to liabilities for security purchases.

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6.18. Operating liabilities

in EUR

	2011	2010
DIRECT INSURANCE LIABILITIES		
Liabilities towards policyholders	13,988,154	15,039,029
Liabilities towards insurance brokers	1,729,573	1,709,179
Other liabilities from direct insurance operations	5,187,283	6,427,344
Liabilities from direct insurance operations towards Group companies	23,051	67,552
TOTAL liabilities from direct insurance operations	**20,928,061**	**23,243,104**
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS		
Liabilities from re/coinsurance premiums	17,109,130	12,754,352
Liabilities from the share of claims from co-insurance	9,279,464	7,268,522
Other re/coinsurance liabilities	9,717,435	7,869,425
Other re/coinsurance liabilities towards Group companies	0	36,513
TOTAL liabilities from co-insurance and re-insurance	**36,106,029**	**27,928,812**
Current tax liabilities	**826,652**	**16,877,495**
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	**57,860,742**	**68,049,411**

All liabilities are short-term and are to be settled within the next 12 months.

6.19. Other liabilities

in EUR

	2011	2010
Short-term liabilities to employees	14,681,752	15,208,247
Other short-term liabilities from insurance operations	15,419,555	23,915,664
Other short-term liabilities	24,064,214	22,104,537
Accrued costs and expenses	3,950,952	4,254,325
Other accruals	2,841,096	2,981,101
TOTAL OTHER LIABILITIES	**60,957,569**	**68,463,874**

Other short-term liabilities from insurance operations include payments to the claim fund, liabilities from insurance contract tax, fire tax and other liabilities related to insurance operations.

Other short-term liabilities include accounts payable and all of the liabilities from non-insurance companies.

All liabilities are short-term and are to be settled within the next 12 months.

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7. NOTES TO THE INCOME STATEMENT

7.1. Premium income

in EUR

	2011	2010
Non-life insurance		
Gross written premium	693,333,593	718,043,703
Assumed co-insurance written premium	1,851,270	1,694,680
Ceded co-insurance written premium	-896,740	-936,805
Reinsurance written premium	-79,176,929	-73,419,132
Changes in gross provisions for unearned premiums	3,964,286	5,005,698
Changes in reinsurers' share of unearned premiums	3,149,273	1,618,261
NET PREMIUM INCOME ON NON-LIFE INSURANCE	**622,224,753**	**652,006,405**
Life insurance		
Gross written premium	214,024,239	221,373,955
Reinsurance written premium	-14,195	-15,800
Changes in gross provisions for unearned premiums	-61,623	383,426
Changes in reinsurers' share of unearned premiums	3,273	143
NET PREMIUM INCOME ON LIFE INSURANCE	**213,951,694**	**221,741,724**
Health insurance		
Gross written premium	80,189,702	72,447,887
Changes in gross provisions for unearned premiums	-87,253	-25,792
NET PREMIUM INCOME ON HEALTH INSURANCE	**80,102,449**	**72,422,095**
TOTAL NET PREMIUM INCOME	**916,278,896**	**946,170,224**

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Overview of premium income by insurance class

in EUR

2011	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	55,507,992	-1,851,434	53,656,558
Health insurance	81,264,464	-20,561	81,243,903
Land motor vehicle insurance	157,849,294	-19,241,948	138,607,346
Railway insurance	2,789,593	-1,257,378	1,532,215
Aircraft insurance	4,941,295	-4,504,309	436,986
Marine Insurance	2,780,481	-166,703	2,613,778
Cargo insurance	10,318,366	-3,091,744	7,226,622
Fire and natural forces insurance	110,155,368	-50,940,483	59,214,885
Other damage to property insurance	132,592,098	-44,278,672	88,313,426
Motor TPL insurance	215,630,841	-13,998,881	201,631,960
Aircraft liability insurance	2,685,519	-2,647,645	37,874
Marine liability insurance	787,029	-203,459	583,570
General liability insurance	38,078,758	-9,172,477	28,906,281
Credit insurance	23,167,332	-3,943,254	19,224,078
Suretyship insurance	2,574,483	-926,205	1,648,278
Miscellaneous financial loss insurance	6,512,262	-4,518,722	1,993,540
Legal expenses insurance	1,106,230	-51,189	1,055,041
Travel assistance insurance	8,975,453	-748,219	8,227,234
Total non-life insurance	**857,716,858**	**-161,563,283**	**696,153,575**
Life insurance	96,600,427	-349,081	96,251,346
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	98,001,240	0	98,001,240
Capital redemption insurance	19,690,306	0	19,690,306
Loss of income due	50,611	-559	50,052
Total life insurance	**214,342,584**	**-349,640**	**213,992,944**
Total	**1,072,059,442**	**-161,912,923**	**910,146,519**
Consolidation adjustments	-82,660,636	81,825,054	-835,582
TOTAL	**989,398,804**	**-80,087,864**	**909,310,940**

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2010	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	58,922,838	-1,899,758	57,023,080
Health insurance	73,840,629	-45,778	73,794,851
Land motor vehicle insurance	162,922,107	-20,812,594	142,109,513
Railway insurance	1,246,070	-1,423,802	-177,732
Aircraft insurance	4,884,125	-3,887,860	996,264
Marine Insurance	2,648,410	-182,454	2,465,955
Cargo insurance	10,306,700	-2,479,070	7,827,630
Fire and natural forces insurance	111,046,881	-50,686,159	60,360,722
Other damage to property insurance	124,389,738	-34,974,038	89,415,700
Motor TPL insurance	236,853,171	-16,659,225	220,193,946
Aircraft liability insurance	2,870,087	-2,582,833	287,254
Marine liability insurance	942,143	-295,177	646,966
General liability insurance	36,869,957	-7,091,113	29,778,844
Credit insurance	24,770,010	-3,406,374	21,363,637
Suretyship insurance	1,841,312	-761,664	1,079,648
Miscellaneous financial loss insurance	6,142,339	-3,441,799	2,700,540
Legal expenses insurance	1,197,971	-55,060	1,142,911
Travel assistance insurance	7,864,967	-513,492	7,351,475
Total non-life insurance	**869,559,455**	**-151,198,251**	**718,361,205**
Life insurance	100,481,438	-479,326	100,002,112
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	99,782,278	0	99,782,278
Capital redemption insurance	21,280,476	0	21,280,476
Loss of income due	69,153	-169	68,984
Total life insurance	221,613,345	-479,495	221,133,850
Total	1,091,172,800	-151,677,746	939,495,055
Consolidation adjustments	-77,612,575	77,306,009	-306,567
TOTAL	**1,013,560,225**	**-74,371,737**	**939,188,488**

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7.2. Income from financial assets

in EUR

	2011	2010
Interest income from financial assets		
- available for sale	42,938,852	39,643,569
- loans and deposits	17,522,886	18,537,874
- held to maturity	12,749,710	13,116,278
- at fair value through profit and loss	3,074,134	3,411,683
- derivate financial instruments	1,873,321	3,111,858
- cash or cash equivalents	167,716	44,019
- interest on late payments of insurance receivables	1,484,388	1,500,980
- interest income from subrogated receivables	5,538,261	5,850,886
- other interest income from insurance operations	398,274	0
TOTAL INTEREST INCOME	**85,747,542**	**85,217,148**
Dividends from		
- available-for-sale financial assets	4,099,373	2,718,343
- financial assets at fair value through profit and loss	267,368	391,885
TOTAL DIVIDENDS	**4,366,741**	**3,110,228**
Fair value gains	**32,326,804**	**55,540,526**
Realised gains on disposals	**16,145,883**	**27,627,968**
Profit on investments accounted for using the equity method	**4,265,615**	**3,525,434**
Other financial income	**6,129,348**	**6,512,057**
TOTAL INVESTMENT INCOME	**148,981,933**	**181,533,361**

Fair value gains are described in detail in Section 7.4 and realised gains on disposals in Section 7.5.

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7.3. Expenses from financial assets and liabilities

in EUR

	2011	2010
Interest expense from derivative financial instruments held for trading	1,961,257	2,877,972
Interest expense from current debt	881,704	1,304,127
- on bank loans	737,344	1,010,650
- other loans	742	0
- other interest expense	143,618	293,477
Interest expense from noncurrent debt	678,052	591,865
- bank loans	312	0
- other loans	0	334,119
- other interest expense	677,740	257,746
Interest expense from bonds issued	2,328,793	2,346,817
TOTAL INTEREST EXPENSE	**5,849,806**	**7,120,781**
Fair value losses	**88,422,449**	**40,987,067**
Realised loss on disposals	**17,368,136**	**9,414,307**
Loss on equity investments in associates accounted for using the equity method	**16,977,661**	**1,504,027**
Loss on impairment of financial assets	**63,188,577**	**51,052,283**
Other finance costs	**10,203,797**	**11,475,789**
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	**202,010,426**	**121,554,254**

Fair value losses are described in detail in Section 7.4 and realised loss on disposals of financial assets in Section 7.5.

Loss on equity investments in associates, accounted for by using the equity method in the amount of EUR 14.5 million refer to Abanka Vipa d.d. which at 31 December 2010 was recognized as an associate and in 2011 was carried as investment available for sale (as explained in Section 1.6). The loss amount refers to profits from previous years recognised under the equity method.

The largest impairment loss of financial assets in the amount of EUR 59.8 million refers to impairment of investments available for sale. As much as 81.5% of the impairment loss of financial assets refers to the impairment of shares of Abanka Vipa d.d. and NLB d.d., and of Greek bonds.

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7.4. Fair value gains and losses

in EUR

	2011	2010
Derivative financial instruments	-1,951,260	-450,832
- gains	2,359,554	5,631,387
- losses	-4,310,814	-6,082,219
Financial assets recognised at fair value through profit/loss	-54,144,385	15,004,292
- gains	29,967,250	49,909,139
- losses	-84,111,635	-34,904,848
Net gains from changes in fair value	**-56,095,645**	**14,553,460**

7.5. Realised gains and losses

in EUR

	2011	2010
Financial assets recognised at fair value through profit/loss	-4,113,369	2,133,715
- realised gains on disposals	198,270	2,538,743
- realised losses on disposals	-4,311,639	-405,028
Available-for-sale financial assets	1,694,091	20,393,211
- realised gains on disposals	14,680,146	23,950,082
- realised losses on disposals	-12,986,055	-3,556,870
Loans and deposits	329,232	246,305
- realised gains on disposals	376,356	366,077
- realised losses on disposals	-47,124	-119,772
Derivative financial instruments	867,793	-4,574,369
- realised gains on disposals	891,111	758,268
- realised losses on disposals	-23,318	-5,332,637
Held-to-maturity financial assets	0	14,799
- realised gains on disposals	0	14,799
- realised losses on disposals	0	0
Total realised gains and losses	**-1,222,253**	**18,213,661**

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7.6. Other insurance income

in EUR

	2011	2010
Fees and commission income		
- investment management services	13,608,621	12,593,865
- reinsurance commission income	2,538,894	-1,893,168
- policyholder administration	645,574	3,651,338
- other fees and commission income	0	281,199
- surrender charges and other contract fees	609,779	0
TOTAL FEES AND COMMISSION INCOME	**17,402,868**	**14,633,234**
Other income from insurance operations		
- income from sale of green cards for motor vehicles	2,780,282	2,498,765
- income from claims settled for other insurance companies	704,462	1,058,111
- income from assistance services	57,553	56,358
- other income from insurance operations	5,496,343	4,186,557
TOTAL OTHER INCOME FROM INSURANCE OPERATIONS	**9,038,640**	**7,799,790**
OTHER INSURANCE INCOME	**26,441,508**	**22,433,024**

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.7. Other income

in EUR

	2011	2010
Income from investment property	7,397,964	7,098,314
Rental income	507,813	557,512
Income from other services	1,913,913	5,546,982
Claims refund	73,110	157,515
Fair value gains	175,617	341,999
Income from noninsurance companies in the Group	47,088,480	47,859,172
Total other income	**57,156,897**	**61,561,494**

Income from non-insurance group entities mostly refers to the business operations of Slovenijales, totalling EUR 34.6 million.

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7.8. Claims

in EUR

	2011	2010
Non-life insurance		
Gross claims settled	413,518,015	448,483,223
Income from gross subrogated receivables	-22,604,920	-24,743,559
Reinsurers' share of gross claims settled	-23,200,038	-30,576,036
Co-insurers' share of gross claims settled	749,462	427,720
Change in gross claims provisions	-4,377,568	-3,761,779
Change in gross claims provisions for re/co-insurer's share	2,851,930	-2,723,529
NET CLAIMS INCURRED on non-life insurance	**366,936,881**	**387,106,040**
Life insurance		
Gross claims settled	140,482,689	107,291,185
Change in gross claims provisions	-827,641	-285,576
NET CLAIMS INCURRED on life insurance	**139,655,048**	**107,005,609**
Health insurance		
Gross claims settled	62,541,802	57,361,376
Subrogation income	-65,371	-66,766
Change in gross claims provisions	391,436	436,755
Equalisation scheme expenses	6,657,237	5,861,892
TOTAL NET CLAIMS INCURRED on health insurance	**69,525,104**	**63,593,257**
NET CLAIMS INCURRED TOTAL	**576,117,033**	**557,704,906**

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Overview of net claims incurred by insurance class

2011 in EUR

Insurance class	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	27,727,094	-578,751	27,148,343
Health insurance	63,365,805	-29,982	63,335,823
Land motor vehicle insurance	114,822,402	-9,195,630	105,626,772
Railway insurance	1,177,697	0	1,177,697
Aircraft insurance	350,279	-66,025	284,254
Marine Insurance	1,520,554	-62,240	1,458,314
Cargo insurance	3,821,103	-1,067,552	2,753,551
Fire and natural forces insurance	42,904,406	-13,375,604	29,528,802
Other damage to property insurance	70,704,964	-12,812,500	57,892,464
Motor TPL insurance	130,239,045	-8,959,297	121,279,748
Aircraft liability insurance	615,551	-549,405	66,146
Marine liability insurance	176,412	-3,891	172,521
General liability insurance	21,412,649	-2,614,576	18,798,073
Credit insurance	17,869,802	-1,970,851	15,898,951
Suretyship insurance	1,850,439	-822,920	1,027,519
Miscellaneous financial loss insurance	4,286,905	-2,852,797	1,434,108
Legal expenses insurance	4,785	82	4,867
Travel assistance insurance	5,765,623	-318,885	5,446,738
Total non-life insurance	**508,615,515**	**-55,280,824**	**453,334,691**
Life insurance	88,162,604	-116,749	88,045,855
Unit-linked life insurance	27,976,054	0	27,976,054
Capital redemption insurance	24,344,033	0	24,344,033
Total life insurance	**140,482,691**	**-116,749**	**140,365,942**
Total	**649,098,206**	**-55,397,573**	**593,700,633**
Consolidation adjustments	-32,555,697	32,197,532	-358,165
TOTAL	**616,542,506**	**-23,200,038**	**593,342,468**

Gross claims include gross claims settled and assessment costs divided by function, not reduced by subrogation receivables (see Section 7.11).

2010

in EUR

Insurance class	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	29,576,277	-637,420	28,938,857
Health insurance	58,114,256	-55,973	58,058,283
Land motor vehicle insurance	132,501,504	-13,829,866	118,671,639
Railway insurance	913,146	0	913,146
Aircraft insurance	1,984,709	-1,461,466	523,243
Marine Insurance	1,400,095	-75,272	1,324,823
Cargo insurance	1,982,977	-643	1,982,334
Fire and natural forces insurance	49,888,653	-18,751,744	31,136,909
Other damage to property insurance	80,655,804	-21,829,083	58,826,721
Motor TPL insurance	137,711,219	-7,742,182	129,969,038
Aircraft liability insurance	1,394,606	-1,336,399	58,207
Marine liability insurance	245,677	-14,782	230,895
General liability insurance	19,983,543	-965,760	19,017,783
Credit insurance	18,521,752	-993,797	17,527,955
Suretyship insurance	649,854	-187,466	462,388
Miscellaneous financial loss insurance	6,581,790	-4,328,569	2,253,221
Legal expenses insurance	6,400	-120	6,280
Travel assistance insurance	5,810,710	-316,885	5,493,825
Total non-life insurance	**547,922,973**	**-72,527,425**	**475,395,548**
Life insurance	84,898,580	-162,101	84,736,478
Unit-linked life insurance	18,568,703	0	18,568,703
Capital redemption insurance	3,904,953	0	3,904,953
Total life insurance	**107,372,236**	**-162,101**	**107,210,134**
Total	**655,295,209**	**-72,689,527**	**582,605,682**
Consolidation adjustments	-42,159,425	42,113,491	-45,934
TOTAL	**613,135,784**	**-30,576,036**	**582,559,748**

Reinsurance result

in EUR

	2011	2010
Reinsurance premiums	-79,191,128	-74,371,737
Changes in reinsurers' share of unearned premiums	3,152,548	1,618,404
Reinsurers' share of claims	23,200,041	30,148,316
Changes in claims provisions for reinsurers' shares	2,851,927	2,723,529
Net result from reinsurance operations	**-49,986,612**	**-39,881,488**
Reinsurance commission	2,450,904	-1,893,168
GROSS REINSURANCE RESULT	**-47,535,708**	**-41,774,656**

7.9. Change in other insurance-technical provisions

in EUR

	2011	2010
Change in other insurance technical provisions	-2,909,572	62,450,614
Change in insurance technical provisions for unit-linked insurance contracts	-11,402,162	66,351,880
TOTAL	**-14,311,734**	**128,802,494**

Change in other insurance technical provisions refers entirely to changes in mathematical provisions for unit-linked life insurance, provisions for cancellation and unexpired risk provisions.

7.10. Expenses for bonuses and discounts

in EUR

	2011	2010
Settled bonuses and discounts	5,222,249	7,263,534
Changes in gross provisions for bonuses and discounts	-1,236,746	-1,528,306
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	**6,458,995**	**5,735,228**

7.11. Acquisition costs and other operating expenses

Gross operating expenses by function compared to 2010

in EUR

	2011	2010
Acquisition costs	130,633,388	132,463,862
Other operating costs	72,674,935	75,672,113
Claim handling costs*	27,051,459	27,293,056
Costs of asset management**	4,457,480	4,468,219
Operating expenses from non-insurance operations***	51,580,768	53,241,072
TOTAL	**286,398,030**	**293,138,322**

* Claim handling costs are disclosed as a part of gross claims incurred.
** Costs of asset management are disclosed as financial expenses
*** Operating expenses from non-insurance operations are disclosed as other expenses.

Gross operating expenses by nature and business segment in 2011

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	22,398,579	7,427,193	1,100,645	30,926,417	0	30,926,417
2. Cost of goods sold	0	0	0	0	24,487,665	24,487,665
3. Depreciation of operating assets	8,250,860	1,417,868	410,098	10,078,826	1,519,769	11,598,595
4. Labour costs	101,866,040	17,537,707	3,082,402	122,486,149	13,709,451	136,195,600
- wages and salaries	71,964,627	12,651,387	2,199,129	86,815,143	9,337,651	96,152,794
- social security and pension insurance costs	17,503,908	2,502,390	384,435	20,390,733	2,261,332	22,652,065
- other labour costs	12,397,505	2,383,930	498,838	15,280,273	2,110,468	17,390,741
5. Costs of services provided by natural persons other than SPs, including related taxes	2,631,096	326,048	86,014	3,043,158	0	3,043,158
6. Other operating costs	57,611,957	12,793,024	3,469,465	73,874,446	15,363,047	89,237,493
- costs of entertainment, advertising, trade shows	14,073,868	3,006,432	402,636	17,482,936	0	17,482,936
- costs of material and energy	6,264,219	1,102,880	176,540	7,543,639	2,386,304	9,929,943
- maintenance costs	5,439,806	2,166,404	920,901	8,527,111	0	8,527,111
- reimbursement of labour-related costs	4,190,265	604,740	90,479	4,885,484	0	4,885,484
- costs of intellectual and personal services	3,061,473	646,495	109,676	3,817,644	0	3,817,644
- membership fees and charges	1,961,434	560,636	101,451	2,623,521	0	2,623,521
- costs of services - transport and communications	3,585,162	1,059,765	451,258	5,096,185	0	5,096,185
- costs for insurance premiums	1,728,705	248,623	24,920	2,002,248	0	2,002,248
- payment transaction costs and banking services	2,444,701	1,248,696	287,235	3,980,632	0	3,980,632
- rents	6,448,076	932,602	312,305	7,692,983	0	7,692,983
- costs of professional training services	801,460	186,551	52,189	1,040,200	0	1,040,200
- other costs of services	7,612,788	1,029,200	539,875	9,181,863	12,976,743	22,158,606
TOTAL OPERATING EXPENSES	**192,758,532**	**39,501,840**	**8,148,624**	**240,408,996**	**55,079,932**	**295,488,928**
Consolidation adjustments	-1,973,618	-2,343,447	-1,274,669	-5,591,734	-3,499,164	-9,090,898
TOTAL OPERATING EXPENSES	**190,784,914**	**37,158,393**	**6,873,955**	**234,817,262**	**51,580,768**	**286,398,030**

Operating expenses by nature and function in 2011

in EUR

	TOTAL	Cost of contract acquisition	Claim handling costs*	Costs of asset management**	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	30,926,417	28,759,749	10,185	3	2,156,480	0
2. Cost of goods sold	24,487,665	0	0	0	0	24,487,665
3. Depreciation of operating assets	11,598,595	3,768,743	1,360,918	286,235	4,662,930	1,519,769
4. Labour costs	136,195,600	64,153,649	19,097,691	2,820,239	36,414,570	13,709,451
- wages and salaries	96,152,794	45,195,525	13,471,487	2,131,586	26,016,545	9,337,651
- social security and pension insurance costs	22,652,065	10,932,949	3,018,003	365,695	6,074,086	2,261,332
- other labour costs	17,390,741	8,025,175	2,608,201	322,958	4,323,939	2,110,468
5. Costs of services provided by natural persons other than SPs, including related taxes	3,043,158	1,461,815	838,708	4,211	738,424	0
6. Other operating expenses	89,237,493	36,406,714	5,743,957	1,346,792	30,376,983	15,363,047
- costs of entertainment, advertising, trade shows	17,482,936	15,068,714	78,198	28,374	2,307,650	0
- costs of material and energy	9,929,943	3,544,580	1,246,610	121,069	2,631,380	2,386,304
- maintenance costs	8,527,111	1,911,380	792,786	262,825	5,560,120	0
- reimbursement of labour-related costs	4,885,484	3,750,931	193,939	119,439	821,175	0
- costs of intellectual and personal services	3,817,644	744,662	560,597	418,871	2,093,514	0
- membership fees and charges	2,623,521	994,542	156,884	139,312	1,332,783	0
- costs of services - transport and communications	5,096,185	2,492,008	616,672	75,392	1,912,113	0
- costs for insurance premiums	2,002,248	640,942	426,507	23,760	911,039	0
- payment transaction costs and banking services	3,980,632	1,280,203	46,645	42,812	2,610,972	0
- rents	7,692,983	4,172,865	571,118	26,661	2,922,339	0
- costs of professional training services	1,040,200	368,291	139,822	25,735	506,352	0
- other costs of services	22,158,606	1,437,596	914,179	62,542	6,767,546	12,976,743
TOTAL OPERATING EXPENSES	**295,488,928**	**134,550,670**	**27,051,459**	**4,457,480**	**74,349,387**	**55,079,932**
Consolidation adjustments	-9,090,898	-3,917,282			-1,674,452	-3,499,164
TOTAL OPERATING EXPENSES	**286,398,030**	**130,633,388**	**27,051,459**	**4,457,480**	**72,674,935**	**51,580,768**

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Gross operating expenses by nature and business segment in 2010

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	19,969,054	7,454,637	1,449,267	28,872,958	0	28,872,958
2. Cost of goods sold	0	0	0	0	27,122,451	27,122,451
3. Depreciation of operating assets	7,818,809	1,731,276	497,996	10,048,081	1,183,681	11,231,762
4. Labour costs	107,462,541	18,245,297	3,370,341	129,078,178	12,827,767	141,905,945
- wages and salaries	75,042,487	13,019,567	2,624,233	90,686,287	9,237,829	99,924,116
- social security and pension insurance costs	18,172,376	2,669,039	422,891	21,264,306	1,508,220	22,772,526
- other labour costs	14,247,677	2,556,690	323,217	17,127,585	2,081,718	19,209,303
5. Costs of services provided by natural persons other than SPs, including related taxes	3,252,646	399,646	131,030	3,783,322	0	3,783,322
6. Other operating costs	57,374,623	12,271,206	4,660,532	74,306,361	14,947,452	89,253,813
- costs of entertainment, advertising, trade shows	14,553,931	2,765,657	545,084	17,864,671	0	17,864,671
- costs of material and energy	6,251,450	1,262,284	188,734	7,702,468	1,971,015	9,673,483
- maintenance costs	5,593,884	1,926,923	1,259,920	8,780,727	0	8,780,727
- reimbursement of labour-related costs	4,954,104	721,951	120,013	5,796,068	0	5,796,068
- costs of intellectual and personal services	1,947,079	519,655	301,918	2,768,653	0	2,768,653
- membership fees and charges	3,077,208	562,432	114,931	3,754,571	0	3,754,571
- costs of services - transport and communications	3,936,276	928,616	475,393	5,340,285	0	5,340,285
- costs for insurance premiums	1,570,868	266,370	13,092	1,850,330	0	1,850,330
- payment transaction costs and banking services	2,525,540	1,302,811	268,006	4,096,357	0	4,096,357
- rents	4,730,447	906,691	895,444	6,532,582	0	6,532,582
- costs of professional training services	810,401	202,545	57,104	1,070,049	0	1,070,049
- other costs of services	7,423,437	905,271	420,892	8,749,600	12,976,437	21,726,037
TOTAL OPERATING EXPENSES	**195,877,673**	**40,102,061**	**10,109,166**	**246,088,900**	**56,081,351**	**302,170,251**
Consolidation adjustments	-1,596,277	-2,569,594	-2,025,778	-6,191,649	-2,840,279	-9,031,929
TOTAL OPERATING EXPENSES	**194,281,396**	**37,532,467**	**8,083,388**	**239,897,251**	**53,241,072**	**293,138,322**

Operating expenses by nature and function in 2010

in EUR

	TOTAL	Acquisition costs	Claim handling costs	Costs of asset management	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	28,872,958	26,363,631	99,602	5,296	2,404,431	0
2. Cost of goods sold	27,122,451	0	0	0	0	27,122,451
3. Depreciation of operating assets	11,231,762	3,163,976	1,466,026	305,243	5,112,835	1,183,681
4. Labour costs	141,905,945	68,081,745	19,181,717	3,215,115	38,599,601	12,827,767
- wages and salaries	99,924,116	48,221,952	13,369,190	2,344,098	26,751,048	9,237,829
- social security and pension insurance costs	22,772,526	10,988,343	3,036,740	391,846	6,847,376	1,508,220
- other labour costs	19,209,303	8,871,450	2,775,787	479,170	5,001,177	2,081,718
5. Costs of services provided by natural persons other than SPs, including related taxes	3,783,322	1,688,529	1,129,727	27,572	937,494	0
6. Other operating expenses	89,253,813	37,097,020	5,415,985	1,079,936	30,713,420	14,947,452
- costs of entertainment, advertising, trade shows	17,864,671	15,754,857	142,444	50,160	1,917,211	0
- costs of material and energy	9,673,483	3,671,401	1,136,892	100,004	2,794,171	1,971,015
- maintenance costs	8,780,727	2,029,935	837,091	210,908	5,702,792	0
-reimbursement of labour-related costs	5,796,068	4,403,453	267,568	111,597	1,013,451	0
- costs of intellectual and personal services	2,768,653	660,900	243,063	323,018	1,541,672	0
- membership fees and charges	3,754,571	1,662,549	225,255	46,126	1,820,640	0
- costs of services - transport and communications	5,340,285	2,513,379	733,572	73,512	2,019,822	0
- costs for insurance premiums	1,850,330	593,209	308,274	38,748	910,099	0
- payment transaction costs and banking services	4,096,357	869,038	80,384	18,209	3,128,725	0
- rents	6,532,582	3,015,738	315,220	23,261	3,178,362	0
- costs of professional training services	1,070,049	441,445	147,892	40,023	440,689	0
- other costs of services	21,726,037	1,481,116	978,329	44,371	6,245,785	12,976,437
TOTAL OPERATING EXPENSES	**302,170,251**	**136,394,901**	**27,293,056**	**4,633,162**	**77,767,781**	**56,081,351**
Consolidation adjustments	-9,031,929	-3,931,039	0	-164,942	-2,095,668	-2,840,279
TOTAL OPERATING EXPENSES	**293,138,322**	**132,463,862**	**27,293,056**	**4,468,220**	**75,672,113**	**53,241,072**

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7.12. Other expenses from insurance operations

in EUR

	2011	2010
Expenses of preventive activity	2,917,957	3,780,553
Contributions for claims from uninsured or unidentified vehicles	2,659,920	4,360,225
Commission expenses	15,094,442	17,170,162
Fire tax	4,387,933	4,924,894
Expenses from impairment of insurance receivables and write-offs	21,981,546	22,113,681
Other net insurance expenses	8,911,232	9,090,483
OTHER EXPENSES FROM INSURANCE OPERATIONS	**55,953,030**	**61,439,998**

7.13. Other expenses

in EUR

	2011	2010
Depreciation of investment property	1,597,034	1,368,670
Other investment property expenses	1,190,752	1,754,540
Other expenses	58,535,760	81,951,771
- operating expenses of non-insurance companies	51,788,944	54,853,948
- impairment charge	1,312,388	16,135,882
- other expenses	5,434,428	10,961,941
TOTAL	**61,323,544**	**85,074,981**

Impairment charge relates to the impairment of goodwill in the amount of EUR 1,312,384 (in 2010: EUR 4,337,295 impairment of goodwill and EUR 11,798,587 impairment of contractual rights and the value of acquired operations).

7.14. Income tax expense

Tax expense in the income statement

in EUR

	2011	2010
Current tax expense	-22,513,769	-23,998,866
Deferred tax expense/income	12,011,395	7,398,408
TOTAL TAX EXPENSE in the income statement	**-10,502,374**	**-16,600,458**

Tax expense in other comprehensive income

in EUR

	2011			2010		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available-for-sale financial assets	-70,141,510	21,060,913	-49,080,597	-20,471,532	4,234,017	-16,237,515
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	9,274,697	-1,854,939	7,419,758	9,349,361	-1,869,872	7,479,489
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	-2,164,189	521,519	-1,642,670	-483,129	96,626	-386,503
Translation differences	-566,861	0	-566,861	-538,760	0	-538,760
TOTAL other comprehensive income	**-63,597,863**	**19,727,492**	**-43,870,371**	**-12,144,060**	**2,460,771**	**-9,683,289**

Reconciliation between tax expense and accounting profit

in EUR

	2011	2010
ACCOUNTING PROFIT	59,999,615	43,250,267
Income tax rate tax rate average of several countries	19.50%	19.80%
Accounting profit multiplied by tax rate	**-11,700,496**	**-8,563,307**
Tax effect of income deductible for tax purposes	3,512,035	3,200,784
Tax effect of expenses not deductible for tax purposes	-14,006,957	-17,543,534
Tax effect of income added for tax purposes	-76,706	425,830
Revenues or expenses concerning tax relief	943,858	-1,322,239
Changes in temporary differences	10,825,892	7,202,008
TOTAL TAX EXPENSE	**-10,502,374**	**-16,600,458**
Effective tax rate	**17.50%**	**38.38%**

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company applied a 20% tax rate to the taxable profit for 2011 (the same as in 2010). For subsidiaries operating outside the Republic of Slovenia, the Group applied the tax rate of the country of operation in compliance with the local legislation. See Section 1.6. for details on tax rates by company.

As at 31 December 2011, unused tax losses of the Group amounted to EUR 25.9 million (EUR 44 million as at 31 December 2010).

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8. OTHER INFORMATION

8.1. Related party transactions

Related party transactions are disclosed separately for transactions with:

- associates,
- government related entities, and
- other related entities.

Associates are those entities in which the Group has a significant influence. These companies are presented in detail in Section 6.4.

Government related companies are all the companies in which the Republic of Slovenia has a significant influence. The Republic of Slovenia has a significant influence in Zavarovalnica Triglav through the two major shareholders (the Institute of Pension and Disability Insurance of Slovenia (Zavod za pokojninsko in invalidsko zavarovanje Slovenije - ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba - SOD), which hold 34.37% and 28.07% of share capital respectively).

Other related entities are those which are related to Zavarovalnica Triglav through the management, i.e. members of the management and supervisory boards

In addition to capital links, business cooperation with associates mostly refers to financial services (deposits and certificates of deposits) and insurance operations (reinsurance and co-insurance, insurance acquisition, development and launch of new products, handling of claims). Only a minor part of cooperation refers to operating leases and other service activities.

Business cooperation with government related companies refers to financial services and insurance business. Zavarovalnica Triglav made no direct transactions with the Republic of Slovenia, except for the purchase of Government bonds and treasury bills; with other governmet related companies, however, Zavarovalnica Triglav concluded and carried out financial and insurance business under the same conditions as apply to other non-related companies.

The services exchanged between Group companies are rendered at prices that are applied to other companies outside the Group.

Outstanding balances referring to the above-mentioned related parties as at the reporting date and income and expenses during the period are shown below.

in EUR

ASSETS	Associates	Other related entities
Receivables from insurance premium	1,435	0
Other short-term receivables	66,095	0

All loans given to associates are secured with mortgages or pledged securities.

in EUR

LIABILITIES	Associates	Other related entities
Liabilities to insureds	5,250	0
Liabilities to agents and brokers	17,801	0
Other short-term liabilities	4,536	0

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in EUR

INCOME AND EXPENSES	Associates	Other related entities
Gross written premium	1,510,185	0
Net premium income	**1,510,185**	**0**
Interest income	3,266	1,649,649
Other income from investments	0	534,079
TOTAL INCOME	**1,513,451**	**2,183,728**
Other costs and expenses	59,766	0
Other expenses from investments	0	63,799
Interest expense	0	43,427
TOTAL EXPENSES	**59,766**	**107,226**

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8.2. Members of the Management and Supervisory Board

In 2011, the Management Board members were paid the following amounts as compensation for their work:

in EUR

				BENEFITS			
MANAGEMENT BOARD	Fixed salary (gross)	Other additional payments*	Bonuses	Insurance premiums**	Other benefits	Reimbursments	Net pay received
Matjaž Rakovec	148,458	9,474	14,793	24,851	7,619	5,515	69,792
Igor Stebernak	143,820	9,000	13,949	22,679	7,477	5,031	71,083
Andrej Slapar	143,829	9,000	13,949	23,455	10,404	2,787	66,295
Vladimir Mišo Čeplak (as of 1 January until 30 September 2011)	118,389	9,000	14,712	18,718	3,999	147	58,114
Marica Makoter	0	0	0	0	0	0	0
TOTAL	**554,496**	**36,474**	**57,403**	**89,703**	**29,499**	**13,480**	**265,284**

* Other additional payments include holiday allowances.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

In 2011, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2011, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

in EUR

MANAGEMENT BOARD	31 December 2011	31 December 2010
RECEIVABLES		
Matjaž Rakovec	206	150
Igor Stebernak	50	0
Andrej Slapar	37	0
Vladimir Mišo Čeplak	0	0
Marica Makoter	0	0
TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD	**293**	**150**
LIABILITIES		
Matjaž Rakovec	12,520	5,548
Igor Stebernak	12,536	5,631
Andrej Slapar	12,017	5,267
Vladimir Mišo Čeplak	7,127	0
Marica Makoter	2,047	0
TOTAL PAYABLES TO THE MANAGEMENT BOARD	**46,247**	**21,622**

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In 2011, the Supervisory Board members were paid the following amounts as compensation for their work:

in EUR

SUPERVISORY BOARD	Compensation	Attendance fee	Reimbursments	Total gross pay	Total net pay
Borut Jamnik	6,356	6,960	0	13,316	10,320
Uroš Slavinec	8,670	6,297	0	14,967	11,600
Anton Ribnikar	8,383	5,244	1,120	14,747	11,429
Igor Mihajlovič	8,613	6,289	0	14,902	11,549
Aljoša Valentinčič	7,177	6,606	319	14,102	11,001
Vladimir Uršič	6,143	4,263	945	11,351	8,797
Boris Gabor	0	3,744	1,547	5,291	4,101
Branko Gorjan	7,177	6,924	1,488	15,589	12,081
Peter Celar	7,177	4,042	344	11,563	8,962
Miran Krštinc	7,579	2,667	138	10,384	8,048
Barbara Nose	1,212	2,564	0	3,776	2,927
Srečko Jadek	0	2,027	0	2,027	1,571
Eva Boštjančič	0	440	0	440	341
Tomaž Kuntarič	0	440	0	440	341
TOTAL	**68,487**	**58,507**	**5,901**	**132,895**	**103,068**

Members of Supervisory Board Committees:

- Appointments and Compensation Committee: Borut Jamnik (till 17 October 2011), Anton Ribnikar (since 17 October 2011), Boris Gabor (till 29 May 2011), Miran Krštinc (since 20 June 2011), Srečko Jadek.
- Audit Committee: Uroš Slavinec, Anton Ribnikar (till 17 October 2011), Vladimir Uršič (since 17 October 2011), Aljoša Valentinčič, Branko Gorjan, Barbara Nose.
- Strategic Committee: Borut Jamnik (till 17 October 2011), Anton Ribnikar (since 17 October 2011), Igor Mihajlović, Peter Celar.
- Nomination Committee (established on 17 October 2011): Uroš Slavinec, Miran Krštinc, Eva Boštjančič, Vanessa Grmek, Tomaž Kuntarič.

As at 31 December 2011 there are no outstanding receivables from members of Supervisory Board and members of Supervisory Board Committees. Liabilities to aforementioned members as at 31 December 2011 are shown in the table below:

in EUR

SUPERVISORY BOARD	Liabilities as at 31 December 2011
Uroš Slavinec	1.556
Anton Ribnikar	2.063
Igor Mihajlovič	1.643
Aljoša Valentinčič	1.263
Vladimir Uršič	1.344
Branko Gorjan	1.344
Peter Celar	1.292
Miran Krštinc	1.643
Barbara Nose	313
Srečko Jadek	170
TOTAL	**12.631**

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Proposed criteria for the assessment of the performance of Management Board Members are prepared by the Appointments and Compensation Committee and approved by the Supervisory Board. The purpose of these criteria is to ensure objective monitoring of existing goals and evaluation of the performance of Management Board Members on a regular basis. The above mentioned criteria are determined in such way so as to follow the strategy of Zavarovalnica Triglav. The definition of an individual goal includes its description, expected target value, assigned weight and the method of measurement or assessment. According to this method, the Board member is entitled to a bonus when goals are exceeded. On the other hand, a deduction is assumed when the goals are not met.

First half of an annual bonus for business efficiency is paid 30 days after the Supervisory Board approves the annual report and adopts a decision on bonus payments. If the annual report is approved at the Annual General Meeting, the first half of annual bonus is paid 30 days after the Annual General Meeting. Second half of an annual bonus is paid after 2 years. Bonus is paid in a proportion according to the time spent on a function.

Management Board Members are entitled to severance pay amounting to six of his average monthly salaries received as a board member, if he or she is dismissed for economic reasons. Severance is paid within one month after dismissal.

8.3. Amounts spent on auditors

The Annual Reports of the Group for 2011 and 2010 were audited by KPMG Slovenija d.o.o. The following amounts were paid for the services of the auditors:

in EUR

	2011	2010
Auditing of the annual report and other auditing services	648,966	610,571
Advisory services	21,744	123,163
Tax advice	23,918	10,181
TOTAL	**694,628**	**743,915**

8.4. Profit per share

Net profit per share is calculated for the parent company and is disclosed in the separate financial statements of Zavarovalnica Triglav.

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8.5. Additional notes to the cash flow statement

The consolidated cash flow statement is composed of the combined cash flows of all Triglav Group companies, taking into account intercompany eliminations.

Operating cash flows and cash flows from investing activities are recognised based on the data from financial statements and adjusted for the non-cash flow items (impairments, changes of claims and other provisions). Receipts/payments for intangible assets, for property, plant and equipment and for investment property were calculated based on the changes in their carrying amount, adjusted by depreciation charges and increased or decreased by realised losses or gains on disposals. Therefore, the figures differ from those in the tables of changes in Sections 6.1, 6.2. and 6.3.

Cash flow from financing activities is prepared based on actual payments. The amount of dividend payments in the cash flow statement differs from that disclosed in the statement of changes in equity by the amount of unpaid dividends.

The table below shows the reconciliation of operating cash flows.

in EUR

	2011	2010
RECONCILIATION OF OPERATING CASH FLOWS		
PROFIT/ LOSS BEFORE TAX	**57,999,615**	**43,250,266**
Depreciation	11,598,595	11,231,762
Impairment of receivables	21,981,546	22,113,681
Change in receivables	-40,745,928	3,143,227
Change in deferred tax assets	-8,192,753	-7,118,181
Change in inventory	543,313	875,415
Change in liabilities	-112,156,870	6,222,023
Payment of income tax	-24,446,402	-10,331,543
Operating cash flow	**-93,418,884**	**69,386,650**

8.6. Significant legal disputes

- Zavarovalnica Triglav (plaintiff) versus Istrabenz holdinška družba d.d. (defendant)

  On 28 December 2007 Zavarovalnica Triglav irrevocably and unconditionally accepted a binding offer made by Istrabenz holdinška družba d.d. to buy Petrol d.d. shares for a total price of EUR 19,950,000. As Istrabenz failed to meet its obligations arising from the abovementioned offer, Zavarovalnica Triglav brought legal action against Istrabenz.

  Istrabenz filed a counterclaim against Zavarovalnica Triglav, which challenges the agreement on the sale of Petrol shares. Zavarovalnica Triglav responded by negating all the allegations of Istrabenz.

  On 9 February 2010, the District Court in Koper rendered a decision rejecting the claim and the counterclaim by Istrabenz holdinška družba d.d and ordered each party to bear their own costs. Zavarovalnica Triglav appealed against the ruling of the Court regarding its claim and the bearing of costs.

  On 1 April 2011, the Higher Court in Koper issued a decision rejecting Zavarovalnica Triglav's appeal and confirming the judgement of the court of first instance. On 22 April 2011 Zavarovalnica Triglav d.d. requested a judicial review of the issued decision before the Supreme Court in Ljubljana.

- Zavarovalnica Triglav (plaintiff) versus Milan Marolt and Nadežda Klemenčič (defendants)

  Zavarovalnica Triglav filed a suit against Milan Marolt and Nadežda Klemenčič on 12 August 2004, claiming unlawful issuance of decisions and misuse of powers. The defendants claimed erroneous interpretation of the Companies Act and maintained there were no elements of tort as preconditions for liability for damages. The Court accepted their submissions and on 8 November 2006 rendered a decision rejecting the claim. On 29 December 2006 Zavarovanica Triglav appealed against the ruling of the court of first instance and on 9 January 2009 the Higher Court in Ljubljana ruled in favour of the appellant, reversed the decision and ordered a retrial at the court of first instance. On 11 January 2012 the court of first instance again rejected both claims. On 23 February 2012 Zavarovalnica Triglav appealed against the ruling of the court of first instance.

- Legal action for the nullification of the resolutions of the General Meeting of Shareholders on 13 November 1999 and 20 February 2001 and of the decision of the Management Board on the increase of share capital by the issue of 1,800 new bonds.

  In the legal dispute of the Republic of Slovenia and the Social Attorney of the Republic of Slovenia (plaintiffs) versus Zavarovalnica Triglav, the courts of first and second instance rejected the claim for the nullification of Zavarovalnica Triglav's General Meeting of Shareholders' resolutions of 13 November, 1999 and 20 February, 2001, amending the Articles of Association of Zavarovalnica Triglav and the Management Board's decision on the increase of share capital by the issue of 1,800 new bonds. The plaintiffs claimed judicial review of the decisions issued by the court of first instance and the court of second instance. The Supreme Court of the Republic of Slovenia reversed the decisions of the inferior courts and ordered a retrial in the District Court in Ljubljana. On 27 January 2011 a court settlement was reached, in which the Republic of Slovenia and Social Attorney of the Republic of Slovenia withdrew the claims against Zavarovalnica Triglav, whilst each party accepted to bear their own costs.

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- Vegrad d.d. (plaintiff) versus Gradis IPGI d.d. (defendant)

  On 6 November 2007, Gradis IPGI d.d. and Vegrad d.d. signed a Service Agreement which involves over 25% of the total assets of Gradis IPGI d.d. As required by the Companies Act, such an agreement had to be made in the form of a notarial deed and approved by the General Meeting of Shareholders. On 4 February 2008 the General Meeting of Shareholders withheld its approval and as a result the Service Agreement never took effect. Vegrad challenged this decision and brought suit against Gradis IPGI, claiming EUR 15 million. In 2010, the court of first instance issued a decision rejecting Vegrad's claim and ruled that the disputed agreement is null and void. The ruling was confirmed by the decision of the Higher Court in Ljubljana. The judgement thus became final on 23 November 2010.

  With regard to the above mentioned Service Agreement, Vegrad d.d. filed three requests for execution, which were based on an authentic document, against Gradis IPGI d.d. in 2008 (twice for the payment of EUR 521,739 and once for the payment of EUR 1,565,217 with lawful default interest). The requests concern services allegedly provided under the Service Agreement of 6 November 2007. Gradis IPGI d.d. appealed in due time. The Court thus repealed the enforcement notices insofar as they allow enforcement, appointed an enforcement officer and declared that the competent District Court shall decide the case in civil proceedings. Considering the Court's final decision declaring the agreement on which the claims are based as null and void, Vegrad d.d., in bankruptcy proceedings, is not entitled to said payments. At the end of 2011 all three execution procedures ended in court settlements, in which Vegrad d.d., in bankruptcy proceedings, withdrew requests for execution and all three proceedings were concluded with the force of res judicata.

- Triglav Zdravstvena zavarovalnica d.d. versus the former presidents and members of the Management Board

  Triglav Zdravstvena zavarovalnica d.d. filed a suit against the former presidents and members of the Management Board, Danijel Starman and Gregor Strmčnik, claiming payment of EUR 704,132.63 for breach of obligations and negligence regarding their authorisations to clear and pay invoices. The case is being heard by the District Court in Ljubljana under ref. no. V Pg 2302/2011.

- Triglav Naložbe d.d. versus the former presidents and members of the Management Board

  In 2010 Triglav Naložbe filed a damages claim against Metka Petek, the former president of the Management Board and Robert Čehovin, a former member of the Management Board of Triglav Naložbe d.d., Ljubljana, in which the company claims EUR 547,834.25 in compensation for damages it sustained as a result of the decision of the Management Board to purchase shares of Siteep d.d., against which insolvency proceedings were initiated shortly afterwards. The proceedings are still pending.

- Triglav Naložbe d.d. (plaintiff) versus Informativna TV produkcija d.o.o.

  In 2010 Triglav Naložbe d.d. filed a damages claim against Informativna TV produkcija d.o.o. for payment from a bankruptcy estate. A bankruptcy procedure was initiated upon the proposal of Triglav Naložbe d.d. The claim by Triglav naložbe d.d. totalling EUR 3.9 million was fully recognised and included in the final list of tested receivables. The official receiver found that the bankrupt had EUR 800,000 of receivables, however, the

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debtors had not been responding. On 16 December 2011 Triglav naložbe d.d. invited the official receiver to realise the bankruptcy estate, which probably arises from acquired bank account statements and protection of the bankrupt's interests.

- Triglav Osiguruvanje a.d., Skopje (plaintiff) versus the former Head of Legal Department, Vesna Spirovska

  In 2010 Triglav Osiguruvanje a.d., Skopje, filed two damages claims against Vesna Spirovska, the former Head of the Legal Department in the Macedonian subsidiary Triglav Osiguruvanje a.d., Skopje. Triglav Osiguruvanje a.d. claimed EUR 830,000 for the damages it sustained as a result of Ms. Spirovska's illegal conduct, which also represented a serious breach of her work obligations. The proceedings before the first instance court were stayed due to the criminal prosecution against Vesna Spirovska for the criminal offence of abuse of authority.

- Jugobanka a.d., Belgrade, in bankruptcy proceedings, and new creditor Municipium S (plaintiff) versus Slovenijales d.d. (defendant)

  In three claims, Jugobanka demands that Slovenijales d.d. pay the principal totalling USD 5,545,153 together with default interest for the period starting on 1. December 1994. The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in the USA, Canada and Australia. At a public auction Jugobanka's liabilities were acquired by Municipium S, which later sold them to Fincor Invest Anstalt AG; according to information obtained from other judicial records. The defendant has contested their capacity to bring proceedings and the capacity to be sued and has filed a time-barring of claims. The court appointed expert witnesses to determine the amount of the defendant's potential debt. In one of the three claims (USD 765,000 exclusive of accrued interest and other fees & charges) the court issued a decision rejecting the claim in its entirety. The judgement was final, nonetheless, Jugobanka claimed judicial review in October 2011. The Supreme Court in Belgrade has not yet decided on the merits of the review. In the other two cases (USD 238,000 and USD 4,541,000 exclusive of accrued interest and other fees & charges) main hearings have not yet been concluded and no decisions have been rendered.

- Fincor Invest Anstalt AG versus Slovenijales d.d.

  As stated above, by endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt.

  The proceedings were initiated in 2010 on the proposal for execution based on an authentic document (bills of exchange) and filed by Fincor Invest Anstalt. The court referred the matter to the District Court in Ljubljana, which will decide the case in a civil proceeding.

  In these proceedings the plaintiff demands payment of a bill of exchange amounting to EUR 7,295,131, inclusive of default interest for the period starting on 23 September. The defendant contests the required payment and claims the transfer of the bill of exchange from its previous owner to the plaintiff to be null and void. It simultaneously raises an objection regarding the due date of the bills. The main hearing was concluded in December 2011. A decision was issued in which all claims by Fincor Invest Anstalt were rejected. The decision is not final, since the plaintiff has appealed. The said decision rejected the claim by Slovenijales d.d. for an interim injunction to prohibit

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Fincor Invest Anstalt from disposing the remaining shares in its possession. Slovenijales d.d. appealed against that part of the decision.

In 2010 and 2011 preliminary injunctions with attachment of liquidity, attachment of certain receivables from rents and subscription of mortgage on two real properties held by Slovenijales d.d. were issued, in order to secure the alleged claims of the creditor, Fincor Invest Anstalt. On 16 December 2011 all prior injunctions were fully cancelled by the court.

The decision ordering the securing of a request for the seizure of property benefits issued by the investigating judge in the police procedure on 23 June 2011 for the suspicion of criminal offence of money laundering was reversed by the decision of investigating judge on 26 September 2011.

- "Sloga", Serbia versus Slovenijales d.d.

  The proceedings were initiated in 1991 on the proposal for execution based on an authentic document (principal plus interest as at 2 March 2007 amounted to EUR 623,640). The enforcement notice, issued in 1991, has been repealed in full on the basis of an appeal by Slovenijales. The proceedings continued before the litigation court, i.e. the District Court in Ljubljana, which has not yet fixed the date of the oral hearing. According to the judicial records and the contents of the case file, the outcome of the case is uncertain.

- Westminster network Ltd. versus Triglav pojišt'ovna a.s., Brno

  The claim for EUR 1,585,370 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor as the insurance agent and Triglav pojišt'ovna a.s. Brno as the insurer, on the basis of which the plaintiff's predecessor in law was entitled to a commission. The plaintiff claims the payment of commission for the period from March 2007 to October 2009. In 2010 the receivables were sold to Barcolanza a.s. Brno, which then continued the suit against Triglav pojišt`ovna. At a hearing on 13 October 2011 the first instance court ruled in favour of the defendant. The ruling was serviced on 12 January 2012. The plaintiff had a 15-day appeal period, which expired on 27 January 2012. There is no information about a potential appeal.

OTHER LEGAL DISPUTES

- Two major claims were filed for damages against Triglav osiguranje d.d., Zagreb, the first one in 1998 in the amount of EUR 1,026,667.00 and the second one in 2004 for EUR 502,509.00.

- Two major claims were filed against Triglav osiguranje d.d., Sarajevo, the first one for damages in 2009 in the amount of EUR 1,918,029.55 and the second one for immaterial damages in 2011 for EUR 502,509.00.

- Two major claims were filed for damages against Triglav osiguranje d.d., Belgrade, the first one in 2007 in the amount of EUR 2,125,000 and the second one in 2008 for EUR 656,000.

- Triglav osiguranje d.d., Sarajevo filed a major claim in 2011 for a loan return in the amount of EUR 1,075,029.70, and in 2011 administrative proceedings were initiated for the income tax refund in the amount of EUR 1,824,963.78.

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LABOUR DISPUTES

- As at 31 December 2011 there were 17 labour disputes involving employees or the former employees as plaintiffs. Total claims as at the same date amounted to approximately EUR 470,000. Nine of the above labour suits were concluded with a final decision before 31 December 2011 and the plaintiffs claimed judicial review. As Zavarovalnica Triglav expects to win these disputes, the total amount of claims might be significantly lower than pleaded. In one of the cases, the plaintiff has already received their salary in arrears, as the Supreme Court ruled that the contract termination had been lawful and that the paid amount of EUR 90,000 shall be recovered.

- In 2011, the Company was served only one new lawsuit for wrongful extraordinary termination of an employment contract. The plaintiff is seeking reinstatement. In the reporting year, many disputes were finally resolved, in which liabilities were lower than the funds allocated for that purpose.

8.7. Reviews by supervisory bodies

8.7.1. Insurance Supervision Agency (ISA)

- Review of risk management with special emphasis on unit-linked life insurance

  From 1 July to 27 October 2008 the ISA reviewed the operations of Zavarovalnica Triglav. The purpose of the review was to check how the company complies with the risk management requirements and other provisions of the Insurance Act and secondary legislation adopted on the basis thereof as well as other laws regulating the insurance industry, with special emphasis on unit-linked life insurance. The ISA produced a report on its findings after the review which Zavarovalnica Triglav received on 19 December 2008. Zavarovalnica Triglav sent its comments to the report on 9 January 2009. As at the date of issuing these financial statements Zavarovalnica Triglav had not received the ISA's final findings. On 29 April 2009, the Insurance Supervision Agency (ISA) informed Zavarovalnica Triglav of its intended order on the remedy of infringement. On 25 May 2009, Zavarovalnica Triglav sent to the ISA a statement regarding the intended ISA measure, explaining that the alleged irregularities did not exist or had already been remedied and suggested the ISA not to issue such an order. Moreover, on 31 July 2009 Zavarovalnica Triglav submitted to the ISA a report on having brought its business operations into compliance with the statement on the intended measure. On 6 March 2012, the ISA sent to Zavarovalnica Triglav a request for a performance audit in which the ISA would once again check facts and evidence in this case. As at the date of issuing the financial statements, Zavarovalnica Triglav had not received the Agency's decision.

- Regularity review of the 2008 consolidated annual report of the Triglav Group

  From 8 July to 30 December 2009 the ISA carried out a regularity review of the consolidated annual report of the Triglav Group for 2008. On 2 November 2010 the ISA issued an order to remedy the violations listed in the said notification. Zavarovalnica Triglav is obliged to implement the additional measures stipulated in the order. Zavarovalnica Triglav carried out all the additional measures required by the order and on 16 August 2011 the ISA issued a declaratory decision on the remedy of the aforementioned violations.

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- Claims challenging the validity of ISA decisions

  On 18 February 2011 Zavarovalnica Triglav d.d. brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the ISA order of 4 February 2011, by which the defendant refused the plaintiff's challenge of the ISA order to remedy violations of 7 December 2009. In this order the ISA found that Zavarovalnica Triglav had violated Article 16 of the Insurance Act, as its share capital as at 30 June 2010 was below the minimum guarantee fund. The ISA found that Zavarovalnica Triglav's share capital in non-life insurance was EUR 10,430,555 and the share capital in life insurance was EUR 7,705,724 below the minimum guarantee fund and ordered Triglav to remedy violations by no later than 31 August 2011 and report thereon to the ISA. The Supreme Court rejected Zavarovalnica Triglav's action. The 35th General Meeting of Shareholders of Zavarovalnica Triglav passed a resolution on a share capital increase of EUR 50,000,000 (the increase in share capital was entered into the Court Register on 28 June 2011). The level of share capital was thus brought in line with the order of the ISA, which lead to the ISA's issuing of a declaratory decision on the remedy of the aforementioned violation.

- Reviews of subsidiaries by local regulators

  Subsidiaries of Zavarovalnica Triglav were subject to several reviews by local regulatory authorities (Triglav Osiguranje Zagreb, Lovćen Osiguranje and Triglav Osiguranje, Banja Luka). These were regular reviews that did not reveal any significant deficiencies or irregularities in the operations of these companies.

8.7.2. Securities Market Agency

- Legal proceedings against the Securities Market Agency – Abanka Vipa

  On 13 January 2011 the Securities Market Agency (hereinafter: the SMA) issued a decision prohibiting Zavarovalnica Triglav, Slovenska odškodninska družba, Mobitel and Hit from exercising their voting rights in the offeree company Abanka Vipa (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights until such time as those companies and Luka Koper either make a take-over bid for Abanka's shares or dispose of them, so that neither one individual company nor several nor all companies as a whole exceed the takeover threshold. In its decision the SMA found that after the Takeover Act entered into force on 11 June 2006, the persons acting in concert (Zavarovalnica Triglav, Slovenska odškodninska družba, Hit, Mobitel and Luka Koper) at Abanka increased their share of voting rights on 22 March 2010, when Luka Koper acquired 28 shares of Abanka. According to Article 75 of the Takeover Act, these companies were therefore required to make a takeover bid. The companies accused of acting in concert challenged the SMA's decision and Zavarovalnica Triglav initiated legal proceedings before the Supreme Court of the Republic of Slovenia challenging the SMA's aforementioned decision and requesting a stay of execution, while also proposing the issue of a temporary injunction and requesting the Court to treat the case as a priority.

- Orders issued by the Securities Market Agency

  On similar grounds as in the case of the investment in Abanka Vipa described above, the SMA also initiated procedures to suspend voting rights in several other cases of offeree companies in which Zavarovalnica Triglav is a minor shareholder, such as Krka,

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Petrol, Sava Re, Aerodrom Ljubljana and Telekom. In the case of the investment in Petrol, the SMA issued a decision on 22 March 2011 prohibiting Zavarovalnica Triglav and other persons it considered to be acting in concert from exercising their voting rights arising from shares of Petrol. Zavarovalnica Triglav objected to the SMA's decision and has initiated legal proceedings before the Supreme Court of the Republic of Slovenia challenging the SMA's decision. Zavarovalnica Triglav was successful in its challenge and the SMA's decision was annulled. In the other cases listed above, the SMA has not yet issued any decision on the suspension of voting rights.

8.7.3. Tax matters

- On 4 February 2011 the Special Tax Office of the Tax Administration of the Republic of Slovenia started with a tax audit in Zavarovalnica Triglav with reference to the tax on insurance services (TIS) charged in the period from 1 January to 31 December 2010. The audit revealed irregularities in the charging and payment of TIS for health insurance with medical assistance abroad and travel assistance insurance amounting to EUR 14,407.66. Zavarovalnica Triglav received the minutes of the audit on 5 May 2011 and a decision enumerating the discovered irregularities in TIS payment was issued on 22 June 2011. On the basis of this decision, Zavarovalnica Triglav paid the outstanding amount with interest by the requested due date. Because Zavarovalnica Triglav did not appeal the decision, the tax procedure in question has been concluded.
- The tax procedure with reference to the audit of the regularity and lawfulness of levying taxes and contributions concluded in Zavarovalnica Triglav for 1995 and 1996 was also concluded in 2011. The key issue under scrutiny was the levied income tax amounting to EUR 799,940 referring to the expenses for the formation of equalisation provisions in 1995 and 1996. On 17 August 2011, Zavarovalnica Triglav received a judgement from the Supreme Court of the Republic of Slovenia which ruled that the review of the judgement of the Administrative Court of the Republic of Slovenia of 22 September 2009 was refused. The aforementioned tax procedure has therefore been concluded.
- In 2007, the Tax Authority carried out an audit of Triglav BH Osiguranje d.d., Sarajevo for a period from 2002 to 2007. The findings of the audit determined misapplication of the Corporate Income Tax Act regarding the tax write-off for foreign capital investments and the resulting unpaid tax liability in the amount of BAM 3,478,265 (EUR 1,778,410). The outstanding amount was paid in August 2010. Triglav BH Osiguranje lodged an appeal with the court of jurisdiction. In 2011, the decision of the Ministry of Finance was repealed. Due adjustments were made in the consolidated financial statements for 2010, reducing net profit brought forward from previous years by the relevant amount.

  In 2010 another inspection of all taxes was carried out for the period from 2002 to 30 September 2007. Irregularities in the corporate income tax levied amounting to BAM 3,107,263 (EUR 1,588,718) were discovered. In March 2011, the Federal Ministry of Finance reversed its decision and ordered a review by the body of first instance - the Tax Authority. In the consolidated financial statements no provisions were formed for the corporate income tax owed according to that decision.

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8.8. Subsequent events

No events occurring after the reporting date were material to the financial statements for 2011.

Events after the reporting date material to the operations in 2012 are the following:

- In the court action of Zavarovalnica Triglav against Milan Marolt and Nadežda Klemenčič, described in detail in Section 8.6, Zavarovalnica Triglav was served a decision by the court of first instance on 9 February 2012. The court had refused Zavarovalnica Triglav's claims. The Company lodged an appeal against this decision of the court of first instance on 23 February 2012.
- In the review procedure by the Insurance Supervision Agency (ISA) pertaining to risk management, with a special emphasis on unit-linked life insurance, which is described in detail in Section 8.7.1. Reviews by supervisory bodies, the Insurance Supervision Agency, the ISA issued Zavarovalnica Triglav with a request for an audit with which the ISA would review the facts and evidence in this case and in the course of which a review of the operations related to the subsidiary company Vardar Osiguruvanje (Triglav Osiguruvanje, A.D.) would also be conducted.
- On 15 March 2012, the Supervisory Board appointed the previous Executive Director of the Property Insurance Claims Department, Stanislav, Vrtunski as the new member of the Management Board for a period of five years. As Member of the Management Board, he will be in charge of life, health and accident insurance marketing, excluding key accounts. The decision on his appointment as a new member of the Management Board shall take effect as soon as the Insurance Supervision Agency issues him the authorisation to serve as a management board member.
- On 26 March 2012, the Supervisory Board of Zavarovalnica Triglav gave approval to the continuation of procedures related to introducing a strategic partner (International Finance Corporation – IFC) into the ownership structure of the holding company Triglav INT.
- On 26 March 2012, Zavarovalnica Triglav's Supervisory Board approved the termination of the term of office and of the employment contract of Management Board Member, Igor Stebernak. His term of office as Management Board Member shall expire by no later than 30 June 2012.

APPENDIX:

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1. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

1.1 Consolidated balance sheet for Non-life and Life insurance as at 31 December 2011

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (od A do G)	2,962,000,104	3,024,395,808	98
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	63,333,465	61,218,108	103
1. Intangible assets	24,798,439	20,034,484	124
2. Goodwill	1,148,243	2,460,627	47
3. Deferred acquisition costs	37,369,009	38,587,347	97
4. Other long-term deferred items	17,774	135,650	13
B. LAND, BUILDINGS AND FINANCIAL ASSETS	2,233,809,016	2,280,058,091	98
I. LAND AND BUILDINGS	207,981,925	206,947,054	101
a.) Directly used in insurance activities	111,197,035	122,690,795	91
1. Land directly used in insurance activities	11,557,411	17,108,699	68
2. Buildings directly used in insurance activities	97,914,484	103,084,369	95
3. Other land and biuldings directly used in insurance activities	1,725,140	2,497,727	69
b.) Investment property	96,784,890	84,256,259	115
1. Land	42,214,161	35,746,677	118
2. Buildings	54,570,729	48,509,582	112
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	20,504,562	147,333,611	14
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	20,504,562	117,067,739	18
4. Debt securities and loans to associated companies	0	3,460,461	
5. Other financial investments in subsidiaries and associates	0	26,805,411	
III. OTHER FINANCIAL INVESTMENTS	1,957,624,828	1,878,453,125	104
1. Long-term financial investments	1,806,376,898	1,780,124,834	101
1.1. Shares and other floating rate securities and fund coupons	170,824,413	194,750,139	88
1.2. Debt and other fixed return securities	1,359,408,951	1,385,364,483	98
1.3. Investment fund shares	1,677,527	3,504,556	48
1.4. Mortgage loans	6,686,867	6,191,012	108
1.5. Other loans	56,643,373	45,305,949	125
1.6. Deposits with banks	180,931,505	138,215,776	131
1.7. Other financial investments	30,204,262	6,792,919	445
2. Short-term financial investments	151,247,930	98,328,291	154
2.1. Shares available for sale	7,192,605	12,534,803	57
2.2. Securities available for sale and with maturity up to one year	4,154,358	8,422,632	
2.3. Short-term loans	5,946,763	1,633,991	51
2.4. Short-term bank deposits	121,412,619	72,486,268	282
2.5. Other short-term financial investments	12,541,585	3,250,597	
IV. FINANCIAL INVESTMENTS OF REINSURANCE	3,714,618	3,102,985	

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in EUR

		31 December 2011	31 December 2010	Index
	COMPANIES IN REINSURANCE CONTRACTS			
V.	ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI.	ASSETS FROM REINSURANCE CONTRACTS	43,983,083	44,221,316	99
	1. From unearned premium	14,630,519	11,958,793	122
	- in reinsurance	14,600,653	11,943,142	122
	- in co-insurance	29,866	15,651	191
	2. From mathematical provision	10,125	0	
	3. From outstanding claims	29,336,584	32,262,523	91
	- in reinsurance	29,136,440	32,251,426	90
	- in co-insurance	200,144	11,097	
	4. From bonuses and discounts	0	0	
	5. From other technical provisions	5,855	0	
	6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C.	UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	364,684,374	370,627,528	98
D.	RECEIVABLES	245,710,514	244,188,988	101
I.	RECEIVABLES FROM DIRECT INSURANCE	118,559,324	127,992,948	93
	1. Receivables from insurers	112,163,875	116,455,200	96
	2. Receivables from insurance brokers	1,609,799	1,816,693	89
	3. Other receivables from direct insurance operations	4,784,215	9,610,422	50
	4. Receivables from direct insurance operations -associates and subsidiaries	1,435	110,633	1
II.	RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	40,739,474	45,432,007	90
	1. Premium receivable from co-insurance	594,195	8,300	
	2. Premium receivable from reinsurance	28,910,290	23,678,590	122
	3. Receivables from co-insurers' share in claims	87,739	73,472	119
	4. Receivables from reinsurers' share in claims	8,209,748	19,199,347	43
	5. Other receivables from co-insurance and reinsurance	2,937,502	2,472,298	119
	6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III.	OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	86,411,716	70,764,033	122
	1. Receivables for advanced payments for intangible assets	0	93,835	
	2. Other short-term receivables from insurance operations	15,409,067	20,947,221	74
	3. Short term receivables from financing	6,133,465	1,047,944	585
	4. Other short-term receivables	22,353,470	20,636,497	108
	5. Long-term receivables	1,328,867	323,868	410
	6. Current tax receivables	459,509	2,427	
	7. Deferred tax assets	40,661,243	27,545,028	148
	8. Other short-term receivables - associates and subsidiaries	66,095	167,213	40

in EUR

		31 December 2011	31 December 2010	Index
IV.	CALLED UP SHARE CAPITAL UNPAID	0	0	
E.	OTHER ASSETS	45,553,791	59,608,855	76
I.	TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	17,611,647	19,859,866	89
	1. Equipment and small tools	16,553,136	18,478,368	90
	2. Other tangible fixed assets	1,058,511	1,381,498	77
II.	CASH AT BANK AND IN HAND	22,771,667	34,108,090	67
III.	INVENTORIES AND OTHER ASSETS	5,170,477	5,640,899	92
	1. Inventories	4,199,703	4,777,236	88
	2. Other assets	970,774	863,663	112
F.	SHORT-TERM DEFERRED ASSETS	7,426,729	7,308,797	102
	1. Accrued interest and rent	42,499	22,428	189
	2. Deferred short-term expenses of insurance contract acquisition	4,233,083	3,586,486	118
	3. Other short-term deferred items	3,151,147	3,699,883	85
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1,482,215	1,385,441	107
H.	OFF BALANCE SHEET ASSETS	113,932,790	235,198,101	48

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in EUR

	31 December 2011	31 December 2010	Index
EQUITY AND LIABILITIES (A to I)	2,962,000,104	3,024,395,808	98
A. EQUITY	489,469,838	498,977,808	98
I. SUBSCRIBED (CALLED UP) CAPITAL	73,701,402	23,701,391	311
1. Share capital	73,701,402	23,701,391	311
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	53,204,076	53,655,516	99
III. RESERVES FROM PROFIT	230,826,820	69,417,981	333
1. Security reserves	529,798	529,798	100
2. Legal and statutory reserves	19,430,982	19,451,956	100
3. Reserves for own shares	364,680	364,680	100
4. Own shares (as deduction)	-364,680	-364,680	100
5. Equalisation provision for credit insurance	34,866,040	33,436,227	104
6. Catastrophe reserves	0	0	
7. Other reserves from profit	176,000,000	16,000,000	
IV. FAIR VALUE RESERVE	2,786,975	45,520,845	6
1. Fair value reserve for tangible fixed assets	2,189	2,485	88
2. Fair value reserve for long-term investments	3,404,896	51,769,638	7
3. Fair value reserve for short-term investments	-609,176	-6,265,954	10
4. Other fair value reserve	-10,934	14,676	
V. NET PROFIT / LOSS CARRIED FORWARD	61,135,220	269,153,671	23
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	46,175,732	11,313,293	408
VII. NON-CONTROLLING INTEREST	24,204,905	28,212,772	86
VIII. CURRENCY TRANSLATION DIFFERENCES	-2,565,292	-1,997,661	128
B. SUBORDINATED LIABILITIES	40,932,090	40,932,090	100
C. GROSS TEHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1,869,646,881	1,894,832,826	99
1. Gross provisions for unearned premiums	291,740,398	296,367,451	98
2. Gross mathematical provisions	845,464,934	849,847,775	99
3. Gross claim provisions	705,464,250	711,728,317	99
4. Gross provisions for bonuses and discounts	16,599,643	17,836,389	93
5. Other gross tehnical provisions	10,377,656	19,052,894	54
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	364,495,891	376,083,063	97
E. PROVISIONS FOR OTHER RISKS AND CHARGES	29,532,387	28,075,472	105
1. Provisions for pensions	10,392,165	10,278,077	101
2. Other provisions	19,140,222	17,797,395	108
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	161,130,969	178,259,123	90
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	20,928,061	23,243,104	90
1. Liabilities to policy holders	13,988,154	15,039,029	93
2. Liabilities to agents and brokers	1,729,573	1,709,179	101
3. Other liabilities from direct insurance operations	5,187,283	6,427,344	81

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in EUR

		31 December 2011	31 December 2010	Index
	4. Liabilities from direct insurance operations-associates and subsidiaries	23,051	67,552	34
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	36,106,029	27,928,812	129
	1. Liabilities for co-insurance premiums	351,997	329,698	107
	2. Liabilities for reinsurance premiums	16,753,300	12,424,654	135
	3. Liabilities for co-insurers' share in claims	230,150	160,085	144
	4. Liabilities for reinsurers' share in claims	9,049,314	7,108,437	127
	5. Other liabilities from co-insurance and re-insurance	9,717,435	7,869,425	123
	6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	3,833	36,513	10
III.	LOANS SECURED BY FIXED RATE SECURITIES	1,843	8,744,637	
IV.	LIABILTIES TO BANKS	10,989,987	9,583,854	115
V.	LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI.	OTHER LIABILITIES	93,105,049	108,758,716	86
	a.) Other long term liabilities	16,560,493	26,950,800	61
	1. Long term liabilities from finance leases	6,721,004	7,204,775	93
	2. Other long term liabilities	225,902	5,635,186	4
	3. Deferred tax liabilities	9,613,587	14,110,839	68
	b.) Other short-term liabilities	76,544,556	81,807,916	94
	1. Short-term liabilities to employees	14,681,752	15,208,247	97
	2. Other short-term liabilities from insurance operations	15,419,553	23,915,664	64
	3. Short-term liabilities from financing	21,778,287	3,701,973	588
	4. Current income tax liabilities	826,652	16,877,495	5
	5. Other short-term liabilities	23,838,312	22,104,537	108
H.	ACCRUED EXPENSES AND DEFERRED INCOME	6,792,048	7,235,426	94
	1. Accrued expenses	3,950,952	4,254,325	93
	2. Other accruals and deferred income	2,841,096	2,981,101	95
I.	NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J.	OFF BALANCE SHEET ASSETS	113,932,790	235,198,101	48

1.2 Consolidated balance sheet for Non-life insurance as at 31 December 2011

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (from A to G)	1,612,275,243	1,650,421,687	98
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	61,221,153	59,138,284	104
1. Intangible assets	22,686,127	17,954,660	126
2. Goodwill	1,148,243	2,460,627	47
3. Deferred acquisition costs	37,369,009	38,587,347	97
4. Other long-term deferred items	17,774	135,650	13
B. LAND, BUILDINGS AND FINANCIAL ASSETS	1,269,490,942	1,295,605,668	98
I. LAND AND BUILDINGS	195,021,549	194,174,121	100
a.) Directly used in insurance activities	101,473,318	112,786,292	90
1. Land directly used in insurance activities	10,917,192	16,469,103	66
2. Buildings directly used in insurance activities	88,834,119	93,819,462	95
3. Other land and biuldings directly used in insurance activities	1,722,007	2,497,727	69
b.) Investment property	93,548,231	81,387,829	115
1. Land	41,886,092	35,418,608	118
2. Buildings	51,662,139	45,969,221	112
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	13,088,391	120,151,001	11
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	13,088,391	100,434,353	13
4. Debt securities and loans to associated companies	0	175,970	
5. Other financial investments in subsidiaries and associates	0	19,540,678	
III. OTHER FINANCIAL INVESTMENTS	1,013,697,081	933,956,628	109
1. Long-term financial investments	915,547,506	858,192,572	107
1.1. Shares and other floating rate securities and fund coupons	131,711,582	148,857,422	88
1.2. Debt and other fixed return securities	611,077,047	601,955,698	102
1.3. Investment fund shares	1,677,527	3,504,556	48
1.4. Mortgage loans	6,607,056	6,191,012	107
1.5. Other loans	25,393,963	14,021,303	181
1.6. Deposits with banks	109,595,842	77,922,104	141
1.7. Other financial investments	29,484,489	5,740,477	514
2. Short-term financial investments	98,149,575	75,764,056	130
2.1. Shares available for sale	4,752,839	8,611,156	55
2.2. Securities available for sale and with maturity up to one year	1,364,338	7,921,957	17
2.3. Short-term loans	5,946,763	1,633,991	364
2.4. Short-term bank deposits	74,244,896	55,119,720	135
2.5. Other short-term financial investments	11,840,739	2,477,232	478
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	3,714,618	3,102,985	120
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	

Dolme

in EUR

	31 December 2011	31 December 2010	Index
VI. ASSETS FROM REINSURANCE CONTRACTS	43,969,303	44,220,933	99
1. From unearned premium	14,626,864	11,958,410	122
- in reinsurance	14,596,998	11,942,759	122
- in co-insurance	29,866	15,651	191
2. From mathematical provision	0	0	
3. From outstanding claims	29,336,584	32,262,523	91
- in reinsurance	29,136,440	32,251,426	90
- in co-insurance	200,144	11,097	
4. From bonuses and discounts	0	0	
5. From other technical provisions	5,855	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	0	0	
D. RECEIVABLES	233,381,701	231,278,877	101
I. RECEIVABLES FROM DIRECT INSURANCE	117,984,949	126,872,234	93
1. Receivables from insurers	111,760,939	116,010,688	96
2. Receivables from insurance brokers	1,609,568	1,815,582	89
3. Other receivables from direct insurance operations	4,613,007	8,935,331	52
4. Receivables from direct insurance operations -associates and subsidiaries	1,435	110,633	1
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	40,739,306	45,425,812	90
1. Premium receivable from co-insurance	594,195	8,300	
2. Premium receivable from reinsurance	28,910,290	23,678,590	122
3. Receivables from co-insurers' share in claims	87,739	73,472	119
4. Receivables from reinsurers' share in claims	8,217,772	19,199,347	43
5. Other receivables from co-insurance and reinsurance	2,929,310	2,466,103	119
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	74,657,446	58,980,831	127
1. Receivables for advanced payments for intangible assets	0	93,835	
2. Other short-term receivables from insurance operations	15,077,486	12,802,171	118
3. Short term receivables from financing	1,581,643	1,014,250	156
4. Other short-term receivables	20,694,878	19,034,938	109
5. Long-term receivables	1,328,867	323,868	410
6. Current tax receivables	459,336	2,409	
7. Deferred tax assets	35,504,998	25,590,436	139
8. Other short-term receivables - associates and subsidiaries	10,238	118,924	9
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	39,361,550	56,125,353	70

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in EUR

		31 December 2011	31 December 2010	Index
I.	TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	16,154,025	17,888,202	90
	1. Equipment and small tools	15,119,508	16,536,449	91
	2. Other tangible fixed assets	1,034,517	1,351,753	77
II.	CASH AT BANK AND IN HAND	18,041,654	32,601,768	55
III.	INVENTORIES AND OTHER ASSETS	5,165,871	5,635,383	92
	1. Inventories	4,199,495	4,772,575	88
	2. Other assets	966,376	862,808	112
F.	SHORT-TERM DEFERRED ASSETS	7,337,682	6,888,064	107
	1. Accrued interest and rent	42,499	22,428	189
	2. Deferred short-term expenses of insurance contract acquisition	4,231,710	3,410,532	124
	3. Other short-term deferred items	3,063,473	3,455,104	89
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1,482,215	1,385,441	107
H.	OFF BALANCE SHEET ASSETS	104,373,152	197,323,606	53

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in EUR

	31 December 2011	31 December 2010	Index
EQUITY AND LIABILITIES (A to I)	1,612,275,243	1,650,421,687	98
A. EQUITY	415,767,323	412,757,252	101
I. SUBSCRIBED (CALLED UP) CAPITAL	51,340,551	16,510,540	311
1. Share capital	51,340,551	16,510,540	311
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	40,136,169	40,587,609	99
III. RESERVES FROM PROFIT	198,738,684	67,448,314	295
1. Security reserves	376,299	376,299	100
2. Legal and statutory reserves	17,614,817	17,635,788	100
3. Reserves for own shares	364,680	364,680	100
4. Own shares (as deduction)	-364,680	-364,680	100
5. Equalisation provision for credit insurance	34,866,040	33,436,227	104
6. Catastrophe reserves	0	0	
7. Other reserves from profit	145,881,528	16,000,000	912
IV. FAIR VALUE RESERVE	11,735,592	37,934,655	31
1. Fair value reserve for tangible fixed assets	2,189	2,485	88
2. Fair value reserve for long-term investments	11,939,585	44,350,202	27
3. Fair value reserve for short-term investments	-195,248	-6,432,708	3
4. Other fair value reserve	-10,934	14,676	
V. NET PROFIT / LOSS CARRIED FORWARD	51,421,795	218,123,015	24
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	40,561,626	5,697,192	712
VII. NON-CONTROLLING INTEREST	23,323,805	27,391,208	85
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,490,899	-935,281	159
B. SUBORDINATED LIABILITIES	27,259,666	27,259,666	100
C. GROSS TEHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1,003,131,555	1,023,149,957	98
1. Gross provisions for unearned premiums	291,315,393	296,004,071	98
2. Gross mathematical provisions	0	0	
3. Gross claim provisions	684,838,863	690,256,603	99
4. Gross provisions for bonuses and discounts	16,599,643	17,836,389	93
5. Other gross tehnical provisions	10,377,656	19,052,894	54
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
E. PROVISIONS FOR OTHER RISKS AND CHARGES	27,709,339	26,415,824	105
1. Provisions for pensions	8,903,695	8,618,938	103
2. Other provisions	18,805,644	17,796,886	106
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	132,058,731	154,169,909	86
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	12,974,225	13,029,795	100
1. Liabilities to policy holders	6,875,575	6,864,129	100
2. Liabilities to agents and brokers	1,643,585	1,563,634	105
3. Other liabilities from direct insurance operations	4,449,815	4,584,764	97

in EUR

		31 December 2011	31 December 2010	Index
	4. Liabilities from direct insurance operations- associates and subsidiaries	5,250	17,268	30
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	36,093,786	27,913,467	129
	1. Liabilities for co-insurance premiums	351,997	329,698	107
	2. Liabilities for reinsurance premiums	16,741,057	12,409,309	135
	3. Liabilities for co-insurers' share in claims	230,150	160,085	144
	4. Liabilities for reinsurers' share in claims	9,049,314	7,108,437	127
	5. Other liabilities from co-insurance and re-insurance	9,717,435	7,869,425	123
	6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	3,833	36,513	10
III.	LOANS SECURED BY FIXED RATE SECURITIES	1,843	8,744,637	
IV.	LIABILTIES TO BANKS	10,989,987	9,583,854	115
V.	LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI.	OTHER LIABILITIES	71,998,890	94,898,156	76
	a.) Other long term liabilities	16,866,071	25,318,302	67
	1. Long term liabilities from finance leases	6,721,004	7,204,775	93
	2. Other long term liabilities	224,152	5,633,436	4
	3. Deferred tax liabilities	9,920,915	12,480,091	79
	b.) Other short-term liabilities	55,132,819	69,579,854	79
	1. Short-term liabilities to employees	14,665,581	15,197,361	97
	2. Other short-term liabilities from insurance operations	5,448,518	15,464,671	35
	3. Short-term liabilities from financing	16,279,968	3,691,322	441
	4. Current income tax liabilities	802,715	16,877,495	5
	5. Other short-term liabilities	17,936,037	18,349,005	98
H.	ACCRUED EXPENSES AND DEFERRED INCOME	6,348,629	6,669,079	95
	1. Accrued expenses	3,516,453	3,688,416	95
	2. Other accruals and deferred income	2,832,176	2,980,663	95
I.	NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J.	OFF BALANCE SHEET ASSETS	104,373,152	197,323,606	53

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1.3 Consolidated balance sheet for Life insurance as at 31 December 2011

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (from A to G)	1,349,724,861	1,373,974,121	98
A. INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	2,112,312	2,079,824	102
1. Intangible assets	2,112,312	2,079,824	102
2. Goodwill	0	0	
3. Deferred acquisition costs	0	0	
4. Other long-term deferred items	0	0	
B. LAND, BUILDINGS AND FINANCIAL ASSETS	964,318,074	984,452,423	98
I. LAND AND BUILDINGS	12,960,376	12,772,933	101
a.) Directly used in insurance activities	9,723,717	9,904,503	98
1. Land directly used in insurance activities	640,219	639,596	100
2. Buildings directly used in insurance activities	9,080,365	9,264,907	98
3. Other land and biuldings directly used in insurance activities	3,133	0	
b.) Investment property	3,236,659	2,868,430	113
1. Land	328,069	328,069	100
2. Buildings	2,908,590	2,540,361	114
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	7,416,171	27,182,610	27
1. Shares in subsidiaries	0	0	
2. Debt securities and loans to subsidiaries	0	0	
3. Shares in associated companies	7,416,171	16,633,386	45
4. Debt securities and loans to associated companies	0	3,284,491	
5. Other financial investments in subsidiaries and associates	0	7,264,733	
III. OTHER FINANCIAL INVESTMENTS	943,927,747	944,496,497	100
1. Long-term financial investments	890,829,392	921,932,262	97
1.1. Shares and other floating rate securities and fund coupons	39,112,831	45,892,717	85
1.2. Debt and other fixed return securities	748,331,904	783,408,785	96
1.3. Investment fund shares	0	0	
1.4. Mortgage loans	79,811	0	
1.5. Other loans	31,249,410	31,284,646	100
1.6. Deposits with banks	71,335,663	60,293,672	118
1.7. Other financial investments	719,773	1,052,442	68
2. Short-term financial investments	53,098,355	22,564,235	235
2.1. Shares available for sale	2,439,766	3,923,647	62
2.2. Securities available for sale and with maturity up to one year	2,790,020	500,675	557
2.3. Short-term loans	0	0	
2.4. Short-term bank deposits	47,167,723	17,366,548	272
2.5. Other short-term financial investments	700,846	773,365	91
IV. FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V. ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI. ASSETS FROM REINSURANCE CONTRACTS	13,780	383	

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in EUR

	31 December 2011	31 December 2010	Index
1. From unearned premium	3,655	383	954
- in reinsurance	3,655	383	954
- in co-insurance	0	0	
2. From mathematical provision	10,125	0	
3. From outstanding claims	0	0	
- in reinsurance	0	0	
- in co-insurance	0	0	
4. From bonuses and discounts	0	0	
5. From other technical provisions	0	0	
6. From technical provisions for life insurance policy holders who bear investment risk	0	0	
C. UNIT-LINKED INSURANCE CONTRACT INVESTMENTS	364,684,374	370,627,528	98
D. RECEIVABLES	12,328,813	12,910,111	95
I. RECEIVABLES FROM DIRECT INSURANCE	574,375	1,120,714	51
1. Receivables from insurers	402,936	444,512	91
2. Receivables from insurance brokers	231	1,111	21
3. Other receivables from direct insurance operations	171,208	675,091	25
4. Receivables from direct insurance operations -associates and subsidiaries	0	0	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	168	6,195	3
1. Premium receivable from co-insurance	0	0	
2. Premium receivable from reinsurance	0	0	
3. Receivables from co-insurers' share in claims	0	0	
4. Receivables from reinsurers' share in claims	-8,024	0	
5. Other receivables from co-insurance and reinsurance	8,192	6,195	132
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	11,754,270	11,783,202	100
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	331,581	8,145,050	4
3. Short term receivables from financing	4,551,822	33,694	
4. Other short-term receivables	1,658,592	1,601,559	104
5. Long-term receivables	0	0	
6. Current tax receivables	173	18	961
7. Deferred tax assets	5,156,245	1,954,592	264
8. Other short-term receivables - associates and subsidiaries	55,857	48,289	116
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	6,192,241	3,483,502	178
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	1,457,622	1,971,664	74
1. Equipment and small tools	1,433,628	1,941,919	74

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in EUR

		31 December 2011	31 December 2010	Index
	2. Other tangible fixed assets	23,994	29,745	81
II.	CASH AT BANK AND IN HAND	4,730,013	1,506,322	314
III.	INVENTORIES AND OTHER ASSETS	4,606	5,516	84
	1. Inventories	208	4,661	4
	2. Other assets	4,398	855	514
F.	SHORT-TERM DEFERRED ASSETS	89,047	420,733	21
	1. Accrued interest and rent	0	0	
	2. Deferred short-term expenses of insurance contract acquisition	1,373	175,954	1
	3. Other short-term deferred items	87,674	244,779	36
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H.	OFF BALANCE SHEET ASSETS	9,559,638	37,874,495	25

in EUR

	31 December 2011	31 December 2010	Index
EQUITY AND LIABILITIES (A to I)	1,349,724,861	1,373,974,121	98
A. EQUITY	73,702,515	86,220,556	85
I. SUBSCRIBED (CALLED UP) CAPITAL	22,360,851	7,190,851	311
1. Share capital	22,360,851	7,190,851	311
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	13,067,907	13,067,907	100
III. RESERVES FROM PROFIT	32,088,136	1,969,667	
1. Security reserves	153,499	153,499	100
2. Legal and statutory reserves	1,816,165	1,816,168	100
3. Reserves for own shares	0	0	
4. Own shares (as deduction)	0	0	
5. Equalisation provision for credit insurance	0	0	
6. Catastrophe reserves	0	0	
7. Other reserves from profit	30,118,472	0	
IV. FAIR VALUE RESERVE	-8,948,617	7,586,190	
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	-8,534,689	7,419,436	
3. Fair value reserve for short-term investments	-413,928	166,754	
4. Other fair value reserve	0	0	
V. NET PROFIT / LOSS CARRIED FORWARD	9,713,425	51,030,656	19
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	5,614,106	5,616,101	100
VII. NON-CONTROLLING INTEREST	881,100	821,564	107
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,074,393	-1,062,380	101
B. SUBORDINATED LIABILITIES	13,672,424	13,672,424	100
C. GROSS TEHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	866,515,326	871,682,869	99
1. Gross provisions for unearned premiums	425,005	363,380	117
2. Gross mathematical provisions	845,464,934	849,847,775	99
3. Gross claim provisions	20,625,387	21,471,714	96
4. Gross provisions for bonuses and discounts	0	0	
5. Other gross tehnical provisions	0	0	
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	364,495,891	376,083,063	97
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1,823,048	1,659,648	110
1. Provisions for pensions	1,488,470	1,659,139	90
2. Other provisions	334,578	509	
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	29,072,238	24,089,214	121
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	7,953,836	10,213,309	78
1. Liabilities to policy holders	7,112,579	8,174,900	87
2. Liabilities to agents and brokers	85,988	145,545	59
3. Other liabilities from direct insurance operations	737,468	1,842,580	40
4. Liabilities from direct insurance operations-associates and subsidiaries	17,801	50,284	35

in EUR

		31 December 2011	31 December 2010	Index
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	12,243	15,345	80
	1. Liabilities for co-insurance premiums	0	0	
	2. Liabilities for reinsurance premiums	12,243	15,345	80
	3. Liabilities for co-insurers' share in claims	0	0	
	4. Liabilities for reinsurers' share in claims	0	0	
	5. Other liabilities from co-insurance and re-insurance	0	0	
	6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	0	0	
III.	LOANS SECURED BY FIXED RATE SECURITIES	0	0	
IV.	LIABILTIES TO BANKS	0	0	
V.	LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI.	OTHER LIABILITIES	21,106,159	13,860,560	152
	a.) Other long term liabilities	-305,578	1,632,498	
	1. Long term liabilities from finance leases	0	0	
	2. Other long term liabilities	1,750	1,750	100
	3. Deferred tax liabilities	-307,328	1,630,748	
	b.) Other short-term liabilities	21,411,737	12,228,062	175
	1. Short-term liabilities to employees	16,171	10,886	149
	2. Other short-term liabilities from insurance operations	9,971,035	8,450,993	118
	3. Short-term liabilities from financing	5,498,319	10,651	
	4. Current income tax liabilities	23,937	0	
	5. Other short-term liabilities	5,902,275	3,755,532	157
H.	ACCRUED EXPENSES AND DEFERRED INCOME	443,419	566,347	78
	1. Accrued expenses	434,499	565,909	77
	2. Other accruals and deferred income	8,920	438	
I.	NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J.	OFF BALANCE SHEET ASSETS	9,559,638	37,874,495	25

2. Consolidated income statement for the year ending at 31 December 2011

in EUR

		2011	2010	Index
A.	Tehnical account for non-life insurance except health insurance business			
I.	Net premium earned	622,224,753	652,006,405	95
	1. Gross written premium	693,333,593	718,043,703	97
	2. Assumed co-insurance written premium (+)	1,851,270	1,694,680	109
	3. Ceded co-insurance written premium (-)	-896,740	-936,805	96
	4. Outward reinsurance premium (-)	-79,176,929	-73,419,132	108
	5. Change in gross provision for unearned premiums (+/-)	3,964,286	5,005,698	79
	6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	3,149,273	1,618,261	195
II.	Allocated investment return transferred from the non-tehnical account (item D VIII)	8,240,825	35,840,573	23
III.	Other net income from insurance operations	8,636,703	6,792,987	127
IV.	Net claims incurred	366,936,881	387,106,040	95
	1. Gross claims settled	413,518,015	448,483,223	92
	2. Income from gross subrogated receivables (-)	-22,604,920	-24,743,559	91
	3. Co-insurers' share (+/-)	749,462	427,720	175
	4. Reinsurers' share (-)	-23,200,038	-30,576,036	76
	5. Changes in gross prvisions for claims outstanding (+/-)	-4,377,568	-3,761,779	116
	6. Changes in provisions for claims outstanding, reinsurers' and coinsurers' share (+/-)	2,851,930	-2,723,529	
V.	Change in other net tehnical provisions (+/-)	-8,608,879	-2,973,409	290
VI.	Net expenses for bonuses and discounts	6,457,203	5,734,492	113
VII.	Net operating expenses	160,566,346	168,028,801	96
	1. Acquisition costs	109,739,851	111,813,343	98
	2. Change in deferred acquisition costs (+/-)	240,013	-745,946	
	3. Other operating expenses	53,036,720	55,112,695	96
	3.1. Depreciation of assets used in insurance business	3,736,181	3,700,171	101
	3.2. Labour costs	26,800,623	28,715,358	93
	– wages and salaries	19,113,294	19,488,988	98
	– social security and pension insurance costs	4,738,707	5,430,860	87
	– other labour costs	2,948,622	3,795,510	78
	3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	543,931	718,059	76
	3.4. Other operating expenses	21,955,985	21,979,107	100
	4. Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	-2,450,238	1,848,709	
VIII.	Other net insurance expenses	39,675,068	43,065,739	92
	1. Expenses of preventive activity	6,920,000	8,650,955	80
	2. Contributions for covering losses on uninsured and unknown vehicles	2,681,782	3,366,632	80
	3. Other net insurance expenses	30,073,286	31,048,152	97
IX.	Result of the tehnical account for non-life insurance	74,075,662	93,678,302	79

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in EUR

		2011	2010	Index
	business, except health insurance business (I+II+III-IV+-V-VI-VII-VIII)			
B.	Tehnical account for life insurance business			
I.	Net premium earned	213,951,694	221,741,724	96
	1. Gross written premium	214,024,239	221,373,955	97
	2. Assumed co-insurance written premium (+)	0	0	
	3. Ceded co-insurance written premium (-)	0	0	
	4. Outward reinsurance premium (-)	-14,195	-15,800	90
	5. Change in gross provision for unearned premiums (+/-)	-61,623	383,426	
	6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	3,273	143	
II.	Income from investments	53,536,151	64,474,603	83
	1. Income from dividends	1,146,586	1,015,760	113
	1.1. Group companies	0	0	
	1.2. Associates	0	0	
	1.3. Others	1,146,586	1,015,760	113
	2. Income from other investments	47,249,915	49,523,888	95
	2.1. Income from land and buildings	67,959	109,977	62
	- in group companies	0	0	
	- in associates	0	0	
	- in others	67,959	109,977	62
	2.2. Interest income	41,642,903	41,147,777	101
	- in group companies	0	0	
	- in associates	0	649,314	
	- in others	41,642,903	40,498,463	103
	2.3. Other investment income	5,539,053	8,266,134	67
	2.3.1. Financial income from revaluation	4,525,745	7,418,750	61
	- in group companies	0	0	
	- in associates	0	89,922	
	- in others	4,525,745	7,328,828	62
	2.3.2. Other financial income	1,013,308	847,384	120
	- in group companies	0	0	
	- in associates	904,067	829,158	109
	- in others	109,241	18,226	599
	3. Income from asset value adjustments	69,015	92,470	75
	4. Profit on disposal of investments	5,070,635	13,842,485	37
III.	Net unrealised gains on unit-linked life insurance assets	25,750,906	42,518,343	61
IV.	Other net income from insurance operations	15,339,809	17,522,079	88
V.	Net claims incurred	139,655,048	107,005,609	131
	1. Gross claims settled	140,482,689	107,291,185	131
	2. Income from gross subrogated receivables (-)	0	0	
	3. Reinsurers' share (-)	0	0	
	4. Changes in gross prvisions for claims outstanding (+/-)	-827,641	-285,576	290
	5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	0	0	
VI.	Change in other net tehnical provisions (+/-)	-5,926,651	131,148,704	
	1. Change of mathematical provisions (+/-)	-5,916,526	131,148,704	
	1.1. Change in gross mathematical provision (+/-)	-5,916,526	131,148,704	

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in EUR

		2011	2010	Index
	1.2. Change of reinsurers' share (+/-)	0	0	
	2. Change of other net technical provisions (+/-)	-10,125	0	
	2.1. Change of other gross technical provision(+/-)	0	0	
	2.2. Change of reinsurers' share (+/-)	-10,125	0	
VII.	Net expenses for bonuses and discounts	1,792	736	243
VIII.	Net operating expenses	33,695,878	34,177,558	99
	1. Acquisition costs	19,736,401	19,997,235	99
	2. Change of deferred acquisition costs (+/-)	0	0	
	3. Other operating expenses	13,960,147	14,135,864	99
	3.1. Depreciation of assets used in insurance business	598,001	999,009	60
	3.2. Labour costs	7,036,187	6,893,142	102
	- wages and salaries	5,081,842	4,883,370	104
	- social security and pension insurance costs	1,012,639	1,064,898	95
	- other labour costs	941,706	944,874	100
	3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	99,893	129,391	77
	3.4. Other operating expenses	6,226,066	6,114,322	102
	4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-670	44,459	
IX.	Expenses from investments	42,068,337	18,759,357	224
	1. Depreciation and amortization of assets not used in operations	66,923	51,012	131
	2. Expenses arising from asset management, interest expenses and other financial expenses	6,024,179	4,207,968	143
	3. Revaluation financial expenses	22,457,306	10,419,406	216
	4. Loss on disposal of investments	13,519,929	4,080,971	331
X.	Net unrealised losses on investments for insurance of which the policyholders bear the investment risk	75,799,029	28,597,583	265
XI.	Other net insurance expenses	15,920,559	17,981,071	89
	1. Expenses of preventive activity	331,972	0	
	2. Other net insurance expenses	15,588,587	17,981,071	87
XII.	Allocated investment return transferd to the non-tehnical account (-) (item d.v.)	-1,266,295	-3,440,304	37
XIII.	Result of the tehnical account for life insurance business (I+II+III+IV-V+/-VI-VII-VIII-IX-X-XI-XII)	8,630,863	12,026,435	72
C.	Result of the tehnical account for health insurance business			
I.	Net premium earned	80,102,449	72,422,095	111
	1. Gross written premium	80,189,702	72,447,887	111
	2. Outward reinsurance premium (-)	0	0	
	3. Change in gross provision for unearned premiums (+/-)	-87,253	-25,792	338
	4. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	0	0	
II.	Income from investments	538,870	444,963	121
	1. Income from dividends	0	0	
	1.1. Group companies	0	0	
	1.2. Associates	0	0	

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in EUR

	2011	2010	Index
1.3. Others	0	0	
2. Income from other investments	538,870	444,963	121
2.1. Income from land and buildings	0	0	
– in group companies	0	0	
– in associates	0	0	
– in others	0	0	
2.2. Interest income	538,870	444,462	121
– in group companies	0	0	
– in associates	0	-34,454	
– in others	538,870	478,916	113
2.3. Other investment income	0	501	
2.3.1. Financial income from revaluation	0	1	
– in group companies	0	0	
– in associates	0	0	
– in others	0	1	
2.3.2. Other financial income	0	500	
– in group companies	0	0	
– in associates	0	0	
– in others	0	500	
3. Income from asset value adjustments	0	0	
4. Profit on disposal of investments	0	0	
III. Other net income from insurance operations	14,086	11,126	127
IV. Net claims incurred	69,525,104	63,593,257	109
1. Gross claims settled	62,541,802	57,361,376	109
2. Income from gross subrogated receivables (-)	-65,371	-66,766	98
3. Reinsurers' share (-)	0	0	
4. Changes in gross prvisions for claims outstanding (+/-)	391,436	436,755	90
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	0	0	
6. Income from equalisation scheme (-)	0	0	
7. Expenses from equalisation scheme (+)	6,657,237	5,861,892	114
V. Change in other net tehnical provisions (+/-)	223,796	627,199	36
1. Change of mathematical provisions (+/-)	0	0	
1.1. Change in gross mathematical provision (+/-)	0	0	
1.2. Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	223,796	627,199	36
2.1. Change of other gross technical provision(+/-)	223,796	627,199	36
2.2. Change of reinsurers' share (+/-)	0	0	
VI. Net expenses for bonuses and discounts	0	0	
VII. Net operating expenses	6,595,188	7,822,785	84
1. Acquisition costs	1,157,138	1,399,230	83
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	5,438,050	6,423,555	85
3.1. Depreciation of assets used in insurance business	328,748	413,655	79
3.2. Labour costs	2,497,716	2,802,355	89
– wages and salaries	1,821,411	2,189,591	83
– social security and pension insurance costs	322,739	424,032	76

in EUR

		2011	2010	Index
	– other labour costs	353,566	188,732	187
	3.3. Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	54,514	90,045	61
	3.4. Other operating expenses	2,557,072	3,117,500	82
	4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VIII.	Expenses from investments	87,969	104,298	84
	1. Depreciation and amortization of assets not used in operations	0	0	
	2. Expenses arising from asset management, interest expenses and other financial expenses	21,345	20,357	105
	3. Revaluation financial expenses	66,624	83,941	79
	4. Loss on disposal of investments	0	0	
IX.	Other net insurance expenses	357,403	393,188	91
	1. Expenses of preventive activity	0	0	
	2. Other net insurance expenses	357,403	393,188	91
X.	Allocated investment return transferd to the non-tehnical account (-) (item D.V.)	76,907	30,672	251
XI.	Profit from health insurance (I+II+III-IV+/-V-VI-VII-VIII-IX-X) before allocation of half of the profit from supplementary health insurance	3,789,038	306,785	
XII.	Allocated half of the profit from supplementary health insurance (-)	0	0	
	XIII. Result for the technical account for health insurance business (XI-XII)	3,789,038	306,785	
D.	Non-tehnical account			
I.	Result of the tehnical account for non-life insurance business, except health insurance business (A IX)	74,075,662	93,678,302	79
II.	Result of tehnical the account for life insurance business (B XIII)	8,630,863	12,026,435	72
III.	Result of tehnical account for health insurance business (C XIII)	3,789,038	306,785	
IV.	Income from investment	72,015,776	76,924,108	94
	1. Income from participations	3,220,155	2,094,468	154
	1.1. Group companies	0	0	
	1.2. Associates	0	177,659	
	1.3. Others	3,220,155	1,916,809	168
	2. Income from other investments	57,287,724	60,655,388	94
	2.1. Income from land and buildings	2,791,811	2,718,678	103
	– group companies	0	0	
	– associates	0	0	
	– others	2,791,811	2,718,678	103
	2.2. Interest income	43,565,772	43,624,909	100
	– group companies	0	0	
	– associates	3,266	703,880	
	– others	43,562,506	42,921,029	101
	2.3. Other income from investments	10,930,141	14,311,801	76
	2.3.1. Financial income from revaluation	6,807,150	11,115,099	61
	– group companies	482	0	
	– associates	0	101,805	

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in EUR

		2011	2010	Index
	– others	6,806,668	11,013,294	62
2.3.2.	Other financial income	4,122,991	3,196,702	129
	– group companies	0	0	
	– associates	3,361,548	2,696,276	125
	– others	761,443	500,426	152
3.	Income from asset value adjustments	432,646	388,769	111
4.	Profit on disposal of investments	11,075,251	13,785,483	80
V.	Allocated investment return transferred from life insurance tehnical account (B XII)	-1,266,295	-3,440,304	37
VI.	Allocated investment return transferred from the health insurance tehnical account (C X)	76,907	30,672	251
VII.	Expenses from investments	86,842,880	77,216,226	112
1.	Depreciation and amortization of assets not used in operations	1,530,111	1,317,658	116
2.	Expenses arising from asset management, interest expenses and other financial expenses	24,429,745	13,173,483	185
3.	Revaluation financial expenses	57,034,818	57,391,749	99
4.	Loss on disposal of investments	3,848,206	5,333,336	72
VIII.	Allocated investment return transferred to the tehnical account for non-life insurance business, except health insurance business (A II)	8,240,825	35,840,573	23
IX.	Other income from insurance business	1,312,293	1,632,405	80
1.	Other income from property insurance except for health insurance	1,195,537	1,307,879	91
2.	Other income from life insurance	114,939	323,508	36
3.	Other income from health insurance	1,817	1,018	178
X.	Other expenses	4,599,430	22,750,271	20
1.	Other expenses from property insurance except for health insurance	3,750,557	21,554,696	17
2.	Other expenses from life assurance	848,873	1,195,540	71
3.	Other expenses from health insurance	0	35	
XI.	Other income	52,984,834	57,100,434	93
1.	Other income from property insurance except for health insurance	52,884,692	57,046,633	93
2.	Other expenses from life assurance	65,735	41,240	159
3.	Other expenses from health insurance	34,407	12,561	274
XII.	Other expenses	53,936,328	59,201,500	91
1.	Other income from property insurance except for health insurance	53,195,271	58,858,120	90
2.	Other expenses from life assurance	209,145	303,855	69
3.	Other income from health insurance	531,912	39,525	
XIII.	Profit/loss before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	57,999,615	43,250,267	134
1.	Net profit / -loss from property insurance, except health insurance	48,142,134	35,487,307	136
2.	Net profit / -loss from life assurance	6,487,224	7,451,484	87
3.	Net profit / -loss from health insurance	3,370,257	311,476	
XIV.	Corporate income tax	22,513,769	23,998,866	94
XV.	Deffered taxes	-12,011,395	-7,398,408	162
	Net profit / -loss for the accounting period (XIII-XIV-XV)	47,497,241	26,649,809	178

in EUR

	2011	2010	Index
– Net profit / -loss from property insurance, except health insurance	38,833,421	20,577,789	189
– Net profit / -loss from life assurance	5,230,395	5,688,095	92
– Net profit / -loss from health insurance	3,433,425	383,925	894
Split of net profit / -loss	47,497,241	26,649,809	178
- Net profit attributable to equity holders	47,060,748	27,846,858	169
- Net profit attributable to non-controlling interests	436,490	-1,197,049	
E. Comprehensive income			
I. Net profit/loss for the accounting period after tax	47,497,241	26,649,809	178
II. Other comprehensive income after tax (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	-43,870,371	-9,683,289	453
1. Net profit / loss recognised in a fair value reserve relating to tangible assets	0	0	
2. Net profit / loss recognised in a fair value reserve relating to intangible assets	0	0	
3. Actuarial gains / loss for pension programs	0	0	
4. Valuation gains / losses on available-for-sale financial assts	-60,668,067	-11,122,171	545
5. Net profit / loss from non-current assets held for sale	-198,746	0	
6. Net profit / loss relating to cash flows hedges	0	0	
7. Share of other comprehensive income /loss of entities accounted for using the equity method	-2,164,189	-483,129	448
8. Other net profit / loss from other comprehensive income	0	0	
9. Currency translation differences	-566,861	-538,760	105
10. Tax on other comprehensive income	19,727,492	2,460,771	802
III. Comprehensive Income for the period after tax (I + II)	3,626,870	16,966,520	21
- attributable to the controlling company	3,718,858	18,458,701	20
- attributable to non-controlling interest holders	-91,988	-1,492,181	6

3. Consolidated assets and liabilities of technical account as at 31 December 2011

3.1 Consolidated assets and liabilities of technical account for life insurance, rent and supplementary pension insurance

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (od A do D)	732,847,886	743,888,202	99
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	717,031,959	735,388,261	98
I. INVESTMENT PROPERTY	2,116,572	1,734,207	122
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	2,249,687	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	2,249,687	
III. OTHER FINANCIAL INVESTMENTS	714,897,925	731,400,865	98
1. Shares and other floating rate securities	19,967,422	29,938,199	67
2. Debt securities with fixed return	578,651,879	614,569,869	94
3. Investment fund coupons	988,976	2,306,437	43
4. Mortgage loans	79,811	0	
5. Other loans	27,953,540	27,951,446	100
6. Bank deposits	86,018,179	55,861,550	154
7. Other financial investments	1,238,119	773,365	160
IV. ASSETS FROM REINSURANCE CONTRACTS	17,461	3,502	499
1. From unearned premium	3,655	383	954
2. From mathematical provision	10,125	0	
3. From outstanding claims	3,681	3,119	118
- co-insurance	0	0	
- reinsurance	3,681	3,119	118
4. From bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	14,413,191	6,649,812	217
I. RECEIVABLES FROM DIRECT INSURANCE	1,921,284	2,714,229	71
1. Receivables from insurers	403,966	444,513	91
2. Receivables from insurance brokers	231	0	
3. Other receivables from direct insurance operations	1,517,087	2,269,716	67
II. RECEIVABLES FROM RE_INSURANCE	8,192	19,927	41
III. OTHER RECEIVABLES	12,483,715	3,915,656	319
C. OTHER ASSETS	1,158,549	716,024	162
I. CASH AND CASH EQUIVALENTS	1,158,341	715,352	162
II. OTHER ASSETS	208	672	31
D. SHORT-TERM DEFERRED ASSETS	244,187	1,134,105	22
1. Accrued interest and rent	940	715,151	
2. Deferred expenses for insurance contract aquisition	156,513	174,696	90
3. Other deferred items	86,734	244,258	36
E. OFF BALANCE SHEET ITEMS	3,130,000	24,321,558	13

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in EUR

	31 December 2011	31 December 2010	Index
LIABILITIES (A do F)	732,847,886	743,888,202	99
A. FAIR VALUE RESERVE	-8,712,437	417,949	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	706,353,802	700,933,558	101
1. Gross provision for unearned premium	427,347	363,380	118
2. Gross mathematical provisions	685,151,142	678,945,431	101
3. Gross provisions for outstanding claims	20,625,407	21,471,715	96
4. Gross provisions for bonuses and discounts	149,906	153,033	98
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	35,197,602	42,532,408	83
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	11,976,773	13,665,981	88
1. Lilabilities towards policyholders	3,981,581	6,700,937	59
2. Liabilities towards intermediaries	289,726	383,275	76
3. Other liabilities from direct insurance operations	7,705,466	6,581,770	117
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	-78,273	195,379	
III. OTHER LIABILITIES	23,299,102	28,671,048	81
F. ACCRUED EXPENSES AND DEFERRED INCOME	8,919	4,287	208
G. OFF-BALANCE SHEET ITEMS	3,130,000	24,321,558	13

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3.2 Consolidated sssets and liabilities of technical account - supplementary voluntary pension insurance

in EUR

		31 December 2011	31 December 2010	Index
ASSETS (od A do D)		161,576,050	172,999,002	93
A.	INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	158,838,890	172,475,675	92
I.	INVESTMENT PROPERTY	0	0	
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	1,034,804	
	1. Shares in subsidiaries	0	0	
	2. Shares in associates	0	1,034,804	
III.	OTHER FINANCIAL INVESTMENTS	158,838,890	171,440,871	93
	1. Shares and other floating rate securities	3,998,818	4,030,956	99
	2. Debt securities with fixed return	131,993,049	144,565,982	91
	3. Investment fund coupons	0	0	
	4. Mortgage loans	0	0	
	5. Other loans	3,077,553	3,077,553	100
	6. Bank deposits	19,769,470	19,766,380	100
	7. Other financial investments	0	0	
IV.	ASSETS FROM REINSURANCE CONTRACTS	0	0	
	1. From unearned premium	0	0	
	2. From mathematical provision	0	0	
	3. From outstanding claims	0	0	
	4. From bonuses and discounts	0	0	
	5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B.	RECEIVABLES	43,650	12,250	356
I.	RECEIVABLES FROM DIRECT INSURANCE	11,275	7,563	149
	1. Receivables from insurers	0	0	
	2. Receivables from insurance brokers	0	0	
	3. Other receivables from direct insurance operations	11,275	7,563	149
II.	RECEIVABLES FROM RE_INSURANCE	0	0	
III.	OTHER RECEIVABLES	32,375	4,687	691
C.	OTHER ASSETS	2,693,510	511,077	527
I.	CASH AND CASH EQUIVALENTS	2,693,510	511,077	527
II.	OTHER ASSETS	0	0	
D.	SHORT-TERM DEFERRED ASSETS	0	0	
	1. Accrued interest and rent	0	0	
	2. Deferred expenses for insurance contract aquisition	0	0	
	3. Other deferred items	0	0	
E.	OFF BALANCE SHEET ITEMS	0	6,993,300	

in EUR

		31 December 2011	31 December 2010	Index
LIABILITIES (A do F)		161,576,050	172,999,002	93
A.	FAIR VALUE RESERVE	0	0	
B.	GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	158,096,122	170,902,344	93
	1. Gross provision for unearned premium	0	0	
	2. Gross mathematical provisions	158,096,122	170,902,344	93
	3. Gross provisions for outstanding claims	0	0	
	4. Gross provisions for bonuses and discounts	0	0	
C.	GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D.	LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E.	OTHER LIABILITIES	3,479,928	2,096,659	166
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	3,195,069	1,801,136	177
	1. Lilabilities towards policyholders	3,128,557	1,471,620	213
	2. Liabilities towards intermediaries	0	0	
	3. Other liabilities from direct insurance operations	66,512	329,517	20
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III.	OTHER LIABILITIES	284,859	295,522	96
F.	ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G.	OFF-BALANCE SHEET ITEMS	0	6,993,300	

3.3 Consolidated assets and liabilities of technical account - supplementary voluntary pension insurance at the time of payment of rent

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (od A do D)	2,259,184	0	
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	2,255,570	0	
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	0	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	0	
III. OTHER FINANCIAL INVESTMENTS	2,255,570	0	
1. Shares and other floating rate securities	0	0	
2. Debt securities with fixed return	2,065,376	0	
3. Investment fund coupons	0	0	
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	190,194	0	
7. Other financial investments	0	0	
IV. ASSETS FROM REINSURANCE CONTRACTS	0	0	
1. From unearned premium	0	0	
2. From mathematical provision	0	0	
3. From outstanding claims	0	0	
4. Fom bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	0	0	
I. RECEIVABLES FROM DIRECT INSURANCE	0	0	
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	0	
3. Other receivables from direct insurance operations	0	0	
II. RECEIVABLES FROM RE_INSURANCE	0	0	
III. OTHER RECEIVABLES	0	0	
C. OTHER ASSETS	3,614	0	
I. CASH AND CASH EQUIVALENTS	3,614	0	
II. OTHER ASSETS	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	0	
1. Accrued interest and rent	0	0	
2. Deferred expenses for insurance contract aquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	0	0	

in EUR

	31 December 2011	31 December 2010	Index
LIABILITIES (A do F)	2,259,184	0	
A. FAIR VALUE RESERVE	-56,849	0	
B. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	2,217,670	0	
1. Gross provision for unearned premium	0	0	
2. Gross mathematical provisions	2,217,670	0	
3. Gross provisions for outstanding claims	0	0	
4. Gross provisions for bonuses and discounts	0	0	
C. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	0	
D. LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E. OTHER LIABILITIES	98,363	0	
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	94,319	0	
1. Lilabilities towards policyholders	1,998	0	
2. Liabilities towards intermediaries	0	0	
3. Other liabilities from direct insurance operations	92,322	0	
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III. OTHER LIABILITIES	4,043	0	
F. ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G. OFF-BALANCE SHEET ITEMS	0	0	

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3.4 Consolidated assets and liabilities of technical account - unit-linked insurance

in EUR

	31 December 2011	31 December 2010	Index
ASSETS (od A do D)	365,169,121	377,982,128	97
A. INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	364,684,375	377,892,262	97
I. INVESTMENT PROPERTY	0	0	
II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	0	7,264,733	
1. Shares in subsidiaries	0	0	
2. Shares in associates	0	7,264,733	
III. OTHER FINANCIAL INVESTMENTS	364,684,375	370,627,528	98
1. Shares and other floating rate securities	294,435,153	309,460,660	95
2. Debt securities with fixed return	53,943,533	53,963,298	100
3. Investment fund coupons	9,137,682	7,064,048	129
4. Mortgage loans	0	0	
5. Other loans	0	0	
6. Bank deposits	6,760,131	0	
7. Other financial investments	407,875	139,523	292
IV. ASSETS FROM REINSURANCE CONTRACTS	0	0	
1. From unearned premium	0	0	
2. From mathematical provision	0	0	
3. From outstanding claims	0	0	
4. From bonuses and discounts	0	0	
5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B. RECEIVABLES	42,365	33,139	128
I. RECEIVABLES FROM DIRECT INSURANCE	29,109	32,047	91
1. Receivables from insurers	0	0	
2. Receivables from insurance brokers	0	1,111	
3. Other receivables from direct insurance operations	29,109	30,936	94
II. RECEIVABLES FROM RE_INSURANCE	0	0	
III. OTHER RECEIVABLES	13,256	1,092	
C. OTHER ASSETS	442,382	56,817	779
I. CASH AND CASH EQUIVALENTS	442,382	56,817	779
II. OTHER ASSETS	0	0	
D. SHORT-TERM DEFERRED ASSETS	0	-90	
1. Accrued interest and rent	0	-90	
2. Deferred expenses for insurance contract aquisition	0	0	
3. Other deferred items	0	0	
E. OFF BALANCE SHEET ITEMS	6,429,638	6,559,638	98

in EUR

		31 December 2011	31 December 2010	Index
LIABILITIES (A do F)		365,169,121	377,982,128	97
A.	FAIR VALUE RESERVE	24,424	-2,172	
B.	GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	0	0	
	1. Gross provision for unearned premium	0	0	
	2. Gross mathematical provisions	0	0	
	3. Gross provisions for outstanding claims	0	0	
	4. Gross provisions for bonuses and discounts	0	0	
C.	GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	364,495,891	376,083,063	97
D.	LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E.	OTHER LIABILITIES	648,806	1,901,237	34
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	7,745	12,109	64
	1. Lilabilities towards policyholders	0	2,345	
	2. Liabilities towards intermediaries	0	0	
	3. Other liabilities from direct insurance operations	7,745	9,764	79
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III.	OTHER LIABILITIES	641,061	1,889,128	34
F.	ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G.	OFF-BALANCE SHEET ITEMS	6,429,638	6,559,638	98

4. Consolidated income statements of technical account

4.1 Consolidated income statement for life insurance, rent and supplementary pension insurance

in EUR

		2011	2010	Index
I.	Premium earned	113,521,390	115,562,892	98
	1. Gross premium earned	113,582,082	115,179,323	99
	2. Change of unearned premium	-60,692	383,569	
II.	Income from investments	41,958,827	46,704,029	90
	1. Income from dividends	254,432	261,211	97
	1.1. Dividends from subsidiaries	0	0	
	1.2. Dividends from associated companies	0	0	
	1.3. Dividends from others	254,432	261,211	97
	2. Income from other investments	37,543,604	38,058,997	99
	2.1. Income from land and buildings	123,527	79,720	155
	2.2. Interest income	32,378,254	32,270,387	100
	2.3. Other income from investments	5,041,823	5,708,890	88
	2.3.1. Financial income from revaluation	3,697,486	5,716,107	65
	2.3.2. Other financial income	1,344,337	-7,217	
	3. Income from investment value adjustments	0	0	
	4. Gains from disposal of investments	4,160,791	8,383,821	50
III.	Other income from insurance	611,354	734,387	83
IV.	Expenses from claims	87,990,115	84,994,470	104
	1. Claims expenses	88,818,318	85,248,464	104
	2. Change in provisions from claims	-828,203	-253,994	326
V.	Change in other technical provisions (+/-)	10,409,288	39,807,301	26
	1. Change in mathematical provision (+/-)	10,409,288	39,807,301	26
	1.1. Change in mathematical provisions without share in profit(+/-)	5,049,913	32,852,214	15
	1.2. Change in mathematical provision from share in profit (+/-)	5,359,375	6,955,087	77
	2. Change in other technical provisions(+/-)	0	0	
VI.	Expenses for bonuses and discounts	1,792	736	243
VII.	Expenses included in policies	17,754,236	15,858,501	112
	1. Entry fees	2,850,514	1,413,359	202
	2. Incasso, administrative expenses	14,871,510	14,445,142	103
	3. Costs of claims settlement	32,212	0	
VII.a	Net operating expenses	16,022,804	14,916,233	107
	1. Cost of contract aquisition	9,073,905	8,094,328	112
	2. Change in deferred costs of contract aquisition (+/-)	0	0	
	3. Other operating expenses	6,997,447	6,847,099	102
	3.1. Amortisation and depreciation of assets, needed for operations	266,590	450,591	59
	3.2. Labour costs	3,427,991	3,241,218	106
	- salaries	2,455,099	2,253,362	109
	- costs of social and pension insurance	562,454	563,567	100
	- other labour costs	410,438	424,289	97
	3.3. Costs of services provided by outsourced netural persons other than Sole Traders together with pertaining taxes	49,539	69,057	72

in EUR

		2011	2010	Index
	3.4. Other operating expenses	3,253,327	3,086,233	105
	4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-48,548	-25,194	193
VIII.	Investment expenses	27,372,058	8,510,291	322
	1. Depreciation of assets, not neccessary for operations	36,961	22,657	163
	2. Expenses for asset management, interest expenses and othe financial expenses	1,592,645	1,790,975	89
	3. Financial expenses from revaluation	17,109,652	4,616,285	371
	4. Losses from disposal of financial investments	8,632,800	2,080,374	415
IX.	Other net insurance expenses	1,221,023	1,193,379	102
X.	Profit / Loss from life assurance (I+II+III-IV-V-VI-VII-VIII-IX)	11,343,059	12,636,630	90
X.a	Profit / Loss from life assurance (I+II+III-IV-V-VI-VIIa-VIII-IX)	13,074,491	13,578,898	96

4.2 Consolidated income statement for supplementary voluntary pension insurance

in EUR

		2011	2010	Index
I.	Gross written premuim	18,278,910	21,280,476	86
II.	Income from investments	8,034,850	11,726,336	69
	1. Income from dividends in companies	3,872	2,992	129
	1.1. Group companies	0	0	
	1.2. Associated companies	0	0	
	1.3. Other	3,872	2,992	129
	2. Income from other investments	7,313,565	7,585,719	96
	2.1. Income from investment property	0	0	
	2.2. Interest income	7,213,465	7,181,228	100
	2.3. Other income from investments	100,100	404,492	25
	2.3.1. Revaluation income	100,100	404,492	25
	2.3.2. Other financial income	0	0	
	3. Income from revaluation of investments	0	0	
	4. Gains on disposals of investments	717,413	4,137,625	17
III.	Expenses from repayment of insurance amounts or repurchase	24,180,917	3,825,578	632
	1. Ordinary termination	0		
	2. Extraordinary termination	24,180,917	3,825,578	632
	2.1. withdrawal from contract	23,866,571	3,584,875	666
	2.2. cancellation of contract		0	
	2.3. death of policyholder	314,346	240,703	131
IV.	Assets transfer on the other transactor		0	
V.	Change of other technical provisions(+/-)	-6,006,942	24,989,522	
	1. Change of mathematical provision (+/-)	-6,006,942	24,989,522	
	2. Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	2,949,583	2,585,371	114
	1. Entry fees	628,206	499,176	126
	2. Termination costs	242,215	36,091	671
	3. Management commission	2,079,162	2,050,105	101
VII.	Investment expenses	5,479,275	1,606,341	341
	1. Depreciation of assets, not used in operations	0	0	
	2. Expenses arising from asset management, interest expenses and other financial expenses	178,054	321,365	55
	3. Impairment expenses	4,443,488	556,786	798
	4. Loss on disposal of investments	857,733	728,189	118
VIII.	Profit / Loss of technical account (I+II-III+/-IV+/-V-VI-VII)	-289,073	0	

4.3 Consolidated income statement for supplementary voluntary pension insurance at the time of payment of rent

in EUR

		2011	2010	Index
I.	Transfer of funds from the pension plan for supplementary voluntary pension insurance	2,260,282	0	
	1. These legal entities	1,144,504	0	
	2. Other insurance	0	0	
	3. Other pension companies	1,115,778	0	
	4. Mutual pension fund	0	0	
II.	Income from investments	50,440	0	
	1. Income from dividends in companies	0	0	
	1.1. Group companies	0	0	
	1.2. Associated companies	0	0	
	1.3. Other	0	0	
	2. Income from other investments	29,096	0	
	2.1. Income from investment property	0	0	
	2.2. Interest income	29,096	0	
	2.3. Other income from investments	0	0	
	2.3.1. Revaluation income	0	0	
	2.3.2. Other financial income	0	0	
	3. Income from revaluation of investments	0	0	
	4. Gains on disposals of investments	21,344	0	
III.	Expenses from claims	77,212	0	
	1. Claims expenses	77,212	0	
	2. Change in provisions from claims	0	0	
IV.	Change of other technical provisions(+/-)	2,217,670	0	
	1. Change of mathematical provision (+/-)	2,217,670	0	
	2. Change of other technical provisions (+/-)	0	0	
V.	Expenses included in policies	15,730	0	
	1. Entry fees	0	0	
	2. Incasso, administrative expenses	15,730	0	
	3. Costs of claims settlement	0	0	
V.a	Net operating expenses	4,654	0	
	1. Cost of contract aquisition	0	0	
	2. Change in deferred costs of contract aquisition (+/-)	0	0	
	3. Other operating expenses	4,654	0	
	3.1. Amortisation and depreciation of assets, needed for operations	243	0	
	3.2. Labour costs	2,646	0	
	3.2.1. salaries	1,937	0	
	3.2.2. costs of social and pension insurance	333	0	
	3.2.3. other labour costs	376	0	
	3.3. Costs of services provided by outsourced netural persons other than Sole Traders together with pertaining taxes	33	0	
	3.4. Other operating expenses	1,732	0	
	4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	0	0	
VI.	Investment expenses	110	0	

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in EUR

	2011	2010	Index
1. Depreciation of assets, not neccessary for operations	0	0	
2. Expenses for asset management, interest expenses and othe financial expenses	0	0	
3. Financial expenses from revaluation	0	0	
4. Losses from disposal of financial investments	110	0	
VII. Profit / Loss of technical account (I+II-III+IV-V-VI)	0	0	
VII.a. Profit / Loss of technical account (I+II-III+IV-V.a-VI)	11,076	0	

4.4 Consolidated income statement for unit-linked insurance

in EUR

		2011	2010	Index
I.	Gross written premuim	81,007,127	84,680,178	96
II.	Income from investments	26,788,576	43,641,182	61
	1. Income from dividends in companies	248,371	179,945	138
	1.1. Group companies	0	0	
	1.2. Associated companies	0	0	
	1.3. Other	248,371	179,945	138
	2. Income from other investments	26,402,332	43,059,200	61
	2.1. Income from investment property	0	0	
	2.2. Interest income	540,185	510,148	106
	2.3. Other income from investments	25,862,147	42,549,052	61
	2.3.1. Revaluation income	25,815,167	42,523,609	61
	2.3.2. Other financial income	46,980	25,443	185
	3. Income from revaluation of investments	0	0	
	4. Gains on disposals of investments	137,873	402,037	34
III.	Expenses from repayment of insurance amounts or repurchase	26,370,826	17,355,857	152
	1. Ordinary termination	0	0	
	2. Extraordinary termination	26,370,826	17,355,857	152
	2.1. withdrawal from contract	25,727,433	16,792,440	153
	2.2. cancellation of contract	0	0	
	2.3. death of policyholder	643,393	563,417	114
IV.	Assets transfer on the other transactor		0	
V.	Change of other technical provisions(+/-)	-11,402,162	66,351,880	
	1. Change of mathematical provision (+/-)	-11,402,162	66,351,880	
	2. Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	13,021,203	15,747,187	83
	1. Entry fees	4,703,891	5,846,516	80
	2. Termination costs	36,258	26,075	139
	3. Management commission	8,281,054	9,874,596	84
VII.	Investment expenses	79,832,592	28,866,436	277
	1. Depreciation of assets, not used in operations	0	0	
	2. Expenses arising from asset management, interest expenses and other financial expenses	6,964	3,290	212
	3. Impairment expenses	75,799,395	28,599,658	265
	4. Loss on disposal of investments	4,026,233	263,488	
VIII.	Other income / expenses	0	0	
IX.	Profit / Loss of technical account (I+II-III+/-IV+/-V-VI-VII+/-VIII)	-26,756	0	

5. Consolidated investment return

5.1 Consolidated allocated investment return transferred from the non-tehnical account – non-life insurance 2011

in EUR

	Income - non - life technical provisions	Income – non life own funds	Total income
Income from dividends	1,072,053	2,148,102	3,220,155
Income from land and buildings	2,310,874	480,937	2,791,811
Interest income	42,191,205	1,374,567	43,565,772
Financial income from revaluation	3,904,620	2,902,530	6,807,150
Other financial income	427,745	3,695,246	4,122,991
Income from investment value adjustments	832,159	-399,513	432,646
Gains from disposal of investments	5,188,786	5,886,465	11,075,251
Total income	55,927,442	16,088,334	72,015,776

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	453,087	1,077,024	1,530,111
Expenses from asset management, interest expenses and other financial expenses	6,570,444	17,859,301	24,429,745
Financial expenses from revaluations	36,918,215	20,116,603	57,034,818
Loss on disposal of investments	3,744,873	103,333	3,848,206
Total	47,686,619	39,156,261	86,842,880
Investment income (income - expenses)	8,240,823	-23,067,927	-14,827,104

Consolidated allocated investment return transferred from the non-tehnical account – life insurance 2011

in EUR

	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	314,309	832,277	1,146,586
Income from land and buildings	29,032	38,927	67,959
Interest income	40,197,826	1,445,077	41,642,903
Financial income from revaluation	3,862,230	663,515	4,525,745
Other financial income	1,013,308	0	1,013,308
Income from investment value adjustments	68,011	1,004	69,015
Gains from disposal of investments	5,036,438	34,197	5,070,635
Total	50,521,154	3,014,997	53,536,151

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	36,960	29,963	66,923
Expenses from asset management, interest expenses and other financial expenses	4,330,628	1,693,551	6,024,179
Financial expenses from revaluations	19,902,584	2,554,722	22,457,306
Loss on disposal of investments	13,516,876	3,053	13,519,929
Total	37,787,048	4,281,289	42,068,337
Investment income (income - expenses)	12,734,106	-1,266,292	11,467,814

Consolidated allocated investment return transferred from the non-tehnical account – health insurance 2011

in EUR

	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	0	0	0
Income from land and buildings	0	0	0
Interest income	394,675	144,195	538,870
Financial income from revaluation	0	0	0
Other financial income	0	0	0
Income from investment value adjustments	0	0	0
Gains from disposal of investments	0	0	0
Total	394,675	144,195	538,870

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	0	0	0
Expenses from asset management, interest expenses and other financial expenses	20,681	664	21,345
Financial expenses from revaluations	0	66,624	66,624
Loss on disposal of investments	0	0	0
Total	20,681	67,288	87,969
Investment income (income - expenses)	373,994	76,907	450,901

5.2 Consolidated allocated investment return transferred from the non-tehnical account – non-life insurance 2010

in EUR

	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	1,163,062	931,406	2,094,468
Income from land and buildings	1,979,449	739,229	2,718,678
Interest income	40,047,702	3,577,207	43,624,909
Financial income from revaluation	7,433,714	3,681,385	11,115,099
Other financial income	408,824	2,787,878	3,196,702
Income from investment value adjustments	243,043	145,726	388,769
Gains from disposal of investments	12,200,138	1,585,345	13,785,483
Total	63,475,932	13,448,176	76,924,108

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	332,565	985,093	1,317,658
Expenses from asset management, interest expenses and other financial expenses	6,063,445	7,110,039	13,173,483
Financial expenses from revaluations	16,975,370	40,416,380	57,391,749
Loss on disposal of investments	4,263,979	1,069,357	5,333,336
Total	27,635,359	49,580,868	77,216,227
Investment income (income - expenses)	35.840.573	-36.132.692	-292.119

Consolidated allocated investment return transferred from the non-tehnical account – life insurance 2010

in EUR

	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	444,148	571,612	1,015,760
Income from land and buildings	67,551	42,426	109,977
Interest income	39,961,763	1,186,014	41,147,777
Financial income from revaluation	6,125,864	1,292,885	7,418,749
Other financial income	18,226	829,159	847,384
Income from investment value adjustments	0	92,470	92,470
Gains from disposal of investments	12,923,483	919,002	13,842,485
Total	59,541,035	4,933,569	64,474,604

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	22,657	28,355	51,012
Expenses from asset management, interest expenses and other financial expenses	2,115,629	2,092,339	4,207,968
Financial expenses from revaluations	5,175,146	5,244,260	10,419,406
Loss on disposal of investments	3,072,052	1,008,919	4,080,971
Total	10,385,483	8,373,873	18,759,356
Investment income (income - expenses)	49,155,552	-3,440,304	45,715,248

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Consolidated allocated investment return transferred from the non-tehnical account – health insurance 2010

in EUR

	Income - non - life technical provisions	Income - non - life own funds	Total income
Income from dividends	0	0	0
Income from land and buildings	0	0	0
Interest income	364,816	79,646	444,462
Financial income from revaluation	0	0	0
Other financial income	501	0	501
Income from investment value adjustments	0	0	0
Gains from disposal of investments	0	0	0
Total	365,317	79,646	444,963

in EUR

	Expenses - non - life technical provisions	Expenses – non - life own funds	Total expenses
Amortisation and depreciation of assets not used in insurance business	0	0	0
Expenses from asset management, interest expenses and other financial expenses	55,324	-34,967	20,357
Financial expenses from revaluations	0	83,941	83,941
Loss on disposal of investments	0	0	0
Total	55,324	48,974	104,297
Investment income (income - expenses)	309,993	30,672	340,665