

With shared values



professionalism security corporate social responsibility

Redefined values are embedded in the new organisational culture of the Triglav Group. They serve as the foundation for building **transparent** relations with the Group's employees, insured persons, partners and the environment.

FINANCIAL HIGHLIGHTS OF THE TRIGLAV GROUP

IN MILLION EUR

	2010	2009	2008	INDEX 2010/2009	INDEX 2009/2008
Gross written premium for insurance and co-insurance contracts	1,013.6	1,022.3	1,028.5	99	99
Net premium earned	946.2	946.3	943.6	100	100
Gross claims paid*	588.3	597.2	596.5	99	100
Net claims incurred	557.7	610.9	586.3	91	104
Gross operating costs	293.1	288.5	298.3	102	97
Gross insurance technical provisions as at 31 December	2,270.9	2,161.8	1,918.5	105	113
Equity as at 31 December	499.0	477.8	516.9	104	92
Controlling interests as at 31 December	470.8	449.9	473.2	105	95
Profit/loss before tax	43.3	2.1	1.8	2,078	116
Net profit/loss	26.6	-6.3	1.0		
Net profit/loss attributable to the controlling company	27.8	-4.8	2.6		
Return on equity	5.5%	-1.3%	0.2%		
Return on equity attributable to the controlling company	6.0%	-1.0%	0.5%		
Number of employees as at 31 December	5,247	5,237	5,174	100	101

* Gross claims paid are reduced by recourse income.

PERFORMANCE OF ZAVAROVALNICA TRIGLAV D.D.

IN MILLION EUR

	2010	2009	2008	INDEX 2010/2009	INDEX 2009/2008
Gross written premium for insurance and co-insurance contracts	721.3	744.5	753.9	97	99
Net premium earned	657.4	669.1	672.3	98	100
Gross claims paid*	418.7	435.9	447.2	96	97
Net claims incurred	364.2	414.2	403.5	88	103
Gross operating costs	170.4	166.2	168.5	103	99
Gross insurance technical provisions as at 31 December	1,985.1	1,897.1	1,683.6	105	113
Equity as at 31 December	481.9	477.4	482.7	101	99
Profit/loss before tax	46.7	3.2	15.3	1,444	21
Net profit/loss	32.1	-1.8	14.9		
Return on equity	6.69%	-0.38%	2.79%		
Number of employees as at 31 December	2,441	2,514	2,507	97	100
Share book value (in EUR)	21.19	21.00	21.23	101	99
Net earnings/loss per share (in EUR)	1.41	-0.08	0.66		

* Gross claims paid are reduced by recourse income.

Growing as a group, playing as a team

On 17 June the Supervisory Board approved the Triglav Group Strategy for the 2010-2013 period, which was drafted by the senior management of the entire Group. The Company modernised its mission and values, which continue to be implemented by all Group members. After an intensive expansion phase, most attention was paid to the consolidation of the Group, harmonisation of internal processes and policy integration. After the Group's swift expansion the focus was put on profit growth.

The Triglav Group in 2010

Gross written premium: EUR **1,013.6** million

Combined ratio: **92.0%**

Triglav has maintained **»A«** credit rating.



Buiding a safer future

The Triglav Group is the leading insurance/financial group in Slovenia and one of the leading groups in South-East Europe.

The Group's key business pillars are:

- insurance;
- asset management;
- banking; and
- support activities for the three key financial pillars.

Building the Triglav Group



SUBSIDIARIES OF THE TRIGLAV GROUP WHOSE BUSINESS IS ONE OF THE CORE BUSINESS LINES OF THE GROUP OR SUPPORTS SUCH CORE BUSINESS

	INSURANCE	ASSET MANAGEMENT	BANKING	OTHER
Slovenia	Zavarovalnica Triglav d.d. Pozavarovalnica Triglav Re d.d. Triglav Zdravstvena zavarovalnica d.d.	Triglav DZU d.o.o. Triglav Naložbe d.d. Triglav nepremičnine d.d.	Abanka Vipava 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.			
Bosnia and Herzegovina	Triglav BH Osiguranje d.d. Triglav Krajina Kopaonik a.d.	Polara Invest d.d. PROF-IN d.o.o.		TRI-PRO BH d.o.o. Autocentar BH d.o.o. Unis automobili i dijelovi d.o.o.
Serbia	Triglav Kopaonik a.d.o.	Triglav penzijski fondovi a.d.		
Montenegro	Lovćen Osiguranje a.d. Lovćen životna osiguranja a.d.			Lovćen Auto d.o.o.
Former Yugoslav Republic of Macedonia	Vardar Osiguruvanje a.d.			
Czech Republic	Triglav Pojišť'ovna a.s.			

INSURANCE IS TRIGLAV'S CORE BUSINESS

The core business of the Triglav Group is **insurance**, including non-life, life, supplementary voluntary pension and health insurance.

The insurance 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.

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

Asset management is the activity of Triglav DZU d.o.o., Triglav Naložbe d.d. and Triglav nepremičnine d.d. Their business involves investments in securities, real property and other instruments.

Banking is a strategically important business line of the Triglav Group that complements its offer and enables the development of bancassurance products and services. Zavarovalnica Triglav is a shareholder in Abanka Vipava, one of the largest Slovene banks.

The Triglav Group consists 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.
- Triglav BH Osiguranje d.d.
 - Autocentar BH d.o.o.
 - Unis automobili i dijelovi d.o.o.
 - Sarajevostan d.d.
- Triglav Pojišt'ovna a.s.
- Lovćen Osiguranje a.d.
 - Lovćen životna osiguranja a.d.
 - Lovćen avto d.o.o.
- Triglav Kopaonik a.d.o.
- Triglav Krajina Kopaonik a.d.
- Vardar Osiguruvanje a.d.
- Triglav INT d.d.
- Triglav DZU d.o.o.
 - PROF-IN d.o.o.
 - Polara Invest d.d.
- Triglav Naložbe d.d.
 - Golf Arboretum d.o.o.
- Triglav penzijski fondovi a.d.
- TRI-PRO d.o.o.
 - TRI-PRO BH d.o.o.
- AS Triglav d.o.o.
- Triglav nepremičnine d.d.
- Slovenijales d.d.
 - Slovenijales trgovina d.o.o.
- Gradis IPGI d.d.
- Hotel Grad Podvin d.d.
- PHSC Štemarje d.o.o.
- THP Krona d.o.o.

Associated companies of the Triglav Group:

- Abanka Vipa d.d.
- Skupna pokojninska družba d.d.
- Triglavko 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.
- Intercement upravljanje naložb d.o.o.
- Elan Skupina (Skimar) d.o.o.
- Info TV d.d.
- IF Prof Plus d.d.
- Nacionalni biro osiguravača Crne Gore
- ZIP Polara Invest Fond a.d.

Changes to the Triglav Group composition in 2010:

- In February 2010, after the General Meeting of Shareholders adopted a resolution to wind up SPCP d.d. in a simplified procedure without liquidation, Zavarovalnica Triglav d.d. received a decision of the District Court of Ljubljana on the deletion of the company from the Companies Register.
- In February 2010, the procedure for the liquidation of Triglav Netherlands b.v., a 100%-owned subsidiary of Zavarovalnica Triglav d.d. based in the Netherlands, was completed. Due to a change in Dutch legislation it was decided to dissolve the company, as it was no longer needed.
- After having analysed the performance of the branch office in Slovakia, the Management Board of Zavarovalnica Triglav d.d. adopted a decision to terminate its operations. The Company now sells insurance products and services on that market directly in accordance with the FOS (freedom of services) principle.
- In November 2010, Zavarovalnica Triglav d.d. established Triglav INT d.d., to which Triglav intends to transfer the ownership shares in Triglav Group subsidiaries.

In accordance with the planned strengthening of Zavarovalnica Triglav's position in South-East Europe, the Management Board of the Company signed an agreement to purchase a 9.9% share of the Albanian insurance company Albsig, Sh. A., Tirana. On 23 December 2010, the Supervisory Board of Zavarovalnica Triglav agreed to the purchase of an additional 41.1% share of the same company, which will increase Triglav's share in the said Albanian insurance company to 51%.

FINANCIAL CALENDAR

CALENDAR OF FINANCIAL ANNOUNCEMENTS FOR 2011

TYPE OF ANNOUNCEMENT	PLANNED DATE OF ANNOUNCEMENT*	
Announcement of unaudited consolidated and unaudited financial statements for 2010	Wednesday	30 March 2011
Annual report of Zavarovalnica Triglav d.d. and the Triglav Group for 2010	Wednesday	13 April 2011
Statement of compliance with the Corporate Governance Code	Wednesday	13 April 2011
Annual document	Wednesday	13 April 2011
Results for the first quarter of 2011	Friday	27 May 2011
General Meeting of Shareholders of Zavarovalnica Triglav d.d. deciding on the distribution of accumulated profit	Tuesday	14 June 2011
Decisions of the General Meeting of Shareholders of Zavarovalnica Triglav d.d. on the distribution of accumulated profit	Wednesday	15 June 2011
Unaudited semi-annual report of Zavarovalnica Triglav d.d. and the Triglav Group for 2011	Friday	26 August 2011
Results for the first three quarters of 2011	Friday	25 November 2011

* 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.si.

**SUBSIDIARIES AND ASSOCIATED COMPANIES OF THE TRIGLAV GROUP AS AT 31 DECEMBER 2010
AND THEIR CORRESPONDING SHARE OF VOTING RIGHTS**

**Zavarovalnica Triglav d.d.,
Ljubljana**



Details on the companies within the Triglav Group are listed in Chapter 1 of the financial report.

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The Triglav Group to a great extent achieved the objectives set for the first year of the new 2010-2013 strategy period. With the active implementation of strategic guidelines and platforms, the indicators of the preceding business year were turned around.

Our focus on the core insurance business, which plays an important role in the new strategy, bore its first fruit: the core business of the Triglav Group started generating profit. Net profit posted at the year end amounted to EUR 26.6 million. Despite the economic crisis, developments in the Slovene banking sector and bad weather events, return on equity before tax increased considerably - from -1.3% at the end of 2009 to 5.5% at the end of 2010.

Profitability of operations is the first priority of the new strategic guidelines. In line with the pursued vision, it was attained with competitive services of high quality and effective risk management. We also successfully maintained financial stability, as confirmed by the »A« long-term rating and financial strength rating which Standard & Poor's Ratings Services assigned to Zavarovalnica Triglav and the Triglav Group for the third consecutive year. The daughter company Pozavarovalnica Triglav Re also retained the same credit rating. These unchanged ratings are the highest assigned to any financial institution in the Republic of Slovenia.

The process of insurance portfolio selection had a considerable impact on improving the profitability of operations. Thanks to restructuring, the quality of the portfolio improved, resulting in a decrease in the amount of claims paid, while at the same time having a small negative impact on premium growth.

The effects of the economic and financial crisis, rising unemployment and falling purchasing power showed in all areas. The primary result was reduced demand for accident, transport, life and credit insurance, classes most vulnerable to fluctuations in purchasing power of households and decreases in economic activity. In order to mitigate the negative impact of the economic environment, we not only selected the existing portfolio, but also redesigned several insurance classes, adapted in response to clients' needs, paid more attention to risk assessment and underwriting, and cut operating costs.

The resulting positive business trend was, unfortunately, not proportionally reflected in the price of the Zavarovalnica Triglav share on the Ljubljana Stock Exchange. Throughout the year, Triglav shares followed the Slovene blue-chip Index, which reflected the unfavourable conditions on the Slovene capital market.

ENCOURAGING FINANCIAL RESULTS AND SALES GROWTH IN THE TRIGLAV GROUP

In 2010, the Triglav Group maintained income at the level of the preceding year. The members of the Group collectively charged EUR 1.01 billion in gross written premium for insurance and co-insurance and generated EUR 946.2 million in net premiums earned. Gross operating expenses were 2% higher compared to 2009, whilst net claims incurred were as much as 9% lower. The latter decrease was mostly accounted for by Zavarovalnica Triglav, with the improved quality of its insurance portfolio. An appropriate reinsurance scheme buffered the consequences of higher claims paid due to the severe storms and floods that occurred in Slovenia. The redesign-

ing of insurance products and boosting of sales activities yielded tangible results: written premium increased in almost all Triglav Group subsidiaries, with Triglav Krajina Kopaonik in the lead with a 16% increase, followed by Triglav Zdravstvena zavarovalnica with an 8% rise. Triglav Osiguranje from Croatia, Triglav Kopaonik in Serbia and Vardar Osiguranje in the Former Yugoslav Republic of Macedonia each earned 2% higher income, whilst that of Triglav Pojišt'ovna remained at the 2009 level. Poor economic conditions and the non-achievement of sales targets were the reasons behind a 7% decrease of premium written by Lovćen Osiguranje, where recovery measures are already underway. In spite of a 3% decline in written premium, Zavarovalnica Triglav retained its leading position in an increasingly competitive and demanding insurance market in Slovenia.

In our assessment, Triglav's daughter companies, mostly in South-East Europe, achieved good growth of written premium. However, we are fully aware that in order to tap the potential of these markets much more hard work is needed on the development of insurance products and the adaptation of business processes and their effectiveness. We also believe that our achievements in 2010 represent an important step towards the implementation of the strategic goals set for the period up to 2013, when we plan that Triglav Group subsidiaries will earn EUR 1.12 billion in gross written premium, as well as having a 10% return on equity before tax and a profitable operations of subsidiaries.

NEW STRATEGY FOR THE GOVERNANCE AND MANAGEMENT OF SUBSIDIARIES

With the aim of making the most of development and market potentials in South-East Europe, last November Zavarovalnica Triglav established the holding company Triglav INT d.d., to which it will transfer the shareholdings in its daughter insurance companies outside Slovenia. This newly founded company will be opened to new institutional investors, whilst Zavarovalnica Triglav will retain at least 51% of the share capital. Studies which we have carried out show that interest for such an investment exists among institutional investors, as they continue to see development opportunities in the region. At the same time, this means that competition in the markets of South-East Europe will become even fiercer in the coming years. By establishing a strong holding as an umbrella company, Triglav has responded vigorously to these challenges.

CORPORATE SOCIAL RESPONSIBILITY AS A VALUE BUILT INTO ALL BUSINESS SEGMENTS

Corporate social responsibility has been placed at the core of the Triglav Group's activities and defined as one of its three fundamental values. For us, responsibility to the social environment represents the basis of sustainable development. We wish to live actively with the environment in which we operate and contribute to positive changes for both people the natural environment. Therefore, the parent company launched a strategic corporate social responsibility project, consolidating the existing activities and laying long-term guidelines in this field.



With the active implementation of strategic guidelines and platforms, the indicators of the preceding business year were turned around.

We are convinced that responsible dialogue is the right way towards common growth. Nurturing traditional support for the environment through sponsorships and donations is now increasingly accompanied by long-term and responsible partnership building. Thanks to such a partnership, we cleaned the high mountain ranges of Slovenia in a popular drive entitled »Let's clean the mountains«. Prevention activities directly relate to our mission - building a safer future - and are therefore further strengthened and developed.

The adoption of the Code of Good Business Practice of Zavarovalnica Triglav is strategically important - it has upgraded our responsibility to both the insureds and business partners. The code, which is binding on all employees, lays down ethical standards for each type of conduct, business decision and contact. By caring for our employees, encouraging their development and responding to their needs, including the balancing of family life and career, we boost their satisfaction, professionalism and motivation.

FUTURE GOALS CAN BE REALISED

The insurance industry has a high level of development potential, and it is on this premise that we defined our strategic goals for the period from 2010 to 2013. At the same time, long-term trends and development scenarios suggest many sudden changes in this industry. Providing timely and successful responses to these changes is one of the basic duties that the Management Board of Zavarovalnica Triglav has set for itself.

Our intention is to retain, consolidate and develop the position of the Triglav Group as one of the largest insurance groups in South-East Europe. Bearing in mind this goal, in the existing markets we are redesigning processes, streamlining costs, developing and upgrading insurance products, improving loss adjustment and expanding sales channels. Moreover, we are entering the emerging Albanian market, where we have acquired a 9.9% share in the insurer Albsig Sh. A. in Tirana, a share that we plan to increase further by 2015.

The future success of the Triglav Group is being built by highly-qualified and motivated employees. I would like to personally thank each and every one of them for the commitment and contribution made so far. I also extend my sincere thanks to my colleagues on the Management Board of Zavarovalnica Triglav, and to the management of our daughter companies and regional units.

In 2011, we have jointly set new, clear and ambitious strategic goals, in harmony with the changing economic environment in this region and globally. Our achievements from the past year prove that these goals can be realised.

Matjaž Rakovec,
President of the Management Board of Zavarovalnica Triglav

MANAGEMENT BOARD OF ZAVAROVALNICA TRIGLAV



1

Matjaž Rakovec
President of the Management Board of
Zavarovalnica Triglav

2

Igor Stebernak
Member of the Management Board of
Zavarovalnica Triglav

3

Andrej Slapar
Member of the Management Board of
Zavarovalnica Triglav

4

Vladimir Mišo Čeplak
Member of the Management Board of
Zavarovalnica Triglav
Worker director

2. REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD OF ZAVAROVALNICA TRIGLAV ON THE EXAMINATION OF THE ANNUAL REPORT OF ZAVAROVALNICA TRIGLAV AND THE TRIGLAV GROUP FOR 2010 AND THE OPINION OF THE SUPERVISORY BOARD ON THE ANNUAL INTERNAL AUDIT REPORT FOR 2010 BY THE INTERNAL AUDIT DEPARTMENT OF ZAVAROVALNICA TRIGLAV FOR 2010

2.1 INTRODUCTION

Pursuant to Article 282 of the Companies Act (ZGD-1, Official Gazette of the RS, no. 42/2006 et. seq.) and the fourth paragraph of Article 165 of the Insurance Act (ZZavar, Official Gazette of the RS, no. 13/2000 et. seq.), the Supervisory Board hereby presents the report on the examination of the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2010 (hereinafter: the Report) and its opinion on the Annual Internal Audit Report for 2010.

The findings of the Supervisory Board are based on the supervision of the operations of Zavarovalnica Triglav in 2010 and the examination of the Audited Annual Report of Zavarovalnica Triglav for 2010. According to Article 76 and pertaining to Article 159 of the Insurance Act, the reports and opinions by the chartered actuaries for non-life and life insurance business are integral parts of the audited Annual Report of the Triglav Group for 2010.

The Report also includes the opinion of the Supervisory Board regarding the adequacy of the work of the Internal Audit Department in 2010.

2.2 GENERAL INFORMATION

SUPERVISORY BOARD IN 2010

In 2010, the Supervisory Board was made up of the following members:

- Borut Jamnik, Chairman, shareholder representative,
- Uroš Slavinec, Vice Chairman, shareholder representative,
- Anton Ribnikar, member, shareholder representative,
- Aljoša Valentinčič, member, shareholder representative,
- Igor Mihajlovič, member, shareholder representative,
- Vladimir Uršič, member, shareholder representative¹,
- Branko Gorjan, member, employee representative,
- Boris Gabor, member, employee representative and
- Peter Celar, member, employee representative.

In 2010, the Supervisory Board held eleven sessions.

The Supervisory Board has two committees: the Audit Committee, required according to the legislation in force, and the Compensation and Appointments Committee.

AUDIT COMMITTEE

In 2010, the Audit Committee was made up of the following members: Uroš Slavinec as Chair and Aljoša Valentinčič, Anton Ribnikar, Barbara

Nose² and Branko Gorjan as members. The Audit Committee had nine meetings in 2010.

The duties and competences of the Audit Committee are set out in the Companies Act, the Rules of Procedure of the Supervisory Board, Rules of Procedure of the Audit Committee and the Supervisory Board's resolutions. In 2010, the Audit Committee:

- monitored and discussed the financial reporting processes, internal control systems, reports and recommendations by the Internal Audit Department, risk management systems and the external audit of annual and non-consolidated and consolidated financial statements;
- helped identify the most important areas for audit by the Internal Audit Department;
- proposed to the Supervisory Board the candidate for the auditor of the annual report of the Company for 2010;
- evaluated the drawing up of the non-consolidated and consolidated annual reports for 2009 and drafted the relevant proposal for the Supervisory Board; and
- regularly reported on its work at the sessions of the Supervisory Board.

With the aim of providing continuous improvements and higher quality the Audit Committee carried out a self-assessment of its activities in 2010.

COMPENSATION AND APPOINTMENTS COMMITTEE

In 2010, the Compensation and Appointments Committee had the following composition: Borut Jamnik as Chairman, Igor Mihajlovič, Boris Gabor and Srečo Jadek³ as members. In 2010, the Compensation and Appointments Committee had five meetings.

The duties and competences of the Compensation and Appointments Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. In 2010, amongst other activities, the Compensation and Appointments Committee:

- in accordance with the Act Regulating the Income of Managers of Companies owned by the Republic of Slovenia and Self-Governing Local Communities (hereinafter: ZPPOGD) considered draft service agreements with the Management Board members as determined by Article 6 of ZPPOGD and submitted its relevant opinion to the Supervisory Board;
- regularly reported on its work at the sessions of the Supervisory Board.

¹ On the basis of an irrevocable resignation, the term of office of Mirko Miklavčič on the Supervisory Board was terminated on 25 September 2009. On 28 June 2010 the General Meeting of Shareholders appointed Vladimir Uršič in his stead, with the term of office from the date of appointment until 7 April 2013.

² Barbara Nose was appointed to the said committee of the Supervisory Board as an outsourced independent expert, not a member of the Supervisory Board.

³ Srečo Jadek was appointed to the said committee of the Supervisory Board as an outsourced independent expert, not a member of the Supervisory Board.

2.3 THE SUPERVISORY BOARD'S OPERATIONS IN 2010 AND THE SCOPE OF ITS SUPERVISION OF THE COMPANY'S GOVERNANCE

The operations of the Supervisory Board and the scope of its supervision of the Insurance Company's governance in 2010 are described on the basis of the supervision it carried out in 2010, in accordance with its competences.

The Supervisory Board is in charge of supervising the operations of the Insurance Company and other tasks in its competence in compliance with the Companies Act (ZGD-1), the Insurance Act (ZZavar), the Articles and Memorandum of Association of Zavarovalnica Triglav, the Rules of Procedure of the Supervisory Board and the Corporate Governance Code. The Rules of Procedure of the Supervisory Board, published on the website of the Company, stipulate its methods and organisation of work.

Within the scope of its competence it may examine securities held in custody, the petty cash book, accounting records and similar documents of the insurance company which contain facts that provide information about its business conduct. The Supervisory Board approves the Management Board's proposals regarding the business policy, financial budget, internal control system organisation and framework annual work programme of the Internal Audit Department and carries out other tasks pursuant to the legislation in force.

a. Within the scope of its principal competencies, in 2010 the Supervisory Board:

- adopted the Triglav Group Strategy for the 2010-2013 period;
- adopted the Business Policies and Business Plans of the Triglav Group for 2010 and 2011;
- approved the Annual Audit Plans of the Internal Audit Department for 2010 and 2011;
- adopted the Medium-Term Audit Plan of the Internal Audit Department for the 2010-2012 period;
- adopted the Annual Report on Internal Audits in 2009 by the Internal Audit Department (IAD);
- adopted the audited Annual Report of Zavarovalnica Triglav for 2009 and the audited Annual Report of the Triglav Group for 2009, as well as the Supervisory Board's report on the examination of the Annual Report of Zavarovalnica Triglav and the Triglav Group for 2009 and its Opinion on the Annual Internal Audit Report for 2009 by the Internal Audit Department of Zavarovalnica Triglav;
- proposed to the General Meeting of Shareholders of Zavarovalnica Triglav the appointment of the auditors for 2010 and approved the resolution proposed to the General Meeting of Shareholders for the distribution of profits as at 31 December 2009, for the amendments to the Articles and Memorandum of Association and for the agenda for the 34th General Meeting of Shareholders of the Company;
- adopted the amendments and supplements to the Rules of Procedure of the Supervisory Board;
- adopted the amendments and supplements to the Management Board Articles;
- approved the Governance Policy of Zavarovalnica Triglav;
- approved the Money Laundering And Prevention of Financing Terrorism Policy of Zavarovalnica Triglav;
- took note of the findings and requirements of the Insurance Supervision Agency and other supervisory bodies following their scrutiny of Zavarovalnica Triglav;
- rescinded the resolution on the appointment of Boštjan Vovk and Blaž Brodnjak as members of the Management Board.

b. Regarding supervision of the Insurance Company's business conduct in 2010, the Supervisory Board:

- took note of reports on the operations of Zavarovalnica Triglav and members of the Triglav Group;
- took note of reports on capital adequacy, reports on the maturity structure of long-term business funds and assets backing liabilities and reports on estimated asset sensitivity which bear influence on capital adequacy;
- took note of the IAD's reports on internal audits;
- took note of support assurances given to the auditors;
- took note of the IAD's reports on internal audits in subsidiaries;
- took note of reports on the implementation of a recovery plan in Triglav Osiguranje from Zagreb;
- took note of the compliance of asset structure with the target allocation of non-life insurance of Zavarovalnica Triglav and on Zavarovalnica Triglav's exposure to concentration risk;
- took note of Zavarovalnica Triglav's balance sheet stress test results, capital adequacy measurement results based on the Fourth Quantitative Impact Study (QIS4) and capital adequacy measurement results based on the S&P model;
- took note of a report on the results of the Fifth Quantitative Impact Study (QIS 5) for Solvency II;
- passed the Quality Management and Improvement Programme of IAD Functioning for 2010 and 2011 and took note of the appointment of a new director of the IAD;
- took note of a report on the implementation of the new governance concept in subsidiaries;
- took note of an overview of measures aimed at improving the cost effectiveness of Zavarovalnica Triglav;
- took note of an overview of major pending legal actions in Triglav Group members;
- took note of the management of Zavarovalnica Triglav's equity holding in Abanka Vipava;
- took note of developments in a dispute between Istrabenz and Zavarovalnica Triglav;
- took note of information on Zavarovalnica Triglav's holding in Poteza Adriatic Fund;
- took note of developments in a legal action regarding receivables against the subsidiary Slovenijales;
- discussed reports by the Audit Committee and the Compensation and Appointments Committee; and
- took note of other information regarding Zavarovalnica Triglav and the Triglav Group.

c. Within the scope of the Supervisory Board's competence, set out in its Rules of Procedure, to approve the decisions by the Management Board concerning the foundation of companies with share capital in Slovenia and abroad where the initial investment exceeds EUR 2,500,000, the acquisition or sale of shareholdings or participations in domestic or foreign companies in excess of EUR 2,500,000 per company over a period of one year, the issuing of debt securities and long-term borrowing from domestic or foreign banks above EUR 2,500,000 over a period of one year and the acquisition, sale of, or investment in real property where the sales price or investment value exceeds EUR 2,500,000 over a period of one year, in 2010 the Supervisory Board approved the participation of Zavarovalnica Triglav in raising the share capital of Triglav Osiguranje from Zagreb, Lovćen Osiguranje from Podgorica and Triglav Naložbe, as well as the acquisition of an additional 41.107% equity holding by Zavarovalnica Triglav in Albsig Sh.a. from Tirana.

The Supervisory Board approved the Prospectus for the Admission of the Shares of Zavarovalnica Triglav d.d. with Designation ZT02 to the Official Market. On the basis of approval, the shares were issued in 2009.

d. Other major actions of the Supervisory Board in 2010 included:

- approval of the service agreements with Management Board members in compliance with Article 6 of ZPPOGD and its subsequent amendments.
- e. Major requests, recommendations and/or warnings of the Supervisory Board in 2010:**
- request to the Management Board to present a capital adequacy report at each Supervisory Board session, as required by the Insurance Act;
 - request to the Management Board to produce regular reports on the operations of Triglav Group members within 60 days of the end of each quarter;
 - request to the Management Board to formulate an action plan with regard to the functioning of the IADs of subsidiaries abroad, specifying duties, project managers and deadlines, and to report thereon;
 - request to the Management Board to follow up the findings resulting from consultative duties of the IAS by defining concrete measures, project managers, deadlines and actions regarding supervision in subsidiaries, and to gain insight into the functioning of their Audit Committees;
 - request to the Management Board to report on the implementation of recommendations from the 2008 Letter to the Management and follow up the recommendations from the 2009 Letter to the Management;
 - request to the Management Board to report to the Supervisory Board on the implementation of the new governance concept in subsidiaries;
 - request to the Management Board to prepare a project design with regard to the method of managing the Triglav Group through Triglav INT;
 - recommendation to the Management Board to be more active in the management of the equity holding in Abanka Vipava;
 - request to the Management Board to report to the Supervisory Board on the Letter to the Management immediately after its receipt;
 - request to the Management Board to produce a report on the state of play regarding contracts with outsourced insurance agents/brokers;
 - request to the Management Board to produce a report on major loss events occurring in subsidiaries;
 - request to the Management Board to cancel a subordinated loan to Triglav Osiguranje from Zagreb after having raised the share capital of that company;
 - request to the Management Board to report to the Supervisory Board at its every session on the implementation of objectives set out in the Study on Future Operations of Lovćen Osiguranje from Podgorica, and to define backup scenarios in the case of potential non-achievement.

2.4 SELF ASSESSMENT

The Supervisory Board has three committees: the Audit Committee, the Compensation and Appointments Committee and the Strategy Committee, which was established in 2011. Both the Chairman of the Audit Committee and the Chairman of the Compensation and Appointments Committee regularly reported on their commissions' work to the Supervi-

sory Board at its sessions. The Supervisory Board discussed the decisions and reports of the two committees and on that basis passed appropriate resolutions.

The Supervisory Board involves in its work all of its members, whose attendance at sessions and active participation in discussions and in making decisions contribute to the effective implementation of the tasks within the competence of the Supervisory Board. The Rules of Procedure of the Supervisory Board include rules on conduct in the case of actual or potential conflict of interest and a requirement from the Supervisory Board members to once a year, upon any replacement or change, submit to the Supervisory Board their statements of independence and loyalty in accordance with the Corporate Governance Code, which Zavarovalnica Triglav has published on its website. In order to avoid any conflict of interest, the Supervisory Board in 2009 made a recommendation requiring from its members not to serve at the same time as members on the supervisory and management boards of the companies within the Triglav Group.

The Supervisory Board is of the opinion that its cooperation with the Management Board is appropriate and in compliance with the legislation and good practice. To the best of its knowledge, the Supervisory Board was informed about all of the events which are material and necessary for assessing the situation and consequences of the governance of the Company and for the supervision of its operations. The Supervisory Board regularly followed how its resolutions were being implemented. Together with the Management Board, in 2010 the Supervisory Board passed the Governance Policy of Zavarovalnica Triglav and amended it in 2011. This policy lays out the main guidelines for the governance of the Company and takes into account its long-term objectives, including the definition of the role and functioning of the Supervisory Board and its committees.

In view of the above, the Supervisory Board is of the opinion that its own work and the work of its two committees which were active in 2010 was successful.

The Supervisory Board is of the opinion that its composition is adequate in terms of the size, business and objectives of Zavarovalnica Triglav, that the (in)dependence of its members is also adequate according to the Corporate Governance Code and that its members have the appropriate expertise, experience and skills required for membership in supervisory boards, enabling the Supervisory Board to adopt decisions of good quality. Following the irrevocable resignation of Mirko Miklavčič, on the basis of which his term of office was terminated on 25 September 2009, the Supervisory Board, for the purpose of drafting a proposal for the General Meeting of Shareholders, completed the procedure for appointing another member as his substitute.

2.5 OPINION ON THE ANNUAL INTERNAL AUDIT REPORT FOR 2010

Pursuant to the 3rd paragraph of Article 165 of the Insurance Act (ZZavar), the Annual Internal Audit Report for 2010 was submitted to the Supervisory Board, containing a report on the implementation of the annual work programme and a summary of material audit findings.

On the basis of the Annual Internal Audit Report for 2010, approved at its 1st session on 10 February 2011, the Supervisory Board hereby establishes that the Internal Audit Department (IAD) carried out its duties in accordance with the IAD's Annual Work Programme for 2010, passed by the Management Board and approved by the Supervisory Board, as well as in accordance with the Management Board's decisions on extraor-

dinary audits. In 2010, the IAD carried out the planned regular audits of the operations of Zavarovalnica Triglav and of the companies of the Triglav Group, as well as extraordinary audits of the operations of Zavarovalnica Triglav and one extraordinary audit in a Triglav Group company. Furthermore, the IAD realised its advisory and other auditing duties (recommendations follow-up, reporting to the Management and Supervisory Boards or Audit Committee, participation and other activities). The findings and observations of the IAD resulting from individual audits were communicated to the officers in charge, together with recommendations on the elimination of deficiencies. The IAD reported quarterly on the implementation of its work programme and on recommendations to the Audit Committee and/or the Supervisory Board. In 2010, the IAD mapped out the Quality Management and Improvement Programme of IAD Functioning in Zavarovalnica Triglav for 2010 and 2011, which defines activities aimed at bringing quality improvements in the Internal Audit Department.

The members of the Supervisory Board and its Audit Committee in 2010 oversaw the work of the IAD on the basis of its individual, quarterly, semiannual and annual reports. In line with the Supervisory Board's recommendation to reinforce staffing, more staff were assigned to the Internal Audit Department of Zavarovalnica Triglav in 2010, which enabled the department to perform audits in a greater scope. The transfer of minimum internal auditing standards to Triglav Group members continued, which will bring about more effective internal auditing in these companies. With the aim of improving the quality of the IAD's work in the future, based on quality assessment results and the Quality Management and Improvement Programme of IAD Functioning, focus will be primarily placed on developing its work methods and increasing the expertise and professional skills of the department's employees.

Based on the above ascertainties, the Supervisory Board is of the opinion that the Internal Audit Department operated in line with its Annual Work Programme for 2010 and significantly contributed to the better functioning of internal controls and to more appropriate risk management, thanks to its audits of the operations of the Company and the deficiencies it discovered.

2.6 FINDINGS OF THE SUPERVISORY BOARD REGARDING THE OPERATIONS OF ZAVAROVALNICA TRIGLAV IN 2010

On the basis of the supervision of operations carried out in 2010 and the review and examination of the Annual Report for 2010, the Supervisory Board hereby establishes that despite the economic crisis, developments in the Slovene banking sector and bad-weather events Zavarovalnica Triglav in 2010 realised most of its business objectives.

In the reporting year, Triglav Group members posted a total of EUR 1,013.6 billion in gross written premium, in which EUR 721.3 million was accounted by the controlling company. The economic and financial crisis, rising unemployment and falling purchasing power resulted in the lower achievement of sales plans, since demand for some insurance products declined. An additional loss of planned premium income resulted from the insurance portfolio selection and intense measures taken to mitigate poorer insurance technical result. Thanks to restructuring, the quality of the portfolio improved and the amount of claim paid decreased, while a small negative impact on premium growth was also sustained.

The profit before tax disclosed by Zavarovalnica Triglav and the Triglav Group in 2010 amounted to EUR 32.1 million and EUR 26.6 million respectively. A 5.5% return on equity before tax of the Triglav Group was achieved in 2010 (vs. -1.3% at the end of 2009). Combined ratio in non-life insurance, which shows the profitability of operations, was 92% (vs. 104.0% in 2009). The year-end profit was adversely affected by the financial crisis and developments in the banking sector. The state of capital markets had a negative impact on the value of certain assets of Zavarovalnica Triglav, which led to their due impairment.

The credit rating agency Standard & Poor's confirmed on 25 November 2010 its »A« rating of Zavarovalnica Triglav and the Triglav Group, with a stable outlook in the medium term. At the same time, it confirmed the same rating of the daughter company Pozavarovalnica Triglav Re, a rating first assigned in 2009, also with a stable outlook in the medium term. This represented the accomplishment of one of the major objectives set out in the Triglav Group's Strategy.

In 2010, the Supervisory Board was equally informed about the operations of the Insurance Company's subsidiaries.

The findings of the Supervisory Board are also based on the following:

- a positive opinion of a chartered actuary for non-life insurance business,
- a positive opinion of a chartered actuary for life insurance business; and
- the Annual Report on Internal Audits by the Internal Audit Department for 2010.

The Supervisory Board has no objections to the above reports.

2.7 ANNUAL REPORT

The Management Board submitted to the Supervisory Board on 12 April 2011 the audited Annual Report of Zavarovalnica Triglav for 2010 and the audited Annual Report of the Triglav Group for 2010.

The Supervisory Board and the Audit Committee discussed the audited Annual Report of Zavarovalnica Triglav for 2010 and the audited Annual Report of the Triglav Group for 2010 at its sessions held on 12 April 2011 and 3 May 2011. The Supervisory Board ascertained that the annual reports had been prepared within the legally prescribed period and submitted to the appointed auditor. The Annual Report of Zavarovalnica Triglav for 2010 was audited by the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o., which on 11 April 2011 issued a positive opinion on the Annual Report of Zavarovalnica Triglav for 2010 and on the Annual Report of the Triglav Group for 2010.

During the discussion of the annual reports of Zavarovalnica Triglav and the Triglav Group the auditor's Letter to the Management was presented to the Supervisory Board and the Audit Committee. The certified auditor who signed the annual reports attended the discussions of the Supervisory Board and the Audit Committee of the said annual reports and provided the required additional explanations.

The certified auditor established that in 2010 significant progress and improvement were made in the framework of the Triglav Group. The quality of data was improved in terms of compliance and consistency of the data and information verified for the purpose of calculating the insurance technical provisions of Zavarovalnica Triglav's subsidiaries. In all material aspects the financial statements and the data used in accounting report disclosures were compiled in accordance with the financial standards in force in the countries in which subsidiaries operate and/or necessary adjustments were made to International Financial Reporting Standards. All

subsidiary insurance companies set aside sufficient insurance technical provisions. In some subsidiaries the auditor was still faced with delays in the delivery of reporting packages, which is why the risk of delays in preparing financial statements in the Triglav Group persists.

On the basis of detailed examinations, the Supervisory Board established that the Annual Report of Zavarovalnica Triglav for 2010 and the Annual Report of the Triglav Group for 2010, as produced by the Management Board and audited by the chartered auditor, had been prepared in a clear and transparent manner and that they give a true and fair view of the assets, liabilities, financial standing and profit of Zavarovalnica Triglav and the Triglav Group.

Without expressing any reservations to their opinion, the chartered auditors of KPMG Slovenija, podjetje za revidiranje, d.o.o. pointed to the incompliance of the financial statements of Zavarovalnica Triglav and the Triglav Group with the stipulations of the Insurance Act. Zavarovalnica Triglav and the Triglav Group disclose equalisation provisions in their financial statements in accordance with International Financial Reporting Standards as adopted by the EU, i.e., among reserves under the equity. Had the financial statements been prepared in line with the stipulations of the Insurance Act, equalisation provisions would have decreased profits and would have been disclosed under insurance technical provisions.

In line with the above findings, the Supervisory Board expresses no objection to the positive opinion given by the chartered audit firm KPMG Slovenija, podjetje za revidiranje d.o.o., stating that the financial statements in all material aspects give a true and fair view of the financial standing of Zavarovalnica Triglav as at 31 December 2010, and of its profit and cash flow for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU.

The Supervisory Board expresses no objection to the positive opinion given by the chartered audit firm KPMG Slovenija, podjetje za revidiranje d.o.o., stating that the financial statements of the Triglav Group give a true and fair view of its financial standing as at 31 December 2010, and of its profit and cash flow for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU.

Based on its findings, the Supervisory Board hereby approves the audited Annual Report of Zavarovalnica Triglav for the Year Ended 31 December 2010 and the audited Annual Report of the Triglav Group for the Year Ended 31 December 2010.

2.8 PROPOSED DISTRIBUTION OF ACCUMULATED PROFITS

The Supervisory Board also studied the proposal for the distribution of accumulated profits as at 31 December 2010, subject to final approval by the General Meeting of Shareholders of Zavarovalnica Triglav, and gave its full consent to the following resolution on the distribution of accumulated profits proposed by the Management Board:

»Accumulated profits as at 31 December 2010 totalled EUR 268,633,571.25 and shall be distributed as follows:

- EUR 160,000,000.00 shall be allocated to other profit reserves,
- the distribution of the remaining amount of EUR 108,633,571.25 of profits shall be decided in the following years.«

The Supervisory Board hereby proposes to the General Meeting of Shareholders that it give a discharge to the Management Board for its operations in 2010.



Borut Jamnik
Chairman of the Supervisory Board

In Ljubljana, 3 May 2011

A photograph of two men in a professional setting. The man on the right is in focus, wearing a white dress shirt and a dark red tie. He has short dark hair and a light beard, and is looking towards the man on the left with a slight smile. The man on the left is out of focus, wearing a light blue shirt. The background is a bright, indoor space with a window showing greenery. The word "profess" is overlaid in large, white, lowercase letters across the center of the image.

profess



Professionalism

The Triglav Group achieves its business objectives through the professionalism of its financial services, which are based on its highly-qualified employees. The Group is the driving force of the professional development of financial services in the environment in which it operates.

A man with short brown hair and glasses, wearing a dark suit jacket over a light blue button-down shirt, is looking towards the right. He is holding a document. In the foreground, there is a blurred laptop and a hand with a watch. To the left, a red name tag with a white logo is visible. The background is a plain, light-colored wall.

Property and interest in property insurance for individuals were upgraded.

Insurance packages for individuals, fire and home insurance, medical professional liability insurance, and earthquake insurance were upgraded, and property and interest in property insurance for solar (photovoltaic) power plants was introduced. In motor vehicle insurance, new products were focused on improving technical results.

A photograph of three business professionals in a meeting. A woman in a pink shirt is on the left, smiling. A man in a dark suit and tie is in the center, looking towards the right. A woman with blonde hair is on the right, seen from the back/side, looking towards the center. The background is blurred.

It's not boring at all

With the development of new products and the upgrading of existing ones, in 2010 Triglav offered new forms of protection of personal and business property.

Products providing liability insurance for marine vessel owners and aircraft owners were upgraded. The receivables insurance range was adapted to new risks.

Coverage under additional accident insurance was expanded and the risk life insurance range was redesigned. A unit-linked insurance product for athletes and two special insurance products for bank account holders were developed.

Triglav manages the life insurance of all policy holders with the new IT-Life information system.



Triglav's understanding of the future is integrated into all its insurance products.

To be innovative, Triglav must keep both feet on the ground and fully consider the future risks from which it must protect its clients.

Consideration must be given to both current and future economic, political and technological change, as well as to new life habits and demands.

Triglav's product range changes in accordance with the company's perspectives and assessment of potential events, gains, losses, risks and opportunities.

3. STRATEGY AND PLANS OF THE TRIGLAV GROUP

The adoption of the Triglav Group Strategy for the 2010-2013 period, which was confirmed by the Supervisory Board in June, marked one of the most important events in 2010. The Group redefined its basic medium-term strategy guidelines, laid down its strategic goals and set out activities for their realisation. The Strategy will offer an answer to the changes which will affect the industries in which the Triglav Group operates.

3.1 MISSION

We are building a safer future.

3.2 VALUES

The companies of the Triglav Group are centred around three common values which underline the Group's daily operations, personal relations and relations with the environment:

PROFESSIONALISM

The Triglav Group achieves its business objectives through the professionalism of its financial services, which are supported by the professional attitude of its employees. The Group is the driving force of the professional development of financial services in the environment in which it operates.

SECURITY

Effective risk management is used to provide for the security of operations. We offer high-quality financial products and services which improve the financial security of our clients.

CORPORATE SOCIAL RESPONSIBILITY

The sustainable development of the Group (balancing human resources, environmental awareness and profitability) is based on corporate responsibility, which we implement as a combination of economic, legal, ethical and philanthropic responsibility.

3.3 VISION

Our business operations are profitable and secure. The sources of profit growth are 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 management system and follows the principles of modern organisation in all areas of business. Our dedicated, highly-qualified employees are the basis of the Group's sustainable development.

3.4 TRIGLAV GROUP IN THE 2010-2013 STRATEGY PERIOD

The focus on insurance as the main activity and the creation of an effective management system for the Triglav Group are at the heart of our strategic direction. Long-term development trends and scenarios show that the Group operates in attractive lines of business, although many abrupt changes can be expected in the next 15 years. We believe our activities have substantial synergy potential and plan to exploit this more efficiently in the future.

The Triglav Group is one of the largest insurance/financial groups in South-East Europe, its key market. In insurance, the Group ranks number one in Slovenia, the Western Balkans⁴ and South-East Europe⁵. Despite still being largely underdeveloped in terms of economy and finance/insurance, these markets are attractive because of their growth potential in the future, as is evident by strong international competition.

⁴ Western Balkans comprise Croatia, Serbia, Bosnia and Herzegovina, Montenegro, the Former Yugoslav Republic of Macedonia, Kosovo and Albania.

⁵ South-East Europe comprises Slovenia, the Western Balkan countries, Bulgaria and Romania.

Focusing on insurance as the core business and ensuring effective governance of the Triglav Group are at the forefront of Triglav's strategic orientation.

We estimate that in the period up to 2013, the Group's business results will be affected by:

- economic stagnation in all key markets and frequent economic turbulence;
- changes in consumer behaviour (stagnation of purchasing power, the need to decrease household, company and state indebtedness);
- strong competitors focusing on gaining market shares in South-East Europe.

Despite these factors, the Triglav Group has set very ambitious goals for the period up to 2013. At the end of the strategy period the Group plans to have a 10% return on equity and EUR 1.1 billion of written premium. According to the plans, the combined ratio - a measure of core business profitability - will reach 98.7%, the Group will employ 5,000 staff and all subsidiaries will operate at a profit.

3.4.1 Key strategic directions

The Group's key strategic directions (strategic themes) include:

- 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;
- developing alternative sales channels;
- entering new key projects with a profitability rate higher than the target ROE of the Group in 2013.

3.4.2 Strategic objectives of the Triglav Group

On the basis of cause and effect, concrete strategic objectives were grouped into four levels, i.e., activity areas of the strategic map. With regard to its strategic objectives, the Group developed a balanced scorecard with projections until 2013, which will be used to measure the delivery of the strategy. The indicators are linked to concrete strategic activities.

1. Level 1: Employees, knowledge and learning

- successful adaptation of the number and structure of employees to the demands of process and organisation reengineering
- enhancing staff mobility and internationalisation
- development and retention of key staff with high potential
- redesign of organisational culture in line with the process reorganisation in the Group
- increase of the variable part of remuneration for successful individuals

2. 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 management system and key internal controls for the Group
- compliance of operations with Solvency II requirements

3. 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

4. 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 claims administration system

Concrete strategic objectives were grouped by cause and effect into four levels, i.e. activity areas of the strategic map. With regard to its strategic objectives, the Group developed a balanced scorecard with projections until 2013, which will be used to measure the realisation of the strategy. The indicators are linked to concrete strategic activities.

3.5 DEVELOPMENT STRATEGY OBJECTIVES OF THE TRIGLAV GROUP ACHIEVED IN 2010

Despite the economic crisis and unpredictable weather events which significantly influence our operating conditions the Group managed to reach many of its objectives.

Deviations from the planned sales results were a consequence of the economic crisis and growing unemployment, which caused a decline in the demand for certain insurance products (accident, transport, life and credit insurance). The existing portfolio was restructured in line with the main strategic direction, i.e., the focus on the profitability of operations. Professional rules and actuarial calculations have been duly respected. The restructuring of the portfolio improved its quality, reduced the amounts of claims paid and negatively impacted premium growth.

Tough economic circumstances and conditions in the countries of South-East Europe caused some subsidiaries of the Triglav Group to achieve poorer business results than planned. In response to the changed circumstances and new conditions, Zavarovalnica Triglav impaired the values of certain investments in subsidiaries. Moreover, the situation and developments in the Slovene banking sector affected the value of certain portfolio investments of Zavarovalnica Triglav, thus it had to recognise an impairment loss.

The impacts of the financial crisis were coupled with devastating weather events, which, due to prudent risk assessment and underwriting as well as appropriate reinsurance, had no significant impact on the business result of the Triglav Group.

With operational measures, the Company managed to a great extent to neutralise the negative effects produced by the business environment:

- many insurance products were upgraded and tailored to fit the needs of our clients;
- the importance of risk assessment and underwriting was further increased;
- several measures were adopted to lower operating costs.

The Company was thus able to successfully comply with liquidity requirements and was appropriately reinsured in line with the changed circumstances. Portfolio management investment policy was governed by the principles of security, liquidity and profitability.

The impacts of the financial crisis were coupled with devastating weather events, which, due to prudent risk assessment and underwriting as well as appropriate reinsurance, had no significant impact on the business result of the Triglav Group.



On 25 November 2010, the Standard & Poor's credit rating agency confirmed the »A« long-term rating and financial strength rating of Zavarovalnica Triglav and the Triglav Group for the third consecutive time. The »A« rating of the subsidiary Pozavarovalnica Triglav Re d.d., which it acquired in 2009, was confirmed by the agency as well. The ratings of both companies have a stable medium-term outlook. Thereby, the Triglav Group successfully reached one of its key strategic objectives.

3.6 PLANS OF THE TRIGLAV GROUP FOR 2011

Plans of the Triglav Group for 2011:

- EUR 1,024.6 million of written premium;
- EUR 625.7 million of net claims incurred;
- EUR 54.2 million of profit;
- planned combined ratio of 98.7%;
- operating costs growth rate 3 percentage points lower than premium growth.

Measures and projects planned:

- development of alternative sales channels;
- content upgrade of existing insurance products and development of new products;
- extension of the range of product packages and combined insurance products;
- improvement of the loss settlement process;
- transfer of expertise and good business practices from the controlling company to the subsidiaries;
- comprehensive concept of corporate social responsibility management;
- strengthening of the company's presence in the region.

Key measures for cost reduction:

- business process reengineering and adaptation of the number of staff to fit the demands of the new processes;
- curbing the increase of costs not directly linked to the sale of insurance policies;
- optimisation of marketing communication costs (events, advertising);
- priority implementation of IT projects planned to generate savings as early as in 2011;
- optimisation of external service costs;
- optimisation of investments with regard to their necessity;
- establishment of a unified cost controlling system.



4. STATEMENT OF THE MANAGEMENT

4.1 MANAGEMENT POLICY

Key guidelines for the management of the company, which take into account its long-term objectives, are set out in the document entitled The Management Policy of Zavarovalnica Triglav d.d., which was adopted by the Management Board and the Supervisory Board in 2010.

The document was published on SEOnet, the Ljubljana Stock Exchange information system, and on www.triglav.si, the official website of Zavarovalnica Triglav d.d.

4.2 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The statement of compliance with the Corporate Governance Code for the period from 1 January 2009 to the day of publication, i.e., 21 April 2010, was published in electronic format on SEOnet, the stock exchange information system of Ljubljanska borza d.d., and on the official website of Zavarovalnica Triglav d.d.

By this statement Zavarovalnica Triglav takes a stance on the provisions of the Code, which was amended on 8 December 2009.

Zavarovalnica Triglav substantively adheres to the provisions of the Code, which is publicly available in Slovene and English on the Ljubljana Stock Exchange website at www.ljse.si. 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.
- 10.1
The Chairman of the Supervisory Board is a member of the management of a company controlled by a person indirectly participating in the Company.
- 12.1
In accordance with the resolution passed by the General Meeting of Shareholders on 27 August 2007, Supervisory Board members are not entitled to a monthly fee.
- 21.3
Zavarovalnica Triglav has not started making public announcements in English.

The company 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 Slovene Insurance Association at www.zav-zdruzenje.si.

4.3 MANAGEMENT BODIES OF ZAVAROVALNICA TRIGLAV

Zavarovalnica Triglav uses a two-tier management system. The management bodies - the General Meeting of Shareholders, the Management Board and the Supervisory Board - operate in compliance with primary and secondary legislation, the bylaws of the company and their own rules of procedure. The Articles and Memorandum of Association are published on www.triglav.si in the Investor Relations - Management Policy section.

4.3.1 General Meeting of Shareholders

The General Meeting of Shareholders, the body through which shareholders of Zavarovalnica Triglav exercise their rights in respect of matters concerning the company, is convened at least once a year, by the end of August at the latest. The General Meeting of Shareholders is also 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 in the General Meeting of Shareholders, to proportional dividends from the profit intended for the payment of dividends and to 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.

In accordance with the Takeover Act, the following two shareholders own a qualifying holding in Zavarovalnica Triglav:

- Zavod za pokojninsko in invalidsko zavarovanje Slovenije (Pension and Disability Insurance Institute of the Republic of Slovenia; hereinafter ZPIZ) holding 7,836,628 or 34.47% of the share capital of Zavarovalnica Triglav. As at 31 December 2010, the shares were managed by the Capital Assets Management Agency of the Republic of Slovenia (hereinafter AUKN) on behalf of and for the account of ZPIZ in compliance with the Law on Corporate Governance of State Capital Investments (Official Gazette of the RS, No. 38/2010); and
- Slovenska odškodninska družba d.d. (hereinafter SOD) holding 6,380,728 or 28.07% of the share capital of Zavarovalnica Triglav as at 31 December 2010.

- As at 31 December 2010, Zavarovalnica Triglav had no other shareholders whose share capital exceeded 5% nor any issued securities which would grant their holders special control rights.

General Meeting of Shareholders in 2010

The shareholders of Zavarovalnica Triglav had one general meeting in 2010. The 34th General Meeting of Shareholders took place on 28 June 2010. The total number of shares and voting rights represented at the General Meeting of Shareholders was 15,911,142 or 69.98% 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 2009, including the opinions given by the chartered auditors, and the Annual Report on Internal Audits for 2009;
- took note of the Supervisory Board's report on the examination of both Annual Reports for 2009 and its opinion on the Annual Internal Audit Report by the Internal Audit Department of Zavarovalnica Triglav for 2009;
- passed a resolution deciding that the distribution of accumulated profit shall be determined in the following years;
- passed a resolution granting discharge to the Management and Supervisory Board for the 2009 business year;
- appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors of Zavarovalnica Triglav for 2010;
- approved the amendments to the Articles and Memorandum of Association; and
- appointed Vladimir Uršič, as a representative of shareholders, an alternate member of the Supervisory Board.

The General Meeting of Shareholders approved two amendments to the Articles and Memorandum of Association on Management Board remuneration, described in detail under 4.3.2.3 Introducing the Management Board, and an amendment allowing accumulated profits to be allocated to reserves from profit, which may not be paid to the shareholders or other persons according to the resolution on the distribution of accumulated profit in line with the procedure laid down by the law. The General Meeting of Shareholders also passed a resolution to delete the English name of the Company from the Articles and Memorandum of Association.

4.3.2 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.

4.3.2.1 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 possibility 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 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.

The General Meeting of Shareholders approved two amendments to the Articles and Memorandum of Association regarding the remuneration of the Management Board and an amendment allowing accumulated profits to be allocated to reserves from profit, which may not be paid to the shareholders or other persons according to the resolution on the distribution of accumulated profit, in line with the procedure laid down by the law.

4.3.2.2 Management Board competence 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 15.00% of the share capital at the time of adoption of the amendments to the Articles and Memorandum of Association regarding the authorised capital. The authorisation is valid until 25 April 2013. The share capital can be increased by no more than EUR 3,555,208.77 by issuing new shares for cash. The issuing 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.

4.3.2.3 Introducing the Management Board

In 2010, 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.

Member of the Management Board - 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.

Member of the Management Board, Employee Representative - Vladimir Mišo Čeplak

- Born 1957. Bachelor of Arts in Sociology and Bachelor of Arts in Journalism, Master of Science in Economics.
- Vladimir Mišo Čeplak was first employed in Zavarovalnica Triglav in 1995 as Head of Personal Insurance Sales. Previously, he had been a member of the management in the company Alpina Žiri. Until 2003, when he became a member of the Management Board as the em-

ployee representative, Vladimir Mišo Čeplak had been in charge of the Personal Insurance Sales Division. As a member of the Management Board and employee representative, Čeplak was responsible for non-life insurance marketing, personal insurance marketing, personnel affairs and the Quality Management System from 2005 to 2009. In 2009, he was appointed President of the Management Board of Zavarovalnica Triglav.

- Vladimir Mišo Čeplak took office on 15 October 2009.

Data on earnings of the Management Board members are disclosed in Chapter 8.2 of the financial report.

At its session in 2010, the General Meeting of Shareholders adopted two resolutions amending the Articles and Memorandum of Association of Zavarovalnica Triglav regarding the remuneration of the Management Board. The amendments to the Articles and Memorandum of Association were the following:

- The President and members of the Management Board may not participate in profit sharing schemes, unless otherwise stipulated by the Financial Participation Act.
- Accumulated profits may be used for remuneration of the Management Board to be paid to its members, but should not exceed, in total, 10% of the net profit posted, if permitted by the applicable legislation.

MEMBERSHIP OF THE MANAGEMENT BOARD MEMBERS OF ZAVAROVALNICA TRIGLAV IN THE SUPERVISORY BOARDS OR MANAGEMENT BOARDS OF OTHER COMPANIES AS AT 31 MARCH 2011

NAME	MEMBERSHIP IN THE SUPERVISORY (MANAGEMENT) BOARDS OF OTHER COMPANIES
Matjaž Rakovec President of the Management Board	Lovćen Osiguranje a.d. Triglav BH Osiguranje d.d. Pool za zavarovanje in pozavarovanje jedrskih nevarnosti GIZ Krka d.d. Triglav INT d.d.
Andrej Slapar Member of the Management Board	Triglav Pojišt'ovna a.s. Pozavarovalnica Triglav Re d.d. Vardar Osiguruvanje a.d. Triglav BH Osiguranje d.d. Triglav INT d.d.
Igor Stebernak Member of the Management Board	Vardar Osiguruvanje a.d. Triglav Zdravstvena zavarovalnica d.d. Triglav DZU d.o.o. Triglav Kopaonik a.d.o. Triglav INT d.d.
Vladimir Mišo Čeplak Member of the Management Board, Employee Representative	Triglav Zdravstvena zavarovalnica d.d. Abanka Vipava d.d.

4.3.2.4 Functioning and powers of the Management Board

Work areas of the Management Board members as at 31 December 2010:

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, Marketing and Corporate Communications Department). He is in charge of the following departments: Development and Actuary Affairs for Life Insurance, Project Office and Bancassurance, Personal Insurance Sales, Personal Insurance, Information Technology, Work Processes and Organisation.

Andrej Slapar, member of the Management Board, is responsible for the Non-Life Insurance Sales Division, the Underwriting and Non-Life Insur-

ance Product Development Division and the Non-Life Insurance Loss Division, as well as for the Development and Actuary Affairs for Non-Life Insurance Department, the Prevention, Detection and Investigation of Fraud Department and the Client Relationship Department.

Igor Stebernak, member of the Management Board, is responsible for the Finance and Accounting Division, the Strategic Planning and Controlling Department at the headquarters, and for the work of the divisions Management of Subsidiaries and Legal Affairs.

Vladimir Mišo Čepлак, member of the Management Board, employee representative, is responsible for the Human Resources Management Division, other than personnel affairs relating to senior management, the Organisation and Standardisation Department and the Quality Management System of the Work Processes and Organisation Division.

4.3.3 Supervisory Board

The nine members of the Supervisory Board, of whom six are representatives of the shareholders and three are representatives of employees, supervise the company's business conduct 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 made in accordance with the law and the Articles and Memorandum of Association. The Supervisory Board elects its Chairman and Vice Chairman 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 the member 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.

4.3.3.1 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 gives 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; and
- the acquisition, sale of, or investment in investment property.

The Rules of Procedure of the Supervisory Board are available on the website of Zavarovalnica Triglav at www.triglav.si, on page: »Investor Relations« under Corporate Governance. In accordance with the law and the provisions of the Rules of Procedure, the Supervisory Board shall have at least one meeting per quarter, or more if necessary.

4.3.3.2 Supervisory Board in 2010

The Supervisory Board of Zavarovalnica Triglav began its term of office on 7 April 2009 for a period of four years until 7 April 2013. Because the term of office of the Supervisory Board member Mirko Miklavčič ended on 25 September 2009, the General Meeting of Shareholders on 28 June 2010 appointed Vladimir Uršič an alternate member of the Supervisory Board as a shareholder representative, with a term of office starting on the date of appointment and ending on 7 April 2013.

COMPOSITION OF THE SUPERVISORY BOARD AS AT 31 MARCH 2011

NAME	EDUCATION	EMPLOYED IN	MEMBERSHIP IN SUPERVISORY BOARDS OF OTHER COMPANIES
SHAREHOLDER REPRESENTATIVES			
Borut Jamnik Chairman	Bachelor of Engineering - Mathematics	Kapitalska družba d.d., President of the Management Board	PDP d.d., President of the Management Board
Uroš Slavinec Member	Bachelor of Science in Economics	Helios d.d., President of the Management Board	Gorenje d.d., Chairman of the Supervisory Board
Anton Ribnikar Member	Bachelor of Laws	Until 30 June 2010 - Head of Legal and Compliance Office and Procurator at Nova Ljubljanska Banka d.d.; From 1 July 2010 - NLB Montenegro banka, Executive Director	SIB banka d.d., in liquidation Skupna pokojninska družba d.d.
Igor Mihajlovič Member	Bachelor of Mechanical Engineering	STD d.o.o., Consultant to the CEO	TKK Srpentica d.d., Member of the Supervisory Board DUF Eurofond Euroinvestment d.d., Tuzla, Member of the Supervisory Board Argonos d.o.o., 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	Retiree	/
EMPLOYEE REPRESENTATIVES			
Branko Gorjan Member	Business Technician	Zavarovalnica Triglav d.d.	/
Peter Celar Member	Bachelor of Science in Economics	Zavarovalnica Triglav d.d.	/
Boris Gabor Member	Bachelor of Mechanical Engineering	Zavarovalnica Triglav d.d.	/

The members of the Supervisory Board signed the Statement of Independence and Loyalty, thereby undertaking to adhere to the principles of independence stated in point C.3 of the Annex to the Corporate Governance Code. The Statement is published on the website www.triglav.si in the Investor Relations section.

On 30 March 2010, the Supervisory Board approved the amendments and supplements to the Rules of Procedure of the Supervisory Board.

The members of the Supervisory Board signed the Statement of Independence and Loyalty, thereby undertaking to adhere to the principles of independence stated in point C.3 of the Annex to the Corporate Governance Code. The Statement is published on the website www.triglav.si in the Investor Relations section.

Data on earnings of the Supervisory Board members are disclosed in Chapter 8.2 of the financial report.

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

4.3.3.3 Composition of Supervisory Board committees and their activities in 2010

Supervisory Board committees prepare proposals for resolutions of the Supervisory Board, assure their implementation and carry out other professional tasks. In 2010, the Supervisory Board had two committees, the Audit Committee and the Appointments and Compensation Committee. On 10 February 2011, the Strategy Committee was established.

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 2010, the Audit Committee was made up of the following members: Uroš Slavinec as Chairman, and Aljoša Valentinčič, Anton Ribnikar, Branko Gorjan 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 2010, the Compensation and Appointments Committee had the following composition: Borut Jamnik as Chairman, Igor Mihajlovič and Boris Gabor as members and Srečo Jadek as outsourced independent expert.

Strategy Committee

At its meeting on 20 February 2011, the Supervisory Board established a Strategy Committee in the following composition: Borut Jamnik as Chairman and Igor Mihajlovič and Peter Celar as members. The duties and competences of the Strategy Committee are set out in the Rules of Procedure of the Supervisory Board and the Supervisory Board's resolutions. Its tasks include: monitoring of the Triglav Group Strategy implementation and any related opinions, drafting resolutions for the Supervisory Board and ensuring their realisation.

4.4 GOVERNANCE AND MANAGEMENT OF SUBSIDIARIES

The fundamental principles and management regulation of Zavarovalnica Triglav's subsidiaries are set out in the Subsidiary Management Policy, Rules of the Subsidiary Management Committee and Rules for Employees Working Abroad.

The management of the Triglav Group is based on the predominant unification of rules and procedures in individual divisions of the subsidiaries.

Management and control 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. Our goal is the unification of minimum standards throughout the Triglav Group.

In 2010, Zavarovalnica Triglav established a new subsidiary, Triglav INT d.d., to which it intends to transfer ownership shares in Triglav Group subsidiaries outside Slovenia.

THE COMPOSITION OF MANAGEMENT BODIES IN THE SUBSIDIARIES AS AT 31 MARCH 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	Simon Vidmar - President, Ivan Gracar	Supervisory Board: Boštjan Vovk - Chairman, Tadej Čoroli, Igor Stebernak, Vladimir Mišo Čeplak, Robert Kavčič, Mateja Jaklin
Triglav DZU d.o.o., Ljubljana	Igor Kušar - President, Samo Javornik, Miloš Čas	Supervisory Board: Igor Stebernak - Chairman, Uroš Ivanc, Boštjan Vovk
Triglav Naložbe 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 - Procurator	
Triglav INT d.d., Ljubljana	Tina Cvar - Executive Director, Management Board: Igor Stebernak - President, Matjaž Rakovec, Andrej Slapar, Boštjan Vovk	
AS Triglav d.o.o., Ljubljana	Anton Vatovec - Director	Supervisory Board: Stanislav Vrtunski - Chairman, Blaž Jakič, Iztok Šekoranja
Triglav nepremičnine d.d., Ljubljana	Mitja Križaj - President of the Management Board, Ana Stradar Igljič	Supervisory Board: Rok Pivk - Chairman, Dejan Jasnić, Mirjana Koporčič Veljič
Slovenijales d.d., Ljubljana	Goran Čelesnik - 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 - Procurator, Mitja Križaj - Procurator	Supervisory Board: Miha Grilec - Chairman, Rok Pivk, Kristina Rovšek
Hotel Grad Podvin d.d., Radovljica	Jaka Binter - Director	Supervisory Board: Mateja Živec - Chairwoman, Ana Stradar Igljič
PHSC Štemarje d.o.o., Škofja Loka	Milena Hartman - Director	
THP Krona d.o.o., Škofja Loka	Milena Hartman - Director	
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 Pojišť'ovna a.s., Brno	Petr Bany - General Manager, Petr Mikulenska	Supervisory Board: Andrej Slapar - President, Jože Obersnel, Šarka Vodičková
MONTENEGRO		
Lovćen Osiguranje a.d., Podgorica	Radenko Purić - CEO	Board of Directors: Matjaž Rakovec - Chairman, Boštjan Vovk, Uroš Ivanc
BOSNIA AND HERZEGOVINA		
Triglav BH Osiguranje d.d., Sarajevo	Feisal Hrustanović - Director, Edib Galijatović	Supervisory Board: Matjaž Rakovec - Chairman, Andrej Slapar, Bakir Pilav
Triglav Krajina Kopaonik a.d., Banja Luka	Matej Žlajpah - Director	Management Board: Andrej Knap - President, Jože Obersnel, Zoran Nikolič
SERBIA		
Triglav Kopaonik a.d.o.	Predrag Bobera - General Manager, Ian Harrocks - Procurator Management Board: Igor Stebernak - President, Boštjan Vovk, Jože Obersnel	Supervisory Board: Uroš Ivanc - Chairman, Rudi Lipovec, Drago Ljubojevič
Triglav penzijski fondovi a.d.	Vojko Saksida - Director	Management Board: Miroslav Matijašević - Chairman, Predrag Bobera, Miloš Čas
FORMER YUGOSLAV REPUBLIC OF MACEDONIA		
Vardar Osiguruvanje a.d., Skopje	Trajče Latinovski - executive member of the Board of Directors - General Manager	Board of Directors: Igor Stebernak - Chairman, Aleksandra Vukovič Kačar, Andrej Slapar, Uroš Ivanc

4.5 INTERNAL AND EXTERNAL AUDIT

On 28 June 2010, the General Meeting of Shareholders of Zavarovalnica Triglav appointed the audit firm KPMG Slovenija, podjetje za revidiranje d.o.o. as the auditors for 2010.

The report on the work of the Internal Audit Department is part of the section on risk management.

4.6 MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Zavarovalnica Triglav is subject to the Companies Act provisions as well as to the special provisions of the Insurance Act, which regulates and lays down the obligation of insurance companies to establish and maintain an internal control and risk management system. Secondary legislation in this field is issued by the Insurance Supervision Agency. The Company is always in compliance with the applicable regulations.

The same applies to other insurance companies, subsidiaries of the Triglav Group in Slovenia and abroad. In compliance with the legal provisions and legislation of individual countries, these subsidiaries guarantee the adequate quality of the internal control and risk management system.

Zavarovalnica Triglav ensures the coherence 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. 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 insurance 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).

In compliance with the legislation, Zavarovalnica Triglav maintains a special Internal Audit Department, which runs efficiency checks on the internal control system, offers upgrade proposals and reports regularly to the Management Board, Audit Committee and Supervisory Board (for more details see the section on risk management).

4.7 CLARIFICATIONS CONCERNING THE TAKEOVER LEGISLATION

In accordance with the provisions of the Takeover Act (Official Gazette of the RS No. 79/06, No. 1/08 and No. 68/08, ZPre-1) Zavarovalnica Triglav is subject to the provisions of this Act.

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 which would grant their holders special control rights are described in detail in the section on Share capital and shareholders of Zavarovalnica Triglav d.d.

For information on owners of qualified holdings according to the Takeover Act see 4.3.1 General Meeting of Shareholders.

4.7.1 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 competence to increase the share capital is described under 4.3.2.2 The Company's Management Board - with the consent of the Supervisory Board - is authorised to decide on issuing new shares, the amount of capital increases, the rights related to new shares and the conditions for issuing new shares.

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 which 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.

5. SHARE CAPITAL AND SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV D.D.

5.1 EQUITY

As at the 2010 year end, the share capital of Zavarovalnica Triglav amounted to EUR 23,701,391.79. It was divided into 22,735,148 ordinary registered par value shares bearing the symbol 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.

5.2 THE SHARE OF ZAVAROVALNICA TRIGLAV

Each share of Zavarovalnica Triglav gives its holder 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 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 D.D.

ITEMS	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008
Number of shares	22,735,148	22,735,148	22,735,148
Book value of a share (in EUR)	21,19	21,00	21,23
Book value of a share (in EUR) - consolidation - Triglav Group	20,71	19,79	21,19
Net earnings/loss per share (in EUR)	1,41	-0,08	0,66
Net earnings/loss per share (in EUR) - consolidation - Triglav Group	1,22	-0,21	0,13
Dividend per share (in EUR) - for the previous business year	To be defined	0,00	0,10
Share market value (in EUR) - closing price	17,61	25,00	15,00
Traded on	Ljubljanska borza - LJSE		
Trading symbol	ZVTG		
Market capitalisation in EUR - closing price as at 31 December (in EUR)	400,365,956	568,378,700	341,027,220
Credit rating	Standard & Poor's; »A«, stable medium-term outlook		
Bloomberg	ZVTG SV		
Reuters	ZVTG.LJ		

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 (hereinafter: qualified holder) requires 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 which give the holder a share of voting rights or participation in the issuer's capital of 10% or a share of voting rights or participation in the issuer's capital that is smaller than 10% but is nevertheless able to considerably influence the management of the issuer.

A person having obtained authorisation shall be obliged, for each further acquisition of shares of the insurance company by which they acquire or exceed the 20%, 1/3 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, to obtain the prior authorisation of the Insurance Supervision Agency. A qualified holder must, before a further acquisition of shares by which they would surpass the range for which an authorisation for the acquisition of a qualifying holding had been issued, obtain a new prior authorisation of the Supervision Agency.

Moreover, the legislation sets out obligations and the requirement to obtain prior authorisations for entities which agree 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 the qualifying holding.

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

Owners of shares which have been acquired or are possessed contrary to the Insurance Act have no voting rights. For details see the Insurance Act.

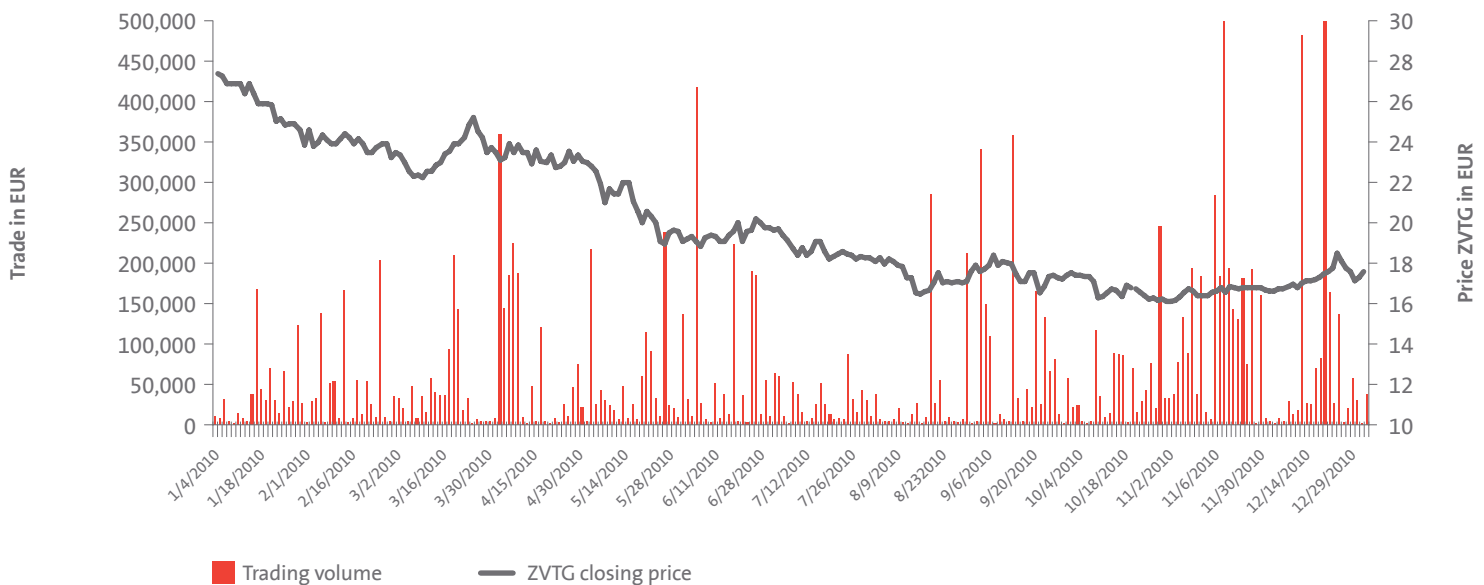
5.3 MOVEMENTS IN THE SHARE VALUE OF ZAVAROVALNICA TRIGLAV IN 2010

Shares recorded movement

similar to the trends of the Slovene blue-chip index (SBI TOP), however the share's sensitivity to change was greater.

A review of the ZVTG share value through the entire year shows that the share price witnessed a general decline. From early 2010, when its price was the highest, the ZVTG share value fell constantly until October and reached its lowest closing price on 28 October. Its value increased somewhat again towards the end of the year. The average turnover per trading day in 2010 amounted to EUR 68,508.84 which is below the 2009 average of EUR 78,540.59. The share experienced a trend similar to the Slovene blue-chip index, although the impact of changes on the share was stronger than on the index. The index fell by 15%, whereas the ZVTG declined by 36%.

MOVEMENTS IN THE CLOSING PRICE (RIGHT AXIS) AND TURNOVER IN EUR (LEFT AXIS) OF THE ZVTG SHARE OF ZAVAROVALNICA TRIGLAV



MAXIMUM AND MINIMUM CLOSING PRICE AND MAXIMUM AND MINIMUM TRADING VOLUMES IN ZVTG SHARES OF ZAVAROVALNICA TRIGLAV IN A TRADING DAY

MONTH	MAXIMUM CLOSING PRICE	MINIMUM CLOSING PRICE	MAXIMUM DAILY TRADING VOLUME	MINIMUM DAILY TRADING VOLUME	IN EUR
					AVERAGE DAILY TRADING VOLUME
January	27.50	23.90	168,488.25	-	37,123.83
February	24.68	23.25	203,047.13	186.00	45,601.28
March	25.28	22.27	210,101.77	90.28	38,630.08
April	24.00	22.75	360,895.70	138.00	77,842.52
May	23.00	18.90	237,476.74	4,416.00	50,347.18
June	20.19	18.79	417,421.00	2,910.97	72,847.85
July	19.67	18.01	86,718.79	1,988.40	26,411.47
August	18.19	16.35	286,146.90	-	31,752.51
September	18.30	16.42	358,568.00	535.88	75,799.97
October	17.30	15.99	245,852.99	-	49,853.19
November	16.77	16.21	623,589.00	1,068.80	139,055.28
December	18.65	16.53	1,543,695.60	-	180,306.98

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 CLOSING PRICE OF THE ZVTG SHARE OF ZAVAROVALNICA TRIGLAV AND MOVEMENTS IN THE VALUE OF THE SLOVENE BLUE-CHIP INDEX IN EUR IN 2010 AS COMPARED TO 31 DECEMBER 2009



5.4 SHAREHOLDER STRUCTURE

In terms of numbers, the shareholder structure is still dominated by domestic natural persons with a relatively low percentage of ownership, while in terms of leverage it is dominated by domestic legal entities.

SHAREHOLDER STRUCTURE OF ZAVAROVALNICA TRIGLAV AS AT 31 DECEMBER 2010

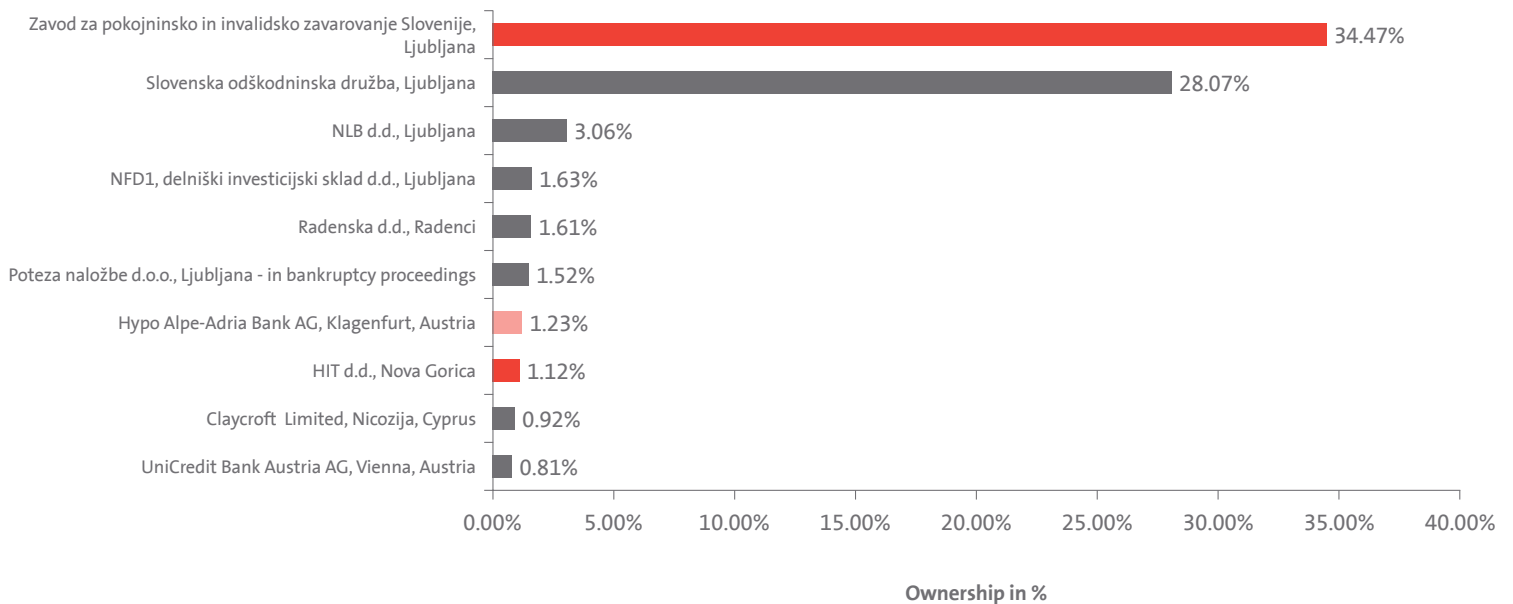
	TOTAL	DOMESTIC	FOREIGN	LEGAL ENTITIES	NATURAL PERSONS
Number of shares	22,735,148	21,454,947	1,280,201	20,931,470	1,803,678
Number of shareholders	30,086	29,609	477	732	29,354
Number of shares - percentage	100.00%	94.37%	5.63%	92.07%	7.93%
Number of shareholders - percentage	100.00%	98.41%	1.59%	2.43%	97.57%

In 2010, there were no significant changes in the shareholder structure. Among the top ten shareholders, one increased and three decreased their share. One new shareholder entered the top ten list of shareholders, pushing out the tenth largest shareholder as at 31 December 2009.

TOP TEN SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

SHAREHOLDER	NUMBER OF SHARES 2010	NUMBER OF SHARES 2009	OWNERSHIP 2010 (IN %)	OWNERSHIP 2009 (IN %)
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
NFD 1, delniški investicijski sklad d.d., Ljubljana	371,187	368,717	1.63	1.62
Radenska d.d., Radenci	366,944	366,944	1.61	1.61
Poteza naložbe d.o.o., Ljubljana - in bankruptcy proceedings	346,570	380,465	1.52	1.67
Hypo Alpe-Adria Bank AG, Klagenfurt, Austria	280,720	324,188	1.23	1.43
HIT d.d., Nova Gorica	255,408	255,408	1.12	1.12
Claycroft Limited, Nicosija, Cyprus	210,000	0	0.92	0
UniCredit Bank Austria AG, Vienna, Austria	183,772	218,296	0.81	0.96

TOP TEN SHAREHOLDERS OF ZAVAROVALNICA TRIGLAV AS AT 31 DECEMBER 2010



Once again in 2010, two of the shareholders achieved a qualifying holding in accordance with the takeover Act: Zavod za pokojninsko in invalidsko zavarovanje Slovenije (hereinafter: ZPIZ) and Slovenska odškodninska družba d.d., Ljubljana.

Zavod za pokojninsko in invalidsko zavarovanje Slovenije is the direct holder of 7,836,628 shares or 34.47% of the share capital of Zavarovalnica Triglav. As at 31 December 2010, the shares were managed on behalf of and for the account of ZPIZ 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 (ZUKN, Official Gazette of the RS, No. 38/2010).

Slovenska odškodninska družba d.d., Ljubljana is the direct holder of 6,380,728 shares or 28.07% of the share capital of Zavarovalnica Triglav. According to available information it can freely dispose of shares.

5.5 DIVIDEND POLICY

The dividend policy of Zavarovalnica Triglav is aimed at achieving dividend amounts which reflect the achieved business results or profit as well as capital requirements for future growth. Dividends are paid once a year in accordance with a resolution passed by the General Meeting of Shareholders.

DIVIDENDS FROM 2007 TO 2010

ITEMS	IN EUR			
	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008	31 DECEMBER 2007
Total dividends (in EUR)	To be defined	0	2,273,515	5,683,787
Dividend per share (in EUR)	To be defined	0.00	0.10	0.25

5.6 COMMUNICATION WITH INVESTORS

Transparent, equitable, up-to-date and reliable reporting remains our guideline in communication with shareholders, investors and other interested public.

Information is regularly published on SEOnet, the portal of the stock exchange, and in a special section for investors on the www.triglav.si website, which regularly provides all important information on Zavarovalnica Triglav and the Triglav Group. The public is informed about all relevant decisions and events in the parent company and in the Triglav Group.

Our communication activities with investors are described under Section 12.2.3 Communication with stakeholders in Chapter 12. - Sustainable development of the Triglav Group.

Information for shareholders

Zavarovalnica Triglav d.d. Ljubljana
Miklošičeva cesta 19, 1000 Ljubljana

Uroš Ivanc, Executive Director of Finance

Tel: ++386 (1) 47 47 468

Fax: ++386 (1) 23 16 456

Email: uros.ivanc@triglav.si

5.7 CREDIT RATING OF ZAVAROVALNICA TRIGLAV

With the confirmed »A« rating the Triglav Group successfully reached one of its key strategic objectives and once again received confirmation of its financial strength, successful performance and efficient strategy implementation in spite of dire conditions in the global economy and on international capital markets.

On 25 September 2010, the Standard & Poor's credit rating agency confirmed Zavarovalnica Triglav and the Triglav Group the »A« long-term rating and financial strength rating for the third consecutive time. The agency also confirmed the »A« rating of the subsidiary Pozavarovalnica Triglav Re d.d., which it acquired in 2009. The ratings of both companies have a stable medium-term outlook.

5.8 BONDS OF ZAVAROVALNICA TRIGLAV

Zavarovalnica Triglav has issued two series of bonds. The bonds were issued as subordinated, registered, fixed rate bonds in a dematerialised form, denominated in EUR. The bonds issued in 2003, bearing the symbol ZT01, are traded on market of the Ljubljana Stock Exchange. Total nominal value of the bond issue was EUR 30,000,000 or EUR 1,000 per bond. The last coupon and the principal will fall due on 20 October 2013.

On 30 November 2009, in accordance with a decision of the Management Board, the Company issued a total of 30,000 bonds worth EUR 1,000 each with the total nominal value of EUR 30,000,000. On 4 June 2010, Zavarovalnica Triglav received a decision of the Securities Market Agency on the approval of the listing particulars regarding the admission of ZT02 bonds to trading on a regulated market. Thus, on 24 June 2010, the company filed a request for the admission of these bonds to listing on the Ljubljana Stock Exchange. The ZT02 bond was listed on 30 June 2010. The last coupon and the principal will fall due on 21 March 2020.

On 25 November 2010, the credit rating agency Standard & Poor's confirmed its »A« rating for both Zavarovalnica Triglav and the Triglav Group with regard to their long-term rating and financial strength rating for the third year in a row. The rating agency also confirmed the same rating for the subsidiary Pozavarovalnica Triglav Re, a rating first assigned in 2009. The ratings of both companies have a stable medium-term outlook.

On 4 June 2010, Zavarovalnica Triglav received the decision of the Securities Market Agency on the approval of the Prospectus regarding the admission of ZT02 bonds to trading on a regulated market.

6. DEVELOPMENT AND MARKETING ACTIVITIES IN THE TRIGLAV GROUP

6.1 MARKETING AND SALES ACTIVITIES

6.1.1 Non-life insurance

The search for reasonable solutions has become the main behaviour characteristic of Slovene consumers, also when they purchase insurance products. Zavarovalnica Triglav responded to the changed realities and higher price sensitivity of consumers with innovative marketing approaches and closer links to its insurance holders, thereby increasing marketing and, in particular, sales activities in all sales networks. The new strategic direction to maximise profitability of operations presented an additional challenge.

In order to implement its strategic direction and respond to the market situation, the Company had to select the sales portfolio, which improved its quality but simultaneously negatively affected turnover and insurance premium.

In order to implement its strategic direction and respond to the market situation, the Company had to select the sales portfolio, which improved its quality but simultaneously negatively affected turnover and insurance premium development. In June, the Company introduced a significant change in the marketing and sale of motor vehicle insurance, by which it created a range of motor vehicle insurance products comparable in terms of price, while at the same time removing most of the commercial discounts. Operational and implementation actions carried out in regional units increased sales activities, sales team and sales staff management and reinforced cooperation between departments responsible for marketing, claim settlement and underwriting.

Key development activities in the sales network

Key development activities in the network of sales agents and counter services included:

- development of a new remuneration system for insurance agents;
- a system of awarding additional bonuses for the sale of new motor vehicle insurance in the network of insurance agents and counter services, supported by continuous result monitoring and communication;
- a two-day consultation meeting on operation in the changed realities and other topical issues for Heads of personal insurance sales, Heads of representative offices and Heads of insurance agent teams;
- two »Mystery Shopping« studies, including analyses and implementation of measures;
- comprehensive sales training for personnel and individual specialised training seminars.

In the external sales network, the Company:

- ensured unified operational standards for external sales channels (including contracts, performance monitoring and evaluation criteria, and the application of certain content and keynotes from the Code of Good Business Practice of Zavarovalnica Triglav to outsourced partners);
- introduced improvements based on the results of the two »Mystery Shopping« surveys;
- introduced additional bonuses and sales promotion tools for new motor vehicle insurance in external points of sale;
- organised a two-day seminar with training courses for external points of sale coordinators to upgrade their professional skills and enhance the flow of information and experience to outsourced partners.

Moreover, measures were introduced to improve the performance of sales officers. The Company upgraded its sales network organisation, established a key account management system, migrated to the new IT-Build application for underwriting and organised a two-day seminar.

The Company upgraded its sales network organisation, established a key account management system, migrated to the new IT-Build application for underwriting and organised a two-day seminar.

In the sector of insurance brokerage firms, Zavarovalnica Triglav saw a trend similar to the overall tendency in Slovenia. The number of Slovene and foreign brokers increased and the steady growth of the number of concluded insurance contracts outpaced market growth in the non-life sector. The Company started systematically informing its partner brokers about new non-life insurance products.



Organisation, work processes and authorities

Significant attention was 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.

In cooperation with other departments, a system and procedure was established for granting and revoking sales officers' authorisations in the sales officers' sales channel. Moreover, activities to establish a system of authorisations for other sales channels are already underway. Due to the reorganisation and harmonisation with rules in other departments, general and job-specific authorisation rules were recast as well.

Marketing communication

The Company proactively communicated with the market, highlighting novelties in non-life insurance products. Due to ever harsher competition and the rapid development of the sector, special attention was paid to motor vehicle insurance. The Company's communication activities were linked to corporate social responsibility efforts, such as offering financial contributions for safe driving courses for young drivers and young families. The sales of home insurance (DOM packages), and to a lesser extent other non-life insurance, were backed up as well.

By focusing on individual target groups, the Company rationalised the use of financial resources on the level of distribution. Most of the Company's resources for the media were used for TV advertising and to some extent for radio commercials. Its presence on the Internet was significantly increased, mostly by supplementing product communication with the introduction of interactive sections and activities in the social network Facebook.

Direct marketing

The year 2010 was marked by the enhanced effectiveness of direct marketing. Zavarovalnica Triglav successfully marketed accident insurance for young adults, achieving a 66% customer responsiveness and motivating 15% of those contacted to make a repeat purchase online. Moreover, the set goals were fully achieved with two one-off sales campaigns and two insurance contract renewal campaigns, which continue in 2011. As many as 78% more DOM home insurance policy holders responded to the offer to conclude earthquake insurance than in the same month last year.

Motor liability insurance holders with policies close to the expiration date were offered the option to purchase the small motor vehicle insurance package for a slight top-up payment. Their responsiveness reached 6 to 8 per cent of motor vehicle packages sold. Moreover, in autumn the Company directly addressed former holders of motor vehicle insurance. The marketing of bid bonds and warranty insurance was supported by a direct mail campaign to increase the visibility of Zavarovalnica Triglav's offer in that market segment.

The Triglav Group

The Triglav Group focused on the establishment of a standardised marketing and sales structure and marketing functions not previously represented in the organisation of the subsidiaries, as well as job classification. To a great extent this goal was reached. Moreover, the Group addressed normative regulation of sales, i.e., rules governing the work and remuneration of sales officers. The rules will be implemented in the first quarter of 2011.

The Company continued with the development of a unified IT platform for non-life insurance, which will also serve as the basis for the standardisation of business processes and the transfer of non-life insurance products to subsidiaries. Other marketing activities included work on individual projects in some of the subsidiaries. In cooperation with Triglav Zdravstvena zavarovalnica a new insurance for health-resort treatment of traffic accident injuries was introduced to the market of the Republic of Srpska in Bosnia and Herzegovina.

With its international insurance programme, Zavarovalnica Triglav offered its policy holders quality insurance cover and insurance services abroad. More than 500 programmes were carried out via the Triglav Network, consisting of subsidiaries and partner insurance companies.

The year 2010 was marked by the enhanced effectiveness of direct marketing.

The Triglav Group focused on the establishment of a standardised marketing and sales structure and marketing functions not previously represented in the organisation of the subsidiaries, as well as job classification.

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

6.1.2 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 product range tailored to specific target groups was redesigned and expanded. New unit-linked insurance products were prepared - for professional athletes (FLEKS FOR ATHLETES), for Abanka clients (ABAFLEKS and ABAFLEKS FOR ADULTS) and for Probanka clients (PROFLEKS). Term life insurance and credit life insurance offers were modernised to be even more competitive.

The Company carried out three large marketing communication campaigns to promote FLEKS FOR YOUNGSTERS unit-linked insurance, including a contest in schools and kindergartens (»My biggest wish is...«), and the advertising campaign FLEKS - AN ANSWER TO EVERYTHING. The FLEKS FOR YOUNGSTERS campaign included several events for building client relations and for awarding the most successful insurance agents. In the framework of the contest, children were presented with practical prizes. In collaboration with the Slovenian Association of Friends of Youth, seaside holidays were provided to children from three underprivileged families.

Direct marketing

In the framework of three new direct marketing campaigns, Zavarovalnica Triglav offered:

- an addition or expansion of coverage to accidental death for standard instalment-based and unit-linked life insurance policies and an increase of the sum insured in the event of death by natural causes;
- additional payments to investment accounts of the holders of instalment-based unit-linked life insurance policies and unit-linked FLEKS policies without entry fee;
- additional payments to the personal accounts of supplementary voluntary pension insurance policy holders.

6.2 DEVELOPMENT ACTIVITIES

6.2.1 Non-life insurance

Zavarovalnica Triglav's top position does not only mean it is the fastest in recognising and managing changed realities arising from the professional and natural environment of which it is an integral part, it means, first and foremost, that it possesses the ability to use self-leadership and shape the desired business environment of the future with innovative ideas.

In non-life insurance development the Company is constantly working on improving the content and organisation of its operations. Development activities are at the core of its operations. By developing new products and upgrading existing products Zavarovalnica Triglav offers the market and policy holders new opportunities to protect their personal or business property, enabling clients to find new forms of protection against the risks and hazards characteristic of these times of ever greater uncertainty.

Development and redesign of insurance products

In line with the development plans of **property and interest in property insurance**, particular attention was paid to the redesign of existing products and the creation of new ones, including:

- an upgrade of the property and interest in property insurance package for individuals;
- a recast of the terms and conditions for the home insurance package for individuals (DOM), fire insurance and home contents insurance;
- the introduction of new actuarial bases for professional liability insurance for health service professionals;
- the introduction of new actuarial for business interruption insurance due to fire or machinery breakdown on the basis of gross profit;
- the design of a comprehensive property and interest in property insurance package for solar (photovoltaic) power plants;
- a renewal of procedures and methods of concluding outdoor car storage insurance contracts within the context of recasting actuarial bases for property insurance;

By developing new products and upgrading existing products, Zavarovalnica Triglav offers the market and policy holders new opportunities to protect their personal or business property.

The terms and conditions of the home insurance package for individuals (DOM), fire insurance and home contents insurance were recast.

- the establishment of premium tariffs for professional liability insurance for private security companies and for professional liability insurance for administrators of compulsory composition, bankruptcy and liquidation proceedings and separate premium tariffs for earthquake insurance.

In **motor vehicle insurance**, tight market conditions were reflected in the enormous growth in commercial discounts. The unavoidable restriction of these discounts was supplemented by:

- target discounts on the entire motor vehicle insurance policy;
- content upgrade of motor vehicle insurance packages;
- harmonisation of individual covers;
- further implementation of premium differentiation and adjustment in order to stabilise the technical result in certain segments of motor vehicle insurance.

The main activities in **transport insurance** included:

- participation in the design of software support for road cargo haulier liability insurance in IT Build - Claims and claim settlement and subrogation in IT Build;
- a tariff change for liability insurance for marine vessel owners covering damage to third parties due to legislative changes in Italy;
- a change in actuarial bases for liability insurance of aircraft owners;
- the establishment of new terms and conditions for technical facility insurance;
- seeking and preparing solutions for the provision of cabotage insurance for Triglav's clients in EU member states;
- cooperation with an international broker in international marine hull insurance;
- training courses for staff in subsidiaries on cargo insurance and transfer of aircraft hull insurance and aircraft liability insurance products to Triglav Kopaonik; offering assistance in cash in transit insurance and claim settlement.

The Regulation on Co-Financing of Insurance Premiums greatly influenced the development of **agricultural insurance products**. Major development activities included:

- expansion of the excess system through the introduction of deductibles (crop and fruit);
- establishment of the so-called required premium rate for certain areas in Slovenia (crop and fruit);
- introduction of policy authorisation for the conclusion of agricultural insurance contracts in accordance with individual risk underwriting authorities;
- further participation in the Working Group for the Expert Evaluation of Establishing a System of Agricultural Outputs Insurance at the Ministry of Agriculture, Forestry and Food (MKGP);
- assistance in preparation of actuarial bases for subsidiaries and operational involvement in individual subsidiaries' risk underwriting;
- raising premiums for additional health insurance of breeding cows and health insurance of dogs.

In **accident insurance**, the Company redrafted the general terms and conditions for personal accident insurance and the disability table, the premium tariffs for compulsory insurance of firefighting activities and the supplementary terms and conditions for firefighting activities insurance, as well as the insurance premium tariffs and supplementary terms and conditions for the insurance of owners of cards issued by banks and other financial institutions. Premium tariffs for accident insurance of drivers and passengers were changed. Moreover, the Company's specific departments were included in the ITB Claims and ITB Underwrite projects and in moving them into production.

In **receivables insurance** (financial and trade credit insurance and suretyship insurance) the Company prepared for the changed realities by recasting the terms and conditions for insuring the borrower's loss of employment, accidental death or permanent disablement and by product segmentation (option to purchase only credit unemployment insurance). It amended covers for card owners, consumer loans and commercial credits for SMEs and started a recast of the terms and conditions for suretyship insurance, which is planned to be concluded in 2011.

6.2.2 Life insurance

Stagnant financial markets and the decline in the unit price of mutual funds were reflected in strong pressure for the early termination of insurance contracts. The Company attended to the existing portfolio, communicated the advantages of insurance contracts and simultaneously continued with the development of life-insurance products.

The segment of traditional life insurance underwent the most significant redesign, including a recast and upgrade of the terms and conditions of the insurance and the addition of the **possibility to convert from a protection policy** to an investment policy. Besides term life insurance, a plethora of other top-up policies from the range of Zavarovalnica Triglav was put on offer, including life insurance covering critical illnesses with a constant sum insured, accident insurance for children, medical travel insurance with assistance for travels abroad, etc. Life tables, underwriting documentation and premium tariffs were upgraded.

In development activities, emphasis was laid on the recast of **term life insurance**, the price of which could be lowered significantly due to positive results in the past. The Company thus designed the most competitive product of this kind in the Slovene market. The accelerated benefits pay-out option, ranging up to 50% of the insured sum, in the case of diagnosed and proven incurable illness of the insured person (so-called »accelerated benefits«), was added to the policy free of charge. A new joint term life insurance product was developed, while the underwriting documentation and premium tariffs underwent a comprehensive upgrade.

Parallel to term life insurance products, the premium tariffs for **credit life insurance** were upgraded as well. Premium tariffs for single premium credit life insurance were finalised. Policy holders now have the advantage of the insurance company paying for the costs of a possible medical examination.

The **charts for obligatory medical exams** were recast - in agreement with the reinsurance company higher limits were set for obligatory medical exams and thus better conditions were created for the clients. An open amount was established, which is not calculated into the sum total of sums insured used in setting limits for medical exams. The higher limit increased Triglav's competitiveness without changing its obligations, as it surpasses the retention level stipulated in the agreement with the reinsurance company which sets down the level of liabilities covered by the insurance company.

In response to the financial crisis, the one-off payment upon inception of the **FLEKS FOR YOUNGSTERS** unit-linked life insurance contract was abolished and the underwriting documentation was redesigned to include provisional calculations of the future value of assets and different rates of return. A new unit-linked life insurance product entitled **FLEKS FOR ATHLETES** was developed. Fleks for Athletes is a life insurance product with premiums paid in monthly instalments and a one-off premium payment upon inception of the contract, combining an investment component in which benefits are linked to unit prices of selected investment funds and a life insurance component with a sum assured in the event of death. It is especially tailored for a specific target group - athletes. This insurance policy provides for a variable premium and a relatively low cost burden to be carried by the policy holder as the costs are lower than for other unit-linked insurance products.

In 2010, as mentioned in the previous chapter, the Company started designing special products for banks in order to gradually strengthen and improve sales through the sales channels of banks. The special unit-linked life insurance product **ABAFLEKS** combines the existing terms and conditions for the unit-linked life insurance FLEKS and a selection of mutual funds for the basket of financial objectives in the framework of Abančna DZU. Similarly to the cooperation with Abanka, a special unit-linked insurance product called **PROFLEKS** was designed with Probanka.

An increase in sums paid out on the maturity (**maturity bonus**) of endowment policies encouraged the Company to design a product for loyal clients, granting them special bonuses if upon maturity of an endowment policy they decide to take out a new insurance policy and transfer at least 10% of the amount paid out on the old endowment policy's maturity to the new policy. The sales campaign was prepared in cooperation with the non-life insurance department as the bonuses are linked to life insurance (lower costs) and non-life insurance (coupon for a non-life insurance premium payment).

Supplementary accident insurance which is taken out together with life insurance was redesigned by extending the cover for hospital stay to include stays due to Salmonella or Legionella infection. Triglav was thus the first insurance company to offer this kind of cover. The product was upgraded with the extension of cover to include a monthly annuity pay-out in the event of an accident. A new insurable risk - **insurance of the monthly annuity** in the event of a disablement of 50% or more as a consequence of one accident - was added to the supplementary terms and conditions. In supplementary accident insurance for children, **the progressivity in the event of permanent disability** was increased.

In development activities, emphasis was placed on the recast of term life insurance, the price of which was lowered significantly due to positive results in the past. The Company thus designed the most competitive product of this kind in the Slovene market.

A new life insurance product entitled FLEKS FOR ATHLETES was developed.

New investment insurance products for bank account holders were launched.

The **underwriting documentation** was completely redesigned to include, among other information, the calculation of future value of assets on the basis of three different return rates, which will become mandatory in 2011. The process of taking out insurance was simplified with the **Life Circle** IT application, which is the basis for all provisional calculations. It enables sales officers to calculate, in a simple and transparent fashion, all necessary parameters of an insurance contract and to print out the insurance contract offer.

In **IT-Life** - the new information system and development environment - the Company already manages all of its life insurance policies and more than 90% of its total number of insurance policies.

6.3 INVESTMENTS IN PROPERTY AND EQUIPMENT IN 2010

In 2010, the Triglav Group invested EUR 23.0 million in property, plant and equipment, EUR 7.3 million in investment property and EUR 5.6 million in intangible assets. Investments in intangible fixed assets include investments in software and property rights.

The Company's investment policy was focused only on urgent repairs, renewals and refurbishment of existing business premises.

6.4 ORGANISATION OF THE TRIGLAV GROUP IN 2010

The business process reengineering project was adapted to the new strategy of the Triglav Group. It was supplemented with a carefully planned approach to establishing a business process and change management system, with a redesign of the internal document management system and the establishment of a central back office. With the implementation of this project the Company 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 prepare a new, unified organisation and job classification in line with the needs of individual processes and the macro-organisation of Zavarovalnica Triglav;
- 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 in the realisation of the set objectives. By fulfilling the requirements and meeting the expectations of its clients and policyholders the Company wishes to become even more responsive and flexible.

In 2010, most attention was paid to:

- the establishment and implementation of a unified system of responsibilities, competences and authorities;
- the establishment of the business process management system;
- the efforts for a continuous adaptation of the organisational structure and job classification in line with the procedural and IT changes which were finalised with the reorganisation of individual departments;
- taking stock of individual back-office processes and drafting of improvement suggestions in accordance with the aim of concentrating back-office functions in a central back office;
- after an analysis of the state of affairs and the definition of objectives, 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 subsidiary insurance companies Lovćen Osiguranje, Triglav Kopaonik and Vardar Osiguruvanje.

The organisational structure is constantly adapted to the mission, vision and strategic goals, as well as to changed processes and technologies.

The division of tasks between the head office and branch offices was redefined, as were the competences and authorities of the branch offices.

6.5 ISO 9001 QUALITY MANAGEMENT SYSTEM IN THE TRIGLAV GROUP

In 2000, Zavarovalnica Triglav was certified as meeting the requirements of ISO 9001. As required by this international standard for quality management, the Company carries out internal audits of the quality system, concentrating on compliance and operational efficiency, and on finding new opportunities for the improvement of work processes. Compliance with the standard is audited each year by the leading Slovene certification institution - SIQ - Slovenian Institute of Quality and Metrology.

Process owners control the efficiency of the processes by applying a set of process performance indicators, in accordance with risk management indicators and key performance indicators. Results by departments and suggestions for their improvement are always discussed by the Management Board.

Zavarovalnica Triglav is continuing 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 and gradually apply it to the entire Triglav Group.

Within the Triglav Group, the ISO 9001 quality certification was obtained by Lovćen Osiguranje from Montenegro and Triglav Zdravstvena Zavarovalnica, the certification audit of which was successfully concluded in November 2009.

6.6 DEVELOPMENT OF IT SUPPORT

To enable a more effective performance of insurance processes and to speed up the development of software required for the support of new or upgraded insurance products and services, the Company continued with the redesign of all information system segments. The re-engineering of business processes in Zavarovalnica Triglav was accompanied by appropriate IT solutions.

The IT Division's activities by individual departments included the following:

- **Non-life insurance IT system.** The existing IT system supporting non-life insurance was maintained and upgraded. New online functionalities, including verification and establishment of bonus-malus in motor vehicle insurance, authorisations for granting commercial discounts and underwriting, authorisation for the conclusion of contracts with high-risk clients and their follow-up, were developed. At the same time, development activities were carried out, in collaboration with an outsourced partner, for upgrading the IT system supporting non-life insurance. Most of the attention was focused on overhauling software applications for claims and subrogation, insurance underwriting and processing and sub-ledger records. A redesigned application support to facilitate the work of sales officers was introduced for underwriting in all regional units and for claims and subrogation in six regional units.
- **Life, health, pension and accident insurance IT system.** The existing IT system was not only maintained and developed but also redesigned, as most of the life insurance products were transferred to the IT-Life information system (traditional endowment life insurance, annuity insurance, scholarship insurance and life insurance covering critical illnesses). The new system offers comprehensive IT support for all types of life insurance products available in Zavarovalnica Triglav, Triglav Osiguranje and Triglav Kopaonik. Adaptations were carried out on the information system for sub-ledger records and payment transactions (payment orders, invoices, direct debit) and on the system for calculating insurance agent fees for transferred products. Processing applications for automatic booking to the general ledger and processing applications and web applications for cost reports and premium payment inspection and survey were developed. IT support was designed for new products (FLEKS for Athletes, ABAFLEKS, PROFLEKS) and the policy printing process was unified with the help of GMC software.
- Most support activities in subsidiaries were carried out in Triglav Osiguranje and Triglav Kopaonik. In Triglav Osiguranje, the On-Line Premium Calculator application was updated, the portfolio of endowment life insurance and direct debits was transferred to the new system and the bank information exchange functionality was extended. In Triglav Kopaonik, IT applications were developed for traditional endowment life insurance to support the conclusion of contracts, debt collection, claim settlement and processing.

- **IT support systems.** The department participated in the upgrade of the Navision system and in the »Financial Statement Consolidation« project. New Lotus Notes applications were prepared for the management of sponsorship funds and donations, the management of competences and authorisations and for support in the prevention, detection and investigation of fraud. More than 100 reports and checks were carried out to support the decision making process. Two new OLAP cubes are used to monitor claims provisions and unearned premiums. The OLAP cubes, previously prepared processing procedures and checks were adjusted to the new ITB-Claims and ITB-Claim Settlement and Subrogation project structure. The Department sent the web application for the provisional calculation of motor vehicle insurance policies into production and redesigned the non-life insurance claim handling procedure (Cenilka) to fit the new IT-Build data architecture and content.
- **IT system support.** The computer infrastructure (server and communication infrastructure as well as operating system infrastructure) enabled business continuity of all of the organisational units. The central infrastructure was redesigned and upgraded in the primary and secondary location (server and disk systems). A redundant connection was established between the Company headquarters and 42 sites (regional offices, agencies). Due to the Company's business requirements and the larger volume of operations, some existing communication links were upgraded and some new ones established. The IT Department provided environments enabling the testing and running of upgraded software applications for non-life and life, health, pension and accident insurance, as well as for support systems.
- **IT user support.** The Department carried out the migration of the Help Desk application to an upgraded version and thus increased the efficiency of its functioning.
- **IT support for the Triglav Group.** The IT Department coordinated the activities related to the implementation of application support for the non-life and life, health, pension and accident insurance business of the Group, in cooperation with colleagues from the parent company and the subsidiaries.

The year 2010 witnessed the successful implementation of the target application support for non-life insurance in Triglav Osiguranje. The Department stabilised software solutions and upgraded certain functionalities.

A gap/fit analysis was performed for Triglav Kopaonik and in September, after the conclusion of pre-project activities, the AdInsure information system was first officially introduced. The first phase, comprising the implementation of motor vehicle insurance to all sales channels and the business partner module as well as the transfer of data on concluded contracts and business partners to the existing back-office systems, was successfully concluded before the end of the year.

Preparations to include the subsidiaries Vardar Osiguruvanje and Triglav Krajina Kopaonik in the pre-project activities were carried out towards the end of the year. In the framework of the »AdInsure Group« programme, several workshops were carried out in December for the formation and training of an international team of insurance product experts and IT managers, who will participate in the project of unification and insurance product design in the Triglav Group.

Security support and IT compliance

In addition to regular and comprehensive IT security and compliance support, project activities were initiated to establish a business continuity system (BCS), including the assessment of the criticality of key business processes in Zavarovalnica Triglav. The Department raised awareness of IT security among employees and carried out another outsourcing risk analysis.

Plans for 2011

The year 2011 will see a continuation of some comprehensive projects and the introduction of additional new features. IT Department activities in the future will include:

- redesigning of software applications for non-life insurance products;
- transfer of application solutions for life, health, pension and accident insurance to a new technological platform;
- transfer of knowledge and technology to subsidiaries abroad and the introduction of standard application solutions;
- introduction of a new information resource management system in Zavarovalnica Triglav and the transfer of IT security documents to the insurance part of the Group.

The year 2011 will see a continuation of some comprehensive projects and the introduction of additional new features.

Simultaneously, the IT Department plans to:

- prepare IT support for all types of traditional life insurance products in the new IT-Life information system in Triglav BH Osiguranje;
- finalise the implementation of the CBS project in Zavarovalnica Triglav and offer assistance in CBS implementation in one of the subsidiaries;
- design several web applications for underwriting;
- design an application for consolidated financial statements;
- upgrade the MBS Navision system and the existing systems supporting decision-making processes (OLPA, e-triglav);
- initiate work on projects such as Data Warehouse and Reporting, Sales Planning and Prevention and Detection of Fraud;
- redesign the web portal of Zavarovalnica Triglav, including a new Triglav Group web appearance and a life insurance application (e-life).





security

Effective risk management is used to provide for the security of operations. We offer high-quality financial products and services which improve the financial security of our clients.

Three lines of

Risk is a part of life.

Therefore, the core of financial security that the

Triglav Group transfers to its environment must originate in its business operations, which are

protected against risk by

three lines of defence.

1

2

3




defence against risk

The first line of defence consists of individual divisions which are responsible for the effective functioning of internal controls and 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 and the Assets and Liabilities Committee and the Risk Management Department. The two committees supervise the integrated system functions and whether activities are suitably communicated. The Risk Management Department draws up a risk management framework, and advises and monitors the state of compliance with the law and business operations.

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 and periodically evaluates the quality of the risk management system.



Insurance business is of great importance for the entire economy and the security of individuals. The two objectives of Triglav are to create security and to effectively manage risk.



7. TRIGLAV GROUP'S OPERATIONS

7.1 GENERAL ECONOMIC ENVIRONMENT IN SLOVENIA

The recovery of the euro zone, affected by the debt crisis of peripheral countries, was slow and uncertain. After a year of deep recession, Slovenia attained moderate growth which, according to IMAD's autumn forecasts, reached only 0.9%. Despite the rapid rise of its main trade partner, Germany, Slovenia's economic climate remained on a low level, confirmed by below-average forecasts for the future economic growth of domestic and foreign institutions. The low 2.2% inflation reflected the international situation and weak economic activity in Slovenia.

The signs of revival of the Slovene economy were largely due to the mild strengthening of foreign demand. The relatively quick 7.0% growth of exports was encouraged primarily by EU member states, while the growth of exports to other markets remained low. Strengthened exports were limited to exports of goods and related services, particularly transport services. The balance of payments current account deficit thus decreased for the second year running, and approached 1% of GDP.

Domestic demand repeatedly declined due to the deteriorating situation in the construction sector and the labour market, while access to sources of funding continued to be difficult, combined with rampant lack of payment discipline. The 0.5% lower private consumption and 3.5% lower gross fixed capital formation contributed to the negative growth, while government consumption recorded only slight 0.7% growth.

Despite the decreasing employment rate, the downward trend stabilised by the end of the year. The drop in employment in the construction sector was mitigated by the business activity in processing sectors and government measures aimed at preserving jobs. The average number of unemployed persons was approximately 101,000, the average registered unemployment rate was 10.7% and amounted to 7.2% according to the workforce survey.

Inter-bank interest rates in the euro zone remained on record low levels, but no major revival of credit activity in Slovenia occurred. The growth of loans to the non-financial sector increased primarily in the long-term loan segment, whereas loans to individuals increased mostly in the housing loan segment. The quality of balance sheet assets of Slovene banks worsened primarily due to their exposure to the construction sector, as they were forced to increase the volume of additional impairments and provisions.

The public sector deficit remained high. Revenues continued to be low, in line with lower economic activity. The government began to adopt reforms in order to ensure the long-term stability of public finances, but encountered strong opposition from numerous interest groups. Nevertheless, in the opinion of the European Commission, Slovenia fulfilled the requirements under the excessive deficit procedure for 2010. The European Commission forecasted that in 2010 the country's public finance deficit will be 5.8% of GDP and its gross debt will reach 40.7% of GDP.

In 2011, a slow and uncertain revival of economic activity in Slovenia could be expected. According to IMAD's autumn forecast, the growth of GDP in real terms will be slightly quicker and reach 2.5%. Inflation, forecasted at 2.7%, will also be slightly higher. The forecasts were accompanied by uncertainty mainly due to the worsening international situation and restrictions in financial markets. According to the central scenario, GDP growth will continue to drive exports and related capital consumption. Given the 11% unemployment rate, the growth of private consumption will be modest, while government consumption will be slightly lower due to the announced austerity measures. In its 2011 autumn forecast, the European Commission anticipates a slightly lower budget deficit of 5.3% and a slightly higher gross national debt, estimated at 44.8%.

7.2 ENVIRONMENTAL IMPACT ON TRIGLAV GROUP'S OPERATIONS

The Triglav Group recorded good business results in 2010 despite the poor economic situation and weather occurrences with catastrophic consequences. Due to adequate reinsurance, the extensive loss events did not have any significant impact on the performance of the Company in 2010.

The economic crisis and the resulting growth of unemployment have reduced the demand for life and accident insurance. The decrease in loan insurance premium was primarily due to the reduction of bank loans and the increase in the minimum salary, which reduced the creditworthiness of the population, as well as the adoption of the new consumer loan act, which imposed additional

Inter-bank interest rates in the euro zone remained at record low levels, but no major revival of credit activity in Slovenia occurred.

The Triglav Group recorded good business results in 2010 despite the poor economic situation and the weather occurrences with catastrophic consequences.

prudence on banks when granting loans. The economic crisis also affected the demand for transport insurance. Owing to reduced economic activity and related exports and imports, there was a decrease in premium in this sector. The decrease in car insurance premium was a consequence of increasing price competition among the insurance companies and more rational behaviour on the part of insured persons, a drop in insurance prices, a decrease in premium for major clients acquired through public tenders and the consequences of the economic crisis. An additional loss of premium was also due to portfolio selection and the intensive rehabilitation of poor technical results recorded in insurance of interests in property as well as in agricultural insurance.

The value of some of the Group's investments dropped as a result of the declining values of tradable and non-tradable financial investments following market price adjustments on organised capital markets and the fair value adjustment of assets. Consequently, the relatively conservative investment policy of the Triglav Group was unable to withstand all the unfavourable influences of the global financial crisis and the situation in capital markets. Owing to significant or long-term decreases in the value of investments, permanent impairment of investments was carried out in the amount of EUR 51.1 million.

Loss events also affected the business operations of the Group. In 2010 Slovenia suffered numerous storms with catastrophic consequences that caused major damage. Among the most disastrous events was the windstorm that occurred on 9 and 10 March 2010, which was strongest in the Nova Gorica region and in the southern Primorska region. The total assessed damage amounted to approximately EUR 7.0 million. The hailstorm in Grosuplje and the surrounding areas on 17 June caused damage estimated at slightly below EUR 10.0 million. The largest loss event was the flood that occurred between 18 and 22 September, affecting most of Slovenia, but primarily Ljubljana and its surroundings as well as the Celje region. Overflowing rivers flooded and damaged a large number of houses and vehicles. More than 4,000 loss events were reported, with a total estimated damage of around EUR 20.0 million.

7.3 INSURANCE MARKET AND MARKET POSITION OF THE GROUP MEMBERS IN 2010

According to the most recent official data on insurance markets published by Swiss RE, Europe holds first place in international insurance business. In 2009, Europe underwrote 39% of the total premium, North and South America accounted for a 33% share, Asia for 25%. Africa and Oceania and jointly represented just above 2% of the international insurance market.

The Slovene insurance market is one of the smallest both globally and on a European scale. In 2009 it accounted for 0.07% of the global insurance market, ranking it 50th in the world. The Slovene insurance market is 108 times smaller than that of the UK, which is the largest in Europe, but this difference is decreasing. On the other hand, in terms of absolute size, the Slovene insurance market is larger than the markets of Slovakia, Ukraine, Croatia, Malta, Cyprus and some other European insurance markets.

A more appropriate comparison is provided by relative indicators, such as premium per capita and insurance penetration (share of premium in GDP). On an international scale, Slovenia is ranked 28th in premium per capita (one place higher than in 2009) and 25th in insurance penetration.

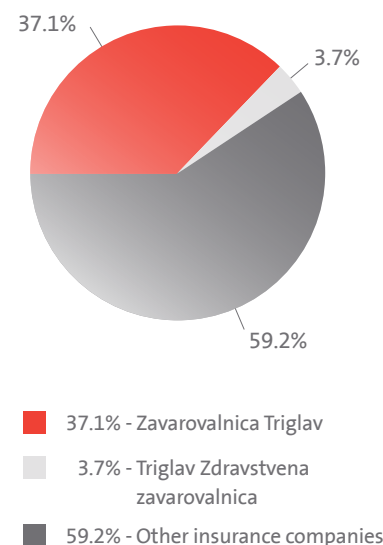
PREMIUM PER CAPITA AND MARKET PENETRATION IN SLOVENIA AND CERTAIN OTHER EUROPEAN COUNTRIES IN 2010

	PREMIUM PER CAPITA		INSURANCE MARKET PENETRATION	
	(IN USD)	GLOBAL RANK	(IN % OF GDP)	GLOBAL RANK
Slovenia	1,418	28	5.96%	25
Austria	2,737	19	6.01%	24
Croatia	402	42	2.83%	50
Czech Republic	746	33	3.97%	38
UK	4,563	5	12.92%	3
Netherlands	6,555	1	13.57%	2
Greece	582	36	1.98%	63
Serbia	108	66	1.81%	66
EU - geographic area	1,861	-	7.59%	-
EU - 27	2,772	-	8.43%	-

Source: Sigma, Swiss Re (No 2, 2010)

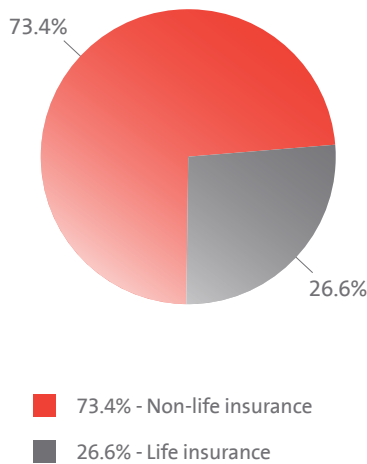
The value of some of the Group's investments dropped as a result of the declining values of tradable and non-tradable financial investments following market price adjustments on organised capital markets and the fair value adjustment of assets.

THE 2010 MARKET SHARE OF ZAVAROVALNICA TRIGLAV AND OTHER TRADITIONAL INSURANCE COMPANIES DOMICILED IN SLOVENIA



On an international scale, Slovenia is ranked 28th in premium per capita (one place higher than in 2009) and 25th in insurance penetration.

PREMIUM STRUCTURE IN THE CROATIAN INSURANCE MARKET



A new insurance company, Ergo, entered the Slovene insurance market in 2010. At the 2010 year end, there were 16 insurance companies and 3 foreign insurance branches operating in Slovenia. Together they recorded gross written premium amounting to EUR 2.1 billion, which showed an increase of 1% over 2009. Traditional insurance companies (17) booked a total of EUR 1.94 billion in premium⁶, of which 74% stemmed from non-life insurance and the remainder from life insurance. In 2010 non-life insurance decreased for the first time (index 99.6), whereas life insurance premium grew by 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 considers it to still be negligible. Zavarovalnica Triglav directly operates in all 27 EU member states.

In 2010, the four largest insurers controlled over 76% of the traditional market (vs. 79% in 2009), which showed a high degree of concentration. With its 37.1% share, Zavarovalnica Triglav remained the market leader. The second largest market share was held by Zavarovalnica Adriatic Slovenica, a company 2.8 times smaller. At the year end, Zavarovalnica Triglav and Triglav Zdravstvena zavarovalnica had a combined market share of 40.8%, which was 1.2 percentage points less than in 2009. Predominantly foreign-owned insurance companies (Generali, Merkur, Grawe, Arag, Ergo, Victoria-Volksbanken, Wiener Städtische) continued to increase their market shares. In 2010, they recorded a total of EUR 194.2 million in premium and had a combined market share of 10.0% (vs. 8.7% in 2009).

The Company held 41.1% of the life insurance market and 35.6% of the non-life insurance market. Maintaining the leading position in the market is becoming increasingly challenging as the competition is trying to expand its market share by contracting away Triglav's clients.

7.4 TRIGLAV GROUP'S OPERATIONS IN OTHER MARKETS

7.4.1 South-East Europe

Following a successful strategic expansion into the markets outside Slovenia in the past years, the focus was largely on strengthening the Triglav Group and on greater coordination and closer cooperation among the Group companies. The Group operated in seven countries: Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, the Czech Republic, Serbia and the Former Yugoslav Republic of Macedonia. Triglav also entered the Albanian insurance market.

The objectives of the business policy of the Triglav Group in markets outside Slovenia remained unchanged compared to 2009:

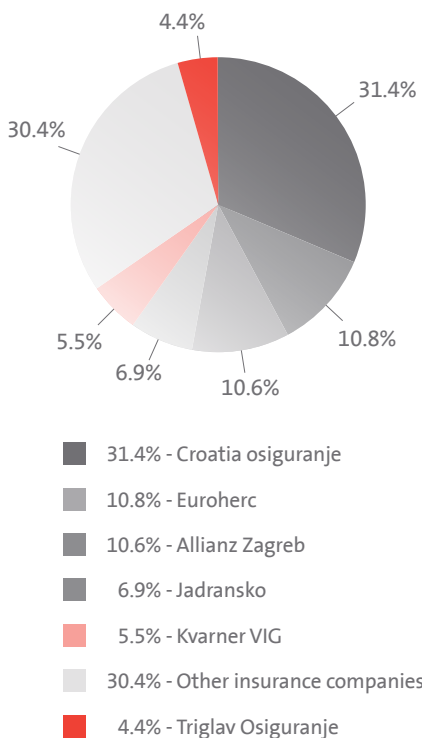
- the unification and adjustment of business processes in subsidiaries abroad to the processes in Zavarovalnica Triglav;
- the transfer of know-how and experience acquired in professional liability insurance, marketing, IT technology, and finance and accounting to insurance subsidiaries abroad;
- insurance of foreign subsidiaries' risks that exceed equalisation schemes by Pozavarovalnica Triglav Re and in accordance with local legislation;
- the use of competitive advantages in foreign markets;
- benefiting from 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.

7.4.2 Croatia

The initial data show that Croatia recorded a 1.5% decrease in GDP in 2010. Although the data for the third quarter pointed to economic recovery, economic activity dropped again in the last quarter of 2010. GDP growth of 1.5% was expected in 2011.

The unemployment rate in 2010 was higher than in 2009 and the number of unemployed increased to 320,000 as at the year end. The average annual registered unemployment rate was 17.5%, while the unemployment rate in 2011 was expected to be 18.5%.

SHARES IN THE CROATIAN INSURANCE MARKET



⁶ The data have been collected by the Slovenian Insurance Association and therefore only the data on association members are included.

At the 2010 year end, the inflation rate and general growth of the prices of goods and services were the lowest since the introduction of the stabilisation programme in 1993. The extended recession, strong decline in domestic demand, absence of pressure from import prices and the high stability of the exchange rate of the kuna against the euro resulted in an average growth in prices of goods and services of slightly more than 1%.

2010 MAIN MACROECONOMIC INDICATORS

Population	4.4 million
2010 Growth of GDP (estimate)	-1.5%
2010 GDP (estimate)	USD 59.9 billion
2010 GDP per capita (estimate)	USD 13,528
2010 Inflation rate (retail prices)(estimate)	1.9%

Source: IMF, World Economic Outlook, October 2010

Insurance market

At the 2010 year end, 25 insurance companies (two less than in 2009) operated in Croatia, of which 10 composite insurance companies, 9 non-life insurance companies and 6 life insurance companies. They recorded a total of HRK 9.25 billion in premium or 2% less than in 2009. Non-life insurance products accounted for 73% of this amount and life insurance products for the remainder. Non-life and life insurance premium decreased by 2% and 1%, respectively, over 2009.

Triglav Osiguranje recorded a total of HRK 405.5 million in premium and advanced from eighth to seventh place among Croatian insurance companies. Of the eight largest insurance companies, it was the only one to record an increase in premium, at 1.4%. Its market share increased by 0.14 percentage points and a 4.39% share of the total written premium was attained.

Concentration in the insurance market in Croatia was rather high, as the first five insurance companies held a combined 65.3% market share. The biggest insurance company, Croatia Osiguranje, held a 31.4% market share and was the market leader in non-life insurance. The market leader in life insurance was Allianz, with 14.1%.

7.4.3 Bosnia and Herzegovina

The country's economic, political and social circumstances remained essentially unchanged. The consequences of the economic crisis, constant political tensions, adverse management of economic processes and a lack of needed reforms were still present.

The political crisis further deepened in this election year. The positive shifts in the international political field (the Federation of Bosnia and Herzegovina joined the NATO Membership Action Plan (MAP) in April and acquired a visa-free regime at the end of the year) did not have any significant positive impact.

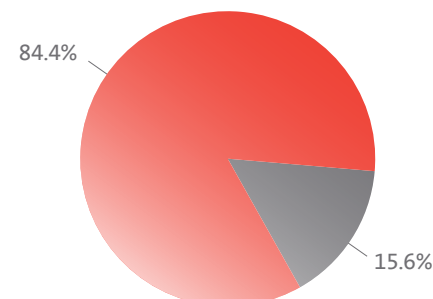
This was a difficult year for the country in the social sphere. In addition to constant high unemployment, the budget deficit imposed an additional burden on the country. Numerous difficulties resulted in riots.

2010 MAIN MACROECONOMIC INDICATORS

Population	3.8 million
2010 Growth of GDP (estimate)	0.5%
2010 GDP (estimate)	USD 16.2 billion
2010 GDP per capita (estimate)	USD 4,158
2010 Inflation rate (retail prices)(estimate)	2.4%

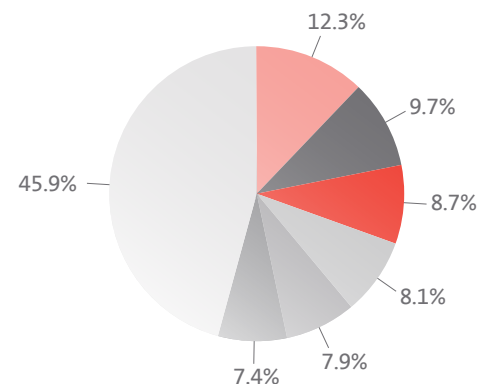
Source: IMF, World Economic Outlook, October 2010

PREMIUM STRUCTURE IN THE INSURANCE MARKET OF BOSNIA AND HERZEGOVINA



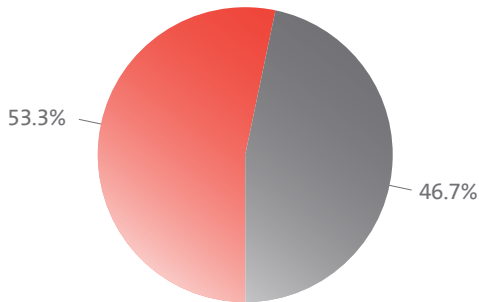
- 84.4% - Non-life insurance
- 15.6% - Life insurance

SHARES IN THE ENTIRE INSURANCE MARKET OF BOSNIA AND HERZEGOVINA



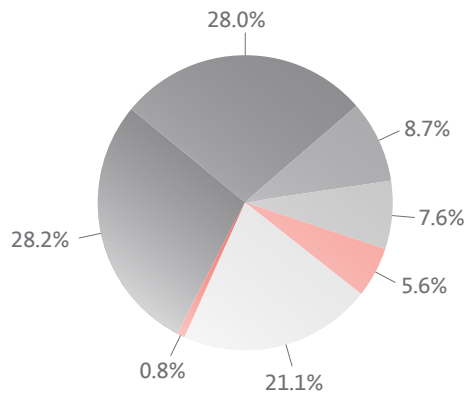
- 12.3% - Sarajevo Osiguranje
- 9.7% - Bosna Sunce Osiguranje
- 8.7% - Triglav BH Osiguranje and Triglav Krajina Kapaonik
- 8.1% - Euroherc osiguranje
- 7.9% - Croatia osiguranje
- 7.4% - Uniqa osiguranje
- 45.9% - Other insurance companies

PREMIUM STRUCTURE IN THE CZECH INSURANCE MARKET



- 53.3% - Non-life insurance
- 46.7% - Life insurance

SHARES IN THE CZECH NON-LIFE INSURANCE MARKET



- 28.2% - Česká pojišť'ovna
- 28.0% - Kooperativa pojišť'ovna
- 8.7% - Allianz pojišť'ovna
- 7.6% - Generali pojišť'ovna
- 5.6% - Česká podnikatelská pojišť'ovna
- 21.1% - Other insurance companies
- 0.8% - Triglav Pojišť'ovna

Insurance market

At the 2010 year end, 25 insurance companies operated in the insurance market, of which 15 were domiciled in the Federation of Bosnia and Herzegovina and 10 in the Republic of Srpska. In October the Agency for Insurance Control of the Federation of Bosnia and Herzegovina revoked the insurance licence held by Herzegovina Osiguranje.

The competition intensified due to the severe economic circumstances and the expansion of the operations of most of the insurance companies in the territory of the entire country. Premium was recorded amounting to KM 478.0 million, of which KM 337.0 million in the Federation of Bosnia and Herzegovina and KM 141.0 million in the Republic of Srpska. Premium in the Federation of Bosnia and Herzegovina increased by 4.0% compared to 2009, mainly due to an increase in premium of 8.8% 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 84.4% and life insurance premium for 15.6% of the total premium.

The insurance companies domiciled in the Republic of Srpska or in the Federation of Bosnia and Herzegovina increasingly operated in the entire territory of the Federation of Bosnia and Herzegovina. Premium underwritten by insurance companies domiciled in the Federation of Bosnia and Herzegovina in the territory of the Republic of Srpska amounted to KM 18.6 million and was almost twice as high as in 2009. Premium underwritten by insurance companies domiciled in the Republic of Srpska in the territory of the Federation of Bosnia and Herzegovina amounted to KM 6.3 million and was almost seven times higher compared to 2009.

Triglav BH Osiguranje ranked sixth in the Federation of Bosnia and Herzegovina, with 9.4% of the market. The market leader was the Agram Group (Bosna Sunce Osiguranje and Euroherc), with a market share of 23.5%, followed by Sarajevo Osiguranje (16.7%), Croatia (11.0%) and Uniqua (9.8%).

The market leader in insurance in the Republic of Srpska continued to be Jahorina Osiguranje, with 17.3% of the market, followed by Dunav Osiguranje with 11.4% and Bobar Osiguranje with 11.2%. Triglav Krajina Kopaonik increased its market share by 0.4 percentage points and attained a 6.8% market share, thus ranking seventh.

For the entire Bosnia and Herzegovina insurance market, the two insurance companies in the Triglav Group considered together ranked third with 8.7% of the market.

7.4.4 Czech Republic

The Czech Republic has one of the most developed economies in Eastern Europe. The production sector generates approximately 40% of GDP and is mostly privately owned. One of the most important production sectors is the car industry, which was quite affected by the economic crisis, while the textile industry experienced a boom. In the service sector, tourism was the most promising market segment.

After a 4.1% drop in 2009, GDP increased by 1.2% in the first quarter of 2010, which signified the first positive change since the third quarter of 2008. The GDP growth forecast was 2%. Private consumption decreased by 0.3%, while an increase of 2.8% was anticipated in the 2011-2012 period.

Entry into the euro zone was scheduled for 2016. The relatively healthy financial sector did not feel the effects of recession. The priority agenda of the government included fiscal and monetary policy, structural reforms and improvement of labour market flexibility. The unemployment rate was 9.5% in 2010, which should be actively reduced in the next two years. The inflation rate was 1.6% and an increase to 2% was anticipated in 2011.

2010 MAIN MACROECONOMIC INDICATORS

Population	10.4 million
2010 Growth of GDP (estimate)	2.0%
2010 GDP (estimate)	USD 195.2 billion
2010 GDP per capita (estimate)	USD 18.722
2010 Inflation rate (retail prices)(estimate)	1.6%

Source: IMF, World Economic Outlook, October 2010

Insurance market

Insurance was provided by 32 insurers in the well developed and very competitive insurance market. The booked premium amounted to CZK 151.1 billion, an increase of 8% over 2009. Considerable growth in life insurance was recorded in 2010 (index 119), while the non-life segment was approximately the same as in 2009 (index 100). The share of non-life insurance products in total premium decreased and amounted to 53.3%, compared to 57.7% in 2009.

The market leaders with regard to gross written premium were Česka pojišť'ovna (25.4% market share), Kooperativa pojišť'ovna (20.4%) and Allianz pojišť'ovna (7.0%). Triglav Pojišť'ovna gained a 0.84% market share in non-life insurance, a decrease compared to 2009, when it held 0.88% of the market.

7.4.5 Montenegro

The impact of the global financial and economic crisis, which struck the country as early as 2009 when budgetary expenditures increased to approximately 51% of GDP, continued, mainly due to higher social expenditures. This resulted in an adverse impact on economic growth. Public consumption decreased by 4% in 2010 and reached 47% of GDP. As at the year end, public debt amounted to approximately 41.5% of GDP, while the government's medium-term goal was to reduce public debt to 30-40% of GDP.

In 2010, government bonds were issued for the first time in Montenegro, amounting to USD 200.0 million. Investor interest was strong, which was of importance for the country, as it did not yet have a credit rating.

Export trade amounted to EUR 2.0 million in 2010, which showed an increase of 2.8% over 2009. The export/import ratio was 20% and showed an increase over 2009 (16.7%). The main export markets were Serbia, Greece and Italy.

The unemployment rate was estimated to be 12%.

2010 MAIN MACROECONOMIC INDICATORS

Population	0.63 million
2010 Growth of GDP (estimate)	-1.8%
2010 GDP (estimate)	USD 3.9 billion
2010 GDP per capita (estimate)	USD 6,190
2010 Inflation rate (retail prices) (estimate)	0.6%

Source: IMF, World Economic Outlook, October 2010

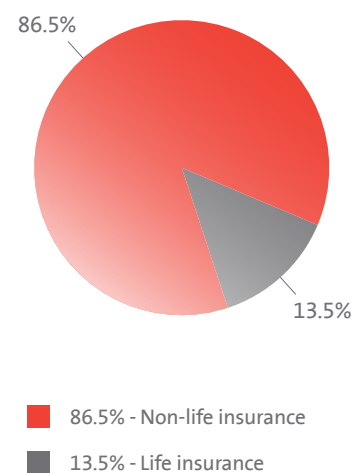
Insurance market

In the Montenegrin insurance market, insurance activities were carried out by 10 insurance companies, of which 5 non-life insurance, 4 life insurance and 1 composite insurance company. In September, the Montenegrin Agency for Insurance Control granted an insurance licence to Wiener Städtische Podgorica, which had not underwritten any premium by the year end.

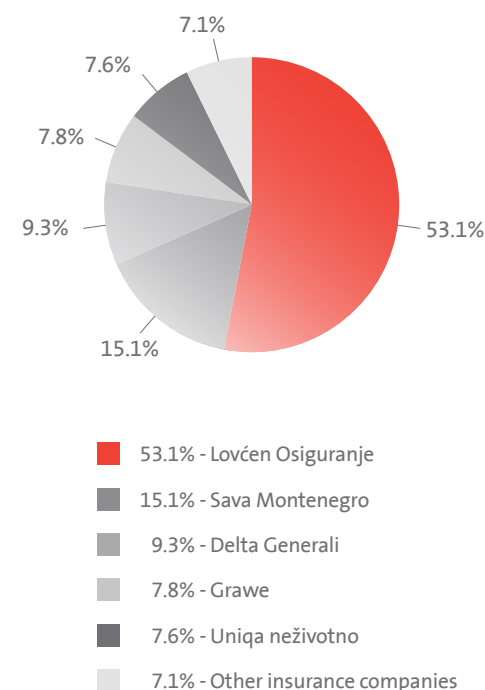
The initial data showed that premium collected by insurance companies amounted to EUR 62.8 million, which was 4% less than in 2009. Non-life insurance accounted for the leading share at 86.5. Non-life insurance premium decreased by 6% and life insurance premium increased by 5% over 2009.

Lovćen Osiguranje continued to be the insurance market leader, although its market share declined to 53.1% (in 2009: 54.6%), followed by Sava Montenegro (15.1%) and Delta Generali (9.3%).

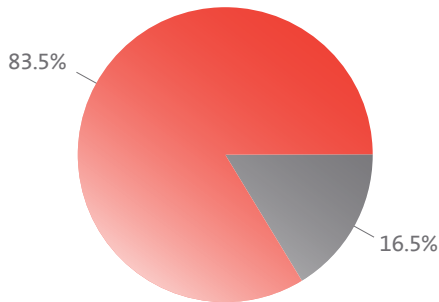
PREMIUM STRUCTURE IN THE INSURANCE MARKET OF MONTENEGRO



SHARES IN THE INSURANCE MARKET OF MONTENEGRO



PREMIUM STRUCTURE IN THE SERBIAN INSURANCE MARKET



- 83.5% - Non-life insurance
- 16.5% - Life insurance

7.4.6 Serbia

Under the effects of the global economic crisis, the Serbian economy recovered only slowly, but nevertheless the GDP increased by 1.5%. The highest growth rates were achieved by the traffic, financial intermediation and manufacturing sectors. The highest decline was observed in the construction, agricultural, hotel and other service sectors.

Compared to the previous year, exports increased, mainly due to the growth in industrial production in the EU, which accounted for more than 57% of exports. Consequently, demand in these countries increased. The export competitiveness of Serbia also increased due to slightly higher productivity and, in particular, to real wage stagnation and depreciation of the Serbian currency.

The cost of living increased by more than 10%. The unemployment rate was more than 19%. The number of employed amounted to 1.85 million, which was the lowest employment in the history of the country.

2010 MAIN MACROECONOMIC INDICATORS

Population	7.4 million
2010 Growth of GDP (estimate)	1.5%
2010 GDP (estimate)	USD 38.9 billion
2010 GDP per capita (estimate)	USD 5,262
2010 Inflation rate (retail prices)(estimate)	10.3%

Source: IMF, World Economic Outlook, October

Insurance Market

26 insurance companies, or one more than in 2009, operated in the insurance market. There were 4 reinsurance companies and 22 insurance companies, of which 9 non-life insurance, 7 life insurance and 6 composite insurance companies. The majority of insurance companies (19) were predominantly foreign-owned, while the biggest insurance company, Dunav (25.9% market share) was state-owned. The market concentration remained high, as the first three insurance companies held almost 63% of the insurance market. There were also 15 banks, 73 corporations, 114 small businesses and 11,000 individuals authorised to act as insurance agents or brokers.

Total premium increased in 2010 by 5.6% over 2009. The largest segment was non-life insurance (83.5% market share), although the share of life insurance products increased in recent years.

Triglav Kopaonik increased its written premium by 12.1%, which is 6.6 percentage points more than the growth of the insurance market in Serbia. Its market share increased to 3.5% (in 2009: 3.3%) and the insurance company ranked 8th among insurance companies in Serbia.

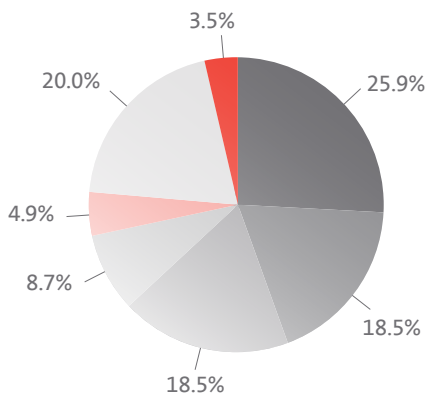
7.4.7 Macedonia⁷

Macedonia's economy faced severe consequences as a result of the global economic crisis, which largely hit the real sector, i.e. industrial production, agriculture and construction. Macroeconomic stability was not threatened in 2010, nevertheless companies faced great difficulties due to non-liquidity. Foreign direct investments were low and amounted to approximately EUR 130.0 million as at the end of October. One third of the population was classified as poor and unemployment increased to almost 32%.

After a decline in GDP in 2009, the trend continued in the first quarter of 2010. In the second and third quarters GDP increased on an interim level by approximately 1.1%, which triggered minimal annual GDP growth.

Macedonia's undeveloped economy depends on economic trends in the countries within the euro zone, which are its biggest economic partners. The GDP growth trend was too weak for the country's basic macroeconomic goals, such as restructuring the economy, decreasing the unemployment rate and increasing the living standard. In order to implement these goals, Macedonia would require a 5% or 6% annual economic growth rate. The most recent projections, however, showed that the GDP growth rate is expected to be between 3 and 3.5% at the utmost.

SHARES IN THE SERBIAN INSURANCE MARKET



- 25.9% - Dunav Osiguranje
- 18.5% - DDOR
- 18.5% - Delta Generali Osiguranje
- 8.7% - Wiener
- 4.9% - Uniqua neživot
- 20.0% - Other insurance companies
- 3.5% - Triglav Kopaonik

2010 MAIN MACROECONOMIC INDICATORS

Population	2.1 million
2010 Growth of GDP (estimate)	1.2%
2010 GDP (estimate)	USD 9.6 billion
2010 GDP per capita (estimate)	USD 4.634
2010 Inflation rate (retail prices) (estimate)	1.9%

Source: IMF, World Economic Outlook, October

Insurance Market

In Macedonia 14 insurance companies operate, of which 11 non-life insurance and 3 life insurance companies. Only one insurance company held a reinsurance licence and, at the same time, offered non-life insurance products. Also operating were 14 insurance brokers and 6 insurance agencies. The insurance industry was the least developed financial industry and accounted for 5% of the total financial industry.

The majority of insurance companies in Macedonia were foreign owned (81% of the total equity of insurance companies). The five biggest insurance companies operating in the heavily concentrated insurance market recorded over 66% of premium. The concentration was even higher in life insurance and reinsurance due to the small number of players.

Insurance companies had MKD 6.5 billion in premium, which was an increase of 5% over 2009. Non-life insurance premium accounted for 94.5% of the total premium in the market. Non-life insurance premium increased by 4%, while life insurance premium increased by almost 18%.

The market leader was the insurance company Vardar Osiguruvanje. As a non-life insurance company, it held a market share of over 21.7% (in 2009: 22.4%), followed by Sava Tabak with 15.3% and QBE with 13.2%.

7.5 GROSS WRITTEN PREMIUM FOR INSURANCE AND CO-INSURANCE CONTRACTS IN 2010

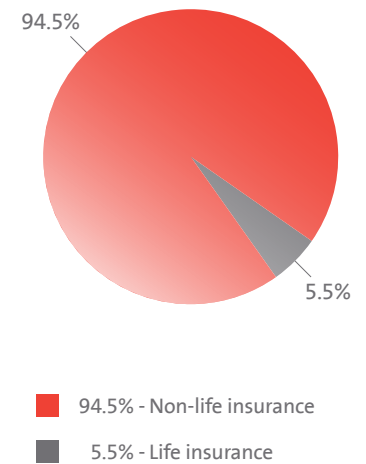
In 2010, the Triglav Group posted a total of EUR 1,013.6 million in consolidated gross insurance and co-insurance premium or 1% less than in 2009. The Group earned EUR 719.7 million in gross written premium (index 99) in non-life insurance, EUR 221.4 million (index 98) in life insurance and EUR 72.4 million (index 108) in health insurance.

The structure of consolidated written premium was the following:

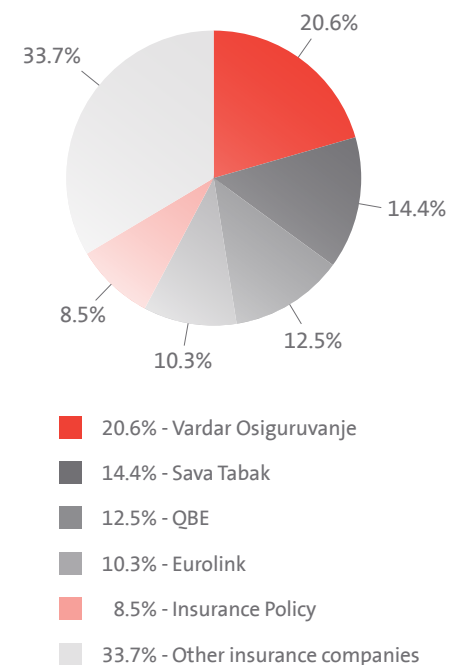
- non-life insurance accounted for 71.0%,
- life insurance for 21.8% and
- health insurance for 7.2%.

The Triglav Group members (excluding Pozavarovalnica Triglav Re) booked EUR 971.0 million in non-consolidated gross insurance and co-insurance premium, which was 2% less than the year before. Written premium of Zavarovalnica Triglav was lower by 3% in comparison with 2009, whilst that of Triglav Zdravstvena zavarovalnica was higher by 8%. Triglav Osiguranje and Triglav BH Osiguranje posted higher written premium - by 2% and 1% respectively. In Triglav Pojišt'ovna written premium stayed at the 2009 level (index 100) and in Lovćen Osiguranje it declined by 7% on 2009. In the same period written premium increases were recorded by Triglav Kopaonik (2%), Triglav Krajina Kopaonik (16%) and Vardar Osiguruvanje.

PREMIUM STRUCTURE IN THE INSURANCE MARKET OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA



SHARES IN THE INSURANCE MARKET OF THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

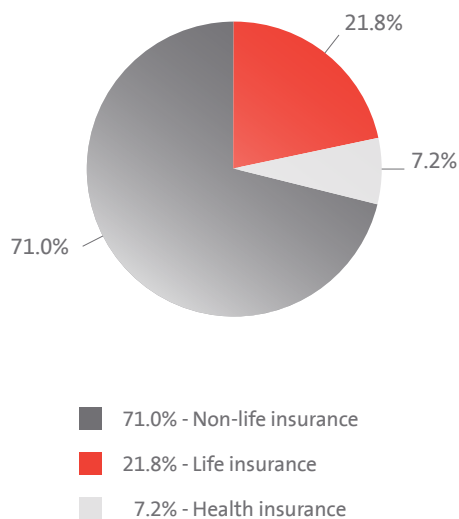


In 2010, the Triglav Group posted a total of EUR 1,013.6 million in consolidated gross insurance and co-insurance premium or 1% less than in 2009.

GROSS WRITTEN PREMIUM IN 2010 BY INSURANCE COMPANY OF THE TRIGLAV GROUP

INSURANCE COMPANY	IN EUR						STRUCTURE 2010
	GROSS WRITTEN PREMIUM IN 2010			INDEX			
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL	
1 Zavarovalnica Triglav	513,716,073	207,631,293	721,347,366	96	98	97	74.3%
2 Triglav Zdravstvena zavarovalnica	72,660,503	0	72,660,503	108		108	7.5%
3 Triglav Osiguranje	45,337,946	10,293,620	55,631,565	104	93	102	5.7%
4 Triglav BH Osiguranje	14,614,970	1,590,287	16,205,257	98	145	101	1.7%
5 Triglav Pojišt'ovna	26,879,014	0	26,879,014	100		100	2.8%
6 Lovćen Osiguranje	31,092,050	1,246,062	32,338,112	93	94	93	3.3%
7 Triglav Kopaonik	18,745,955	612,695	19,358,650	102	116	102	2.0%
8 Triglav Krajina Kopaonik	4,907,777	0	4,907,777	116		116	0.5%
9 Vardar Osiguruvanje	21,677,318	0	21,677,318	102		102	2.2%
TOTAL	749,631,606	221,373,956	971,005,562	98	98	98	100.0%
10 Pozavarovalnica Triglav Re	119,927,850	239,389	120,167,238	105	126	105	
Consolidation eliminations	-77,373,185	-239,390	-77,612,575	97	126	97	
CONSOLIDATED TOTAL	792,186,270	221,373,955	1,013,560,225	99	98	99	

GROSS WRITTEN PREMIUM FOR INSURANCE AND CO-INSURANCE - STRUCTURE



7.5.1 Non-life insurance

In total, Triglav Group insurance companies charged EUR 749.6 million of unconsolidated insurance and co-insurance premium from non-life insurance contracts in 2010, which represent a 2% nominal decrease compared to the year before.

Once again in 2010, **motor vehicle insurance**, accounting for 38.3% of the total premium, remained the segment to which the Triglav Group paid greatest attention. In the second half of the reporting year a range of redesigned and high-quality car insurance products was launched, less costly on average made. It also brought about a better balance between motor liability insurance and motor hull insurance. In this new range the possibility of allowing rebates was significantly limited, which was for a time required for the purpose of price competitiveness. The Group is convinced that basing its pricing policy entirely on professional parameters created preconditions for achieving good business results and raising the level of expertise. The result of lower premium rates was lower premium income, despite the fact Triglav's new range was well received by the market. In the first half of 2011 this trend is expected to continue.

Growth was recorded in written premium from **motor hull insurance** was the (index 101). This was achieved primarily as a result of successful marketing and the changes of insurance terms and conditions in mid 2010. In addition to Zavarovalnica Triglav, also Krajina Kopaonik recorded higher growth than in 2009 (11% growth), while the other insurance companies recorded a lower written premium than the year before. In **motor liability insurance**, the members of the Triglav Group in 2010 booked EUR 224.7 million of written premium, which represents an 8% decline compared to the previous year. Among the Group members, written premium grew in Triglav Krajina Kopaonik (by 19%), Triglav Kopaonik (by 4%) and in Triglav Pojišt'ovna (by 1%), whereas in all the other insurance companies of the Triglav Group written premium decreased. Decreasing written premium results from increasing price competition among insurers in the car insurance market, more rational behaviour of policy holders, lowering prices of insurance products, premium reductions for large policy holders through public tenders and the economic crisis.

An 8% growth in written premium was recorded in **health insurance**. This was mainly the achievement of Triglav Zdravstvena zavarovalnica, which in 2010 increased its range of by one product and included:

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

The growth of written premium stems from successful marketing of supplementary health insurance products and a consequent increase in the portfolio of Triglav Zdravstvena zavarovalnica, which earned a total of EUR 72.7 million in gross written premium or EUR 5.4 million more than the year before. This resulted in another increase of its share of the health insurance market, which climbed from 16.3% at the end of 2009 to 17.7% on year later. Nominally in 2010 this involved 23,014 new

supplementary health insurance policies, 1,185 insurance for health-resort treatment of traffic injuries policies, 839 insurance for health-resort treatment of injuries policies and 408 additional accident insurance policies. Also other Triglav Group companies offering health insurance earned a higher premium in this segment, with the exception of Triglav Krajina Kopaonik. However, in total health insurance premium written by the Group they account for less than 2%.

In 2010, in the **property insurance class** (fire and natural forces insurance and other damage to property insurance), a 3% nominal growth was recorded. Within the class of fire and natural forces insurance a slightly higher nominal growth rate of 5% was posted. A 2% growth was recorded in other damage to property insurance and the Group earned EUR 95.9 million in gross written premium. In this total premium from property insurance class, Zavarovalnica Triglav accounted for almost 82% (growth index 102). Good sales results were achieved in standard fire insurance. Among other damage to property insurance products the most outstanding was the DOM package insurance, the sales of which increased by 10%. Machinery breakdown insurance products were also popular. Sales results in other damage to property insurance could have been even better, but due to the restructuring of insurance technical provisions stricter terms of insurance were imposed in the crop and fruit insurance, one of the leading classes (introduction of deductibles without surrender options and reduction of the sum insurance required by the applicable legislation). The nominal growth index of this insurance class was only 78. In addition to Zavarovalnica Triglav premium increases were recorded also in Triglav Osiguranje (11%), Triglav BH Osiguranje (12%), Triglav Krajina Kopaonik (31%) and Vardar Osiguruvanje (32%), whereas other members of the Group earned less premium compared to 2009.

Accident insurance represented 5.7% of total written premium or nominally EUR 55.5 million. In 2010, the latter decreased by 9% in comparison to 2009. This decrease was the consequence of trends in the two largest insurance sub-classes of this insurance class, the AO-plus and group accident insurance. The terms applying to motor liability insurance are also reflected in AO-plus insurance products. The slower growth of the premium written for group accident insurance was again influenced by growing unemployment and the poor state of the economy. These were also the reasons for lower premium from **general liability insurance**, which compared to 2009 declined by 3%.

Credit insurance accounted for 2.3% of the premium and was 2% lower than in the year before. As consumer and housing loan insurance accounts for the majority of credit insurance, the lower premium was caused mostly by the stagnation in retail lending from the banking sector. Moreover, in March the minimum net wage was increased, influencing the creditworthiness of consumers. In August, a new Consumer Credit Act was adopted, requiring banks to exercise additional prudence in granting loans, also in terms of the evaluation of a borrower's creditworthiness. The Act altogether banned the granting of small consumer loans (called Bankredit). In consequence, the number of loans granted decreased and the granted loan amounts were lower.

Other classes of non-life insurance (which accounted for 2.9% of the premium) grew by 2%. This increase was primarily generated by the two largest classes in this group - assistance insurance (index 136) and goods in transit insurance (index 113). In assistance insurance, car and travel assistance grew considerably. Miscellaneous financial loss insurance, suretyship insurance and marine liability insurance experienced nominal growth as well, while a strong decrease in premium was recorded in railway insurance and aircraft insurance.

7.5.2 Life insurance

In total, Triglav Group insurance companies charged EUR 221.4 million in unconsolidated gross written premium from **life insurance** contracts or 2% less than the year before. Life insurance represented 22.8% of the total combined gross written premium of the Triglav Group.

The premium generated by **unit-linked life insurance** totalled EUR 99.8 million or 45.1% of gross written premium in the life insurance class. Apart from Zavarovalnica Triglav, unit-linked life insurance is also sold by Triglav Osiguranje, which booked a total of EUR 4.7 million in written premium in 2010 or 2% more than in 2009. Unit-linked life insurance premium increased by 1%.

Life insurance accounts for EUR 100.3 million or 45.3% of the total premium in the life insurance class. It is estimated that the 6% premium decrease was caused by the financial and economic crisis and greater prudence of clients. The remaining EUR 21.3 million (or 9.6% of total premium) was accounted for by **supplementary voluntary pension insurance** (capital redemption insurance). Premium of the latter grew by 8% compared to 2009 owing to the transfer of funds from other pension schemes to the PN-ZT-01 pension scheme of Zavarovalnica Triglav.

GROSS WRITTEN PREMIUM FOR INSURANCE AND CO-INSURANCE CONTRACTS OF THE TRIGLAV GROUP (EXCLUDING POZAVAROVALNICA TRIGLAV RE) AND GROWTH INDEXES IN 2009 PER INSURANCE CLASS

INSURANCE CLASS	IN EUR					
	GROSS WRITTEN PREMIUM			INDEX		STRUCTURE 2010
	2010	2009	2008	2010/2009	2009/2008	
1 Accident insurance	55,537,351	61,127,665	64,195,013	91	95	5,7%
2 Health insurance	73,602,675	68,318,518	60,752,330	108	112	7.6%
3 Motor hull insurance	147,436,763	145,462,647	136,755,664	101	106	15.2%
4 Property insurance	163,502,412	158,619,230	144,586,149	103	110	16.8%
5 Motor liability insurance	224,668,795	243,719,749	259,949,532	92	94	23.1%
6 General liability insurance	34,275,095	35,217,221	35,606,504	97	99	3.5%
7 Credit insurance	22,320,290	22,706,207	22,457,799	98	101	2.3%
8 Other insurance	28,288,224	27,673,512	24,822,392	102	111	2.9%
NON-LIFE INSURANCE	749,631,606	762,844,748	749,125,384	98	102	77.2%
9 Life insurance	100,311,203	106,692,704	111,202,031	94	96	10.3%
10 Unit-linked life insurance	99,782,278	99,269,804	107,827,987	101	92	10.3%
11 Capital redemption insurance	21,280,476	19,781,923	27,685,630	108	71	2.2%
LIFE INSURANCE	221,373,956	225,744,431	246,715,647	98	91	22.8%
TOTAL	971,005,562	988,589,179	995,841,032	98	99	100.0%

7.5.3 Gross reinsurance premium written for Pozavarovalnica Triglav Re

Pozavarovalnica Triglav Re booked a total of EUR 120.2 million in gross reinsurance premium or 5% more than the year before (compared to 3% growth in 2009). Insurance classes with the largest impact achieved the following indexes: other damage to property insurance - 119, goods in transit insurance - 155, accident insurance - 137 and credit insurance 144. The increase in gross reinsurance premium was generated mostly by new contracts outside the Triglav Group. However, the decrease in gross reinsurance premium in suretyship insurance (index 67) was caused by a lower premium resulting from operations within and outside the Triglav Group.

A slow recovery from the economic and financial crisis, extreme weather conditions and frequent natural disasters influenced the operations of the reinsurance company in 2010. One of the most significant events was the February earthquake in Chile, which caused huge damage, followed by a severe storm at the end of February in Western Europe, affecting especially Spain, France and Germany, and heavy rainfalls in May in Central Europe, causing floods in Poland, the Czech Republic, Hungary and Slovakia. In Slovenia, the most severe weather events were the hail storm near Grosuplje in June and heavy rains in September, which produced floods in much of Slovenia.

The market position of the reinsurance company was further strengthened by the confirmation of the »A« long-term rating and financial strength rating, assigned by Standard & Poor's Ratings Services on 25 November 2010 (see also the chapter Strategy and Plans). The rating confirmed the stability of Pozavarovalnica Triglav's financial operations and expanded its access to reinsurance markets. Due to requirements laid down by local insurance market regulators or internal rules of cedants, some companies conditioned their cooperation with an appropriate rating.

Pozavarovalnica Triglav Re provides high quality reinsurance coverage of the Triglav Group. In the future, Pozavarovalnica Triglav Re can concentrate to a greater extent on acquiring operations with cedants outside the Group (in accordance with the strategy and by organising a Triglav Group reinsurance scheme in Slovenia and abroad). Further growth of Pozavarovalnica Triglav Re is set to be based on a conservative approach in assuming high quality risks and maintaining a stable and profitable portfolio.

7.6 GROSS CLAIMS PAID

Claims paid totalled EUR 613.1 million or 2% less than the preceding year. In **non-life insurance** the Triglav Group recorded EUR 448.5 million (index 91), in **life insurance** EUR 107.3 million (index 133) and in **health insurance** EUR 57.4 million (index 113) of gross claims.

Excluding Pozavarovalnica Triglav Re, the insurance companies of the Triglav Group posted EUR 593.5 million of non-consolidated gross claims, representing a decrease in claims of 2% over the preceding year.

Claims paid totalled EUR 613.1 million or 2% less than 2009. In non-life insurance, the Triglav Group recorded EUR 448.5 million (index 91), in life insurance EUR 107.3 million (index 133) and in health insurance EUR 57.4 million (index 113) in gross claims.

GROSS CLAIMS PAID IN 2010 BY INSURANCE COMPANY OF THE TRIGLAV GROUP

INSURANCE COMPANY	IN EUR							STRUCTURE 2010
	GROSS CLAIMS PAID IN 2010			INDEX				
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL		
1 Zavarovalnica Triglav	337,558,152	102,064,810	439,622,962	88	134	96	74.1%	
2 Triglav Zdravstvena zavarovalnica	57,386,916	0	57,386,916	113		113	9.7%	
3 Triglav Osiguranje	26,673,964	3,118,070	29,792,034	97	101	98	5.0%	
4 Triglav BH Osiguranje	7,720,099	1,189,433	8,909,533	98	141	102	1.5%	
5 Triglav Pojišt'ovna	16,713,811	0	16,713,811	116		116	2.8%	
6 Lovćen Osiguranje	17,264,353	762,677	18,027,030	83	113	84	3.0%	
7 Triglav Kopaonik	7,370,658	156,194	7,526,853	113	101	112	1.3%	
8 Triglav Krajina Kopaonik	1,697,753	0	1,697,753	98		98	0.3%	
9 Vardar Osiguruvanje	13,780,935	0	13,780,935	98		98	2.3%	
TOTAL	486,166,641	107,291,185	593,457,825	92	133	98	100.0%	
10 Pozavarovalnica Triglav Re	61,756,333	81,051	61,837,383	87	150	87		
Consolidation eliminations	-42,078,374	-81,051	-42,159,425	78	150	78		
CONSOLIDATED TOTAL	505,844,599	107,291,185	613,135,784	93	133	98		

7.6.1 Non-life insurance

The increase in claims for **non-life insurance** contracts was 6 index points lower than the growth of premium written. Non-consolidated gross claims for non-life insurance amounted to EUR 486.2 million or 8% less than in 2009.

Claims related to **motor liability insurance** represented 22.1% of total gross claims settled by the Triglav Group. Total claims met amounted to EUR 131.1 million, which was 8% less than in 2009. Most members of the Group recorded slower growth of gross claim settlements in this insurance class, an increase was posted only by Triglav Kopaonik and Triglav Pojišt'ovna. The slow growth of claims in this insurance class was caused mostly by slower growth in gross claims posted by Zavarovalnica Triglav (index 92), in part also due to the positive effect of the changed legislation on road traffic safety in Slovenia.

At the end of the year, a 6% decrease in gross claims was recorded in the **motor hull insurance** class. Gross claims settled amounted to EUR 121.7 million, which was 20.5% of all claims settled in 2010. Contrary to the results of the previous year, a decrease in gross claims settled in this insurance class was recorded by the majority of the Triglav Group insurance companies, including Triglav Kopaonik, Lovćen Osiguranje and Zavarovalnica Triglav. The decrease in claims settled can be attributed to a lower number of claims for damage caused by devastating weather events and hail storms, which caused a significant growth in claims in 2009. In 2010, growth in claims in this insurance class was recorded only by Triglav Krajina Kopaonik and Triglav Pojišt'ovna.

The devastating weather events in Slovenia were more severe than the year before (especially the floods in September), but fewer than in 2009. In **property insurance** total claims settled amounted to EUR 94.6 million or 19% less than in 2009. A favourable index and a lower amount of claims settled are to a great extent a consequence of a smaller number of claims due to storms, hail, floods and other natural disasters. No major fire insurance claims were recorded.

In **health insurance** gross claims increased by 13% due to higher prices and more frequent use of medical goods and services, an increase in the share and costs transferred from compulsory to supplementary health insurance and a growing proportion of elderly insurance holders. Equalization Scheme expenses reached EUR 5.9 million or 1.4 million more than the previous year (an increase of 30%).

In **general liability insurance** the loss result was improved considerably, i.e., gross claims settled were lower by as much as 18%. This result was achieved thanks to redesigned terms and conditions for professional liability insurance, the conclusion of insurance contracts with a no claims benefit and portfolio selection. Based on these activities measures were adopted to strengthen diligence in assuming insurance risks. Analyses of past business co-operation with individual policyholders are proving to be ever more important.

In tight economic conditions the decrease in gross claims in credit insurance (index 97) can be seen as a success. The performance of **credit insurance** products is to a large extent still influenced by increasing unemployment, a lower standard of living, the availability of credit and interest rate growth.

A decrease in gross claims was also recorded in **accident insurance**, where gross claims were lower by 7%. This was mostly owing to a considerably lower amount of claims settled from AO-plus insurance (driver insurance against bodily harm) and collective accident insurance, which account for the majority of accident insurance claims.

In the **other non-life insurance** class the growth in claims was 12%, which is considerably lower than the year before (50% in 2009). Claims in assistance insurance still accounted for more than one third of claims in this insurance class (index 131). In other non-life insurance classes - aircraft insurance (index 469), aircraft liability insurance (index 180), marine liability insurance (index 129) and miscellaneous financial loss insurance (index 116) - an increase in claims was recorded as well.

7.6.2 Life insurance

Claims in the **life insurance** class account for 18.1% of all claims settled, an increase by 4.8 percentage points on 2009. The insurance companies of the Triglav Group posted EUR 107.3 million of non-consolidated gross claims, representing an increase in claims of 33% over the preceding year.

The bulk of all claims settled is accounted for by the **life insurance** class (life assurance, annuity insurance, voluntary pension insurance), which totalled EUR 84.8 million, i.e., one third (33%) more than one year earlier. The amount of settled claims experienced a high growth in **unit-linked life insurance** (index 132) and **voluntary pension insurance**, with a growth index of 149. The increase in gross claims settled in traditional life insurance and unit-linked life insurance was caused by maturities and surrenders of insurance policies.

GROSS CLAIMS PAID BY MEMBER OF THE TRIGLAV GROUP (EXCLUDING POZAVAROVALNICA TRIGLAV RE) AND GROWTH INDICES BY INSURANCE CLASS

INSURANCE CLASS	IN EUR					
	GROSS CLAIMS PAID			INDEX		STRUCTURE 2010
	2010	2009	2008	2010/2009	2009/2008	
1 Accident insurance	28,429,650	30,563,993	31,979,711	93	96	4.8%
2 Health insurance	57,892,635	51,188,149	44,443,627	113	115	9.8%
3 Motor hull insurance	121,730,767	130,041,158	118,838,359	94	109	20.5%
4 Property insurance	94,635,842	116,175,591	135,620,110	81	86	15.9%
5 Motor liability insurance	131,105,452	142,688,550	139,839,514	92	102	22.1%
6 General liability insurance	19,367,906	23,693,252	26,624,103	82	89	3.3%
7 Credit insurance	17,692,229	18,162,036	14,148,988	97	128	3.0%
8 Other insurance	15,312,159	13,724,473	9,132,550	112	150	2.6%
NON-LIFE INSURANCE	486,166,641	526,237,201	520,626,964	92	101	81.9%
9 Life insurance	84,817,529	63,918,396	68,153,962	133	94	14.3%
10 Unit-linked life insurance	18,568,703	14,120,278	9,787,937	132	144	3.1%
11 Capital redemption insurance	3,904,953	2,627,827	1,995,283	149	132	0.7%
LIFE INSURANCE	107,291,185	80,666,500	79,937,182	133	101	18.1%
TOTAL	593,457,825	606,903,702	600,564,145	98	101	100.0%

7.6.3 Gross claims paid by Pozavarovalnica Triglav Re from reinsurance contracts

Gross claims paid from reinsurance contracts totalled EUR 61.8 million or 13% less than the preceding year. This significant decrease was caused by lower gross claims settled in the Triglav Group in land motor vehicle insurance, motor vehicle liability insurance and other damage to property insurance classes. Due to the settlement of two claims for the contract years 2007 and 2008, the highest increase in gross claims paid was recorded in aircraft insurance (index of 281) and aircraft liability insurance (index 196) classes.

7.7 GROSS OPERATING COSTS

Total consolidated gross operating costs of the Triglav Group reached EUR 293.1 million and were 2% higher than the year before. Gross operating costs for **non-life insurance** came to EUR 194.3 million (index 102); in the **life-insurance** segment they amounted to EUR 37.5 million (index 96); in **health insurance** they totalled EUR 8.1 million (index 85) and in **non-insurance activities** they were EUR 53.2 million (index 108).

Acquisition costs (fees and charges) totalled EUR 28.9 million and decreased 8% over the preceding year. The costs of the acquisition of goods sold amounted to EUR 27.1 million and were 11% higher than the year before, while depreciation costs were EUR 11.2 million and went down 10% compared to 2009. Labour costs totalling EUR 141.9 million, or 2% less than in 2009, accounted for the majority of operating costs (47.0%). Costs of services provided by outsourced persons remained at approximately the same level as in 2009 and amounted to EUR 3.8 million (index 100), while other operating costs increased by 10% (EUR 89.3 million).

Total insurance business gross operating costs reached EUR 239.9 million and remained approximately the same as the year before (index 100). The increase in insurance business operating costs was 1.0 percentage point higher than the growth of gross written premium. The share of insurance business operating costs in gross written premium was thus 0.3 percentage points above the figure of 2009 and equalled 23.7%.

In total insurance business gross operating costs, broken down by functional groups, costs of insurance contract acquisition accounted for 55.2% or 1.2 percentage points less than in the preceding year, followed by 11.4% in assessment costs (11.5% in 2009), 1.9% in expenses arising from asset management (1.6% in 2009), while other operating expenses represented 31.5%, up 1 percentage point compared to the year before.

Total insurance business gross operating costs reached EUR 239.9 million and remained approximately the same as the year before (index 100).

GROSS OPERATING COSTS BY NATURE

	IN EUR					
	GROSS OPERATING COSTS			INDEX		STRUCTURE 2010
	2010	2009	2008	2010/2009	2009/2008	
1. Acquisition costs (fees and charges)	28,872,958	31,309,074	33,630,447	92	93	9.6%
2. Cost of goods sold	27,122,451	24,423,372	33,727,155	111	72	9.0%
3. Depreciation of operating assets	11,231,762	12,497,195	13,325,432	90	94	3.7%
4. Labour costs	141,905,945	144,138,700	138,487,422	98	104	47.0%
- wages and salaries	99,924,116	101,302,896	97,431,479	99	104	33.1%
- social security and pension insurance costs	22,772,526	23,662,385	23,589,448	96	100	7.5%
- other labour costs	19,209,303	19,173,419	17,466,492	100	110	6.4%
5. Costs of services provided by outsourced persons other than sole traders including duties	3,783,322	3,793,934	3,647,808	100	104	1.3%
6. Other operating costs	89,253,813	81,341,661	81,080,112	110	100	29.5%
- costs of entertainment, advertising, trade shows	17,864,671	16,535,312	15,408,634	108	107	5.9%
- costs of material and energy	9,673,483	9,288,991	9,853,081	104	94	3.2%
- maintenance costs	8,780,727	9,017,548	6,910,851	97	130	2.9%
- reimbursement of labour-related costs	5,796,068	4,884,354	5,349,069	119	91	1.9%
- costs of intellectual and personal services	2,768,653	3,272,132	3,768,481	85	87	0.9%
- membership fees and subscriptions	3,754,571	3,287,102	3,388,693	114	97	1.2%
- costs of services - transport and communications	5,340,285	5,199,290	4,902,092	103	106	1.8%
- costs for insurance premiums	1,850,330	1,722,507	1,581,306	107	109	0.6%
- payment transaction costs and banking services	4,096,357	4,117,482	3,850,333	99	107	1.4%
- rents	6,532,582	6,739,159	6,455,628	97	104	2.2%
- costs of services of professional training	1,070,049	891,383	938,232	120	95	0.4%
- other costs of services	21,726,037	16,386,401	18,673,712	133	88	7.2%
TOTAL OPERATING COSTS	302,170,251	297,503,936	303,898,373	102	98	100.0%
Consolidation eliminations	-9,031,929	-9,001,966	-5,615,669	100	160	
TOTAL OPERATING COSTS	293,138,322	288,501,970	298,282,704	102	97	

At the 2010 year end, the Group allocated EUR 2,270.9 million to gross insurance technical reservations, which represented an increase of 5% compared to the end of 2009.

7.8 RISK EQUALISATION

The Triglav Group equalised 93% of risks at the Group level. 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. Within the Group's equalisation capacities, losses were covered by the current inflow of technical premium by insurance class and allocated insurance contract provisions.

7.8.1 Insurance technical provisions

Gross insurance technical provisions are the basis for balanced operations and ensure the long-term safety of insured parties. At the 2010 year end, the Group allocated EUR 2,270.9 million to gross insurance technical provisions, which represented an increase of 5% compared to the end of 2009. Gross insurance technical provisions were 124% higher than the total gross premium written in 2009.

Provisions by type as at 31 December 2010 compared to the same day of the preceding year:

- Gross provisions for unearned premiums decreased by 2% and reached EUR 296.4 million as at 31 December 2010. Unearned premium from non-life insurance amounted to EUR 296.0 million (index 98). Unearned premium from life insurance amounted to EUR 0.4 million and was lower by 51% in comparison to the preceding year.
- Gross claims provisions remained at approximately the same level as the year before and totalled EUR 711.7 million. Claims provisions from non-life insurance totalled EUR 690.3 million (index 100) and those from life insurance amounted to EUR 21.5 million (index 99).
- As at the end of 2010, mathematical provisions stood at EUR 1,225.9 million, representing an 11% increase over the year before. Of the total amount of mathematical provisions, EUR 678.9 million was in the life insurance business fund, EUR 170.9 million in the SVPI long-term business fund and EUR 376.1 million in the unit-linked life insurance business fund.
- Compared to the end of 2009, provisions for bonuses and rebates decreased by 8% to EUR 17.8 million.
- Other insurance technical provisions amounted to EUR 19.1 million. In comparison to the last day of 2009 they increased by 25%.

GROSS INSURANCE TECHNICAL PROVISIONS AS AT 31 DECEMBER 2010

	IN EUR				
	GROSS INSURANCE TECHNICAL PROVISIONS			INDEX	
	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008	2010/2009	2009/2008
Unearned premium	296,367,454	301,267,271	294,001,382	98	102
Mathematical provisions	1,225,930,838	1,104,651,736	913,406,897	111	121
Claims provisions	711,728,317	711,229,696	673,425,434	100	106
Provisions for bonuses and rebates	17,836,389	19,364,696	18,240,094	92	106
Other insurance technical provisions	19,052,894	25,250,664	19,411,032	75	130
INSURANCE TECHNICAL PROVISIONS	2,270,915,892	2,161,764,063	1,918,484,839	105	113

7.8.2 Reinsurance

The Triglav Group allocated EUR 74.4 million of reinsurance and co-insurance premium to external equalisation, which was 4% more than in 2009. Reinsurance premium accounts for 7.3% of total gross written premium. The change in provisions for unearned premium related to the reinsurance share amounted to EUR 1.6 million, which was 88% more than one year earlier. An amount of EUR 30.1 million was received from reinsurance (index 79). Claims provisions for the reinsurance portion decreased by EUR 2.7 million (in 2009 they totalled EUR 5.4 million). EUR 1.9 million was received from reinsurance, which led to a negative reinsurance result for 2010 of EUR -41.8 million.

8. FINANCIAL RESULT OF THE TRIGLAV GROUP

Despite the financial crisis, developments in the banking sector and insured catastrophes in 2010, the Triglav Group performed well and posted a profit at the end of the year. Profit before tax of the Triglav Group was EUR 43.3 million and net profit amounted to EUR 26.6 million. Net profit attributable to the controlling company equalled EUR 27.8 million, whilst net loss attributable to non-controlling interest holders was EUR -1.2 million. Return on equity in the reporting year climbed to 5.5% from -1.3% in 2009.

In non-life insurance the combined ratio, which shows profitability of operations, was 92% (vs. 104.0% in 2009). Any value of this ratio below 100 means that the non-life insurance portfolio as the core business is earning a profit.

Due to material or permanent value decreases, assets were impaired by EUR 51.1 million. As the impairment of investments in subsidiaries is permanent and does not represent a tax deductible expense, no corresponding deferred tax income is recognised. As a result, income tax expense was considerably higher than in 2009 (index 198).

8.1 PREMIUM INCOME, CLAIMS INCURRED AND EXPENSES

Net premiums earned (calculated on the basis of gross written insurance and co-insurance premiums, 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 946.2 million and stayed at the same level as in 2009. In comparison with the year before, net premiums from health insurance rose by 8%, property insurance premiums remained at almost the same level and posted net life insurance premiums earned dropped by 2%. Gross written premiums from reinsurance and co-insurance operations went down by EUR 74.4 million, representing a 4% higher decrease than in 2009. On the other hand, gross unearned premiums grew by EUR 7.0 million, compared to a decrease of EUR -4.6 million in 2009.

Net claims incurred (gross claims increased by assessment costs, reduced by the reinsurers and co-insurers shares and recourse 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 557.7 million, which was 9% less than in 2009. Net claims incurred from non-life insurance decreased by 19%, but they rose by 31% from life insurance and by 17% from health insurance. The reinsurers' and co-insurers' shares of gross claims decreased compared to 2009 by 21% and totalled EUR 30.1 million. Claims provisions decreased by EUR 6.3 million, whereas in 2009 the increased by EUR 47.2 million.

The ratio between consolidated net claims incurred and net premiums earned improved in comparison with 2009 by 5.6 percentage points, moving from 64.6% down to 58.9%.

Gross operating expenses totalled EUR 293.1 million (index 102): gross operating expenses of insurance business amounted to EUR 239.9 million and expenses of non-insurance business to EUR 53.2 million. Operating expenses of insurance business accounted for 23.7% of consolidated gross written premiums.

8.2 INCOME AND EXPENSES FROM FINANCIAL ASSETS

Income from financial assets in the reporting year totalled EUR 181.5 million and was 11% below the figure posted for 2009. Income from financial assets in associates reached EUR 6.3 million, income from other financial assets was EUR 132.7 million and net unrealised gains on unit-linked life insurance assets amounted to EUR 42.5 million. Consolidated financial expenses were EUR 121.6 million, which represents a 46% over 2009. Expenses from financial assets in associates totalled EUR 4.7 million, expenses from other financial assets were EUR 88.3 million and net unrealised losses on unit-linked life insurance assets reached to EUR 28.6 million.

Net premium earned amounted to EUR 946.2 million and remained at the same level as in 2009.

Net claims incurred totalled EUR 557.7 million, which was 9% less than in 2009.

Returns on financial assets, i.e. the difference between income and expenses from financial assets, amounted to EUR 60.0 million in 2010, which was 50% less than realised in 2009. Such low returns result from the recognised impairments of both investments in subsidiaries and portfolio investments. Zavarovalnica Triglav impaired investments in subsidiaries due to a deteriorated economic situation and circumstances in South-East Europe, which caused poorer performance of certain subsidiaries of the Triglav Group. In addition to that, the portfolio investments of Zavarovalnica Triglav were adequately impaired, primarily due to the developments and situation in the Slovene banking sector.

8.3 CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS AND OTHER

Change in other insurance technical provisions amounted to EUR 62.5 million (index 68) and **change in insurance technical provisions for unit-linked insurance contracts** equalled EUR 66.4 million. Expenses for bonuses and discounts reached EUR 5.8 million (index 48).

Compared to 2009 **other income from insurance operations** of the Triglav Group in 2010 fell by 18% from EUR 61.6 million to EUR 22.4 million (index 109). **Other insurance expenses** totalled EUR 61.4 million (index 102) and other expenses reached EUR 85.1 million (index 112).

INCOME STATEMENT ACCORDING TO IFRS

	IN EUR		
	2010	2009	INDEX
NET PREMIUM INCOME	946,170,224	946,344,123	100
- gross written premium	1,013,560,225	1,022,259,614	99
- ceded written premium	-74,371,737	-71,334,542	104
- change in unearned premiums	6,981,736	-4,580,949	
INCOME FROM FINANCIAL ASSETS	181,533,361	204,441,102	89
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	6,332,162	18,612,653	34
- profit on equity investments accounted for using the equity method	3,525,434	12,388,038	28
- interest income	1,353,194	2,023,937	67
- fair value gains	187,561	655,986	29
- realised gains on disposals	1,261,807	1,104,227	114
- other financial income	4,166	2,440,465	0
INCOME FROM OTHER FINANCIAL ASSETS	132,682,856	131,952,367	101
- interest income	83,863,954	75,647,133	111
- dividends	3,110,228	5,894,606	53
- fair value gains	12,834,622	17,420,487	74
- realised gains on disposals	26,366,161	30,340,353	87
- other financial income	6,507,892	2,649,788	246
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	42,518,343	53,876,082	79
OTHER INCOME FROM INSURANCE OPERATIONS	22,433,024	27,449,020	82
- fees and commission income	14,633,234	20,830,183	70
- other income from insurance operations	7,799,790	6,618,837	118
OTHER INCOME	61,561,494	56,613,838	109
NET CLAIMS INCURRED	557,704,906	610,884,699	91
- gross claims settled	588,325,459	597,203,374	99
- reinsurers' and co-insurers' share	-30,148,316	-37,994,709	79
- changes in claims provisions	-6,334,129	47,165,611	
- equalisation scheme expenses for supplementary health insurance	5,861,892	4,510,423	130
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	62,450,614	92,004,461	68
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	66,351,880	90,122,332	74
EXPENSES FOR BONUSES AND DISCOUNTS	5,735,228	12,066,727	48
OPERATING EXPENSES	208,135,976	207,752,004	100
- acquisition costs	132,463,862	134,822,095	98
- other operating costs	75,672,114	72,929,909	104

INCOME STATEMENT ACCORDING TO IFRS - CONTINUED

	IN EUR		
	2010	2009	INDEX
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	121,554,254	83,496,380	146
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	4,683,649	8,787,215	53
- loss on investments accounted for using the equity method	1,504,027	6,354,300	24
- interest expense	589,645	1,824,700	32
- fair value losses	174,093	0	
- loss on impairment of financial assets	2,387,884	0	
- other expenses from financial assets and liabilities	28,000	608,215	5
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	88,273,022	57,267,023	154
- interest expense	6,531,136	4,943,275	132
- fair value losses	12,215,391	10,946,003	112
- realised loss on disposals	9,414,307	14,739,247	64
- loss on impairment of financial assets	48,664,399	14,415,580	338
- other expenses from financial assets and liabilities	11,447,789	12,222,918	94
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	28,597,583	17,442,142	164
OTHER INSURANCE EXPENSES	61,439,998	60,486,014	102
OTHER EXPENSES	85,074,981	75,954,246	112
NET PROFIT/LOSS BEFORE TAX	43,250,266	2,081,220	2.078
Income tax expense	-16,600,458	-8,373,562	198
NET PROFIT/LOSS FOR THE ACCOUNTING PERIOD	26,649,808	-6,292,342	
Net profit/loss attributable to the controlling company	27,846,858	-4,810,683	
Net profit/loss attributable to non-controlling interest holders	-1,197,048	-1,481,660	81

FINANCIAL PERFORMANCE INDICATORS

	2010	2009	2008 (ADJUSTED)
Ratio between gross claims paid and gross premium written	58.0%	58.4%	58.0%
Ratio between net claims incurred and net premium earned	58.9%	64.6%	62.1%
Portion of gross operating costs of the insurance segment in gross premium written	23.7%	23.4%	23.1%
Gross written premium per employee at the insurance company * (in EUR)	210,327	215,576	221,092

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

9. FINANCIAL STANDING OF THE TRIGLAV GROUP

Total balance sheet assets of the Triglav Group as at 31 December 2010 stood at EUR 3,024.4 million and were 6% higher than as at the end of 2009.

The total value of equity as at the 2010 year end was EUR 499.0 million, which was 4% more than one year earlier.

Accumulated profits for the year were EUR 280.5 million. In addition to EUR 11.3 million in net profit for the year, they also include EUR 269.2 million of net profit brought forward.

As at the 2010 year end, financial assets stood at EUR 2,282.4 million, which represents a 7% rise compared to 2009.

9.1 EQUITY AND LIABILITIES

The **total value of equity** as at the 2010 year end was EUR 499.0 million, which was 4% more than one year earlier. The portion of equity in the balance sheet total decreased by 0.2 percentage points, from 16.7% down to 16.5%. As at 31 December 2010, controlling interests amounted to EUR 470.8 million and non-controlling interests holders had EUR 28.2 million. Share capital amounted to EUR 23.7 million and was divided into 22,735,148 ordinary shares.

Fair value reserve, which represents a change in the fair value of available-for-sale financial assets, as at the year end stood at EUR 45.5 million and was 16% lower than at the end of the previous year. This reduction resulted from developments on financial markets, which required impairments due to falling asset value. Share premium amounted to EUR 53.7 million and reserve from profit, after an increase of 28%, to EUR 69.4 million. **Reserves from profit**, which on top of legal and statutory reserves, comprise contingency reserves of EUR 20.0 million, as well as credit risk equalisation reserves of EUR 33.4 million and other profit reserves of EUR 16 million.

Accumulated profits for the year were EUR 280.5 million. In addition to EUR 11.3 million in net profit for the year, they also include EUR 269.2 million of net profit brought forward.

Subordinated liabilities of the Group reached EUR 40.9 million, after a 5% decrease from the level reported at the 2009 year end. They accounted for 1.4% of total balance sheet liabilities.

On the liabilities side, **gross insurance technical provisions** rose by 5% to EUR 2,270.9 million by the end of 2010. In balance sheet total their share decreased by 0.3 percentage points, from 75.4 to 75.1%. Mathematical provisions increased the most among insurance technical provisions (by 11%) and amounted to EUR 1,225.9 million as at 31 December 2010. Provisions for gross unearned premiums shrunk by 2%, other insurance technical provisions went up by 17%, while the volume of gross claims provisions remained unchanged since the reporting date in 2009.

Compared to 31 December 2009, **financial liabilities** decreased to EUR 34.9 million as at the end of the reporting year (index 79). In the balance sheet total they accounted to 1.2%, compared to 2009 when they represented 1.5% of the total.

Operating liabilities as at the 2010 year end amounted to EUR 68.0 million, which was 72% more than one year earlier, and accounted for 2.3% of the balance sheet total. Liabilities from direct insurance operations grew by 58% to EUR 23.2 million, liabilities from co-insurance and reinsurance operations rose by 14% to EUR 27.9 million and current tax liabilities experienced the highest growth, having reached EUR 16.9 million (index 4,024).

Deferred tax liabilities amounted to EUR 14.1 million and accounted for 0.5% of total balance sheet liabilities. **Other liabilities** increased by 14% to EUR 68.5 million and represented 2.3% of the balance sheet total.

9.2 ASSETS

As at the 2010 year end, **financial assets** stood at EUR 2,282.4 million, which represents a 7% rise compared to the previous year. Their portion in total assets increased by 1.1 percentage points and reached 75.5%. In total financial assets, unit-linked insurance assets as at the reporting date amounted to EUR 377.9 million and financial investments to EUR 1,904.6 million. In total financial investments, EUR 364.9 million is accounted for by deposits and loans, EUR 253.6 million by investments held to maturity, EUR 1,195.0 million by investments available for sale and EUR 91.0 million by investments recognised at fair value through profit or loss.

With 61.1% debt securities account for the bulk of total financial assets - as at 31 December 2010 they amounted to EUR 1,395.2 (index 111). In the reporting year the volume of equities was raised by 2% to EUR 585.7 million and they accounted to 25.7% of total financial assets. The structure of total financial assets changed due to a proportional decrease in loans and receivables. As at 31 December 2010 receivables stood at EUR 296.2 million (index 99), which decreased their share in the total by 13%. Derivative financial instruments were recognised at EUR 2.3 million (index 69) and re-insurers' financial investments from reinsurance schemes at EUR 3.1 million (index 104).

Financial investments of the Triglav Group in subsidiaries decreased by 4% down to EUR 117.1 million, representing 3.9% of total assets.

An outstanding asset item of the Triglav Group is investment property, disclosed in the amount of EUR 84.3 million. Compared to the 2009 year end, investment property grew by 3% and accounted for 2.8% of total assets.

The Triglav Group's **receivables** as at 31 December 2010 totalled EUR 216.6 million, which represents a 1% decrease from the 2009 year end. Receivables accounted for 7.2% of total assets. Receivables from direct insurance operations amounted to EUR 128.0 million (index 97), receivables from co-insurance and reinsurance operations totalled EUR 45.4 million (index 131) and other receivables stood at EUR 43.2 million (index 89).

The **insurance technical provisions** transferred to reinsurance contracts of the Triglav Group as at 31 December 2010 stood at EUR 44.2 million, which was 14% more than one year earlier. Assets from reinsurance contracts from claim provisions totalled EUR 32.3 million, while unearned premiums equalled EUR 12.0 million.

As at the 2010 year end **property, plant and equipment** of the Group stood at EUR 142.6 million and represented 4.7% of total assets. **Intangible assets** amounted to EUR 61.2 million and accounted for 2.0% of total assets.

Cash and cash equivalents equalled EUR 34.1 million, whilst other assets totalled EUR 12.9 million.

The Triglav Group's receivables as at 31 December 2010 totalled EUR 216.6 million, which represents a 1% decrease from the 2009 year end.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010 - ACCORDING TO IFRS

	31 DECEMBER 2010	31 DECEMBER 2009	INDEX	STRUCTURE 2010	STRUCTURE 2009
ASSETS					
Intangible assets	61,218,108	73,506,342	83	2.0%	2.6%
Property, plant and equipment	142,550,661	132,895,282	107	4.7%	4.6%
Deferred tax receivables	27,545,028	20,426,847	135	0.9%	0.7%
Investment property	84,256,259	81,997,052	103	2.8%	2.9%
Investment in associates	117,067,739	122,342,222	96	3.9%	4.3%
Financial assets	2,282,449,510	2,132,149,856	107	75.5%	74.4%
Financial investments	1,904,557,249	1,821,513,756	105	63.0%	63.6%
- loans and deposits	364,944,602	397,384,402	92	12.1%	13.9%
- held to maturity	253,578,582	261,587,909	97	8.4%	9.1%
- available for sale	1,195,021,035	1,075,127,103	111	39.5%	37.5%
- recognised at fair value through profit and loss	91,013,031	87,414,343	104	3.0%	3.1%
Unit-linked insurance assets	377,892,261	310,636,100	122	12.5%	10.8%
Reinsurers' share of technical provisions	44,221,316	38,707,113	114	1.5%	1.4%
Receivables	216,643,960	219,787,187	99	7.2%	7.7%
- receivables from direct insurance operations	127,992,948	132,182,897	97	4.2%	4.6%
- receivables from co-insurance and reinsurance operations	45,432,007	34,673,805	131	1.5%	1.2%
- current tax receivables	2,427	4,170,535	0	0.0%	0.1%
- other receivables	43,216,578	48,759,950	89	1.4%	1.7%
Other assets	12,949,696	11,820,949	110	0.4%	0.4%
Cash and cash equivalents	34,108,090	30,443,965	112	1.1%	1.1%
Non-current assets held for sale	1,385,441	1,903,219	73	0.0%	0.1%
TOTAL ASSETS	3,024,395,808	2,865,980,034	106	100.0%	100.0%

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010 - ACCORDING TO IFRS - CONTINUED

	31 DECEMBER 2010	31 DECEMBER 2009	INDEX	STRUCTURE 2010	STRUCTURE 2009
EQUITY AND LIABILITIES					
Equity	498,977,808	477,787,692	104	16.5%	16.7%
Controlling interests	470,765,036	449,910,028	105	15.6%	15.7%
- share capital	23,701,391	23,701,391	100	0.8%	0.8%
- share premium	53,655,516	53,892,536	100	1.8%	1.9%
- reserves from profit	69,417,981	54,180,190	128	2.3%	1.9%
- fair value reserve	45,520,845	54,370,241	84	1.5%	1.9%
- net profit/loss brought forward	269,153,671	271,086,497	99	8.9%	9.5%
- net profit/loss for the year	11,313,293	-5,861,926		0.4%	-0.2%
- currency translation differences	-1,997,661	-1,458,901	137	-0.1%	-0.1%
Non-controlling interests	28,212,772	27,877,664	101	0.9%	1.0%
Subordinated liabilities	40,932,090	43,242,091	95	1.4%	1.5%
Insurance technical provisions	1,894,832,826	1,851,940,383	102	62.7%	64.6%
- unearned premium	296,367,451	301,267,271	98	9.8%	10.5%
- mathematical provisions	849,847,775	794,828,056	107	28.1%	27.7%
- claims provisions	711,728,317	711,229,696	100	23.5%	24.8%
- other insurance technical provisions	36,889,283	44,615,360	83	1.2%	1.6%
Insurance technical provisions for unit-linked insurance contracts	376,083,063	309,823,680	121	12.4%	10.8%
Employee benefits	10,278,077	7,652,833	134	0.3%	0.3%
Other provisions	17,797,395	15,386,715	116	0.6%	0.5%
Deferred tax liabilities	14,110,839	16,383,815	86	0.5%	0.6%
Other financial liabilities	34,870,425	44,058,737	79	1.2%	1.5%
Operating liabilities	68,049,411	39,661,083	172	2.3%	1.4%
- liabilities from direct insurance operations	23,243,104	14,677,542	158	0.8%	0.5%
- liabilities from co-insurance and reinsurance operations	27,928,812	24,564,148	114	0.9%	0.9%
- current tax liabilities	16,877,495	419,393	4,024	0.6%	0.0%
Other liabilities	68,463,874	60,043,005	114	2.3%	2.1%
TOTAL EQUITY AND LIABILITIES	3,024,395,808	2,865,980,034	106	100.0%	100.0%

FINANCIAL POSITION INDICATORS

	2010	2009	2008 (ADJUSTED)
Capital in total liabilities	16.5%	16.7%	19.1%
Average capital as a percentage of gross written premium	48.2%	48.7%	55.5%
Return on equity	5.5%	-1.3%	0.2%
Gross Insurance contract liabilities as a percentage of total liabilities	75.1%	75.4%	71.0%
Gross Insurance contract liabilities as a percentage of gross written premium	218.7%	199.6%	181.5%
Financial assets as a percentage of total assets	75.5%	74.4%	72.6%
Ratio between financial assets and gross Insurance technical provisions	100.5%	98.6%	102.3%

10. CASH FLOW STATEMENT

The Triglav Group generated EUR 69.4 in operating cash flow, which was 69% less than the year before. Investing cash flow was negative at EUR -56.2 million (index 30) as well as financing cash flow at EUR -8.7 million (index 36). Closing balance of cash and cash equivalents amounted to EUR 34.1 million and exceeded the 2009 figure by 12%.

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

	IN EUR		
	2010	2009	INDEX
A. OPERATING CASH FLOW			
a. Income statement items	83,347,693	187,510,125	44
b. Changes in current assets and in operating balance sheet items	-13,961,043	36,723,811	
c. Operating cash flow	69,386,650	224,233,936	31
B. INVESTING ACTIVITIES CASH FLOW			
a. Inflows from investing activities	3,830,451,648	3,088,317,991	124
b. Outflows from investing activities	-3,886,606,162	-3,276,635,159	119
c. Total cash flow from investing activities	-56,154,514	-188,317,168	30
C. FINANCING ACTIVITIES CASH FLOW			
a. Inflows from financing activities	26,245,413	81,848,051	32
b. Outflows from financing activities	-34,977,421	-106,147,386	33
c. Total cash flow from financing activities	-8,732,007	-24,299,334	36
D. Opening balance of cash and cash equivalents	30,443,966	32,517,218	94
E1. Net cash flow for the period	4,500,129	-1,624,658	
E2. Foreign exchange differentials	-836,005	448,595	
F. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	34,108,090	30,443,966	112

11. RISK MANAGEMENT

Risk management is embedded in all business processes. In response to uncertainties in business opportunities, prudent and responsible risk assumption is encouraged. The system developed by the Group provides for effectiveness and represents an important element of corporate governance in Zavarovalnica Triglav. This system enables quality business decisions and risk control and management activities that lead to better performance.

Risk management activities:

- verification as to whether the second line of defence effectively includes all major risks;
- identification, measurement and assessment of financial, insurance and operational risks;
- setting target risk exposure levels and their monitoring;
- establishment of an integrated risk assessment system in compliance with Solvency II requirements;
- creation of an environment in which the risk management culture is developed in line with the business strategy of Zavarovalnica Triglav.

11.1 MAIN CHARACTERISTICS OF THE RISK MANAGEMENT SYSTEM

The risk management system of Zavarovalnica Triglav is founded on:

- clearly organised functions and committees in charge of the risk management system and;
- well defined competences and powers.

The risk management system of Zavarovalnica Triglav is founded on clearly organised functions and committees in charge of the risk management system and well defined competences and powers.

The first of the three lines of defence in this 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 and the Assets and Liabilities Committee (ALCO) (see chart below) and the Risk Management Department. The two committees supervise the integrated system functions and whether activities are suitably communicated. 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 assessment, 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 framework of the risk management system). 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.

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 Zavarovalnica 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.

In the area of risk management, the competences and powers are divided as follows:

Management Board	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 assessment for all risk categories; • Defines operational risk exposure limits and monitors the operational risk exposure levels; • Monitors the implementation of IT security policies; • Monitors the implementation of the compliance system; • Monitors the outsourcing risk exposure levels.
Assets and Liabilities Committee (ALCO)	<ul style="list-style-type: none"> • 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 to the insureds; • Monitors risk exposures arising from assets and liabilities management • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 risk management strategy defines the framework of risk management activities. On that basis, individual risk management policies are formulated by risk type, defining for each risk category a separate management system, competences and powers in accordance with the target risk exposure.

Risk exposure limits are set as:

- general limits by portfolio
- additional limits by risk type.

Major development activities concerning the risk management system in 2010 included:

- detailed analysis of the operational risk exposure;
- definition of the minimum internal control standard to ensure the regularity and reliability of financial and accounting reporting;
- development of ALM models for long-term business funds and assets backing liabilities of Zavarovalnica Triglav.

11.2 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 insurance companies as well as at the level of the Triglav Group. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). The decision making process takes into account 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, the capital adequacy requirements of credit rating agencies rank higher than capital adequacy requirements under local legislation.

Major development activities concerning the risk management system in 2010 included detailed analysis of the operational risk exposure, definition of the minimum internal control standard to ensure the regularity and reliability of financial and accounting reporting as well as development of ALM models for long-term business funds and assets backing liabilities of Zavarovalnica Triglav.

As a rule, the capital adequacy requirements of credit rating agencies rank higher than capital adequacy requirements under local legislation.

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 investment policies of individual group members are approved by the Assets and Liabilities Committee (ALCO) of the Triglav Group, which regularly monitors the group members' exposure against investment limits.

11.2.1 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. The capital adequacy ratios of insurance technical provisions are continually monitored for the purpose of assessing the solvency needs of the Group.

As at 31 December 2010, in Zavarovalnica Triglav the minimum required capital to available capital ratio in non-life insurance was 178% (vs. 146% as at 31 December 2009), whereas in life insurance the respective ratio was 166% (vs. 146% as at 31 December 2009). Throughout 2010, the same as in 2009, Zavarovalnica Triglav maintained the required capital adequacy.

11.2.2 Capital adequacy of the Triglav Group as a financial conglomerate

The Triglav Group, Abanka Vipava and their 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 pertaining law 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).

11.2.3 Rating agency capital adequacy

Under the Standard & Poor's capital adequacy model, measuring capital adequacy is the essential component of the credit rating process. As at 31 December 2010 Zavarovalnica Triglav was rated »A« - stable outlook (FSR, ICR), which reaffirms its high capital adequacy, especially in light of the economic and financial circumstances on the local and global markets.

11.3 FINANCIAL RISK

All financial instruments are exposed to the risk that possible future market changes will affect their value, as well as to credit risk, i.e. the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 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. The investment policies of individual group members are approved by the Assets and Liabilities Committee (ALCO) of the Triglav Group, which regularly monitors the group members' exposure against investment limits. These are structured so as to account for the nature and type of individual members' liabilities, optimise asset spread and maximise return.

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

The Group monitors and manages the existing 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 the models described in section 11.2 and hedging against certain risks arising from derivative financial instruments. The life insurance portfolio also includes unit-linked insurance policies, where most of the financial risk is borne by the insureds.

The objective of the asset management process is to optimise return on assets with regard to the nature of insurance liabilities. Legal requirements currently in force make insurance liabilities insensitive to the fluctuations of market parameters. The optimisation process, accordingly, takes into account the static nature of insurance liabilities as an input parameter. Its aim is to optimise investment policy by improving the ratio between the market sensitivity of the balance sheet and the return on assets. 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 for long-term business funds and assets backing liabilities, specifying the strategic asset allocation for every portfolio. The current ratios are continually supervised by the Assets and Liabilities Committee for all long-term business funds and assets backing liabilities.

In assets and liabilities management the Group is most exposed to interest rate and equity risks on the assets side. To a lesser extent, the Group 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.

11.3.2 Interest rate risk

Interest rate risk is the risk that market interest rate fluctuations will affect the value of interest-sensitive assets and that interest-sensitive assets and liabilities will mature in different periods and in different amounts. Reinvestment risk arises for interest-sensitive assets yielding coupons in the period up to maturity, depending on the structure of the individual instruments. In the scope of assets and liabilities management (see Section 11.3.1), the Group keeps a certain limited level of mismatch between the maturity of assets and liabilities in order to generate return.

11.3.3 Equity risk

Triglav Group manages this risk through investment limits as well as through geographical and sectorial 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.

11.3.4 Liquidity risk

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.

11.3.5 Foreign exchange risk

The Group'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.

The aim is to optimise investment policy by improving the ratio between the market sensitivity of the balance sheet and the return on assets. 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.

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.

Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract. Net retained lines, as laid down in reinsurance contracts, are based on the tables of maximum net retained lines of Zavarovalnica Triglav.

11.3.6 Credit risk

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 scheme of exposure limits, which constitute part of the investment policies for different types of assets. The aim is to ensure optimum dispersion 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. The Group analyses the maturity structure of receivables from insurance operations and on that basis continually monitors its credit risk exposure arising from insurance operations as well.

11.4 INSURANCE RISKS

Insurance 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. Insurance risk is the threat of a loss or adverse change in the value of insurance liabilities due to inadequate assumptions in pricing and provisioning.

Individual insurance companies within the Triglav Group are primarily responsible for active management of the insurance risk arising from risk underwriting. This type of risk is managed by clearly structured competences and powers, which include exposure limits, suitable delimitation of powers, underwriting limits and an authorisation system. In addition, insurance 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 main tools for managing insurance risks. Insurance companies within the Triglav Group are cosignatories of the same reinsurance contract. Net retained lines, as laid down in reinsurance contracts, are based on the tables of maximum net retained lines of Zavarovalnica Triglav. A planned reinsurance programme is adopted for each business year, which includes:

- calculated retained lines by individual class of insurance,
- a table of maximum coverage based on retained lines,
- 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.

11.4.1 Insurance risk concentration

An insurance risk concentration occurs due to the concentration of an insurance operation in a geographic area, an industry or an insurance peril. It may also occur as a result of the ratio among individual insurance perils. In case an insurance 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 used as the basis for the tables of maximum net retained lines. Particular attention is paid to events with a low frequency and a high impact - primarily natural disasters, storms, hail and floods. Over the last four years the Group on average sustained two major natural disasters annually, which triggered reinsurance policies covering natural events. Such events showed that the reinsurance schemes are suitable and that the Group was able to discharge its obligations arising from its insurance contracts, whilst liquidity risk and capital adequacy risk did not increase. Experience from previous years suggests that the number of such natural events will continue to rise in the future and therefore on an on-going basis the Group will continue to adapt its reinsurance schemes accordingly.

Natural events predominantly affect fire, technical and car insurance classes (motor hull insurance). In addition, they also affect crop insurance classes. Over the last two years the Group has been intensely adapting its business to climate change. In the future reinsurance schemes of this kind are likely to become increasingly costly and coverage increasingly narrower. With an aim to reduce

climate change impact, the Group started adapting its products and services, while paying greater attention to the underwriting of insurance.

11.4.2 Geographic and sectorial concentration

The Triglav Group mostly conducts business in the Republic of Slovenia and the countries of the former Yugoslavia; to a lesser extent it is present also in Slovakia and certain countries neighbouring the European Union. 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 foreign insurers.

In terms of business segments, the Group is strongest in car insurance, which represents the bulk of its insurance portfolio. Car insurance is, however, well dispersed and consequently there is no exposure to insurance risk concentration in this segment. Motor hull insurance, though, represents a potential threat of segment concentration. This insurance risk is suitably covered by catastrophe reinsurance coverage, which has in the past proved to be adequate.

As one of only three insurance companies in Slovenia to offer supplementary health insurance, with a 17.7% market share, and one of two reinsurers in the country, holding 44% 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.

11.4.3 Low-frequency and high-severity risks

In this segment the threat of earthquakes represents the biggest potential risk for the Triglav Group. Reinsurance protection against earthquakes and other natural disasters is therefore arranged. So far, the Triglav Group has not recorded any earthquake of catastrophic proportions. The earthquake models available to the Group show that earthquakes with a return period of 1,000 years and an implied 20% margin of error in estimating potential claims do not represent a bigger threat than other natural disasters the Group is faced with almost every year.

Another potentially catastrophic loss could arise from the nuclear threat, which Zavarovalnica Triglav has assumed from the Slovenian Nuclear Pool. Such losses are extremely low in frequency -no major loss event has been reported over the last 25 years and the correlation between such a potential loss and the arising liabilities is low or null. In the worst-case scenario a net claim from nuclear loss occurrence would not exceed claims from a single natural disaster event.

11.5 OPERATIONAL RISK

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.);
- external events (changes in legislation, natural disasters, competition, fraud, etc.).

Zavarovalnica Triglav drew up a framework for identifying and measuring operational risks, which defines their types, underlying reasons, consequences, assessment methods and internal control identification. On that basis, in 2010 an extensive analysis of operational risks was carried out, covering all departments of Zavarovalnica Triglav. Based on the results, the Risk Management Department drafted measures aimed at decreasing the identified exposures. Moreover, it set the minimum standard of internal controls, focusing on the accuracy and reliability of financial reporting and the management of core business processes in Zavarovalnica Triglav. In 2011 all departments of Zavarovalnica Triglav will be made compliant with this minimum internal control standard, and it will be *mutatis mutandis* implemented also in the subsidiaries of the Triglav Group.

In terms of business segments, the Group is strongest in car insurance, which represents the bulk of its insurance portfolio. Car insurance is, however, well dispersed and consequently there is no exposure to insurance risk concentration in this segment.

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, the Group established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board.

Zavarovalnica Triglav transfers the internal auditing know-how and good practices to other Group members.

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, the Group established a special department responsible for the development and implementation of fraud indicators, research of potential fraudulent activity and reporting to the Management Board. In the coming years, also these activities will be *mutatis mutandis* transferred to other Group members.

Another important segment of operational risks is compliance risks, which are managed in the framework of the compliance function (see Section 11.1).

Risk management is discussed in greater detail in Section 4 of the Financial Overview.

11.6 INTERNAL AUDIT

In Zavarovalnica Triglav internal audit tasks are carried out by the Internal Audit Department (IAD), an independent organisational unit directly accountable to the Management Board. 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.

The internal audit function is defined by law. 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. In addition, 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:

- continually monitors the implementation of internal auditors' recommendations resulting from internal audits;
- provides consulting services in agreement with the management and the Management Board;
- 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 arising from internal audits performed;
- cooperates with external auditors and other supervisory bodies;
- 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;
- transfers the internal auditing know-how and good practices to other Group members.

In 2010 the Internal Audit Department complied with its medium-term and annual audit plans.

In the reporting year, the IAD carried out 37 regular and 3 extraordinary audits and 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 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.

In addition to internal audits, the IAD also performed three consulting projects, the objectives of which were set in cooperation with the departments to which consulting was provided. The IAD also participated in 3 ISO audits and pursued all of its other internal audit activities described above.

corporate respons

Where does it begin?

In everyday cooperation with numerous organisations and individuals in the prevention of accidents and reduction of their consequences, with Triglav's values, which are the path to the results and impacts of its activities. It is integrated into the positions of employees, into the social and financial security which Triglav's services provide. Fully aware of its corporate social responsibility, Triglav promotes non-profit projects, helps improve road traffic safety, sensibly handles waste materials and together with mountain lovers, protects the Alpine environment.

The Triglav Group views corporate social responsibility as the basis of sustainable development. The Group abides by and implements this responsibility as a combination of its legal, ethical, philanthropic, and environmental responsibilities.

social sustainability

Triglav - 2864 m.a.s.l.



»Let's clean the m

A common goal for collective success

The »Let's clean the mountains« drive showed what nature lovers can achieve when a common goal unites them. From June to November, 9,000 people joined Zavarovalnica Triglav in broadening efforts to protect nature in the mountain environment. With the help of mountain lodge caretakers, mountain-goers of all ages, followers of a dedicated Facebook page and the ambassadors of the campaign, the Slovene mountains are now 35,000 bags of waste cleaner.



The mountains, too, are a reflection of our culture and values. Let's keep them clean and untouched. It will make us feel better.
Roberto K., 12 August 2010

Thumbs up. Let's hope that we, the cleaners, run out of work and have more time to enjoy nature's beauty.
Albina Š., 4 October 2010

The more people do this the less litter will be around and sooner or later those who leave rubbish in the mountains will realize that it doesn't belong there.
Matjaž D., 5 October 2010

Source: <https://www.facebook.com/#!/ocistimogore>

Mountains« Drive



Triglav also prevents damage in nature

The sensitive mountain environment appreciates being protected from damaging impacts. In cooperation with the Alpine Association of Slovenia and nature lovers, between June and November 2010 Zavarovalnica Triglav organised a well-received drive.



In cooperation with the Alpine Association of Slovenia, Zavarovalnica Triglav actively participated in cleaning the Slovene mountains and raising awareness among mountain-goers of the importance of taking your rubbish down when leaving the mountains.

Slovene mountains are replete with natural phenomena and beauty and are therefore much visited. For many years Zavarovalnica Triglav has been a partner of the Alpine Association of Slovenia, which not only brings together mountain-goers, but is also the largest non-governmental organisation in the country connecting nature lovers.

In spring 2010, Zavarovalnica Triglav decided to assume a leading role in cleaning the environment and reducing littering in the Slovene mountains. In mid-April, the extremely successful drive »Let's Clean Slovenia in a Day« was carried out, in which Slovenes cleaned up illegal dumping sites throughout Slovenia, up to the borders of the mountains; this cleaning action was then extended up into the mountains from June to November.



Many of Triglav's employees are active mountain-goers. During the »let's clean the mountains« drive they founded the Triglav Mountaineering Club.

The »Let's clean the mountains« initiative was well received publicly. In addition to the website containing instructions and advice by participating mountain huts and lodges, a community was created on the social network Facebook, which grew into the largest web-based community of Slovene nature lovers. Numerous members posted their photos and participated in a theme-based photo competition.

104 volunteers, who thus became the ambassadors of the campaign, distributed biodegradable rubbish bags and tried to encourage mountain-goers to take their rubbish down with them. They were active along mountain trails without mountain lodges or huts, where they spread the good word regarding the common initiative. Together with the caretakers of the mountain lodges and huts, which were equipped with various visible messages, they distrib-

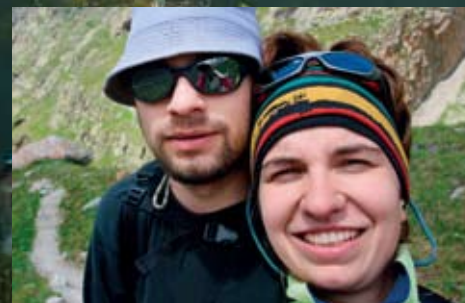
uted 35,000 rubbish bags.

The principle of Slovene mountain-goers »Besides a nice experience, also take down your rubbish.« became a general guideline. By means of an effective communication strategy and the common campaign, Triglav connected with nature lovers and realised its social responsibility, one of the fundamental values of its corporate culture.

The favourable reactions of mountain-goers and nature lovers once again confirmed that the damaging act of leaving rubbish in the mountains has long-term consequences, which is why it is much better to prevent such behaviour.



The caretakers of mountain lodges and volunteers-ambassadors and Zavarovalnica Triglav distributed 35,000 biodegradable bags, thus enabling mountain-goers to take their rubbish down with them.



With more than 9,000 supporters on Facebook, the country's largest web-based community dedicated to nature protection came together.

9,000 participants

104 ambassadors

25 participating mountain lodges and huts



**LET'S CLEAN
THE MOUNTAINS
AND TAKE DOWN
TO THE VALLEY
NOT ONLY OUR
NICE EXPERIENCES
BUT ALSO OUR
RUBBISH.**



12. SUSTAINABLE DEVELOPMENT IN THE TRIGLAV GROUP

12.1 SOCIAL RESPONSIBILITY AS A VALUE OF THE TRIGLAV GROUP

Social responsibility has been defined as a key value and strategic orientation also in the new strategy for the 2010-2013 period. It is understood as the basis of sustainable development and as such is built into the strategic objectives and measures designed for achieving them.

Therefore, much attention is paid to social responsibility in terms of organisation and content, as manifested in:

- active presence and activities in the environment;
- identification of the environment's needs and adequate responses to them;
- maintenance of long-term partnerships of mutual benefit and progress.

Special attention is devoted to the career and personal development of employees and their satisfaction. On the other hand, high quality services and a proactive approach of the Group aim to maintain and boost client satisfaction. Group members independently decide on cooperation with their social environment. The support of the Triglav Group extends from donations to extensive prevention activities and sponsorships.

Harsh economic conditions commit the Triglav Group even more strongly to implementing the principles of sustainable development and of economic, legal, ethical and humanitarian responsibility.

The Group is dedicated to ethical dealings, economic development and improving the quality of life of its employees and their families, the local community and society at large.

In 2010, the Code of Good Business Practices of Zavarovalnica Triglav was adopted, laying the foundations of any action, business decisions and relationship building. The Code applies to all employees, who are to follow it as part of their duties and responsibilities.

In parallel with the implementation of the Triglav Group's development policy, 2010 saw the launching of a corporate social responsibility project, which includes the drafting of an integrated social responsibility strategy.

Framework objective: In 2011 the Group will take stock of the state of social responsibility and continue formulating its strategy in this area.

Key sustainable development objectives are:

- to direct prevention activities towards creating sound bases for the development of the natural environment and society;
- employee participation and integration;
- to fight against corruption and for the rule of law (KDPR);
- to establish and nurture long-term partnerships with stakeholders, based on fairness and sustainable development values;
- to mitigate adverse effects on the environment.

Actions taken in 2010:

- the parent company earmarked EUR 2.8 million for prevention activities, i.e., a quarter more than in 2009;
- employee integration and employee satisfaction were promoted at all levels (for details see Section 12.2 - Human Resources Management);
- prevention of corruption principles were made part of the Code of Good Business Practices of Zavarovalnica Triglav and anti-corruption clauses were included in all supplier contracts;
- long-term partnerships with stakeholders were consolidated (for details see Section 12.2.3 Communication with stakeholders, 12.3 Suppliers and business partners, 12.4 Responsibility to the insureds and 12.5 Responsibility to the social environment); and
- the Group actively strove to mitigate adverse effects on the environment (for details see Section 12.6 Responsibility to the natural environment).

SUSTAINABLE DEVELOPMENT REPORTING FEATURES

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 under GRI guide-

In 2010, the Code of Good Business Practices of Zavarovalnica Triglav was adopted, laying the foundation for any action, business decisions and relationship building. The Code applies to all employees, who are to follow it as part of their duties and responsibilities.



lines will be gradually introduced. Where indicators 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 2009 was published in April 2010. The Sustainable Development Report forms part of the Triglav Group's Annual Report.

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

The Annual Reports for 2010 of the Triglav Group and Zavarovalnica Triglav describe their business, markets, organisational structures, composition and company profiles in the section Financial highlights of Zavarovalnica Triglav, whilst the ownership structure and relevant changes are outlined in the section Share capital and shareholders of Zavarovalnica Triglav.

CORPORATE GOVERNANCE AND THE INVOLVEMENT OF STAKEHOLDERS

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 business part of the Annual 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.si, Public Notices section, in 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 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.

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.

MEMBERSHIP IN ASSOCIATIONS AND COMMITMENTS

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 Public Relations Society of Slovenia (PRSS), the Institute for the Development of Social Responsibility (IRDO), the Association of Employees' Councils of Slovenian Companies and the Supervisors Association of Slovenia. Subsidiaries outside Slovenia are members of industry associations and economic groupings in their relevant countries.

In 2010, Zavarovalnica Triglav signed the Charter on Alternative Dispute Resolution, such as mediation and arbitration, and thereby undertook to uphold the principles enshrined in this document. Back in 1983, Zavarovalnica Triglav established a board of arbitration, which has to date successfully resolved many various disputes.

AWARDS AND PRIZES

In 2010, 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 Papyrus Award for the best internal magazine went to »Obzornik« of Zavarovalnica Triglav, which also won first place in the category of best cover page;
- advertising campaigns and advertisements of Zavarovalnica Triglav gained 6 silver medals at the 19th Slovene Advertising Festival (SOF);
- Zavarovalnica Triglav gained the TOP 10 Educational Management Award, conferred by Planet GV in cooperation with the Institute of Educational Management SOFOS;
- Zavarovalnica Triglav was shortlisted for the award »Zlata nit« (Golden Thread) for the best employers in Slovenia;
- the Slovene financial daily Finance gave Triglav the award for the best annual report for 2010 among financial institutions and the best annual report in terms of communication among financial institutions;
- the bronze medal for the 2008 Annual Report from the International Annual Report Competition (ARC) Awards 2010, honouring outstanding achievement in annual reports;

In 2010 Zavarovalnica Triglav signed the Charter on Alternative Dispute Resolution, such as mediation and arbitration.

According to the Trusted Brand Survey, Zavarovalnica Triglav is the most trusted insurance company in Slovenia.

Zavarovalnica Triglav received the TOP 10 Educational Management Award conferred by jointly by Planet GV and the SOFOS Institute of Educational Management.

- »Pazi nase« (Take Care), a multimedia magazine of Zavarovalnica Triglav, was selected for silver recognition by the Digital Magazine Awards 2010 in the category best editorial concept/editor.

ECONOMIC EFFECTS

As the leading insurer and one of the largest insurance groups in South-East Europe, through income generation the Triglav Group 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. The Group earned EUR 946.2 million of net premium income and was one the large payers of tax and other contributions to national budgets. In income tax alone the Triglav Group as a whole paid EUR 16.6 million in 2010. In the reporting year, the Group employed 5,247 staff in 8 European countries, which was 10 more than in 2009. The Group's labour costs totalled EUR 141.9 million, in which wages and salaries represented EUR 99.9 million, social security and pension insurance costs amounted to EUR 22.8 million, with the remaining amount being attributed to other labour costs.

Financial results of the Group are presented in the Financial Overview of the Annual Report.

PREVENTION ACTIVITY

Well planned and long-term prevention activities, closely linked to the insurance business, are an important demonstration of the social responsibility of Triglav Group members. The two underlying objectives are wide awareness building and the reduction of hazards and potential accidents.

Despite the difficult situation in the economic environment, in 2010 Zavarovalnica Triglav allocated EUR 2.8 million to prevention activities, mostly for the provision of fire safety, but funds were also earmarked for improving safety at work, traffic safety and protection of the natural environment.

12.2 HUMAN RESOURCES MANAGEMENT

Human resources management stems from the Triglav Group Strategy for the 2010-2013 period. The aim is to motivate employees to steer the Group towards the achievement of objectives through loyalty and the implementation of values such as professionalism, security and corporate social responsibility. The only criterion of the Group's growth, security, reputation and visibility are its high quality and competitive services, which can be provided only by highly professional and motivated staff. Therefore, investments in the knowledge and development of employees at the level of the parent company and the Group represent the corner stone and guiding motif of success. In 2010, recruitment was carried out as planned, in accordance with the principles of integrated cost management and in line with the business objectives.

Since only satisfied, successful and efficient employees can in the long run contribute to the growth, development and success of a company, the Group is building relationships based on a comprehensive understanding of employees' needs. Employees' development is encouraged, exceptional achievers are offered new opportunities and chances are given to those who outgrow their jobs and seek new challenges and different roles. The Group is aware that the foundation of mutual trust is two-way communication, proactive leadership, identification of the best employee qualities and the boosting of employee development, recognising the invaluable contributions of each individual working for Zavarovalnica Triglav - all of which is encouraged with material and non-material forms of remuneration.

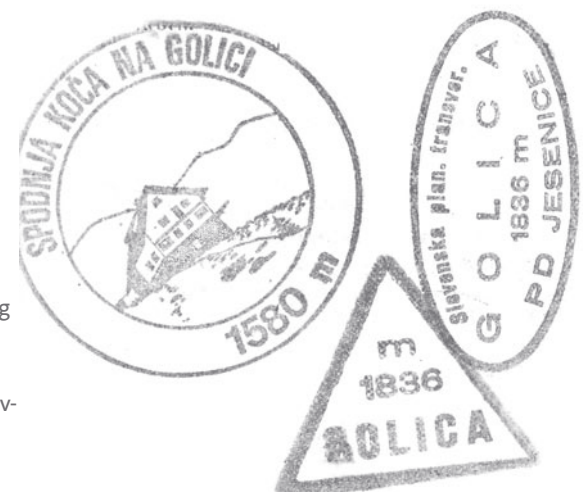
With regard to human resources management, the following guidelines are at the forefront of the Triglav Group Strategy:

- successful management of the number and structure of staff in dependence of process redesign and reorganisation;
- increased mobility and internationalisation of human resources;
- development and retention of key, promising employees;
- corporate culture redefinitions in accordance with process redesign in the Group;
- increasing the share of performance-related pay for high achievers.

EMPLOYMENT POLICY

Thanks to the high reputation, visibility and stability of Zavarovalnica Triglav and the Triglav Group, finding a job with such an employer represents a great challenge and opportunity for both young and promising employment seekers as well as experienced professionals and managers. In the latest annual reputation survey, carried out by Kline and Partners, the responding members of the business public assessed Zavarovalnica Triglav's staff to be of above-average quality and judged that they are taken care of well. The return on this investment is the quality of Triglav's products and services.

Despite a difficult situation in the economic environment, in 2010 Zavarovalnica Triglav allocated EUR 2.8 million to prevention activities; the majority of funds were intended to ensure fire safety, while funds were also earmarked for improving safety at work, traffic safety and nature protection.



The level of absenteeism in Zavarovalnica Triglav dropped compared to 2009 by 0.29 percentage points and was 0.26 percentage points below the national level reported for the Republic of Slovenia (data for January-September 2010).

Thanks to this position, the Group is able to choose from among the best on offer in the labour market. Triglav scholarship holders are also given an opportunity. Triglav is a popular employer thanks to security of employment, the size of the Group and its values. Such an employment policy, based on prudent planning and staff selection, training and motivation, significantly contributes to good performance.

ETHICAL CONDUCT

The competitiveness of its products and services is founded on the huge professional know-how and experience of the Triglav Group, as well as on a good knowledge of the economic and cultural environments in which it operates. Great emphasis is placed on the attitude to clients and business partners, based on the respect of diversity, tolerance, fair relations between employees and a proper work attitude. The Triglav Group builds its reputation on equitable partnerships, excluding any discrimination among employees, clients and partners. In 2010, no case of discrimination was recorded.

ABSENTEEISM

Ill health absenteeism is a temporary absence from work due to illness or injury, measured by the number of lost working days in a year. By law, sickness benefits are divided into two categories: those reimbursed by the employer (medical leave up to 30 days) and those reimbursed by the Health Insurance Institute of Slovenia (ZZZS) (medical leave longer than 30 days, care for a sick person, accompanying a sick person, blood donations).

The level of absenteeism in Zavarovalnica Triglav dropped compared to 2009 by 0.29 percentage points and was 0.26 percentage points below the national level reported for the Republic of Slovenia (data for January-September 2010).

ABSENTEEISM LEVEL IN ZAVAROVALNICA TRIGLAV AND SLOVENIA BY YEAR AND TYPE OF MEDICAL LEAVE

YEAR	REIMBURSED BY ZAVAROVALNICA TRIGLAV	REIMBURSED BY ZZZS	ABSENTEEISM LEVEL IN ZAVAROVALNICA TRIGLAV	IN %	
				ABSENTEEISM LEVEL IN SLOVENIA ⁸	
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		4.07 ⁹

Compared to 2009, the share of work days lost due to medical leave reimbursed by Zavarovalnica Triglav decreased by 0.13 percentage points, while there was also a 0.16 percentage point reduction in the share of work days lost due to medical leave reimbursed by the Health Insurance Institute of Slovenia.

LABOUR TURNOVER

Labour turnover in Zavarovalnica Triglav was at a level of 6.6% - 99 employees were recruited anew and 172 left the company. Among leavers, the main reason was retirement of staff in the older age group (above 56 years of age) and among those who joined Zavarovalnica Triglav the majority were between 20-30 years old. Men prevailed both among newly recruited employees (56%) as well as leavers (58%).

NUMBER OF PERSONS WHO LEFT AND JOINED ZAVAROVALNICA TRIGLAV IN 2010 AND THEIR AGE

AGE GROUP	RECRUITMENTS		LEAVERS	
	NUMBER	STRUCTURE (IN %)	NUMBER	STRUCTURE (IN %)
20 - 25	15	15.2	7	4.1
26 - 30	31	31.3	15	8.7
31 - 35	15	15.2	17	9.9
36 - 40	16	16.2	18	10.5
41 - 45	10	10.1	7	4.1
46 - 50	7	7.1	7	4.1
51 - 55	5	5.1	37	21.5
56 and above	0	0.0	64	37.2
TOTAL	99	100.0	172	100.0

⁸ Source: Health Insurance Institute of Slovenia - sick leave data base

⁹ Data from January to September 2010

STRUCTURE OF RECRUITMENTS AND LEAVERS IN ZAVAROVALNICA TRIGLAV IN 2010 BY GENDER

GENDER	RECRUITMENTS		LEAVERS	
	NUMBER	STRUCTURE (IN %)	NUMBER	STRUCTURE (IN %)
Male	55	55.6	99	57.6
Female	44	44.4	73	42.4
TOTAL	99	100.0	172	100.0

12.2.1 Recruitment and employee structure

The Triglav Group hired staff following recruitment guidelines which stem from the set business and strategic objectives and put emphasis on integrated cost management. Recruitment activities were carried out on the basis of a recruitment plan. As at 31 December 2010, there were 5,247 employees in the Triglav Group, which is 10 more than the year before.

NUMBER OF EMPLOYEES IN THE TRIGLAV GROUP AS AT 31 DECEMBER

MEMBER OF THE TRIGLAV GROUP	NUMBER OF EMPLOYEES			DIFFERENCE 2010 - 2009
	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2008	
Zavarovalnica Triglav d.d.	2,441	2,514	2,507	-73
Pozavarovalnica Triglav Re d.d.	38	38	32	0
Triglav Zdravstvena zavarovalnica d.d.	78	82	82	-4
Triglav Osiguranje d.d.	566	663	571	-97
Triglav BH Osiguranje d.d.	455	344	262	111
Triglav Pojišt'ovna a.s.	125	121	118	4
Lovćen Osiguranje a.d.	272	267	252	5
Triglav Kopaonik a.d.o.	603	484	587	119
Triglav penzijski fondovi a.d.	9	9	11	0
Triglav Krajina Kopaonik a.d.	86	77	92	9
Vardar Osiguruvanje a.d.	155	152	149	3
Triglav DZU d.o.o.	34	35	36	-1
AS Triglav d.o.o.	31	30	32	1
TRI-PRO d.o.o.	79	73	109	6
Triglav INT d.d.	0	0	0	0
Triglav nepremičnine d.d.	5	3	3	2
Triglav Naložbe d.d.	4	6	6	-2
Slovenijales d.d.	239	300	313	-61
Golf Arboretum d.o.o.	11	12	12	-1
Gradis IPGI d.d.	4	3	0	1
TRI-PRO BH d.o.o.	12	24	0	-12
TOTAL	5,247	5,237	5,174	10

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

LEVEL OF EDUCATION	31 DECEMBER 2010		31 DECEMBER 2009		31 DECEMBER 2008	
	NUMBER	STRUCTURE (IN %)	NUMBER	STRUCTURE (IN %)	NUMBER	STRUCTURE (IN %)
1 st - 4 th level	1,172	22.3	1,456	27.8	1,417	27.4
5 th level	1,966	37.5	1,792	34.2	1,890	36.5
6 th level	554	10.6	663	12.7	571	11.0
7 th level	1,443	27.5	1,242	23.7	1,223	23.6
Masters and PhD	112	2.1	84	1.6	73	1.4
TOTAL	5,247	100.0	5,237	100.0	5,174	100.0

The educational structure continued to improve.

The great majority of Zavarovalnica Triglav's employees (94.4%) are employed under permanent work contracts. Compared to 2009, their share in the total staff increased by 1.3 percentage points. The share of employees under the collective agreement as at the 2010 year end was 93.3%.

EMPLOYEES IN ZAVAROVALNICA TRIGLAV AS AT 31 DECEMBER - BY EMPLOYMENT TYPE

EMPLOYMENT CONTRACT	2010	PERCENTAGE	2009	PERCENTAGE	2008	PERCENTAGE
Fixed-term	136	5.6	173	6.9	164	6.5
Permanent	2,305	94.4	2,341	93.1	2,343	93.5
TOTAL	2,441	100.0	2,514	100.0	2,507	100.0

12.2.2 Staff training and development

12.2.2.1 Training

In the Triglav Group, investments in the training of staff and their acquisition of new skills is a building block of the Group's current strategic guidelines and is of crucial importance for providing highly competitive and quality services.

Zavarovalnica Triglav performed training in accordance with its training plan, focused on improving the competences of individual target groups. Funds allocated for training were appropriately streamlined. The number of scholarships granted was slightly reduced and the number of employees involved in work study remained approximately the same as in 2009, accounting for 11.8% of the total staff. However, the number of trainees increased, including Triglav scholarship holders who completed their studies.

NUMBER OF TRAINING PARTICIPANTS IN ZAVAROVALNICA TRIGLAV IN 2010, 2009 AND 2008

TRAINING TYPE	2010	2009	2008	INDEX 2010/2009	INDEX 2009/2008
Scholarships	31	40	48	78	83
Work study	288	284	248	101	115
Trainees	17	9	15	189	60
Internship	46	76	64	61	119
External training	504	450	489	112	92
In-house training	8,795	8,586	8,470	102	101
TOTAL	9,681	9,445	9,334	102	101

The total number of training programme participants rose by 2% compared to 2009.

An eight-month course began at the Triglav International Business Academy in October 2010, with 26 promising Triglav Group employees participating.

Compared to 2009, the total number of training participants rose by 2%. In accordance with a long-term guideline, external training accounted for only 5% of total functional training, even though the total number of participants in external training was 12% higher. The number of participants and hours in in-house training were almost the same as the year before. This primarily covered specialised insurance topics, sales techniques, IT, foreign languages and legally required training, as well as the programmes of the Triglav Academy, mostly aimed at managers, sales agents/officers and loss adjusters. In-house training courses in Zavarovalnica Triglav were also attended by employees from other group companies and colleagues from external agencies.

In October 2010, an eight month course started at the Triglav International Business Academy, including as participants 26 promising employees of the Triglav Group. The aim of the course is to build management and professional skills, offer detailed understanding of individual business segments and develop intercultural communication skills within the Triglav Group. In autumn 2010, a new generation of students started the higher education course Ekonomist (graduate in economics), with a specialisation in insurance, including a number of Triglav's employees as an in-house group.

NUMBER OF FUNCTIONAL TRAINING HOURS PER EMPLOYEE IN 2010 AND 2009

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

Higher investments in the knowledge of staff were reflected in a 3% higher number of functional training participants and a 4% increase in the average number of functional training hours per employee. Overall training costs were EUR 1.4 million, a 17% increase on the level reported for 2009. Training costs amounted to EUR 572 per employee (index 120) and to EUR 144 per participant (index 114).

TRAINING COSTS OF ZAVAROVALNICA TRIGLAV IN 2010, 2009 AND 2008

	2010	2009	2008	INDEX 2010/2009	INDEX 2009/2008
Total *	1,395,797	1,197,013	1,148,829	117	104
Costs per employee	572	476	458	120	104
Costs per participant	144	127	123	114	103

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

12.2.2.2 Management by objectives and annual development interviews

Within the framework of the management by objectives system, regular annual interviews were conducted at which employees set their own objectives. In addition, employees with special authorisations had annual appraisal interviews with their superiors, since the performance related part of their salaries (incentive bonus) depends on such appraisals. In relation to the set objectives, activities were defined to help improve individuals' competences.

Career development interviews were carried out with promising employees, putting emphasis mainly on their career expectations and training possibilities in the future (Triglav International Business Academy, specialised courses in Slovenia and abroad, Triglav Academy's programmes).

In 2010, organisational climate was not measured, but the exercise is planned to be repeated in spring 2011.

12.2.3 Communication with stakeholders

As communication is gaining significance, corporate communication is becoming an active component of the Group's business. Integrated and active communication with all groups of the public related to Triglav Group members represents the key principle. The Group endeavours to achieve fair and balanced two-way communication, thereby starting a responsible dialogue with the environment in which it conducts business. The Corporate Communications Department is in charge of corporate communication; it promotes the public image of Zavarovalnica Triglav and provides a uniform communication platform and guidelines for all Triglav Group companies. As communication is increasingly taking place on the Internet, web tools are also used to reach stakeholders. The Corporate Communications Department has a very broad range of duties:

- to provide internal and external communication in support of management's decisions and business operations;
- to perform other management support activities;
- to design a corporate communication strategy and to enable communication with employees;
- to handle relations with the media and other stakeholders;
- to support marketing strategies;
- to promote corporate social responsibility; and
- to maintain a high level of cooperation with the local community.

INTERNAL COMMUNICATION

Communication with employees provides for their support, understanding of corporate objectives, free exchange of information and stronger mutual trust. It also boosts employee motivation and generates satisfaction, which are then translated into good performance not only of the parent company but of the entire Triglav Group.

Electronic notices represent a significant means of communication in Zavarovalnica Triglav. An additional channel of communication with employees is the »Staff Ideas« postboxes placed in all regional units; they give employees an opportunity to express their opinions and submit suggestions. An extremely important means of communication and a tool for building the image of Zavarovalnica Triglav among its employees is the internal monthly magazine *Obzornik*, which this year won the Papyrus Award as the best of its kind in Slovenia. In 2010, the Management Board of Zavarovalnica Triglav visited all regional units to meet with employees and explain the new strategy and the Code of Good Business Practices. The President of the Management Board stays in touch also by holding »open door days« every first Monday in the month to talk to employees and answer any questions they may have.

At the Group level, in 2010 several internal communication tools were upgraded and adapted to the needs of individual interest groups. Certain Group members also upgraded their internal communication tools, thus providing for stronger support and better understanding of corporate objectives.

The Corporate Communications Department is in charge of corporate communication; it promotes the public image of Zavarovalnica Triglav and provides a uniform communication platform and guidelines for all Triglav Group companies. As communication is increasingly taking place on the Internet, web tools are also used to reach stakeholders.

A new corporate website, accessible to stakeholders at www.triglav.eu, will enable more intense and deeper communication with investors, professional publics, media and employment seekers.

Development requires the establishment of an interactive internal website, which will add value to the good communication among employees. This communication tool is planned to be put into operation in this strategic period.

Framework objective: In 2011, at the Triglav Group level, to continue upgrading internal communication tools and actively communicating about changes within the Group.

EXTERNAL COMMUNICATION

In communication with external publics emphasis is laid on providing consistent information on developments in Zavarovalnica Triglav and the Triglav Group. Journalists are provided with timely answers, press realises are published upon major events and also made available on the website of Zavarovalnica Triglav. The Corporate Communications Department produces technical and corporate articles as well as organising press conferences and other corporate events. It enables presentations of Zavarovalnica Triglav and its representatives through media appearances and at professional events.

In place of the monthly e-newsletter Link, an interactive multimedia magazine was launched in 2010 under the name »Pazi nase« (Take Care). In an attractive and fun way, this major new communication tool offers useful information on how to secure safety and prepare well for the future. An important novelty of this magazine is that it enables interaction between the reader and the content. It is primarily intended for external publics, comprising the insureds and potential policyholders of Zavarovalnica Triglav.

In 2011, the corporate web image of the Triglav Group will be redesigned. A new corporate website, accessible to stakeholders at www.triglav.eu, will enable more intense and deeper communication with investors, professional publics, media and employment seekers. The aim of this website is to satisfy the needs of target groups who require relevant information in real time and want both faster and simpler search options. The underlying goal is to combine well considered and modern web design with careful content management, in order to bring satisfaction to business partners, investors, media and clients.

COMMUNICATION WITH INVESTORS

In managing relations and communicating with the investors of Zavarovalnica Triglav, the Group manages data platforms for investors, aimed at maintaining the target number of domestic and foreign investors and/or analysts who follow the business of Zavarovalnica Triglav and the performance of its shares.

All information relevant to investors is currently published on SEOnet, the Ljubljana Stock Exchange information system, as well as on a webpage of Zavarovalnica Triglav's website. Moreover, regular presentations of Triglav for potential investors are given at professional events. In 2010, Triglav participated twice in »Slovene Capital Market Days« as well as taking part in roadshows in London and New York. In September, an »open door day« was organised for existing and potential investors.

Investor relations and pertaining contacts are disclosed in the section »Share capital and shareholders of Zavarovalnica Triglav d.d.« of the Management Report.

12.2.4 Safety and health at work

Working in safe and healthy workplaces boosts employee satisfaction and motivates employees to achieve better performance at work. In accordance with the Safety Statement and Risk Assessment of Zavarovalnica Triglav, measures were taken to guarantee safety and health at work.

A safe and healthy working environment was guaranteed to Triglav's employees by:

- regular annual visits by a professional who directly advises employees;
- instructions on safe and healthy working practices;
- training for safety and health at work;
- regular discussions about safety and health at work at the level of Zavarovalnica Triglav;
- follow-up of recommendations made on the basis of a risk assessment.

PROTECTION AGAINST FIRE

In order to achieve optimal fire safety:

- the quality of maintenance of the installed active fire safety systems was raised;
- obsolete fire detection systems and safety lighting systems at several locations were upgraded;
- an e-register was set up to monitor maintenance deadlines and the validity of Certificates of the Proper Functioning of Active Fire Protection;
- practical courses about protection against fire and the safe evacuation of a building were carried out;
- annual fire safety checks were performed.

INJURIES AT WORK

Injuries at work in 2010 were reduced by 20% with regard to 2009. Compared to the previous year, the number of injuries resulting from business trips was higher by one, but there were fewer injuries resulting from accidents while commuting to/from work. By cause of accident, slips ranked first, mostly on frozen surfaces in winter. In comparison with 2009, the number of traffic accidents dropped by 57%, demonstrating the adequacy of measures taken on the basis of Risk Assessment as well as safe driving courses for employees and their awareness building regarding safety requirements compliance.

Injuries at work in 2010 were reduced by 20% in comparison to 2009.

INJURIES AT WORK IN 2010, 2009 AND 2008

	NUMBER OF INJURIES IN 2010	PERCENTAGE (IN %)	NUMBER OF INJURIES IN 2009	PERCENTAGE (IN %)	NUMBER OF INJURIES IN 2008	PERCENTAGE (IN %)	INDEX 2010/2009	INDEX 2009/2008
At work	6	23	8	24	4	24	75	200
On business trips	12	46	11	33	11	33	109	100
Commuting to/from work	8	31	14	42	16	42	57	88
TOTAL	26	100	33	100	31	100	79	106

12.2.5 Care for employee satisfaction

Employee satisfaction also derives from additional benefits and care for employees during leisure time.

Additional benefits for employees

In 2010, great attention was dedicated to providing a healthy working environment, safe working conditions and regular periodic health checks of employees. Utmost efforts were made to make normal work possible for employees who became disabled while employed with Zavarovalnica Triglav and staff with other health problems, as well as to enable their wellbeing through work process adaptations to their reduced working capacity by assigning them appropriate jobs, flexible working hours and similar adjustments.

The staff of Zavarovalnica Triglav enjoy various insurance benefits:

- premiums are 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.

Employees' needs and requirements are followed in working time adjustments, as much as work processes allow. Special attention is devoted to young mothers working reduced working hours pursuant to the Parental Protection and Family Benefit Act.

Care for employees during leisure time

Active leisure time of employees is promoted through enabling participation in sporting activities, as well as with the purchase of theatre tickets and the organisation of trips and outings. Employees enjoy occasional discounts on clothes, cars, car tyres and similar goods.

The Group supports the organisation of social events and gatherings under the auspices of trade unions, including the most important traditional events:

- the Triglav Group Day;
- New Year's gatherings of employees and gifts for employees' children; and
- ŠIFO - the Winter and Summer Games of Financial Organisations.

Employees of the Triglav Group can use 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. For retirees, New Year's gatherings and gifts are organised and organised trips are co-financed.

In scheduling work time, special attention is devoted to young mothers working reduced working hours pursuant to the Parental Protection and Family Benefit Act.

12.3 SUPPLIERS AND BUSINESS PARTNERS

Suppliers

In 2010, Zavarovalnica Triglav reorganised its procurement process, enabling greater transparency of the process as such and of suppliers. A Procurement Committee was set up, in charge not only of related cost effectiveness but also transparency and due implementation of procurement processes. This helps boost fair competition among suppliers of the same goods and services. When bidding, the Group requires quotations in writing and in sealed envelopes, which are then opened and examined by the Procurement Committee.

A Procurement Committee was set up, in charge of not only procurement-related cost effectiveness, but also transparency and due implementation of procurement processes.

Triglav insurance policyholders are invited to become suppliers, especially in local markets covered by regional units, which helps consolidate the bond between the Company and local communities.

Prices and other terms offered by different bidders are compared, which in turn reduces the risk of corruption of individuals involved in the procurement process.

The holders of Triglav insurance policies are invited to become suppliers, especially in local markets covered by regional units, which helps consolidate the relationships between the insurance company and local communities.

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.

Contracted partners are selected by the executive director in charge of insurance sales and a regional unit's director, depending on the location of the business partner's registered office. 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 (Article 227). Moreover, the contracted partner has to guarantee that the agency services will be provided solely by the persons holding an authorisation to perform insurance operations in accordance with the Insurance Act (Article 230) who are under an employment contract with the contracting partner.

Any contracted partner needs to show loyalty to Zavarovalnica Triglav, to conclude insurance contracts with it and to achieve the planned sales results. Throughout the partnership relation, the agent's claim ratio and premium collection are monitored.

Sales staff working at contracted points of sales, i.e., with 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.

12.4 RESPONSIBILITY TO THE INSURED

Measuring customer satisfaction

Zavarovalnica Triglav pays special attention to monitoring customer satisfaction, which is essential for improving operations. The satisfaction of insured persons is measured by means of various research studies, client surveys, continuous monitoring of clients' comments and complaints and the application of the mystery shopper method.

As the results of the reputation measurement carried out by Kline & Partner show, Zavarovalnica Triglav continues to be one of the most reputable companies in Slovenia. In terms of recognition, it ranked first amongst the most known and reputable companies in Slovenia, and 16th regarding reputation, which is one place higher than in 2009. In the opinion of those surveyed, Zavarovalnica Triglav is the most reputable and most important Slovene insurance company, it is economically the most sound and safest, and clients can rely on it. At the same time, it offers the greatest range of insurance options and regularly introduces new products.

Customer satisfaction was determined by surveying clients by regional business unit, which confirmed that the economic and financial crisis affected the behaviour of insured persons to a significant degree, who now act more economically when deciding on insurance. This is also evident in insurance cancellations, the lower extent of insurance and greater demand for discounts when buying insurance.

Mystery shopper research was carried out in Zavarovalnica Triglav's own and contracted points of sale in order to assess the facilities (exterior and interior) of sales offices, the responses of staff and the general satisfaction of clients. Zavarovalnica Triglav's own points of sale were additionally assessed by phone calls in which contact with staff and general satisfaction were examined.

Zavarovalnica Triglav has ascertained that, in comparison with 2009, the assessment of contracted points of sale has improved significantly. In June 2009 the overall assessment of such visits was 60.8, while in February 2010 it was 67.2 and 65.0 in October 2010 (out of 100 possible points).

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 the 81.8 overall assessment in February (out of 100 possible points).

Zavarovalnica Triglav has ascertained that, in comparison with 2009, the assessment of contracted points of sale has improved significantly.

Communication with clients in non-life insurance

In non-life insurance, Zavarovalnica Triglav devoted significant attention to communication with clients, who were regularly informed of new products throughout the year. Extensive advertising campaigns were carried out for car insurance and DOM home insurance and an optimum combination of media was applied in order to reach a broad portion of the target population. Announcements in the media were supplemented with direct approaches and by informing the public through leaflets and brochures available at points of sale and from sales agents.

In car insurance, special attention was devoted to informing the public of a new service, i.e. an on-line premium calculator available at avto.triglav.si and www.triglav.si.

In addition to organised communication, communication is carried out primarily through sales agents in the field and at all points of sale. Furthermore, 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.

Assistance services provided through our own assistance centre are an important form of communication with clients. In 2010 assistance was provided to over 25,000 insureds.

Insured persons who have suffered damage increasingly use the option of reporting the damage by means of the internet and the toll-free help line 080 555 555. In the future, an increasing number of clients will carry out transactions over the internet, which is why such services are being constantly adapted to clients' needs.

In 2010, Zavarovalnica Triglav communicated with over 20,000 insureds who registered for the free service »Toča Alarm« (Hail Alarm) by means of an SMS alert in the event a damaging natural event, including hail, threatens.

Within the framework of revamping the web presence of the Triglav Group, in 2011 the product and sales website (www.triglav.eu) will be redesigned in order to enable clients to more easily examine products, buy new insurance and arrange existing contracts.

Communication with clients in life insurance

With regard to marketing personal insurance, Zavarovalnica Triglav develops an integrated relationship with existing and new clients. Significant efforts are devoted to relations with clients who have taken out life insurance, as such can develop into a long-term relationship.

In addition to traditional sales and communication channels, in 2010 Zavarovalnica Triglav also communicated by means of other personal and mass approaches. This depended on the purpose and objectives aimed at by the communication:

- Zavarovalnica Triglav's range of products, which is constantly upgraded, was also offered to existing clients, who in addition to new products, could also take advantage of new benefits in the framework of existing insurance policies, which represents significant added value for clients.
- Within the marketing and communication campaign carried out for the introduction of FLEKS FOR YOUNGSTERS unit-linked insurance, a flexible product covering young people, different events were organised throughout Slovenia. In presenting the novelties of this product, Zavarovalnica Triglav established direct contact with potential clients, introduced them to the new product and motivated them to meet with a personal advisor. At these events the mascot »Kuža Pazi« (Watch Out Doggy) was present, which attracted the attention of children and their parents and consequently created a positive experience. The mascot symbolically communicated the hallmarks of Zavarovalnica Triglav - stability, reliability, security.
- By means of the prize contest »Moja največja želja je...« (My greatest wish is...), in May and June Zavarovalnica Triglav encouraged school and preschool children to think about their wishes and to creatively express such in a written or drawn form.
- The FLEKS marketing and communication campaign carried out at the end of the year was also oriented to establishing contact with clients, which among other matters encouraged them to participate in an online prize game.

12.5 RESPONSIBILITY TO THE SOCIAL ENVIRONMENT

Cooperation with the social environment is a priority. As a consequence, the Triglav Group is actively present everywhere it operates. The Triglav Group carefully monitors the needs of different environments, to which it actively responds. Often long-term partnerships are formed with actors in the social environment, with

In 2010 assistance was provided to over 25,000 insured persons.

Insured persons who have suffered damage increasingly use the option of reporting the damage by means of the internet and the toll-free help line 080 555 555.

whom cooperation most commonly takes the form of sponsorships, donations and the provision of grants for preventative purposes, as well as through volunteer and humanitarian activities.

12.5.1 Decision-making powers and coordination

The Marketing and Corporate Communications Department plans and directs funds on the level of the parent company and on the local level through regional offices. On individual foreign national and local levels such support is provided by Triglav's subsidiaries.

The Marketing and Corporate Communications Department also plans the allocation of funds and the activities of the sponsorship strategy and is additionally responsible for the administration and coordination of procedures between regional business units, individual departments and the Management Board. In 2010 an IT application was developed that ensures equivalent work methods and equivalent regulators and which also supports work processes. For this purpose, work instructions and memorandums were issued and an internal training programme was held that focused on expenditure management, recording concluded contracts and drafting proposals and reports for the Management Board.

Information on sustainable development

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12.5.2 Main sponsorships and donations

With sponsorships and donations the Triglav Group supports the development of organisations and other non-profit associations, institutes, and individuals active in sport, culture, education, health care, humanitarian activities and other socially responsible activities. In this manner it gives something back to the environment in which it is active, and thus strengthens the socially responsible operation of the company.

In 2010 Zavarovalnica Triglav allocated EUR 3.5 million for sponsorships and EUR 0.3 million for donations. The Group as a whole allocated EUR 4.1 million for sponsorships and donations. The largest portion of such funds was granted for sports activities, followed by cultural activities, humanitarian activities and health care.

Sports

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 sports.

Triglav has been one of the largest sponsors of the Ski Association of Slovenia for more than three decades and regularly supports the national Nordic skiing and biathlon teams as a gold sponsor. For 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 2010 Triglav took 3,300 children to watch ski flying and jumping competitions; over the years it has enabled three generations of children to attend such events.

Triglav also sponsors the Acroni Jesenice Hockey Club, the Hockey Association, the Olimpija Basketball Club, the Olimpija Academic Sports Association and the Helios Domžale Basketball Club.

Zavarovalnica Triglav is also the main sponsor of the strongest water polo league in the 2010/2011 season, the Triglav Jadranska League. This league comprises 13 clubs and was founded together with the national water polo associations of Slovenia, Croatia and Montenegro. The purpose of such support is to promote the regional development of the sport and the success of water polo in the countries of the Group's subsidiaries. Most of the clubs in the league are amongst the most successful in Europe.

Triglav supports top level sports through four-year sponsorships of shooter Rajmond Debevec, ski jumper Jernej Damjan and ski cross competitor Saša Farič. It also continues to support the projects of the Slovene Association for People with Disabilities, and individual athletes with disabilities, such as Gal Jakič.

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

The Group as a whole allocated EUR 4.1 million for sponsorships and donations. The largest portion of such funds was granted for sports activities, followed by cultural activities, humanitarian activities and health care.

Triglav Osiguranje sponsors the Čakovec Handball Club, the Zagreb Ice Hockey Club, which systematically works with young people, 11 different football clubs, the Iva Majoli Tennis Centre, and other sports organisations.

Lovćen Osiguranje supports the Lovćen and Plevlja football clubs, the Lovćen and Rudar Plevlja handball clubs and other associations and clubs in the disciplines of sailing, water polo, swimming, volleyball, karate, aviation and tennis. It also supported the organisation of recreational tennis tournaments and Montenegrin alpinists who conquered the highest mountain in the world, Mount Everest.

Triglav BH Osiguranje supported the Triglav BH Trophy tennis tournament, which is in the ITF Futures Series, and a tennis tournament in Tuzla, as well as a women's handball club, a football school for children, a karate club and a number of talented young athletes in basketball, tennis, football, and volleyball. They also supported the 15th Summer Universiade in Tuzla and a football tournament.

Triglav Kopaonik was the main sponsor of the baseball competition Triglav Indoor in Novi Sad, it sponsored the Belgrade Rally, the summer camp of the Barcelona Football Club in Belgrade and an international youth volleyball competition.

Triglav Krajina Kopaonik sponsored the ATP tennis tournament Challenge Banja Luka 2010.

Vardar Osiguruvanje supported the Bitola Handball Club, the Vardar Osiguruvanje women's handball club, the Alpinizam mountaineering association, the organisation of a ski competition, an international wrestling competition and a motorsport race.

Support of cultural creativity

The Triglav Group regularly devotes funds to and supports a variety of cultural activities. Once again in 2010, Zavarovalnica Triglav supported the projects of Cankarjev dom, the Ljubljana Summer Festival, the Tartini Festival in Piran, the Carniola Festival in Kranj and the »Festival resne glasbe« (Serious Music Festival) in Pomurje.

Triglav Osiguranje supported the cultural, art, and sport association K.U.Š.U. Cista Velika.

Lovćen Osiguranje supported the organisation of the Kotor Festival and the Park H. Novi Festival, the Bar Mediterranean Photography Centre, the Plevlja Social Work Centre, and the functioning of three cultural centres.

Triglav BH Osiguranje enabled the painter Ahmet Pinjić to organise an independent exhibition, it sponsored the East-West Centre performance »Evropa danes« (Europe Today), by director Haris Pašović and supported the organisation of the Ajvatovica Days festival.

Triglav Kopaonik was the main sponsor of the Petar Konjović International Classical Music Competition in Belgrade, the main sponsor of the project »Srbija v ritmu Evrope« (Serbia in the Rhythm of Europe), and also supported the dance studio Five.

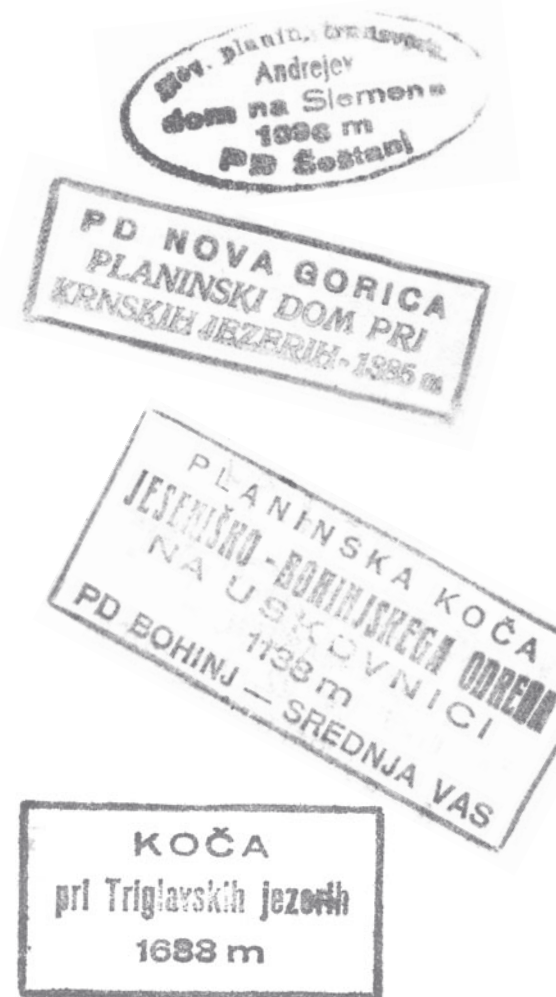
Vardar Osiguruvanje contributed to the organisation of the Strumica Carnival festival, sponsored the popularity prizes for the 2010 »Zlatna bubamara« (Golden Ladybird) event, the SOS concert in Skopje and the performances of the KUD Kočo Racin Skopje ensemble, which performs folk songs and dances.

Support of humanitarian activities and civil initiatives

In 2010, one of Zavarovalnica Triglav's major initiatives was the continuation of a four-year cooperative project with the Ljubljana-Matica Mountaineering Club on the ecological renovation of mountain lodges and huts. We placed greater emphasis on senior citizens and again sponsored the »Festival za tretje življenjsko obdobje« (the Golden Years Festival) and participated in initiatives to improve the road traffic safety of senior citizens.

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 with more than fifteen years of tradition. Funds were also donated for the renovation and repair of the Kisovec preschool building and equipment, which had been severely damaged due to flooding.

Triglav regularly participates in campaigns collecting funds for various health care and humanitarian purposes. It helped the University Medical Centre in Ljubljana purchase ultrasound equipment, the Association for the Development of Pulmonology, various funds providing assistance to families, disabled groups and individuals with disabilities, such as the »Dnevni center za brezdomce« (The Day Centre for the Homeless), the Ana Fund and the Albatros Sport Club.



Triglav Osiguranje made donations to the Neurosurgery Clinic of the University Medical Centre in Ljubljana, the Gornja Bistra Hospital for Children with Chronic Diseases, the Klasje home for children in Osijek and the Ana Rukavina Foundation, which collects donated umbilical cord blood.

Triglav BH Osiguranje enabled the Muscular Dystrophy Association of the Canton of Tuzla to purchase computer equipment for children and youths with this disease. The Adriatic Association for Sport and Recreation received support in the organisation of a swimming school for children with developmental disorders, as did medical students with regard to participation in an international congress.

Lovćen Osiguranje sponsored preschools and a women's organisation within the Association of Medical Doctors.

Triglav Kopaonik sponsored the Dragan Kovačević Primary School for the Blind and Visually Impaired, it presented gifts to blind and visually impaired children and Roma children and supported the third Drina Gastro international culinary festival and the Insurance in the CEFTA Region conference.

Vardar Osiguranje sponsored the »Društvo mladih za mlade« (Youth for Youth Association), in the campaign »Bolje danas nego sutra« (Better today than tomorrow).

Triglav Krajina Kopaonik made a donation to the Dr. Milan Jelić Foundation, which invests in educationally gifted students.

12.5.3 Prevention activity promotion

Planned and long-term implementation of prevention activities at all levels is an integral part of the Group's corporate social responsibility. The key underlying objectives are raising wide public awareness and the reduction of risks and potential accidents.

In 2010, new Rules on Prevention and Suppression Activities of Zavarovalnica Triglav were prepared in place of the old ones. These rules define the following general principles and guidelines needed for the development of prevention activities:

- sources for funding prevention activities;
- service providers in charge of prevention activities;
- purpose and conditions for disbursing the fund allocated to prevention activities;
- process implementation parameters.

A great proportion of funds allocated to prevention activities represents a percentage of the premium written separately for each insurance class. In order to prevent losses and reduce risks, the insurance company may opt to carry out prevention activities directly or indirectly, through other service providers such as the insureds (natural persons or legal entities), organisations, institutions, corporations and other providers (also individuals). In 2010, EUR 2.8 million was earmarked for prevention activities.

Safe driving

Together with AMZS (The Automobile Association of Slovenia), Zavarovalnica Triglav has contributed to improving road traffic safety by organising Safe Driving Days for young families and new drivers. Thus, 5,300 new drivers and 166 young families participated in over 150 courses. In addition to the basics of safe driving, lectures intended for parents with young children provided information regarding the importance of having a high quality child safety seat, its secure installation, and how to fasten children's seat belts. As an incentive, Zavarovalnica Triglav presented young families who participated in the Safe Driving Days in the spring and those who took out or renewed car insurance in November or December with a EUR 30 coupon redeemable when purchasing a child safety seat.

In addition, Zavarovalnica Triglav devoted special attention to safe driving by senior citizens, who represent an increasingly numerous group of road users. It participated in the »Zrela mobilnost« (Mature Mobility) project and by issuing a leaflet and organising information days called attention to the importance of education and older drivers maintaining certain skills in order to ensure safe driving also in one's later years.

Preventative programmes for road traffic safety are also encouraged in other members of the Triglav Group. Thus, for example, Lovćen Osiguranje supported a police campaign aimed at road traffic safety.

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

In addition, Triglav devoted special attention to safe driving by senior citizens, who represent an increasingly numerous group of road users. It participated in the »Zrela mobilnost« (Mature Mobility) project and by issuing a leaflet and organising information days it called attention to the importance of education and older drivers maintaining certain skills in order to ensure safe driving also in one's later years.

Child safety in traffic

In January, Zavarovalnica Triglav organised an event for young children entitled Uncle Srečo's Fairytales for Young Ones, which took place at one of the larger shopping centres in Ljubljana. The event was well attended by children, who listened to fairytales, coloured colouring books and talked with Srečo the mechanic about road safety.

Zavarovalnica Triglav has been taking care of the safety of Slovenia's young children for more than 30 years. At the beginning of the school year, the Company provides pupils starting primary school with the yellow neckerchiefs that are required by law and that make children more visible in traffic. In front of 72 primary schools throughout Slovenia young children cross the road accompanied by the mascot »Kuža Pazi« (Watch Out Doggy). Children are also given reflective objects to make them more noticeable in conditions of poor visibility. In September, Zavarovalnica Triglav also organised prevention activities connected with accident insurance for children and young people.

Fire safety

Zavarovalnica Triglav regularly co-finances equipment purchases of many fire fighter associations and unions. Several corporate groups were assisted in maintaining their installed active fire safety systems, fire extinguishing systems and fire hydrant systems. Funds were provided to the company Domel for flood safety improvements, to Inles and Aero Celje for fire safety modernisation and to PIGD Steklarna Hrastnik for fire protection clothing purchases.

In removing the consequences and repairing the damage caused by floods in September 2010, Triglav provided assistance to its long-term client Svea, the company worst hit by the disaster.

12.5.4 Protection of competition

In 2010, 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.

12.6 RESPONSIBILITY TO THE SOCIAL AND NATURAL ENVIRONMENTS

Protection of the environment in work processes

Responsibility for the natural environment is an integral part of the business management and organisational culture of the parent company as well as the Triglav Group as a whole. Environmentally responsible behaviour is incorporated into everyday operations, although the activities of Group members do not otherwise have a significant direct impact on the environment.

Triglav encourages employees to use electrical energy responsibly and to print email messages only when absolutely necessary. In its numerous offices recycling is fostered by installing special containers for collecting waste paper and empty ink cartridges from printers and photocopiers. The Triglav Group contributes to the preservation of clean water by recommending the use of the »stop« button when flushing the toilet.

In order to reduce environmental damage, in 2010 Zavarovalnica Triglav replaced 28 used company vehicles with new ones which use at least 10% less fuel and have lower harmful exhaust emissions. Triglav's commitment to cleaner air is also demonstrated by maintaining relatively low average fuel consumption, which for Zavarovalnica Triglav was between 6.7 and 6.8 litres per 100 km driven.

The Triglav Group installs energy saving bulbs in its business facilities, replaces old heating systems with new gas powered devices and installations or electric heaters. Environmental awareness is raised by encouraging employees to use company bicycles for transportation around town related to work, which contributes to decreasing harmful emissions from road traffic.

Environmentally responsible insurance products

The Group provided quick risk adjustment to Slovene agriculture, so as to help remove the consequences of storms, which was in line with its mission of protecting Slovene agricultural produce against increasingly frequent natural disasters.

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. Insureds who invest in active protection enjoy premium policy incentives, so that at the same insurance guarantee level they are given up to an 80% discount compared to the premiums for the insurance of the same crop grown outdoors. In this area the Group provides relevant training

Zavarovalnica Triglav has fostered the safety of children for over 30 years; at the beginning of the school year, it gives every first grade pupil a yellow neckerchief, which is required by law in order to make children more visible to road traffic participants.

Triglav installs energy saving bulbs in its business facilities, replaces old heating systems with new gas powered devices, installations or electric heaters.

Insured persons who invest in active protection enjoy premium policy incentives.

and information to its existing and potential clients. 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.

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. Stock breeding is, of course, among the major sources of environment pollution.

Care for the broader natural environment

In 2010, Zavarovalnica Triglav decided to support responsible and sustainable mountaineering and mountain recreation. In the framework of the drive entitled »Let's clean the mountains«, in cooperation with the Alpine Association of Slovenia, the largest non-governmental organisation in the country, and the Ljubljana-Matica Climbing Club, rubbish bags were distributed around many mountain lodges and huts, enabling mountain goers to collect their waste and take it down to the valley. The drive involved 35,000 biodegradable bags, 25 mountain lodges and cabins, 104 volunteers/ambassadors, almost 9,000 followers on the Facebook page under the slogan »Let's clean our mountains and conscience, so that the mountains get clean and remain that way.« These statistics speak for themselves.

Care for a better tomorrow, sacrifice and goodwill are the virtues of Zavarovalnica Triglav. This was clearly shown by its employees who participated in the biggest volunteer-based environmental project in the history of Slovenia »Let's Clean Slovenia in a Day!« in which they helped collect over 70,000 m³ of waste.

GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES GR CONTENT

	CONTENT DESCRIPTION	PAGE
1	Strategy and analysis	
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2.1 - 2.10	Name, brands, location of the organisation's headquarters, organisational structure, ownership structure, markets served, key data, significant changes regarding structure and ownership, awards	94, Management Report 4-7, 38
3	Report parameters	
3.1 - 3.8	Report profile, scope and boundaries	93
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	Management Report 6, 109 Financial Report 188
3.12	GRI G3 Content index	108
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	94, Management Report 28
4.12 - 4.13	Commitments to external initiatives, support of external initiatives, memberships in associations	94
4.14 - 4.15	Stakeholder engagement, selection criteria for engaged stakeholders	94
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EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, payments to shareholders	40, 95, Management Report 2, 71-72
	Environmental performance indicators	
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved	107
	Labour practices and decent work performance indicators	
LA1	Total workforce by employment type, employment contract, and region	97
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LA4	Percentage of employees covered by collective bargaining agreements	97
LA7	Rates of injury, occupational diseases, lost days, and absenteeism	101
LA10	Average hours of training per year per employee by employee category	98
LA 11	Programmes for skills management and lifelong learning	98
	Society indicators	
SO7	Anti-competitive behaviour	107

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

13. 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 2010.

Post-balance sheet events having an impact on the operations in 2011 include:

- **Action brought against the Securities Market Agency**
On 13 January 2011, the Securities Market Agency (hereinafter: ATVP) issued a decision prohibiting Zavarovalnica Triglav d.d., Slovenska odškodninska družba d.d., Mobitel d.d. and Hit d.d. from exercising their voting rights in the offeree company Abanka Vipava d.d. (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights until those companies and Luka Koper d.d. either launch a takeover bid for the shares of Abanka or dispose of Abanka shares, so that one individual company, several companies or all companies as a whole no longer cross the takeover threshold. The companies accused of acting in concert oppose the decision of the ATVP. On 4 February 2011, Zavarovalnica Triglav d.d. brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ATVP decision, proposed the issuance of an interim injunction and requested that the Court give the case priority.
- **Orders issued by the Securities Market Agency**
On similar grounds as in the case of the holding in Abanka Vipava d.d. described above, the ATVP initiated procedures to suspend voting rights in several other cases of offeree companies in which Zavarovalnica Triglav is a minor shareholder, such as Kaka d.d., Petrol d.d., Save Re d.d., Aerodrom Ljubljana d.d. and Telecom d.d., but has not yet issued any decisions on the suspension of voting rights.
- **Non-litigious proceedings with Vzajemna zdravstvena zavarovalnica halted**
On 3 February 2011, the District Court in Ljubljana issued a decision terminating the proceeding. See Section 8.7 of the Financial Report for additional information.
- **Claim challenging the validity of an ISA decision**
On 18 February 2011, Zavarovalnica Triglav brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ISA decision on the elimination of violations in which the ISA established that the share capital of Zavarovalnica Triglav d.d. was insufficient. See Section 8.7 of the Financial Report for additional information.
- **Approval by the Supervisory Board to increase the share capital of Triglav INT d.d.**
At its session of 10 February 2011, the Supervisory Board of Zavarovalnica Triglav approved a share capital increase in its subsidiary Triglav INT d.d. with an in-kind contribution. Zavarovalnica Triglav shall provide an in-kind contribution to Triglav INT in the form of financial assets in subsidiaries outside the Republic of Slovenia.
- **Resignation of a Management Board Member**
On 28 February 2011, Vladimir Mišo Čeplak resigned as the employee representative on the Management Board of Zavarovalnica Triglav d.d. Until a new employee representative is appointed member of the Management Board, Vladimir Mišo Čeplak shall continue to hold this office, but no later than 1 June 2011.
- **Tax audit**
On 4 February 2011, a tax audit procedure was initiated with reference to tax on total insurance operations charged for the period from 1 January to 31 December 2010. As at the time the financial statements for 2010 were approved, the tax audit procedure had not been concluded.
- **PHSC Štumarje d.o.o.**
In March 2011, Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion of PHSC Štumarje d.o.o. from the Companies Register. At the end of 2010, Zavarovalnica Triglav acquired a 26.49% share from other shareholders of the company and in February 2011, as the sole shareholder, adopted a decision to wind up the company in a simplified procedure without liquidation. After this winding-up the total assets of the company were assigned to Zavarovalnica Triglav.
- **THP Krona d.o.o.**
In April 2011, Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion of THP Krona d.o.o. from the Companies Register. At the end of 2010, Zavarovalnica Triglav acquired a 26.49% share from other shareholders of the company and in February 2011, as the sole shareholder, adopted a decision to wind up the company in a simplified procedure without liquidation. After this winding-up the total assets of the company were assigned to Zavarovalnica Triglav.
- **New members of management bodies in subsidiaries**
On 1 February 2011, Ana Stradar Iglič was appointed to the Management Board of Triglav nepremičnine d.d.
In 2011, two new members were appointed to the Management Board of Triglav Osiguranje d.d., Zagreb: Vanja Nadali as of 1 January 2001 and Igor Bratina as of 1 March 2011.
- **New members of supervisory bodies in subsidiaries**
A new Supervisory Board was appointed as of 2 February 2011, made up of the following members: Stanislav Vrtunski, Chairman, and Blaž Jakič and Iztok Šekoranja, members.
Also as of 2 February 2011, Predrag Bobera was appointed to the Management Board of Triglav penzijski fondovi.
As of 25 March 2011, Matjaž Rakovec was appointed to the Management Board of Triglav INT d.d.

14. INFORMATION ON THE TRIGLAV GROUP AS AT 31 DECEMBER 2010

Insurance

ZAVAROVALNICA TRIGLAV D.D.	
Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 474 72 00
Fax:	++ 386 (1) 432 63 02
E-mail address:	info-triglav@triglav.si
Website:	www.triglav.si

POZAVAROVALNICA TRIGLAV RE D.D.	
Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 474 79 00
Fax:	++ 386 (1) 433 14 19
E-mail address:	mail@triglavre.si
Website:	www.triglavre.si
Activity:	Reinsurance
Equity stake:	87.00%
Share of voting rights:	87.00%
Nominal value of equity stake:	EUR 4,306,500

TRIGLAV ZDRAVSTVENA ZAVAROVALNICA D.D.	
Address:	Pristaniška ulica 10, 6000 Koper, Slovenia
Telephone:	++ 386 (5) 662 20 00
Fax:	++ 386 (5) 662 20 02
E-mail address:	info@zdravstvena.net
Website:	www.zdravstvena.net
Activity:	Insurance
Equity stake:	99.51%
Share of voting rights:	99.51%
Nominal value of equity stake:	EUR 25,695,615

TRIGLAV OSIGURANJE D.D.	
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:	99.59%
Share of voting rights:	99.59%
Nominal value of equity stake:	EUR 17,483,696

TRIGLAV POJIŠT'OVNA A.S.	
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:	100.00%
Share of voting rights:	100.00%
Nominal value of equity stake:	EUR 13,263,239

LOVČEN OSIGURANJE A.D.	
Address:	Ulica Slobode 13a, 81 000 Podgorica, Montenegro
Telephone:	++ 382 (20) 404 400
Fax:	++ 382 (20) 665 281
E-mail address:	lovosig@co.me, lovcen@lo.co.me
Website:	www.lo.co.me
Activity:	Insurance
Equity stake:	91.84%
Share of voting rights:	91.84%
Nominal value of equity stake:	EUR 15,642,883

TRIGLAV BH OSIGURANJE D.D.	
Address:	Dolina 8, 71000 Sarajevo, Bosnia and Herzegovina
Telephone:	++ 387 (33) 252 110
Fax:	++ 387 (33) 252 179
E-mail address:	info@triglavbh.ba
Website:	www.triglavbh.ba
Activity:	Insurance
Equity stake:	68.94%
Share of voting rights:	78.71%
Nominal value of equity stake:	EUR 2,929,127

TRIGLAV KRAJINA KOPAONIK A.D.	
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:	99.86%
Share of voting rights:	99.86%
Nominal value of equity stake:	EUR 2,841,621

TRIGLAV KOPAONIK A.D.O.	
Address:	Ulica Kralja Petra br. 28, 11000 Belgrade, Serbia
Telephone:	++ 381 (11) 330 51 00
Fax:	++ 381 (11) 330 51 38
E-mail address:	office@triglav.rs
Website:	www.triglav.rs
Activity:	Insurance
Equity stake:	94.49%
Share of voting rights:	94.49%
Nominal value of equity stake:	EUR 8,778,497

VARDAR OSIGURUVANJE A.D.	
Address:	Gradski Zid blok 8, 1000 Skopje, FYRM
Telephone:	++ 389 (2) 328 66 00
Fax:	++ 389 (2) 328 66 60
E-mail address:	osig@advardar.com.mk
Website:	www.insurance.com.mk
Activity:	Insurance
Equity stake:	70.36%
Share of voting rights:	70.36%
Nominal value of equity stake:	EUR 2,116,728

Asset management

TRIGLAV DZU D.O.O.	
Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 300 73 00
Fax:	++ 386 (1) 300 73 50
E-mail address:	info@triglav-du.si
Website:	www.triglav-du.si
Activity:	Asset management
Equity stake:	67.50%
Share of voting rights:	96.43%
Nominal value of equity stake:	EUR 563,345

TRIGLAV NALOŽBE D.D.	
Address:	Slovenska cesta 54, 1000 Ljubljana, Slovenia
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:	92.42%
Share of voting rights:	92.42%
Nominal value of equity stake:	EUR 39,954,285

TRIGLAV NEPREMIČNINE D.D.	
Address:	Verovškova 60c, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 242 06 90
Fax:	++ 386 (1) 242 06 93
E-mail address:	mitja.krizaj@siol.net
Activity:	Real estate management
Equity stake:	100.00%
Share of voting rights:	100.00%
Nominal value of equity stake:	EUR 133,440

TRIGLAV PENZIJSKI FONDOVI A.D.	
Address:	Kralja Petra 45, 11000 Belgrade, Serbia
Telephone:	++ 381 (11) 303 63 56
Fax:	++ 381 (11) 303 84 87
E-mail address:	office@triglavpenzija.rs
Website:	www.triglavpenzija.rs
Activity:	Insurance
Equity stake:	99.10%
Share of voting rights:	99.10%
Nominal value of equity stake:	EUR 2,399,459

Other

TRIGLAV INT D.D.	
Address:	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 474 73 51
E-mail address:	tina.cvar@triglav.si
Activity:	Holding company
Equity stake:	100.00%
Share of voting rights:	100.00%
Nominal value of equity stake:	EUR 50,000

TRI-PRO D.O.O.	
Address:	Ljubljanska cesta 86, 1230 Domžale, Slovenia
Telephone:	++ 386 (1) 724 66 50
Fax:	++ 386 (1) 724 66 75
E-mail address:	info@tri-pro.si
Website:	www.tri-pro.si
Activity:	Insurance agency
Equity stake:	100.00%
Share of voting rights:	100.00%
Nominal value of equity stake:	EUR 8,763

AS TRIGLAV D.O.O.	
Address:	Verovškova 60b, 1000 Ljubljana, Slovenia
Telephone:	++ 386 (1) 580 68 72
Fax:	++ 386 (1) 580 68 75
E-mail address:	as-triglav@siol.net
Activity:	Maintenance and repair of motor vehicles
Equity stake:	100.00%
Share of voting rights:	100.00%
Nominal value of equity stake:	EUR 8,763

SLOVENIJALES 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@slovenijales.si
Website:	www.slovenijales.si
Activity:	Retail trade
Equity stake:	61.74%
Share of voting rights:	61.74%
Nominal value of equity stake:	EUR 7,049,037

GRADIS IPGI D.D.	
Address:	Industrijska cesta 2, 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:	83.48%
Share of voting rights:	83.48%
Nominal value of equity stake:	EUR 668,397

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:	98.98%
Share of voting rights:	98.98%
Nominal value of equity stake:	EUR 753,324

PHSC ŠTEMARJE D.O.O.	
Address:	Kapucinski trg 9, Škofja Loka, Slovenia
Telephone:	++ 386 (51) 323 085
Activity:	Real estate management
Equity stake:	97.27%
Share of voting rights:	97.27%
Nominal value of equity stake:	EUR 337,502

THP KRONA D.O.O.	
Address:	Mestni trg 32, Škofja Loka, Slovenia
Telephone:	+386 (1) 434 96 40
Fax:	+386 (1) 434 96 40
Activity:	Real estate management
Equity stake:	97.27%
Share of voting rights:	97.27%
Nominal value of equity stake:	EUR 113,618

15. BUSINESS NETWORK OF THE TRIGLAV GROUP

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

Zavarovalnica Triglav's own branch 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 Company's range of products and services is also available in banks, post offices, at border crossings, in travel agencies and on the web portal of Zavarovalnica Triglav.

15.1 INSURANCE AND RE-INSURANCE

ZAVAROVALNICA TRIGLAV D.D., LJUBLJANA, HEADQUARTERS
- registered office

Regional units:

- 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
The insurance company has agencies set up in all 12 regional units of Zavarovalnica Triglav plus a health insurance point at its registered office.

TRIGLAV OSIGURANJE, D.D., ZAGREB
- registered office

Branch offices:

- Čakovec
- Koprivnica

- Pula
- Rijeka
- Zagreb
- Osijek
- Split
- Varaždin

Agency:

- Zadar

TRIGLAV BH OSIGURANJE D.D., SARAJEVO - registered office

Branch offices:

- Sarajevo
- Bihać
- Tuzla
- Mostar
- Zenica
- Travnik
- Goražde

TRIGLAV POJIŠT'OVNA A.S., BRNO
- registered office

Branch offices:

- Brno
- Prague
- Česke Budejovice
- Ostrava
- Pardubice
- Plzen
- Liberec
- Olomuc

LOVČEN OSIGURANJE A.D., PODGORICA
- registered office

Branch offices:

- Podgorica
- Nikšić
- Berane
- Pljevlja
- Bijelo Polje
- Kotor

Offices, outlets and locations:

- Bar
- Ulcinj
- Danilovgrad
- Kolašin
- Tuzi
- Žabljak
- Plav

- Rožaje
- Mojkovac
- Budva
- Tivat
- Herceg Novi
- Šavnik
- Plužine
- Cetinje

TRIGLAV KOPAONIK A.D.O., BELGRADE
- registered office

Main branches:

- Belgrade
- Novi sad
- Kruševac
- Niš

Branch offices:

- Valjevo
- Kikinda
- Subotica
- Šabac
- Kragujevac
- Čačak
- Jagodina
- Požarevac
- Leskovac
- Vranje

Agencies:

- Aranđelovac
- Bor
- Bečej
- Kraljevo
- Novi Pazar
- Pančevo
- Negotin
- Vršac
- Veliko Gradište

TRIGLAV KRAJINA KOPAONIK A.D., BANJA LUKA - registered office

Branch offices:

- Banja Luka
- Prijedor
- Gradiška
- Mrkonjić Grad
- Doboj
- Bjeljina
- Zvornik
- East Sarajevo

- Bileća
- Brčko

VARDAR OSIGURUVANJE A.D., SKOPIE
- registered office

Offices, outlets and agencies:

- Skopje
- Bitola
- Ohrid
- Gostivar
- Tetovo
- Kumanovo
- Veles
- Gevgelija
- Negotino
- Resen
- Prilep
- Kičevo
- Radoviš
- Kočani
- Štip
- Kavadarci
- Strumica
- Kruševo
- Berovo
- Delčevo
- Struga
- Vinica

15.2 ASSET MANAGEMENT

TRIGLAV DZU D.O.O., LJUBLJANA
- registered office

TRIGLAV NALOŽBE D.D., LJUBLJANA
- registered office

TRIGLAV PENZIJSKI FONDOVI A.D., BELGRADE - registered office



triglav



professionalism, security and corporate social responsibility

I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES



I. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board herewith confirms the consolidated financial statements for the year ended 31 December 2010 and the accompanying accounting policies and notes to the accounting policies.

The Management Board is responsible for preparing the Annual Report such 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 2010.

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 were 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 that the Group is exposed to.

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.

A handwritten signature in blue ink, appearing to read 'M. Rakovec'.

Matjaž Rakovec

President of the Management Board

A handwritten signature in blue ink, appearing to read 'V. Mišo Čeplak'.

Vladimir Mišo Čeplak
Member of the Management Board

A handwritten signature in blue ink, appearing to read 'A. Slapar'.

Andrej Slapar
Member of the Management Board

A handwritten signature in blue ink, appearing to read 'I. Stebernak'.

Igor Stebernak
Member of the Management Board

II. INDEPENDENT AUDITOR'S REPORT

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



Independent Auditor's Report

To the Shareholders of the Triglav Group, Ljubljana

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 2010, 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 2010, 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.

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

Ljubljana, 11 April 2011

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

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

Partner

KPMG Slovenija, d.o.o.
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III. CONSOLIDATED FINANCIAL STATEMENTS

A. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

		IN EUR	
	NOTES	31 DECEMBER 2010	31 DECEMBER 2009
ASSETS			
Intangible assets	6.1	61,218,108	73,506,342
Property, plant and equipment	6.2	142,550,661	132,895,282
Deferred tax receivables	6.16	27,545,028	20,426,847
Investment property	6.3	84,256,259	81,997,052
Investments in associates	6.4	117,067,739	122,342,222
Financial assets	6.5	2,282,449,510	2,132,149,856
Financial investments		1,904,557,249	1,821,513,756
- loans and deposits		364,944,602	397,384,402
- held to maturity		253,578,582	261,587,909
- available for sale		1,195,021,035	1,075,127,103
- recognised at fair value through profit and loss		91,013,031	87,414,343
Unit-linked insurance assets		377,892,261	310,636,100
Reinsurers' share of technical provisions	6.6	44,221,316	38,707,113
Receivables	6.7	216,643,960	219,787,187
- receivables from direct insurance operations		127,992,948	132,182,897
- receivables from reinsurance and co-insurance operations		45,432,007	34,673,805
- current tax receivables		2,427	4,170,535
- other receivables		43,216,578	48,759,950
Other assets	6.8	12,949,696	11,820,949
Cash and cash equivalents	6.9	34,108,090	30,443,965
Non-current assets held for sale	6.10	1,385,441	1,903,219
TOTAL ASSETS		3,024,395,808	2,865,980,034
EQUITY AND LIABILITIES			
Equity	6.11	498,977,808	477,787,692
Controlling interests		470,765,036	449,910,028
- share capital		23,701,391	23,701,391
- share premium		53,655,516	53,892,536
- reserves from profit		69,417,981	54,180,190
- fair value reserve		45,520,845	54,370,241
- net profit brought forward		269,153,671	271,086,497
- net profit/loss for the year		11,313,293	-5,861,926
- currency translation differences		-1,997,661	-1,458,901
Non-controlling interests		28,212,772	27,877,664
Subordinated liabilities	6.12	40,932,090	43,242,091
Insurance technical provisions	6.13	1,894,832,826	1,851,940,383
- unearned premiums		296,367,451	301,267,271
- mathematical provisions		849,847,775	794,828,056
- claims provisions		711,728,317	711,229,696
- other insurance technical provisions		36,889,283	44,615,360
Insurance technical provisions for unit-linked insurance contracts	6.13	376,083,063	309,823,680
Employee benefits	6.14	10,278,077	7,652,833
Other provisions	6.15	17,797,395	15,386,715
Deferred tax liabilities	6.16	14,110,839	16,383,815
Other financial liabilities	6.17	34,870,425	44,058,737
Operating liabilities	6.18	68,049,411	39,661,083
- liabilities from direct insurance operations		23,243,104	14,677,542
- liabilities from reinsurance and co-insurance operations		27,928,812	24,564,148
- current tax liabilities		16,877,495	419,393
Other liabilities	6.19	68,463,874	60,043,005
TOTAL CAPITAL AND LIABILITIES		3,024,395,808	2,865,980,034

B. CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT

		IN EUR	
	NOTES	2010	2009
NET PREMIUM INCOME	7.1	946,170,224	946,344,123
- gross written premium		1,013,560,225	1,022,259,614
- ceded written premium		-74,371,737	-71,334,542
- change in unearned premium reserves		6,981,736	-4,580,949
INCOME FROM FINANCIAL ASSETS	7.2	181,533,361	204,441,102
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES		6,332,162	18,612,653
- profit on equity investments accounted for using the equity method		3,525,434	12,388,038
- interest income		1,353,194	2,023,937
- fair value gains	7.4	187,561	655,986
- realised gains on disposals	7.5	1,261,807	1,104,227
- other financial income		4,166	2,440,465
INCOME FROM OTHER FINANCIAL ASSETS		132,682,856	131,952,367
- interest income		83,863,954	75,647,133
- dividends		3,110,228	5,894,606
- fair value gains	7.4	12,834,622	17,420,487
- realised gains on disposals	7.5	26,366,161	30,340,353
- other financial income		6,507,892	2,649,788
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS		42,518,343	53,876,082
OTHER INCOME FROM INSURANCE OPERATIONS	7.6	22,433,024	27,449,020
- fees and commission income		14,633,234	20,830,183
- other income from insurance operations		7,799,790	6,618,837
OTHER INCOME	7.7	61,561,494	56,613,838
NET CLAIMS INCURRED	7.8	557,704,906	610,884,699
- gross claims settled		588,325,459	597,203,374
- reinsurers' share		-30,148,316	-37,994,709
- changes in claims provisions		-6,334,129	47,165,611
- equalisation scheme expenses for supplementary health insurance		5,861,892	4,510,423
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	7.9	62,450,614	92,004,461
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	7.9	66,351,880	90,122,332
EXPENSES FOR BONUSES AND DISCOUNTS	7.10	5,735,228	12,066,727
OPERATING EXPENSES	7.11	208,135,976	207,752,004
- acquisition costs		132,463,862	134,822,095
- other operating costs		75,672,114	72,929,909
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	7.3	121,554,254	83,496,380
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES		4,683,649	8,787,215
- loss on investments accounted for using the equity method		1,504,027	6,354,300
- interest expense		589,645	1,824,700
- fair value losses	7.4	174,093	0
- loss on impairment of financial assets	7.3	2,387,884	0
- other expenses from financial assets and liabilities		28,000	608,215
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES		88,273,022	57,267,023
- interest expense		6,531,136	4,943,275
- fair value losses	7.4	12,215,391	10,946,003
- realised loss on disposals	7.5	9,414,307	14,739,247
- loss on impairment of financial assets	7.3	48,664,399	14,415,580
- other expenses from financial assets and liabilities		11,447,789	12,222,918
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS		28,597,583	17,442,142
OTHER INSURANCE EXPENSES	7.12	61,439,998	60,486,014
OTHER EXPENSES	7.13	85,074,981	75,954,246
PROFIT BEFORE TAX		43,250,266	2,081,220
Income tax expense	7.14	-16,600,458	-8,373,562
NET PROFIT / LOSS FOR THE ACCOUNTING PERIOD		26,649,808	-6,292,342
Net profit / loss attributable to the controlling company		27,846,858	-4,810,683
Net loss attributable to non-controlling interest holders		-1,197,048	-1,481,660

C. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

			IN EUR	
		NOTES	2010	2009
I.	NET PROFIT/LOSS FOR THE YEAR AFTER TAX		26,649,810	-6,292,342
II.	OTHER COMPREHENSIVE INCOME AFTER TAX		-9,683,289	-24,199,429
	1. Net gains/losses from the remeasurement of available-for-sale financial assets	6.5	-20,471,532	-13,101,507
	Gains/losses recognised in fair value reserve		-39,298,578	18,919,663
	Transfer from fair value reserve to profit/loss		18,827,046	-32,021,170
	2. 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	-483,129	2,193,297
	3. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	7.14	9,349,361	-11,881,684
	4. Currency translation adjustment	6.11	-538,760	-263,803
	5. Tax on other comprehensive income	7.14	2,460,771	-1,145,732
III.	COMPREHENSIVE INCOME OR LOSS FOR THE YEAR AFTER TAX		16,966,521	-30,491,771
	Controlling interests		18,458,702	-20,717,160
	Non-controlling interests		-1,492,181	-9,774,611

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY¹⁰

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2010			RESERVES FROM PROFIT					
	SHARE CAPITAL	SHARE PREMIUM	CONTINGENCY RESERVES	TREASURY SHARE RESERVES	LEGAL AND STATUTORY RESERVES	CREDIT RISK RESERVES	CATASTROPHE RESERVES	OTHER RESERVES FROM PROFIT
OPENING BALANCE FOR THE PERIOD (after the change in accounting policies)	23,701,392	53,892,536	1,211,903	364,680	20,019,013	32,861,909	87,361	0
Comprehensive income for the year after tax								
Dividend payment						574,316		16,000,000
Net profit allocations to reserves from profit					-595,396			
Offset of loss from previous years			-682,105				-87,361	
Allocation and use of reserves for credit risk and catastrophe claims								
Allocation to net profit/loss brought forward		-237,022						
Other					28,339			
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2009			RESERVES FROM PROFIT					
	SHARE CAPITAL	SHARE PREMIUM	CONTINGENCY RESERVES	TREASURY SHARE RESERVES	LEGAL AND STATUTORY RESERVES	CREDIT RISK RESERVES	CATASTROPHE RESERVES	OTHER RESERVES FROM PROFIT
OPENING BALANCE FOR THE PERIOD (after the change in accounting policies)	23,701,392	53,412,884	4,869,926	364,680	13,897,919	32,652,053	129,714	0
Comprehensive income for the year after tax								
Dividend payment								
Net profit allocations to reserves from profit			-3,658,023		6,121,094			
Offset of loss from previous years								
Allocation and use of reserves for credit risk and catastrophe claims						209,856	-42,353	
Allocation to net profit/loss brought forward								
Other		479,652						
CLOSING BALANCE FOR THE PERIOD	23,701,392	53,892,536	1,211,903	364,680	20,019,013	32,861,909	87,361	0

¹⁰ For additional notes on equity see Chapter 6.11.

IN EUR

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
54,370,241	271,086,496	-5,861,927	-364,680	-1,458,901	449,910,023	27,877,664	477,787,687
-8,849,396		27,846,858		-538,760	18,458,702	-1,492,180	16,966,522
		-16,533,563			40,753	-40,753	0
	595,396				0		0
	769,466				0		0
	-5,861,927	5,861,927			0		0
	3,100,787				2,863,765	0	2,863,765
	-536,547				-508,208	1,868,042	1,359,834
45,520,845	269,153,671	11,313,295	-364,680	-1,997,661	470,765,035	28,212,772	498,977,808

IN EUR

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
70,010,806	276,507,159	-760,473	-364,680	-1,195,098	473,226,282	43,703,320	516,929,602
-15,642,676		-4,810,683		-263,803	-20,717,162	-9,774,611	-30,491,773
	-2,273,515				-2,273,515	-16,283	-2,289,798
	-2,388,752	-214			74,105	-74,105	0
	812,212	-808,232			3,980	-3,980	0
	42,353	-242,798			-32,942	32,942	0
	-760,473	760,473			0		0
2,111	-852,488				-370,724	-5,989,619	-6,360,343
54,370,241	271,086,496	-5,861,927	-364,680	-1,458,901	449,910,024	27,877,664	477,787,688

E. CONSOLIDATED CASH FLOW STATEMENT¹¹

CONSOLIDATED CASH FLOW STATEMENT

			IN EUR	
		NOTES	2010	2009
A.	OPERATING CASH FLOW			
a.	Income statement items		83,347,693	187,510,125
1.	Net written premium for the period	7.1	943,572,313	952,302,582
2.	Investment income (excluding financial income) arising from	7.2	97,321,632	103,022,831
	- insurance technical provisions		85,873,869	97,615,208
	- other sources		11,447,763	5,407,623
3.	Other operating income (excluding revaluation and provisions reductions) operating revenues and financial income from operating receivables		94,388,281	87,964,174
4.	Net claims paid	7.8	-565,839,477	-562,331,768
5.	Bonuses and rebates paid	7.10	-7,023,719	-10,728,754
6.	Net operating expenses excluding depreciation charge and changes in the accrued acquisition expenses	7.11	-223,122,725	-198,077,595
7.	Investment expenses (excluding financial expenses) arising from	7.3	-80,215,840	-65,330,614
	- technical sources		-65,974,172	-57,284,752
	- other sources		-14,241,668	-8,045,862
8.	Other operating expenses excluding depreciation charge (except for revaluations and without increasing provisions)	7.13	-165,401,229	-102,490,690
9.	Corporate income tax and other taxes excluded from operating expenses		-10,331,543	-16,820,042
b.	Changes in net current assets-operating balance sheet items		-13,961,043	36,723,811
1.	Movements in receivables from insurance operations	6.7	-45,957,161	-27,894,073
2.	Movements in receivables from reinsurance operations		-13,254,063	21,032,782
3.	Movements in other receivables from (re)insurance operations		-911,942	10,362,818
4.	Movements in other receivables and assets		-10,282,220	6,652,188
5.	Movements in deferred tax assets		-4,525,176	-1,739,996
6.	Movements in inventories		376,634	447,528
7.	Movements in debts from direct insurance operations	6.18	12,553,097	3,793,203
8.	Movements in debts from reinsurance operations		4,861,141	-8,633,761
9.	Movements in operating debts		27,622,054	37,483,850
10.	Movements in other liabilities (excluding unearned premiums)		23,166,123	-513,166
11.	Movements in deferred tax liabilities	6.16	-7,609,531	-4,267,563
c.	Operating cash flow	8.6	69,386,650	224,233,936
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
a.	Cash inflows from investing activities		3,830,451,648	3,088,317,991
1.	Cash inflows from interest from investing activities and from	6.5	82,919,195	86,154,548
	- investment financed by insurance technical provisions		77,320,216	80,409,123
	- other investment		5,598,979	5,745,425
2.	Cash inflows from dividends received and profit sharing, arising from	6.5	4,742,245	8,321,247
	- investment financed by insurance technical provisions		2,155,552	5,048,896
	- other investment		2,586,693	3,272,351
3.	Cash inflows from the disposal of intangible assets financed by	6.1	255,070	47,552
	- insurance technical provisions		223,281	0
	- other sources		31,789	47,552
4.	Cash inflows from the disposal of property, plant and equipment financed by	6.2	2,295,708	507,941
	- insurance technical provisions		1,377,554	0
	- other sources		918,154	507,941
5.	Cash inflows from the disposal of non-current investments financed by	6.5	944,433,982	1,106,626,521
	- insurance technical provisions		781,575,078	918,329,890
	- other sources		162,858,904	188,296,631
6.	Cash inflows from the disposal of current investments financed by	6.5	2,795,805,448	1,886,660,181
	- insurance technical provisions		2,618,867,548	1,756,251,051
	- other sources		176,937,900	130,409,130

11 For additional notes to the cash flow statement see Chapter 8.6.

CONSOLIDATED CASH FLOW STATEMENT - CONTINUED

		IN EUR	
	NOTES	2010	2009
b.	Cash outflows from investing activities	-3,886,606,162	-3,276,635,159
1.	Cash outflows for the purchase of intangible assets	6.1 -4,656,655	-6,163,259
2.	Cash outflows for the purchase of property, plant and equipment financed by	6.2 -17,108,853	-7,224,796
	- insurance technical provisions	-3,260,195	-855,130
	- other sources	-13,848,658	-6,369,665
3.	Cash outflows for the purchase of non-current investments financed by	6.5 -1,226,313,687	-1,127,357,622
	- insurance technical provisions	-1,078,995,831	-878,501,600
	- other sources	-147,317,856	-248,856,021
4.	Cash outflows for the purchase of current investments financed by	6.5 -2,638,526,967	-2,135,889,483
	- insurance technical provisions	-2,520,295,968	-1,986,352,360
	- other sources	-118,230,999	-149,537,123
c.	Total cash flow from investing activities	-56,154,514	-188,317,168
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
a.	Cash inflows from financing activities	26,245,413	81,848,051
1.	Cash inflows from paid-in capital	0	0
2.	Cash inflows from long-term loans received	6.12 11,330,000	39,084,440
3.	Cash inflows from short-term loans received	14,915,413	42,763,611
b.	Cash outflows from financing activities	-34,977,421	-106,147,386
1.	Cash outflows for paid interest	-2,686,525	-11,951,803
2.	Cash outflows for repayments of principal	0	0
3.	Cash outflows for payments of long-term financial liabilities	6.17 -12,936,550	-18,653,366
4.	Cash outflows for payments of short-term financial liabilities	-19,346,321	-73,317,865
5.	Cash outflows from dividends paid and profit sharing	-8,024	-2,224,352
c.	Total cash flow from financing activities	-8,732,007	-24,299,334
D.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS	30,443,966	32,517,218
E1.	NET CASH FLOW FOR THE PERIOD	6.9 4,500,129	-1,624,658
E2.	FOREIGN EXCHANGE DIFFERENTIALS	-836,005	448,595
F.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	34,108,090	30,443,966

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-ZPIZ) and the Slovene Restitution Fund (Slovenska odškodninska družba - SOD), which participate with 34.37% 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 11 April 2011, the Management Board approved the issuance of the consolidated financial statements. These 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. In accordance with the Statute of Zavarovalnica Triglav, it has nine members (six representatives of shareholders and three representatives of employees). In 2010, the Supervisory Board comprised the following members:

- Borut Jamnik, President,
- Uroš Slavinec, Vice President,
- Anton Ribnikar, member
- Igor Mihajlovič, member
- Aljoša Valentinčič, member,
- Vladimir Uršič, member,
- Branko Gorjan, member-representative of employees,
- Boris Gabor, member-representative of employees,
- Peter Celar, member-representative of employees.

Management Board

The Management Board directs, represents and acts on behalf of Zavarovalnica Triglav, independently and on its own responsibility. In compliance with the Statute of Zavarovalnica Triglav, the Supervisory Board can nominate and appoint three to six members (the President and five members) to the Management Board. The President and the members are appointed for a period of five years and can be reappointed or dismissed before this period expires. The Management Board comprises the following:

- Matjaž Rakovec, President,
- Andrej Slapar, member,
- Igor Stebernak, member,
- Vladimir Mišo Čeplak, member.

1.3 EMPLOYEES

As at 31 December 2010, the Group had 5,247 employees. In 2010, the average number of employees was 5,364 (vs. 5,168 in 2009). The education structure of employees in the Group is shown in the table below.

LEVEL OF EDUCATION	2010	2009
Primary and Vocational (I-IV)	1,172	1,456
Secondary School (V)	1,966	1,792
Post-Secondary Education (VI)	554	663
Higher Education and University (VII)	1,443	1,242
Masters and Doctorate (VIII-IX)	112	84
TOTAL	5,247	5,237

1.4 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 addition 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 from 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.

1.5 CHANGES IN ACCOUNTING ESTIMATES

In 2010, the Group adjusted the calculation of the mathematical provisions. The change in accounting estimates concerns the calculation of the maximum interest rate. The interest rate applied in 2010 was 3.8%, whilst in 2009 it was 4.0%. The changes in the above-mentioned technical parameters resulted in higher mathematical provisions and consequently lowered the profit of Zavarovalnica Triglav by EUR 13.6 million.

1.6 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«). Zavarovalnica Triglav, as the controlling company of the Triglav Group, has prepared separate financial statements in accordance with IFRS and published them in a separate document available at its headquarters.

1.7 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. 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.

In 2010 the following changes occurred in the structure of the Group:

Triglav INT, holding company d.d.

On 15 November 2010 a new company, Triglav INT, d.d. was set up by Zavarovalnica Triglav. The share capital of this company amounts to EUR 50,000. The only shareholder is Zavarovalnica Triglav. One of the key objectives of this company is to transfer investments in the equity shares of foreign insurance companies from Zavarovalnica Triglav to Triglav INT. With this new concept the management of the parent company will be able to manage the Group more effectively and efficiently.

Triglav Krajina Kopaonik a.d.

The company increased its share capital by issuing 2,774 shares with a nominal value of BAM 2,000 each, so the total increase in capital amounted to BAM 5,548,000 (i.e. EUR 2,505,369). All shares were bought and paid for by Zavarovalnica Triglav, so the ownership changed from 98.72% to 99.86%. The aforementioned increase in share capital was carried out due to the capital inadequacy of the company. Before additional capital was raised, total share capital, amounting to BAM 10,800,000, had been decreased to cover the losses from previous years. The increase in share capital did not have any impact on the consolidated income statement or equity of the controlling company.

Triglav Kopaonik a.d.o.

The company allocated retained earnings of RSD 15,868,798 (EUR 192,841) and other reserves from profits of RSD 2,980,162 (37,742 EUR) to share capital and thus increased the nominal share value from RSD 680 to RSD 700. A capital increase followed and additional capital of EUR 967,911 was raised by Zavarovalnica Triglav. In total 146,362 shares were issued with a par value of RSD 700 each. The resulting social capital of 5.5% was recognised in the consolidated financial statements. As at 31 December 2010, the non-controlling interest amounted to EUR 477,040. At a consolidated level, the increase in capital had no impact on the income statement or the equity of the controlling company, other than the recognition of the non-controlling interest.

Triglav Osiguranje d.d.

In order to cover losses from preceding years, Triglav Osiguranje decreased its share capital by HRK 124,788,000 and withdrew treasury shares worth HRK 481,000, totalling EUR 16,994,927. The nominal value per share decreased from HRK 6,500 to HRK 2,500. Zavarovalnica Triglav recapitalised the company by HRK 51,410,000 (EUR 6,974,630)-an additional capital issue of 20,564 shares of HRK 2,500 each. As a result, Zavarovalnica Triglav's equity stake increased from 99.32% to 99.59%. At a consolidated level, the recapitalisation had no impact on the income statement or the equity of the controlling company.

Triglav Naložbe d.d.

In 2010, Zavarovalnica Triglav bought 132.230 shares of Triglav Naložbe, so its ownership changed from 79.94% to 80.34%. The cost of 0.40% share was EUR 174,639. The difference between the amount for which the non-controlling interest is adjusted and the compensation received in the total amount of EUR 136,971 was recognized directly in capital reserves.

In addition to the above-mentioned increase in share capital, the company has increased its share capital with in-kind contributions. The whole contribution was made by Zavarovalnica Triglav, by transferring the following investments to Triglav Naložbe:

	IN EUR
INVESTMENT	AMOUNT
Avrigo d.d.	2,908,570
Cimos d.d.	210,307
Elektro Primorska d.d.	573,478
Goriške opekarne d.d.	196,233
Intercement d.d.	23,500,000
Rimske terme d.d.	1,370,000
Elan skupina d.d.	1,380,000
Golf Arboretum d.o.o.	1,366,000
TOTAL	31,504,588

For this purpose 19,939,612 new shares were issued. By this capital injection the ownership of Zavarovalnica Triglav increased to 92.42%. In the consolidated financial statements the investments in associates used for the above-mentioned in-kind contribution have been accounted for using the equity method. Other investments used for this in-kind contribution have been measured at fair value.

Lovćen Osiguranje a.d.

By acquiring the company SPCP d.d. in 2010, Zavarovalnica Triglav obtained an additional 4,950 shares of Lovćen Osiguranje and increased its ownership by 2.44%. The difference between the carrying value of the non-controlling interest received and the consideration in the amount

of EUR 100,051 was recognised directly in equity as a decrease in capital reserves.

Due to capital inadequacy the company issued 125,000 new shares in 2010. The shares have been paid for in full by Zavarovalnica Triglav, total-ing EUR 6,500,000. Ownership by Zavarovalnica Triglav changed from 91.84% to 94.95%.

Triglav Netherlands b.v.

In 2010 Zavarovalnica Triglav liquidated Triglav Netherlands. After the liquidation Zavarovalnica Triglav became the owner of its total assets, the fair value of which was estimated to be EUR 2,451,638, whilst the carrying value of the investment in Triglav Netherlands amounted to EUR 2,076,700. In the consolidated financial statements all assets and liabilities were derecognised by their carrying value as at the date Zavarov-

alnica Triglav no longer controlled the company. The transaction resulted in additional income in the consolidated income statement in the amount of EUR 5,612.

SPCP poslovanje z nepremičninami d.d.

Due to the liquidation of SPCP, Zavarovalnica Triglav lost control of this company in 2010. Prior to its liquidation this subsidiary had not been fully consolidated due to its immaterial importance to the Group.

The companies listed under numbers 1 to 26 are included in the con-solidated financial statements using the full consolidation method. The companies listed under numbers 27 to 32 are not included using the full consolidation method, as they are not of material importance to the Group. In 2010, the companies listed under numbers 33 to 38 were no longer consolidated.

		IN EUR								
COMPANY	ADDRESS	TAX RATE (IN %)	ACTIVITY	EQUITY STAKE (IN %)		SHARE OF VOTING RIGHTS (IN %)		VALUE OF EQUITY AS AT 31 DECEMBER		
				2010	2009	2010	2009	2010	2009	
1	Pozavarovalnica Triglav Re d.d.	Miklošičeva 19, Ljubljana, Slovenia	20	Reinsurance	87.00	87.00	87.00	87.00	36,039,556	31,370,343
2	Triglav Zdravstvena zavarovalnica d.d.	Pristaniška 10, Koper, Slovenia	20	Insurance	99.51	99.51	99.51	99.51	5,507,322	7,079,618
3	Triglav Osiguranje d.d.	Antuna Heinza 4, Zagreb, Croatia	20	Insurance	99.59	99.32	99.59	99.68	15,721,394	7,952,051
4	Triglav BH Osiguranje d.d.	Dolina br. 2, Sarajevo, Bosnia and Herzegovina	10	Insurance	68.94	68.94	78.71	78.71	18,066,605	15,732,705
5	Triglav Pojišt'ovna a.s.	Novobranska 1, Brno, Czech Republic	20	Insurance	100.00	100.00	100.00	100.00	8,692,989	8,493,861
6	Lovčen Osiguranje a.d.	Slobode 13a, Podgorica, Montenegro	9	Insurance	91.84	91.83	91.84	50.68	7,039,417	7,887,289
7	Triglav Kopaonik a.d.o	Kralja Petra 28, Belgrade, Serbia	10	Insurance	94.49	99.99	94.49	99.99	5,781,112	7,887,199
8	Triglav penzijski fondovi a.d.	Kralja Petra 45, Belgrade, Serbia	10	Fund management	99.10	99.10	99.10	99.10	1,071,279	1,370,971
9	Triglav Krajina Kopaonik a.d.	Trg srpskih junaka 4, Banja Luka, Bosnia and Herzegovina	10	Insurance	99.86	98.72	99.86	98.72	2,842,293	335,240
10	Vardar Osiguruvanje a.d.	Gradski zid, blok br. 8, Skopje, FYRM	10	Insurance	70.36	70.36	70.36	70.36	8,501,502	8,206,858
11	Triglav DZU d.o.o.	Slovenska 54, Ljubljana, Slovenia	20	Asset management	67.50	67.50	96.43	96.43	26,692,554	23,419,266
12	AS Triglav d.o.o.	Verovškova 60b, Ljubljana, Slovenia	20	Maintenance and repair of motor vehicles	100.00	100.00	100.00	100.00	-2,999	33,571
13	TRI-PRO d.o.o.	Ljubljanska 86, Domžale, Slovenia	20	Insurance agency	100.00	100.00	100.00	100.00	383,436	332,874
14	Triglav INT d.d.	Miklošičeva 19, Ljubljana, Slovenia	20	Holding company	100.00	-	100.00	-	47,114	0
15	Triglav nepremičnine d.d.	Verovškova 60c, Ljubljana, Slovenia	20	Real estate management	100.00	100.00	100.00	100.00	723,095	706,153
16	Triglav Naložbe d.d.	Slovenska 54, Ljubljana, Slovenia	20	Holding company	92.42	79.94	92.42	79.94	39,139,812	19,516,193
17	Slovenijales d.d.	Dunajska 22, Ljubljana, Slovenia	20	Retail trade	61.74	61.74	61.74	61.74	36,803,865	40,650,497
18	Golf Arboretum d.o.o.	Volčji potok 3a, Radomlje, Slovenia	20	Sport facilities management	74.02	80.10	74.02	80.10	837,433	864,423
19	Gradis IPGI d.d.	Industrijska 2, Ljubljana, Slovenia	20	Construction	83.48	79.41	83.48	79.41	-2,486,622	-3,222,049
20	Slovenijales trgovina d.o.o.	Plemljeva 8, 1210 Ljubljana, Slovenia	20	Retail trade	61.74	61.74	61.74	61.74	655,832	1,870,975
21	TRI-PRO BH d.o.o.	Topal Osman Paše 30, Sarajevo, Bosnia and Herzegovina	10	Insurance agency	89.57	89.57	89.57	89.57	-138,500	-143,199
22	Autocentar BH d.o.o.	Topal Osman Paše BB, Sarajevo, Bosnia and Herzegovina	10	Car retailer	68.94	68.94	78.71	78.71	1,281,514	828,903
23	Unis automobili i dijelovi d.o.o.	M. EF. Pandže Br.13, Sarajevo, Bosnia and Herzegovina	10	Car retailer	64.42	54.90	64.42	62.68	689,414	688,789
24	Sarajevostan d.d.	Kolodvorska 12, Sarajevo, Bosnia and Herzegovina	10	Real estate management	38.43	38.43	43.88	43.88	3,201,653	3,134,147
25	Lovčen Auto a.d.o.	Bulevar 13. jula b.b., Nikšić, Montenegro	10	Maintenance and repair of motor vehicles	91.84	91.83	91.84	91.83	1,026,538	185,678
26	Lovčen životna osiguranja a.d.	Novaka Miloševa br.6, Podgorica, Montenegro	10	Insurance	91.84	-	91.84	-	1,280,000	0
27	PROF-IN d.o.o.	Podgraj 15, Sarajevo, Bosnia and Herzegovina	10	Fund management	42.21	42.21	60.31	60.31	1,426,440	863,526

		IN EUR								
COMPANY	ADDRESS	TAX RATE (IN %)	ACTIVITY	EQUITY STAKE (IN %)		SHARE OF VOTING RIGHTS (IN %)		VALUE OF EQUITY AS AT 31 DECEMBER		
				2010	2009	2010	2009	2010	2009	
28	Polara Invest d.d.	Veselina Masleše 1, Banja Luka, Bosnia and Herzegovina	10	Fund management	68.08	47.66	68.08	68.08	1,147,359	1,108,023
29	Zdravstveni center morje d.o.o.	Ljubljanska 6/a, Koper, Slovenia	20	Health services	69.50	69.50	69.50	69.50	54,980	75,815
30	Hotel Grad Podvin d.d.	Mošnje 1, Radovljica, Slovenia	20	Tourism	98.98	98.98	98.98	98.98	1,180,586	1,461,008
31	PHSC Štetarje d.o.o.	Kapucinski trg 9, Škofja Loka, Slovenia	20	Real estate management	97.27	73.52	97.27	73.52	948,740	1,515,658
32	THP Krona d.o.o.	Mestni trg 32, Škofja Loka, Slovenia	20	Real estate management	97.27	73.52	97.27	73.52	509,874	560,710
33	Tilmont Podgorica d.o.o.	Rimski trg 63, Podgorica, Montenegro	9	Trade in medicines and medicinal products	-	63.94	-	63.94	Data not available	Data not available
34	Triglav Netherlands b.v.	Koningslaan 14, Amsterdam, Netherlands	33.6- 52	Financial intermediation	-	100.00	-	100.00	0	2,076,700
35	Lesnina LGM d.o.o.	Dunajska 22, Ljubljana, Slovenia	20	Manufacturing and retail trade	-	61.74	-	61.74	0	2,486,984
36	Slovenijales bivanje d.o.o.	Dunajska 22, Ljubljana, Slovenia	20	Retail trade	-	61.74	-	61.74	0	-671,600
37	Triglav Zdravstvena dejavnost d.o.o.	Pristaniška 10, Koper, Slovenia	20	Health services	-	99.51	-	99.51	0	-32,356
38	SPCP poslovanje z nepremičninami d.d.	Cankarjeva 1, Ljubljana, Slovenia	20	Real estate management	-	100.00	-	100.00	0	2,060,713

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 management's best knowledge of current events and actions, actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. A change in an accounting estimate is recognised in the period for which the estimate has been changed.

The critical accounting estimates and judgements having the strongest impact on 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 is presented in Section 6.13. A calculation of the adequacy of claims provisions as at 31 December 2010 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.

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.

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.

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 which 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.

Deferred acquisition costs for non-life insurance contracts, determined proportionally to unearned premiums, are also a part of intangible assets.

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 capitalized. 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.

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.

	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 valuer 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 deposits, for which the settlement date is used.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets which 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 which 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). 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.

Financial assets held to maturity

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.

The fair value of a financial asset held to maturity may be temporarily below its carrying amount without this resulting in impairment, except in the event of a changed financial position of the issuer.

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 funds¹² 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.

These financial assets 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.

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 foreign exchange 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 the prices of identical listed assets), acquired directly or indirectly for an otherwise identical or similar asset;
- Level 3: valuation through valuation models operating mostly based on unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models, unobservable market inputs, and security holdings measured at historical cost, since their fair value cannot be reliably measured.

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 all of the risks and benefits arising from the financial asset, but has retained 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.

¹² Long-term business funds include the assets of insured persons arising from life insurance, supplementary voluntary pension insurance and unit-linked insurance.

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.

Deferred expenses are prepaid expenses which are initially recognised as assets and are expected to become an expense through normal business operations.

Accrued revenue refers to revenue earned in the current accounting period but which will be collected in a subsequent period.

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 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 which would have resulted after the depreciation charge if in previous periods no impairment loss had been recognised.

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 there are objective signs of impairment, the recoverable amount is assessed. If the carrying amount of investment property exceeds its recoverable amount, an impairment loss is recognised in the 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 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.

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 9 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.

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 reversal can be objectively related to an event occurring after the previous impairment was recognised.

Insurance receivables

Insurance receivables are tested for impairment 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 may not be recovered and that it can be measured reliably. 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 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 and catastrophe reserves. Some insurance companies outside the Republic of Slovenia which are members of the Triglav Group set aside contingency reserves as well.

The consolidated financial statements also include legal and statutory reserves. 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. 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 and allocations 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:

- Triglav Pojišt'ovna a.s. (provisions for catastrophe claims),
- Lovćen Osiguranje a.d.

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.

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.

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 since 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, 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. 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 annual basis.

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 payout 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 under basic and additional policies.

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 equity to mathematical provisions;
- 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 equity to mathematical provisions.

The applied assumptions and other parameters are presented in greater detail in Section 3.1.

Other insurance technical provisions

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.

2.20 EMPLOYEE BENEFITS

Employee benefits comprise provisions for jubilee and retirement benefits. 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:
 - 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 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 are recognised as income 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 or transaction that gives rise to the liability. At initial recognition, operating and other liabilities are measured at cost arising from relevant underlying documents.

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.

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, 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). This income 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 CONTRACT ACQUISITION

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, and 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.

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 recognised 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 carrying 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 tax 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 (vs. 21% in 2009) and in other countries where subsidiaries operate at tax rates enacted by local tax laws (as shown in Section 1.7).

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 2010.

The following is a list of standards, interpretations and amendments to the published Standards effective on or after 1 January 2011:

- IAS 24 (Revised) - Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011). The amendment exempts government-related entities from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as associates of the controlling shareholder and entities controlled or jointly controlled by key management personnel.

- IAS 32 (Amendment) - Financial Instruments: Presentation - Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a »debt for equity swap« are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured so as to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Group did not issue equity to extinguish a financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010. Furthermore, since the Interpretation relates only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

- IFRIC 14 (Amendment) IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment of prepayments made when there are also minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in the future years in which MFR payments would otherwise be required.

The amendment to IFRIC 14 is not relevant to the Group's financial statements as the Group does not have any defined benefit plans with minimum funding requirements.

3. MAIN ASSUMPTIONS

The main assumptions used for measuring the value of insurance contracts 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 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 formed 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 calculated on the basis of the current value of the insurance company's expected future liabilities (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 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.

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 liability adequacy test is carried out at the year end for each Group member's life insurance liabilities using a unified methodology.

The purpose of the test is to assess the adequacy of the carrying amount of liabilities with the best estimate of life insurance liabilities, considering the most current estimates of all future cash flows arising from life insurance contracts and the cash flows associated with them.

The best estimate of life insurance liabilities under the LAT methodology is determined by calculating the present value, under an appropriate risk-free rate, of projected future expected 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, the principles behind the assumptions and the type of cash flows being modelled.

3.2.1 Grouping life insurance products

Insurance contracts are segmented into homogenous groups according to the similarity of their main risk features. 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 inappropriate, the total amount of the difference is recognized in profit or loss.

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, on the data of national statistical offices, the data of reinsurers and comparative data from WHO sources. The assumptions also take into account the type of contract being considered.

Persistency

The model also takes into account the lapse rates determined on the basis of analysis of past experience. Some insurance companies of the Group continuously monitor the persistency of insurance policies by duration and type of insurance, and adapt 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 unified 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. In cases where the contract is denominated in EUR, the unified methodology also allows usage of the yield curve of AAA-rated government bonds, published by the European Central Bank (ECB). In calculating the present value of projected cash flows for each Group member, the yield curve of AAA-rated government bonds (ECB) was used. The 15-year reference value of the AAA-rated government bond yield curve as at 31 December 2010 was 3.7135% and 4.334% as at 31 December 2009.

Profit participation

The determination of the profit participation rate in an individual company's profits for with-profit contracts is the discretionary right of each Group member, but it is also based on the company's rules, documents and past practice.

The assumptions and modelling regarding profit distribution rates take into account the guaranteed part of the profit being distributed. The distributed profit is determined as a percentage of the excess of the risk-free return in the period above the technical interest rate and is used to increase the amount of benefits in force.

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 show that provisions formed at the Group level, as well as for each individual Group member, are adequate on the basis of the above-mentioned methodology and assumptions.

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.

In order to assess the impact of changes on the insurance liabilities and income statement, the best estimate of life insurance liabilities was calculated under a series of different assumptions and compared with the current amount of life insurance liabilities.

The calculation was prepared for changes in a single variable with all other assumptions remaining constant and not taking into account the value of assets backing the liabilities under consideration. The changes in the variable values being tested represent reasonable and possible changes, although such changes are not expected. 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%.

The best estimate calculated under the above defined assumption sets does not exceed the current amount of life insurance liabilities for Group members.

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 each 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.

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 entire 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 involve the following ranges for the above mentioned categories: income growth (2.5 - 10.7%), the EBITDA margin (3.0 - 14.5%), the discount rate (7.6 - 11.7%) and cash flow growth over a forecast period of (2.0 - 4.0%). Most commonly 5 to 10 year periods are taken into account. 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 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.

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.

As an integrated part of all our business processes, the Risk Management Department is responsible for:

- Ensuring that the second line of defence is effective with regard to all significant risks;
- Identifying, measuring and managing financial, insurance and operational risks;
- Defining the risk appetite and monitoring exposures to these risks;
- Implementing a Solvency II-compliant enterprise risk management system;
- Building a favourable environment for the development of the risk culture in line with the overall business strategy.

4.1 RISK GOVERNANCE AND THE RISK MANAGEMENT SYSTEM

Risk governance enables us to efficiently manage exposures and as such represents an important part of the corporate governance of the Group. The risk management system of the Group incorporates:

- a clear organisational structure of risk management functions and bodies and
- a well-defined system of roles and responsibilities.

The main responsibility for actively managing risks (the first line of defence) lies with individual business units. In the scope of the risk management system they are responsible for the development of suitable and effective internal controls and adherence to the set limits and business objectives.

In order to foster the implementation of an enterprise-wide risk management framework and ensure proper communication of risk management activities, the Triglav Group has established two committees: the Risk Management Committee and the Assets and Liabilities Committee (ALCO). Their roles and responsibilities are shown in the figure below. Both committees are comprised of 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, together with both risk committees, represents the second line of defence in our risk management system. The Risk Management Department develops the risk framework in terms of risk identification and measurement methodologies, the minimum requirements for the internal control framework, ALM model development and coordination, investment policy limits and operational risk limits, as well as oversees adherence to the framework. The Chief Risk Officer reports directly to the President of the Board. The Chief Risk Officer is a member of Risk Management Committee and the chair of the ALCO.

Furthermore, a compliance function was defined in order to provide advice on all areas of regulatory principles, to monitor regulatory compliance, and to develop and monitor anti money-laundering measures with respect to regulatory requirements.

The risk governance structure is further enhanced by the Internal Audit, which represents the third line of defence in the scope of our risk management system. The internal audit departments of Group members, in compliance with the regulatory requirements, constantly test the quality of the internal control framework in individual Group members as well as at the Group level. The Internal Audit Department in Zavarovalnica Triglav also performs, on a periodic basis, an assessment of the Group's risk and governance processes.

Risk-related decision-making responsibilities are shown in the figure below.

Management Board	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 policies; • Monitors the implementation of the compliance system; • Monitors the outsourcing risk exposure levels.
Assets and Liabilities Committee (ALCO)	<ul style="list-style-type: none"> • 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 to the insureds; • Monitors risk exposures arising from assets and liabilities management • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.
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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. Core framework development and implementation activities are focused on Zavarovalnica Triglav, however the framework is gradually phased throughout the Triglav Group in line with the strategic objectives of the Group, as well as Solvency II requirements.

The risk limits are:

- overall portfolio limits,
- supplementary limits for individual risk types.

As regards the risk management system, the main development activities in 2010 were:

- detailed operational risk analysis in Zavarovalnica Triglav,
- construction of a comprehensive internal control framework designed to ensure the reliability of financial reporting and to foster the optimization of core business processes in terms of productivity vs. operational risk exposure; implementation activities in all insurance subsidiaries will follow during 2011,
- ALM model development for liability funds of Zavarovalnica Triglav.

4.2 CAPITAL MANAGEMENT

We regularly monitor our capital adequacy with respect to valid regulatory rules on an individual company and Group level, as well as on the level of the financial conglomerate. In parallel, capital adequacy is monitored by applying the Standard & Poor's model in accordance with the Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). In managing our capital position we support our business decisions with internally developed metrics and Solvency II results. 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 Solvency

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, 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 on changes in the said items. The Group members regularly monitor their capital adequacy, whereby they are required to maintain a surplus of the available solvency margin over the capital requirement in order to ensure coverage of potential losses and their individual operations. Capital surplus offers considerably higher coverage of losses due to unexpected adverse events, with regard to the past and current developments in the environment of the Group and future expectations. The Group members monitor their planned capital adequacy levels, which enables them to monitor the effects of the extended and narrow environ-

ment 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 rules on the level of both the Triglav Group as well as on the level of individual Group members. Our aim is to ensure that the Group is adequately capitalized at all times and that all Group members meet their respective capital requirements. Furthermore, we also take into account the Group members' overall solvency needs by regularly monitoring the coverage ratios of insurance liabilities with respect to assets.

4.2.2 Financial conglomerate regulatory solvency

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 Vipava and its subsidiaries form a financial conglomerate. The law requires that a financial conglomerate regularly monitor its capital adequacy by calculating consolidated eligible capital for this purpose. For the purpose of monitoring financial conglomerate regulatory solvency, sectoral regulatory solvency for all three financial sectors represented in the conglomerate (insurance, banking, asset management) have to be taken into account.

4.2.3 Rating agency capital adequacy

The assessment of capital adequacy with respect to the S&P capital adequacy model is an integral part of the rating process. Within the Triglav Group, Zavarovalnica Triglav and Pozavarovalnica Triglav Re hold a rating grade by the rating agency Standard & Poor's. As at 31 December 2010, Standard & Poor's rates the financial strength of both Zavarovalnica Triglav and Pozavarovalnica Triglav Re as »A« - stable outlook. In our view, this confirms the overall stability of the Triglav Group since the ratings have remained stable even during the course of the financial crisis.

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. We expose ourselves to financial risks through asset management of the liability funds from the insurance operations, through reinsurance protection agreements, as well as through the financing of our activities as part of capital management.

Our main financial risks are:

- equity and interest rate risk related to the operating activities (core business) of Group members,
- credit risk and
- liquidity risk.

We manage financial risks through an appropriate governance structure with clearly defined competences and powers on a Group level and in individual group entities that include sets of investment limits and reporting processes. At a Group level, the ALCO approves the Group investment policies and regularly monitors individual Group member exposures with respect to the set limits.

A part of our risk management process includes the formation of investment guidelines based on the nature and characteristics of liabilities in order to achieve an optimum spread of assets and thus an optimum rate of return. The following section explains in more detail the ALM process.

The breakdown of the financial assets portfolio of the Triglav Group by industry is shown below.

INDUSTRY	31 DECEMBER 2010 (IN EUR)	PERCENTAGE	31 DECEMBER 2010 (IN EUR)	PERCENTAGE*
(Raw) materials	20,288,527	0.89%	5,893,089	0.28%
Communications	45,356,311	1.99%	27,161,849	1.27%
Cyclical activities	15,278,176	0.67%	14,263,533	0.67%
Non-cyclical activities	58,523,430	2.56%	42,612,120	2.00%
Highly diversified activity - conglomerates	0	0.00%	4,017,359	0.19%
Energy	42,554,031	1.86%	31,220,419	1.46%
Finance	871,464,589	38.18%	901,122,792	42.26%
Manufacturing	52,370,632	2.29%	26,275,359	1.23%
Technologies	76,176	0.00%	90,081	0.00%
Goods and services of public interest	34,248,165	1.50%	13,771,070	0.65%
EMU countries	591,954,690	25.94%	622,512,243	29.20%
EU-EMU countries	112,241,272	4.92%	108,860,127	5.11%
Other countries	65,715,480	2.88%	50,312,538	2.36%
Small businesses and households	1,382,726	0.06%	6,143,049	0.29%
No data	370,995,304	16.25%	277,894,229	13.03%
TOTAL	2,282,449,510	100.00%	2,132,149,856	100.00%

* Percentages are calculated on the basis of carrying amounts.

4.3.1 Market risk and asset-liability management of insurance portfolios

In order to control and mitigate the market risks that the Triglav Group members are exposed to, we use a wide variety of risk management techniques. These include a determination of optimal strategic asset allocations based on the nature of the liabilities they are supporting, as well as the external influence of the economic environment, regular monitoring of asset-liability coverage ratios and the solvency position in terms of all models stated under Section 4.2, and the hedging of certain asset portfolio risks by means of financial derivatives. Furthermore, a part of our life portfolios is made of unit-linked products, in which most of the financial risks are borne directly by policyholders.

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 parameters under the current legislation. Thus, the optimization process aims at producing a set of investment policies that takes into account the static nature of insurance liabilities and optimize the relationship between the sensitivity of the balance sheet to market parameters and investment return. In order to achieve the best results, we also monitor the results of other capital adequacy models (Standard & Poor's, Solvency II) and use them as part of the optimization but only to the extent that they are feasible under the current regulatory framework.

The result of this process is a set of investment policies for all funds that determine the strategic asset allocation for each fund. These policies are approved by the ALCO. The committee regularly monitors coverage of liabilities with assets for all funds within Zavarovalnica Triglav and compliance with group investment policies for insurance subsidiaries.

In the context of ALM, the Group is mostly exposed to interest rate risk and equity risk on the asset side. To a lesser extent, the Group 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.

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 the comprehensive income and 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. In the case of interest-sensitive assets that pay out coupons until their maturity, the assets are exposed to reinvestment risk, which depends on the structure of individual instruments. In the context of asset-liability management (see Section 4.3.1), a certain limited level of maturity mismatch is maintained between assets and liabilities. Through this process a part of the return is generated.

The interest rate risk sensitivity analysis includes all financial assets exposed to interest rate risk, i.e. debt securities, classified into the categories of assets »measured at fair value through profit and loss« and »available-for-sale« and derivative financial instruments. The value of these assets as at 31 December 2010 amounted to EUR 1,069,818,712 and as at 31 December 2009 EUR 891,346,661. 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 the comprehensive income and income statement.

TYPE OF SECURITY	IN EUR			
	31 DECEMBER 2010		31 DECEMBER 2009	
	+100BP	-100BP	+100BP	-100BP
Government securities	-39,735,631	39,735,631	-42,987,488	42,987,488
Securities issued by financial institutions	-8,837,737	8,837,737	-5,752,636	5,752,636
Securities issued by companies	-9,679,015	9,679,015	-2,528,555	2,528,555
Composite securities	-8,197,577	8,197,577	-11,457,112	11,457,112
Other	-1,137,177	1,137,177	3,567,866	-3,567,866
TOTAL	-67,587,137	67,587,137	-59,157,926	59,157,926
Impact on comprehensive income	-61,677,611	61,677,611	-57,139,942	57,139,942
Impact on the income statement	-5,909,525	5,909,525	-2,017,983	2,017,983

4.3.3 Equity risk

Equity risk is the risk of fluctuation in share prices, which affects the carrying value of those securities in our portfolio which are sensitive to such fluctuations. These risks are managed through investment limits as well as through geographical and sectoral diversification. The majority of assets are invested within the European Union. Diversification to other geographical areas is used to optimize the performance of the equity portfolio.

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.

	IN EUR	
	31 DECEMBER 2010	31 DECEMBER 2009
Equities in the EU	391,956,919	408,619,596
Equities in the USA	1,812,824	3,440,512
Equities in Asia*	3,703	0
Equities in emerging markets	123,349,490	106,879,834
Global equities**	68,574,526	55,979,068
TOTAL	585,697,462	574,919,010

* Equity investments in Asia's developed countries (Japan, Hong Kong).

** Globally diversified equity investments.

The equity portfolio's sensitivity to equity price fluctuations and its impact on the comprehensive income and/or the income statement of the Group is shown in the table below.

	IN EUR			
	31 DECEMBER 2010		31 DECEMBER 2009	
	10%	-10%	10%	-10%
Equities in the EU	39,195,692	-39,195,692	40,861,960	-40,861,960
Equities in the USA	181,282	-181,282	344,051	-344,051
Equities in Asia	370	-370	0	0
Equities in emerging markets	12,334,949	-12,334,949	10,687,983	-10,687,983
Global equities	6,857,453	-6,857,453	5,597,907	-5,597,907
TOTAL	58,569,746	-58,569,746	57,491,901	-57,491,901
Impact on comprehensive income	19,468,522	-19,468,522	25,700,030	-25,700,030
Impact on the income statement	33,677,004	-33,677,004	31,791,871	-31,791,871

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 2010 had been 10% above their disclosed values, the comprehensive income and profit of the Group would have been EUR 19.5 million and EUR 33.7 million higher, respectively. On the other hand, if the prices of the equities in the portfolio as at 31 December 2010 had been 10% lower, the comprehensive income and profit of the Group would have been EUR 19.5 million and EUR 33.7 million lower, respectively.

Due to a prolonged material decrease in the fair value of certain equity securities, some impairment was made in 2010. The impact of impairments is 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. We manage our exposure to liquidity risk by placing an appropriate amount of investments into highly liquid instruments, and by regularly monitoring the cash flows resulting from asset and insurance business. To cover potential additional liquidity needs, we enter into credit line agreements with domestic and foreign credit institutions.

The following tables show the maturity structure of the Group's financial assets and liabilities.

MATURITY STRUCTURE OF FINANCIAL ASSETS AND LIABILITIES

31 DECEMBER 2010						IN EUR
	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
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						
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

MATURITY STRUCTURE OF FINANCIAL ASSETS AND LIABILITIES

31 DECEMBER 2009						IN EUR
	NOT DEFINED	UNDER 1 YEAR	FROM 1 TO 5 YEARS	FROM 5 TO 10 YEARS	OVER 10 YEARS	TOTAL
FINANCIAL ASSETS						
Investments in associates	122,342,222	0	0	0	0	122,342,222
Financial assets	522,539,233	298,594,184	487,699,222	497,244,174	326,073,043	2,132,149,856
Reinsurers' share of technical provisions	0	22,344,864	12,854,461	2,384,881	1,122,907	38,707,113
Receivables	409,384	211,575,293	6,637,392	1,165,118	0	219,787,187
Cash and cash equivalents	0	30,443,966	0	0	0	30,443,966
TOTAL FINANCIAL ASSETS	645,290,839	562,958,307	507,191,076	500,794,172	327,195,950	2,543,430,344
FINANCIAL LIABILITIES AND PROVISIONS						
Subordinated liabilities	0	0	13,308,000	0	29,934,091	43,242,091
Insurance technical provisions	310,092,561	696,072,779	297,269,422	222,521,467	635,807,834	2,161,764,063
Other financial liabilities	949,658	35,234,551	7,874,528	0	0	44,058,737
TOTAL FINANCIAL LIABILITIES	311,042,219	731,307,330	318,451,950	222,521,467	665,741,925	2,249,064,891

4.3.5 Foreign exchange risk

Our exposure to foreign exchange risk is limited, as most of our investments are denominated in euros. Among other foreign exchange exposures, exposures to the currencies of the countries of the former Yugoslavia are the most prominent. However, in total these represent less than 5% of the portfolio.

4.3.6 Credit risk

Credit risk is the risk of loss due to counterparty default. We expose ourselves to credit risk through investing in financial debt securities (asset credit risk) as well as through the insurance operations that we undertake (reinsurance credit risk, credit risk of receivables).

Asset credit risk is managed through a set of investment limits that are integrated into individual investment policy statements. Our goal is to achieve an optimum diversification of the credit portfolio within the investment grade universe with a target average rating of A. We regularly monitor exposures to individual issuers and the changes in their credit ratings to ensure timely and proper responses to adverse developments in the financial markets.

Credit risk exposure arising from insurance business operations is regularly monitored by analysing:

- the maturity structure of receivables from insurance operations (the policies are described in Section 2.11 and the analysis of overdue receivables in Section 6.7) and
- reinsurers' and co-insurers' credit ratings. The Group monitors the financial standing of reinsurers and, as a rule, enters into retrocession contracts on liability insurance only with A- rated reinsurers, and on all other insurance classes only with 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 2010 amounted to EUR 2,694,490,615 (vs. EUR 2,524,430,344 as at 31 December 2009).

The table below shows the credit-rating structure of debt securities.

CREDIT RATING	31 DECEMBER 2010 (IN EUR)	PERCENTAGE	31 DECEMBER 2009 (IN EUR)	PERCENTAGE
AAA	133,895,788	9.60%	154,337,504	12.32%
AA	592,502,034	42.47%	675,398,315	53.91%
A	255,087,967	18.28%	183,612,284	14.66%
BBB	237,912,752	17.05%	130,919,844	10.45%
BB	87,944,398	6.30%	12,683,781	1.01%
B	977,491	0.07%	0	0.00%
No credit rating	86,856,459	6.23%	95,864,259	7.65%
TOTAL	1,395,176,889	100.00%	1,252,815,987	100.00%

In 2010, our single largest exposure was to Abanka Vipa, amounting to EUR 79,175,397. In 2009, our single largest exposure was also to Abanka Vipa and amounted to EUR 135,058,390.

Due to adverse developments in the global financial markets and increased credit risk, certain debt securities were impaired. The impact of impairments is disclosed in Section 7.3.

4.4 UNDERWRITING RISKS

We assume underwriting risks through the insurance contracts we underwrite. The risks within this category are associated with both the perils covered by the specific line of insurance and with the specific processes associated with conducting the insurance business. We expose ourselves to underwriting risk through the process of selecting and approving insurance contracts, through product design and pricing, changes in claim patterns, through the formation of insurance-technical reserves, as well as through changes in policyholder behaviour and general changes in the economic environment.

The Group's insurance subsidiaries have the primary responsibility to manage their underwriting risks linked to the underwriting process, pricing and reserving by using a set of actuarial tools. Underwriting risks are managed by strong and basic underwriting rules (sets of underwriting limits and authorizations), regular exposure analysis, optimization of reinsurance strategies and reviews of insurance technical reserves.

Reinsurance is one of the basic tools used at the Group level to mitigate underwriting risks. The Triglav Group enters into reinsurance agreements as a whole whereby the maximum retention lines are based on the maximum retention tables of Zavarovalnica Triglav. For each business year the Group adopts a plan of reinsurance that contains:

- maximum retentions by lines of business for Zavarovalnica Triglav,
- maximum retention tables based on the above and
- processes and measures to determine probable maximum losses by insured perils.

Individual insurance subsidiaries in the Group whose maximum retention tables are lower than the retentions covered by the group reinsurance scheme cede the difference between own maximum retentions and the latter through individual reinsurance agreements.

An important factor in the choice of appropriate reinsurers is their credit rating (see also Section 4.3.6).

4.4.1 Underwriting risk concentration

Underwriting risk concentration may arise with respect to investments in a geographical area, economic sector, or individual investments, or due to a concentration of business written within a geographical area, a policy type, or the underlying risks covered, or a correlation between underlying risks. If underwriting risks are concentrated in a specific business segment, an insurer's ability to meet their obligations may be affected by even one single event. In order to limit risk concentrations, the Group enters into reinsurance agreements as described in the previous section.

We pay particular attention to events with a low frequency and a high impact, for example natural disasters such as 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. The form of Zavarovalnica Triglav's catastrophe reinsurance programme is excess of loss reinsurance with four layers with a limit of up to EUR 100,000,000 over the priority of EUR 5,000,000. Moreover, Zavarovalnica Triglav has an aggregate reinsurance cover with an annual aggregate of EUR 10,000,000 and is thus protected against a possible increased occurrence of natural disasters in a particular year.

These instances have shown the reinsurance programme to be adequate, enabling us to fulfil our obligations from insurance contracts without suffering any liquidity or capital stress. Based on the experience from previous years, we expect an increase in the frequency of such disasters with high impact and are adapting our reinsurance programme appropriately.

At the level of the Group, an earthquake is assessed to have the highest loss potential. The reinsurance 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 which the Group is still able to assume according to the excess tables.

Natural events cause the highest losses in fire and technical insurance groups, as well as in (comprehensive) motor vehicle insurance. Crop insurance is also subject to the occurrence of natural events. In the last two years we started to intensely adapt our business to climate change. It is expected that the cost of such reinsurance schemes in the future will increase, while reinsurance coverage will shrink. In an attempt to minimise climate change impacts, we started to adapt our products accordingly and take greater care in the process of underwriting insurance contracts.

The concentration of life underwriting risk in the Group 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.

4.4.2 Geographical and sectoral concentration

We conduct 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. The table below summarises the gross written premium in the countries in which the insurance companies of the Group operate.

COUNTRY	GROSS WRITTEN PREMIUM (IN EUR)		SHARE (IN %)	
	2010	2009	2010	2009
Slovenia	836,565,987	845,434,977	82.54	82.70
Croatia	55,628,110	54,514,507	5.49	5.33
Montenegro	32,338,112	34,799,568	3.19	3.40
Czech Republic	26,879,014	26,965,122	2.65	2.64
Bosnia and Herzegovina	21,113,034	20,291,240	2.08	1.98
Serbia	19,358,650	18,904,826	1.91	1.85
Former Yugoslav Republic of Macedonia	21,677,318	21,349,374	2.14	2.09
TOTAL	1,013,560,225	1,022,259,614	100.00	100.00

Geographical risk concentrations are managed by managing the levels of equity and total premium and through adequate reinsurance schemes.

In terms of business segments, we are most active in car insurance, as shown in Section 7.1. Being one of only three insurance companies in the Slovene market that offer supplementary health insurance, we consequently have a considerable underwriting concentration in this line of business, with a market share of 18% at the end of 2010. Similarly, as one of only two reinsurers in Slovenia, we also experience concentration in terms of the Slovene market in the reinsurance of non-life products, with a market share of 44%. As regards the reinsurance portfolio, we manage the concentration risk by geographical spread of inwards reinsurance risks and with adequate retrocession of outwards reinsurance risks.

On the insurance side, the largest business segment is motor vehicle third party liability insurance, where we are not exposed to concentration risk due to large diversification of the insurance portfolio. The same characteristic applies to the supplementary health insurance portfolio. The business line of comprehensive motor vehicle insurance is exposed to sector concentration. However, it is covered by a catastrophe reinsurance programme, which proved adequate last year.

4.4.3 Low-frequency and high severity risk

The threat of earthquakes represents the biggest potential risk in the region to the Group's operations. Reinsurance protection against earthquakes and other natural disasters is regulated accordingly. Thus far, the Triglav Group has not recorded any earthquake of catastrophic extent. The earthquake models available to the Group 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 the Group is faced with almost every year.

Another potentially catastrophic loss occurrence could arise from the nuclear peril, which 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 would not exceed claims arising from a single natural event (see also Section 4.4.1).

4.5 OPERATIONAL RISKS

We define operational risk as the risk of loss arising from:

- Inadequate or failed internal processes (process disruptions, customer complaints, lack of 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 back-up 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. To provide a unified standard for the Triglav Group, we performed an extensive analysis of operational risks in Zavarovalnica Triglav in 2010. Based on the results, the Risk Management Department proposed various improvements in the control framework in Zavarovalnica Triglav, and as well developed a framework of key internal controls that will subsequently be implemented in all insurance subsidiaries. The framework focuses on the management of accounting risks, as well as on the optimal control of core business processes both in a specific subsidiary and at the Group level.

In the scope of operational risks, insurance companies have a large potential exposure to insurance fraud. To manage this exposure, Zavarovalnica Triglav has introduced a dedicated function in order to develop and implement fraud indicators, research potential fraudulent activity and regularly report to the Management Board. In the scope of the aforementioned internal control framework, activities to prevent fraudulent behaviour will be phased through other Group members.

Another important segment of operational risks are compliance risks that are managed through compliance function activities (see 4.1).

5. SEGMENT REPORTING

The management monitors the operations of the Group based on the following business segments (non-life insurance, life insurance, health insurance and non-insurance operations) and based on geographical segments (separately for the Slovene market and foreign markets).

Distribution of income and expenses between the segments

Income

Income from insurance premiums is accounted for separately by insurance group and by insurance class, as well as according to geographical segmentation (separately for Slovenia and other countries).

Investment income is posted separately by insurance group. Within individual insurance classes and types of 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 above stated items are also accounted for separately by insurance group.

Other net income from insurance operations is disclosed by insurance group and insurance class, other income from insurance operations and other income is accounted for by insurance group. In order to ensure the appropriate presentation of the insurance-technical result, income from non-insurance operations is disclosed as other income.

All income is also accounted for separately according to geographical segmentation - for Slovenia and other countries.

Expenses

Net claims incurred arising from damages are disclosed separately by insurance group and by insurance class. Direct claim handling costs are posted by insurance class. Part of assessment costs, primarily accounted for by their natural type under operating expenses, is posted by insurance group and insurance class directly and by using a matrix which is the same as that used for distributing other operating expenses.

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 covering non-life insurance provisions, assets covering life insurance provisions and assets other than from insurance technical provisions. The latter are accounted for separately by insurance group as well.

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, expenses from non-insurance operations are disclosed as other expenses in the income statement. These expenses are also disclosed by nature in additional notes.

All expenses are also accounted for separately according to geographical segmentation - 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 are shown in the table below.

2010	IN EUR				
	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

2009	IN EUR				
	NON-LIFE	LIFE	HEALTH	NON-INSURANCE	TOTAL
Investments in intangible assets	5,158,853	446,945	201,391	178,164	5,985,353
Investments in property, plant and equipment	7,287,712	411,967	45,079	1,015,778	8,760,536
Investments in investment property	529,846	0	0	0	529,846

5.1 BUSINESS SEGMENTS

The consolidated statement of financial position and consolidated income statement by business segment are shown below for the reporting and previous period.

The management monitors the operations of the Group based on the following main segments:

- Non-life insurance,
- Life insurance,
- Health insurance and
- Non-insurance operations.

STATEMENT OF COMPREHENSIVE INCOME

	IN EUR									
	2010					2009				
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL
I. NET PROFIT/LOSS FOR THE YEAR AFTER TAX	27,797,828	5,847,392	383,925	-7,379,336	26,649,809	-13,071,810	10,652,962	2,498,492	-6,371,986	-6,292,342
II. OTHER COMPREHENSIVE INCOME AFTER TAX	-7,781,809	-2,723,016	-16,545	838,080	-9,683,289	11,810,949	-6,835,581	100,883	-29,275,679	-24,199,428
1. Net gains/losses from the remeasurement of available-for-sale financial assets	-8,844,043	-12,462,554	-3,014	838,080	-20,471,532	12,858,025	3,215,264	100,883	-29,275,679	-13,101,507
2. 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	-220,883	-262,246	0	0	-483,129	1,947,295	246,002	0	0	2,193,297
3. Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	0	9,349,361	0	0	9,349,361	-11,881,684	0	0	0	-11,881,684
4. Currency translation differences	-73,736	-465,024	0	0	-538,760	-95,930	-167,873	0	0	-263,803
5. Tax on other comprehensive income	1,356,853	1,117,448	-13,530	0	2,460,771	-2,898,442	1,752,710	0	0	-1,145,732
III. COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX	20,016,019	3,124,376	367,380	-6,541,256	16,966,520	-1,260,861	3,817,381	2,599,375	-35,647,665	-30,491,770
Controlling interests	19,805,900	3,044,860	375,085	-4,767,144	18,458,701	383,751	3,760,738	2,594,901	-27,456,549	-20,717,159
Non-controlling interests	210,119	79,516	-7,704	-1,774,112	-1,492,181	-1,644,612	56,643	4,474	-8,191,116	-9,774,611

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 31 DECEMBER 2009

	IN EUR						
	NON-LIFE	LIFE	HEALTH	OTHER	TOTAL	ELIMINATIONS	TOTAL
ASSETS	1,714,797,336	1,278,836,580	19,878,862	160,153,703	3,173,666,481	-307,686,447	2,865,980,034
Intangible assets	51,707,248	1,874,998	723,470	729,383	55,035,099	18,471,243	73,506,342
Property, plant and equipment	97,946,751	10,986,814	2,848,287	21,113,431	132,895,282	0	132,895,282
Deferred tax receivables	16,350,439	2,094,704	264,280	1,717,425	20,426,847	0	20,426,847
Investment property	28,051,214	3,284,801	0	39,681,889	71,017,904	10,979,148	81,997,052
Investments in subsidiaries	157,180,753	4,940,861	0	4,355,659	166,477,273	-166,477,273	0
Investments in associates	104,823,348	46,017,588	0	23,779,397	174,620,333	-52,278,111	122,342,222
Financial assets	909,184,419	1,191,794,060	12,674,263	42,763,059	2,156,415,800	-24,265,944	2,132,149,856
Financial investments	909,184,419	881,157,961	12,674,263	42,763,059	1,845,779,702	-24,265,944	1,821,513,758
- loans and deposits	262,684,743	148,216,890	5,218,728	5,529,987	421,650,346	-24,265,944	397,384,402
- held to maturity	18,694,937	242,784,686	0	108,286	261,587,909	0	261,587,909
- available for sale	594,599,254	437,244,679	7,455,535	35,827,635	1,075,127,103	0	1,075,127,103
- investments recognised at fair value	33,205,485	52,911,706	0	1,297,152	87,414,343	0	87,414,343
Unit-linked insurance assets	0	310,636,099	0	0	310,636,098	0	310,636,098
Reinsurers' share of technical provisions	95,506,137	34,942	0	0	95,541,079	-56,833,966	38,707,113
Receivables	231,679,904	13,392,210	3,277,640	8,536,158	256,885,912	-37,098,725	219,787,187
- receivables from direct insurance operations	128,162,871	986,929	3,092,879	0	132,242,679	-59,782	132,182,897
- receivables from reinsurance and co-insurance operations	67,554,431	37,058	0	0	67,591,488	-32,917,683	34,673,805
- current tax receivables	4,133,213	0	0	37,322	4,170,535	0	4,170,535
- other receivables	31,829,390	12,368,223	184,761	8,498,836	52,881,210	-4,121,260	48,759,950
Other assets	6,566,055	280,550	80,451	5,076,712	12,003,768	-182,819	11,820,949
Cash and cash equivalents	15,367,237	4,135,055	10,471	10,931,202	30,443,965	0	30,443,965
Non-current assets held for sale	433,831	0	0	1,469,388	1,903,219	0	1,903,219
EQUITY AND LIABILITIES	1,714,797,336	1,278,836,580	19,878,862	160,153,703	3,173,666,481	-307,686,447	2,865,980,034
Equity	460,050,498	104,929,537	7,079,619	84,730,960	656,790,614	-179,002,923	477,787,691
Controlling interests	460,050,498	104,929,537	7,079,619	84,456,663	656,516,317	-206,606,290	449,910,027
- share capital	84,739,506	14,340,071	25,822,144	48,280,686	173,182,407	-149,481,016	23,701,391
- share premium	44,262,729	13,067,907	0	10,312,268	67,642,904	-13,750,368	53,892,536
- reserves from profit	55,992,557	2,774,568	0	2,901,227	61,668,352	-7,488,162	54,180,190
- fair value reserve	85,962,330	30,238,363	70,585	9,634,475	125,905,753	-71,535,512	54,370,241
- net profit brought forward	213,100,709	37,130,392	-18,813,110	18,961,760	250,379,751	20,706,746	271,086,497
- net profit for the year	-23,081,949	7,745,263	0	-5,467,261	-20,803,947	14,942,022	-5,861,925
- currency translation differences	-925,384	-367,027	0	-166,492	-1,458,903	0	-1,458,903
Non-controlling interests	0	0	0	274,297	274,297	27,603,367	27,877,664
Subordinated liabilities	31,770,410	17,349,316	0	0	49,119,726	-5,877,635	43,242,091
Insurance technical provisions	1,077,333,581	817,348,165	6,608,191	0	1,901,289,937	-49,349,555	1,851,940,382
- unearned premium	313,255,223	747,123	1,912,580	0	315,914,926	-14,647,656	301,267,270
- mathematical provisions	0	794,828,056	0	0	794,828,056	0	794,828,056
- claims provisions	723,485,879	21,713,631	4,412,637	0	749,612,147	-38,382,451	711,229,696
- other insurance technical provisions	40,592,479	59,355	282,974	0	40,934,808	3,680,552	44,615,360
Insurance technical provisions for unit-linked insurance contracts	0	309,823,680	0	0	309,823,680	0	309,823,680
Employee benefits	5,680,826	1,158,422	144,792	668,793	7,652,833	0	7,652,833
Other provisions	15,350,291	36,424	0	0	15,386,715	0	15,386,715
Deferred tax liabilities	21,168,957	7,682,275	0	5,182,980	34,034,212	-17,650,397	16,383,815
Other financial liabilities	8,917,058	4,053,384	1,537,175	45,938,745	60,446,362	-16,387,625	44,058,737
Operating liabilities	68,569,112	2,435,283	1,725,426	180,366	72,910,187	-33,249,104	39,661,083
- liabilities from direct insurance operations	10,640,399	2,398,988	1,725,426	0	14,764,813	-87,271	14,677,542
- liabilities from co-insurance and reinsurance operations	57,719,085	6,896	0	0	57,725,981	-33,161,833	24,564,148
- current tax liabilities	209,628	29,399	0	180,366	419,393	0	419,393
Other liabilities	25,956,603	14,020,094	2,783,659	23,451,859	66,212,215	-6,169,208	60,043,007

CONSOLIDATED INCOME STATEMENT BY SEGMENT AS AT 31 DECEMBER 2010

	IN EUR				
	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER
					2010
NET PREMIUM INCOME	946,170,224	652,006,405	221,741,724	72,422,095	0
- gross written premium	1,013,560,225	719,738,383	221,373,955	72,447,887	0
- ceded written premium	-74,371,737	-74,355,937	-15,800	0	0
- change in unearned premiums	6,981,736	6,623,959	383,569	-25,792	0
TOTAL INCOME FROM FINANCIAL ASSETS	181,533,362	69,946,117	106,722,516	444,963	4,419,766
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	6,332,162	2,640,068	1,568,394	0	2,123,700
- profit on equity investments accounted for using the equity method	3,525,434	634,933	829,158	0	2,061,343
- other income from financial assets in associates	2,806,728	2,005,135	739,236	0	62,357
INCOME FROM OTHER FINANCIAL ASSETS	132,682,857	67,306,049	62,635,779	444,963	2,296,066
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	42,518,343	0	42,518,343	0	0
OTHER INCOME FROM INSURANCE OPERATIONS	22,433,024	4,944,278	17,477,620	11,126	0
- financial income	14,633,234	-1,567,510	16,200,744	0	0
- other income from insurance operations	7,799,790	6,511,788	1,276,876	11,126	0
OTHER INCOME	61,561,494	9,305,290	472,491	13,579	51,770,134
NET CLAIMS INCURRED	557,704,906	387,106,040	107,005,609	63,593,257	0
- gross claims settled	588,325,459	423,739,664	107,291,185	57,294,610	0
- reinsurers' and co-insurers' share	-30,148,316	-30,148,316	0	0	0
- changes in claims provisions	-6,334,129	-6,485,308	-285,576	436,755	0
- equalisation scheme expenses for supplementary health insurance	5,861,892	0	0	5,861,892	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	62,450,614	-2,973,409	64,796,824	627,199	0
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	66,351,880	0	66,351,880	0	0
EXPENSES FOR BONUSES AND DISCOUNTS	5,735,228	5,734,492	736	0	0
OPERATING EXPENSES	208,135,976	166,180,092	34,133,099	7,822,785	0
- costs of insurance contract acquisition	132,463,862	111,067,397	19,997,235	1,399,230	0
- other operating costs	75,672,114	55,112,695	14,135,864	6,423,555	0
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	121,554,254	66,032,626	47,172,551	104,298	8,244,779
OTHER EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	4,683,649	65,544	2,556,881	1,196	2,060,028
- loss on investments accounted for using the equity method	1,504,027	7	11,121	0	1,492,899
- other expenses from financial assets and liabilities in associates	3,179,622	65,537	2,545,760	1,196	567,129
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	88,273,022	65,967,082	16,018,087	103,102	6,184,751
- permanent impairments	48,664,399	42,008,125	2,330,252	83,941	4,242,081
- other expenses from financial assets and liabilities	39,608,623	23,958,957	13,687,835	19,161	1,942,670
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	28,597,583	0	28,597,583	0	0
OTHER INSURANCE EXPENSES	61,439,998	43,065,739	17,981,071	393,188	0
OTHER EXPENSES	85,074,981	28,819,673	1,361,800	39,560	54,853,948
PROFIT/LOSS BEFORE TAX	43,250,267	42,236,837	7,610,781	311,476	-6,908,827
Income tax expense	-16,600,458	-14,439,009	-1,763,389	72,449	-470,509
NET PROFIT/LOSS	26,649,809	27,797,828	5,847,392	383,925	-7,379,336

CONSOLIDATED INCOME STATEMENT BY SEGMENT AS AT 31 DECEMBER 2009

	IN EUR				
	2009				
	TOTAL	NON-LIFE	LIFE	HEALTH	OTHER
NET PREMIUM INCOME	946,344,123	653,242,854	226,076,343	67,024,926	0
- gross written premium	1,022,259,614	729,396,349	225,744,430	67,118,835	0
- ceded written premium	-71,334,542	-71,327,646	-6,896	0	0
- change in unearned premiums	-4,580,949	-4,825,849	338,809	-93,909	0
TOTAL INCOME FROM FINANCIAL ASSETS	204,441,102	75,374,835	116,380,150	479,108	12,207,009
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	18,612,653	6,663,415	3,409,750	50,826	8,488,662
- profit on equity investments accounted for using the equity method	12,388,038	5,789,630	2,160,491	0	4,437,917
- other income from financial assets in associates	6,224,615	873,785	1,249,259	50,826	4,050,745
INCOME FROM OTHER FINANCIAL ASSETS	131,952,367	68,711,420	59,094,318	428,282	3,718,347
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	53,876,082	0	53,876,082	0	0
OTHER INCOME FROM INSURANCE OPERATIONS	27,449,020	7,634,264	19,787,756	27,000	0
- financial income	20,830,183	2,100,547	18,729,636	0	0
- other income from insurance operations	6,618,837	5,533,717	1,058,120	27,000	0
OTHER INCOME	56,613,838	9,532,865	285,348	231,330	46,564,295
NET CLAIMS INCURRED	610,884,699	475,136,980	81,515,631	54,232,088	0
- gross claims settled	597,203,374	465,894,684	80,666,500	50,642,190	0
- reinsurers' and co-insurers' share	-37,994,709	-37,994,710	0	0	0
- changes in claims provisions	47,165,611	47,237,006	849,130	-920,525	0
- equalisation scheme expenses for supplementary health insurance	4,510,423	0	0	4,510,423	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	92,004,461	2,722,932	89,084,822	196,707	0
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	90,122,332	0	90,122,332	0	0
EXPENSES FOR BONUSES AND DISCOUNTS	12,066,727	12,066,727	0	0	0
OPERATING EXPENSES	207,752,004	162,514,887	35,918,626	9,318,491	0
- costs of insurance contract acquisition	134,822,095	112,270,886	21,180,796	1,370,413	0
- other operating costs	72,929,909	50,244,001	14,737,830	7,948,078	0
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	83,496,380	36,703,981	32,647,868	19,072	14,125,459
OTHER EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	8,787,215	3,066,203	98,285	1,501	5,621,226
- loss on investments accounted for using the equity method	6,354,300	4,613,526	8,052	0	1,732,722
- other expenses from financial assets and liabilities in associates	2,432,915	-1,547,323	90,233	1,501	3,888,504
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	57,267,023	42,133,157	15,116,295	17,571	0
- permanent impairments	14,415,580	13,205,854	1,184,395	0	25,331
- other expenses from financial assets and liabilities	42,851,443	20,431,924	13,923,046	17,571	8,478,902
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	17,442,142	0	17,442,142	0	0
OTHER INSURANCE EXPENSES	60,486,014	38,985,907	19,932,956	1,567,151	0
OTHER EXPENSES	75,954,246	25,924,081	605,992	23,969	49,400,204
PROFIT/LOSS BEFORE TAX	2,081,220	-8,270,677	12,701,370	2,404,886	-4,754,359
Income tax expense	-8,373,562	-4,801,133	-2,048,408	93,606	-1,617,627
NET PROFIT/LOSS	-6,292,342	-13,071,810	10,652,962	2,498,492	-6,371,986

5.2 REPORTING BY GEOGRAPHICAL AREA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA FOR THE YEAR 2010

	IN EUR				
	SLOVENIA	OTHER	TOTAL	ELIMINATIONS	TOTAL
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 equity accounted investees	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 for sale	1,385,441	0	1,385,441	0	1,385,441
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 interest	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 premiums	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
Provisions for 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY GEOGRAPHICAL AREA FOR THE YEAR 2009

	IN EUR				
	SLOVENIA	OTHER	TOTAL	ELIMINATIONS	TOTAL
ASSETS	2,852,716,202	320,950,279	3,173,666,481	-307,686,447	2,865,980,034
Intangible assets	45,769,747	9,265,352	55,035,099	18,471,243	73,506,342
Property, plant and equipment	91,344,101	41,551,183	132,895,282	0	132,895,282
Deferred tax receivables	18,692,243	1,734,605	20,426,847	0	20,426,847
Investment property	57,866,821	13,151,082	71,017,904	10,979,148	81,997,052
Investments in subsidiaries	166,372,312	104,962	166,477,273	-166,477,273	0
Investments in equity accounted investees	172,751,508	1,868,820	174,620,333	-52,278,111	122,342,222
Financial assets	1,995,469,552	160,946,250	2,156,415,800	-24,265,944	2,132,149,856
Financial investments	1,689,893,477	155,886,225	1,845,779,702	-24,265,944	1,821,513,758
- loans and deposits	342,927,597	78,722,751	421,650,346	-24,265,944	397,384,402
- held to maturity	228,336,499	33,251,410	261,587,909	0	261,587,909
- available for sale	1,041,769,231	33,357,871	1,075,127,103	0	1,075,127,103
- investments recognised at fair value	76,860,150	10,554,193	87,414,343	0	87,414,343
Unit-linked insurance assets	305,576,075	5,060,025	310,636,098	0	310,636,098
Reinsurers' share of technical provisions	80,890,540	14,650,539	95,541,079	-56,833,966	38,707,113
Receivables	201,179,966	55,705,947	256,885,912	-37,098,725	219,787,187
- receivables from direct insurance operations	87,303,346	44,939,333	132,242,679	-59,782	132,182,897
- receivables from reinsurance and co-insurance operations	64,476,018	3,115,471	67,591,488	-32,917,683	34,673,805
- current tax receivables	4,161,640	8,895	4,170,535	0	4,170,535
- other receivables	45,238,962	7,642,248	52,881,210	-4,121,260	48,759,950
Other assets	7,155,588	4,848,179	12,003,768	-182,819	11,820,949
Cash and cash equivalents	13,754,436	16,689,529	30,443,965	0	30,443,965
Non-current assets for sale	1,469,388	433,831	1,903,219	0	1,903,219
EQUITY AND LIABILITIES	2,852,716,202	320,950,279	3,173,666,481	-307,686,447	2,865,980,034
Equity	596,990,937	59,799,673	656,790,614	-179,002,923	477,787,691
Controlling interest	596,990,937	59,525,376	656,516,317	-206,606,290	449,910,027
- share capital	98,234,278	74,948,128	173,182,407	-149,481,016	23,701,391
- share premium	60,583,668	7,059,236	67,642,904	-13,750,368	53,892,536
- reserves from profit	40,486,398	21,181,954	61,668,352	-7,488,162	54,180,190
- fair value reserve	124,318,461	1,587,291	125,905,753	-71,535,512	54,370,241
- net profit brought forward	271,519,457	-21,139,707	250,379,751	20,706,746	271,086,497
- net profit/loss for the year	1,784,838	-22,588,786	-20,803,947	14,942,022	-5,861,925
- currency translation differences	63,837	-1,522,740	-1,458,903	0	-1,458,903
Non-controlling interests	0	274,297	274,297	27,603,367	27,877,664
Subordinated liabilities	43,242,091	5,877,635	49,119,726	-5,877,635	43,242,091
Insurance technical provisions	1,690,227,068	211,062,870	1,901,289,937	-49,349,555	1,851,940,382
- unearned premiums	249,873,179	66,041,748	315,914,926	-14,647,656	301,267,270
- mathematical provisions	762,505,208	32,322,847	794,828,056	0	794,828,056
- claims provisions	639,181,691	110,430,457	749,612,147	-38,382,451	711,229,696
- other insurance technical provisions	38,666,990	2,267,818	40,934,808	3,680,552	44,615,360
Insurance technical provisions for unit-linked insurance contracts	304,621,161	5,202,519	309,823,680	0	309,823,680
Provisions for employee benefits	5,371,522	2,281,312	7,652,833	0	7,652,833
Other provisions	9,712,339	5,674,376	15,386,715	0	15,386,715
Deferred tax liabilities	33,836,328	197,884	34,034,212	-17,650,397	16,383,815
Other financial liabilities	51,276,634	9,169,729	60,446,362	-16,387,625	44,058,737
Operating liabilities	64,539,945	8,370,242	72,910,187	-33,249,104	39,661,083
- liabilities from direct insurance operations	10,038,649	4,726,164	14,764,813	-87,271	14,677,542
- liabilities from reinsurance and co-insurance operations	54,353,985	3,371,996	57,725,981	-33,161,833	24,564,148
- current tax liabilities	147,311	272,082	419,393	0	419,393
Other liabilities	52,898,177	13,314,039	66,212,215	-6,169,208	60,043,007

CONSOLIDATED INCOME STATEMENT BY GEOGRAPHICAL AREA FOR THE YEAR 2010 AND 2009

	IN EUR					
	2010			2009		
	TOTAL	SLOVENIA	OTHER	TOTAL	SLOVENIA	OTHER
NET PREMIUM INCOME	946,170,224	785,497,019	160,673,205	946,344,123	784,278,431	162,065,692
- gross written premium	1,013,560,225	836,565,987	176,994,238	1,022,259,614	845,434,977	176,824,637
- ceded written premium	-74,371,737	-57,207,348	-17,164,389	-71,334,542	-58,059,162	-13,275,380
- change in unearned premiums	6,981,736	6,138,380	843,356	-4,580,949	-3,097,384	-1,483,565
INCOME FROM FINANCIAL ASSETS	181,533,362	166,793,188	14,740,174	204,441,102	189,575,587	14,865,515
INCOME FROM FINANCIAL ASSETS IN ASSOCIATES	6,332,162	6,332,155	7	18,612,653	18,542,283	70,370
- profit on equity investments accounted for using the equity method	3,525,434	3,525,434	0	12,388,038	12,317,668	70,370
- other income from financial assets in associates	2,806,728	2,806,721	7	6,224,615	6,224,615	0
INCOME FROM OTHER FINANCIAL ASSETS	132,682,857	118,472,214	14,210,643	131,952,367	117,774,840	14,177,527
NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	42,518,343	41,988,819	529,524	53,876,082	53,258,463	617,619
OTHER INCOME FROM INSURANCE OPERATIONS	22,433,024	16,944,604	5,488,420	27,449,020	23,342,750	4,106,270
- financial income	14,633,234	12,866,874	1,766,360	20,830,183	19,135,664	1,694,519
- other income from insurance operations	7,799,790	4,077,730	3,722,060	6,618,837	4,207,086	2,411,751
OTHER INCOME	61,561,494	54,304,621	7,256,873	56,613,838	49,449,249	7,164,589
NET CLAIMS INCURRED	557,704,906	459,480,752	98,224,154	610,884,699	502,290,292	108,594,407
- gross claims settled	588,325,459	495,735,070	92,590,389	597,203,374	503,649,455	93,553,919
- reinsurers' share	-30,148,316	-26,622,790	-3,525,526	-37,994,709	-34,995,561	-2,999,148
- changes in claims provisions	-6,334,129	-15,493,421	9,159,292	47,165,611	29,125,974	18,039,637
- equalisation scheme expenses for supplementary health insurance	5,861,892	5,861,892	0	4,510,423	4,510,423	0
CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS	62,450,614	58,197,454	4,253,160	92,004,461	87,053,038	4,951,423
CHANGE IN INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS	66,351,880	63,677,795	2,674,085	90,122,332	87,850,424	2,271,908
EXPENSES FOR BONUSES AND DISCOUNTS	5,735,228	5,309,382	425,846	12,066,727	11,781,807	284,920
OPERATING EXPENSES	208,135,976	152,806,242	55,329,734	207,752,004	150,514,949	57,237,055
- costs of insurance contract acquisition	132,463,862	100,277,835	32,186,027	134,822,095	99,421,431	35,400,664
- other operating costs	75,672,114	52,528,407	23,143,707	72,929,909	51,093,518	21,836,391
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	121,554,254	116,899,414	4,654,840	83,496,380	72,119,469	11,376,911
EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES IN ASSOCIATES	4,683,649	4,678,078	5,571	8,787,215	6,480,300	2,306,915
- loss on investments accounted for using the equity method	1,504,027	1,504,027	0	6,354,300	6,351,261	3,039
- other expenses from financial assets and liabilities in associates	3,179,622	3,174,051	5,571	2,432,915	2,432,915	0
EXPENSES FROM OTHER FINANCIAL ASSETS AND LIABILITIES	88,273,022	83,976,746	4,296,276	57,267,023	46,192,503	11,074,520
- impairment of financial assets other than recognised at fair value through profit and loss	48,664,399	47,587,135	1,077,264	14,415,580	11,184,072	3,231,508
- other expenses from financial assets and liabilities	39,608,623	36,389,610	3,219,013	42,851,443	35,008,432	7,843,011
NET UNREALISED LOSSES ON UNIT-LINKED LIFE INSURANCE ASSETS	28,597,583	28,244,590	352,993	17,442,142	17,142,789	299,353
OTHER INSURANCE EXPENSES	61,439,998	42,168,579	19,271,419	60,486,014	46,172,711	14,313,303
OTHER EXPENSES	85,074,981	76,744,996	8,329,985	75,954,246	68,233,397	7,720,849
PROFIT/ LOSS BEFORE TAX	43,250,267	48,254,818	-5,004,551	2,081,220	14,364,580	-12,283,360
Income tax expense	-16,600,458	-16,531,576	-68,882	-8,373,562	-8,448,276	74,714
NET LOSS FOR THE ACCOUNTING PERIOD	26,649,809	31,723,242	-5,073,433	-6,292,342	5,916,304	-12,208,646

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 INTANGIBLE ASSETS

INTANGIBLE ASSETS

	IN EUR				
	GOODWILL	CONTRACTUAL RIGHTS AND VALUE OF ACQUIRED OPERATIONS	OTHER INTANGIBLE ASSETS	DEFERRED ACQUISITION COSTS	TOTAL
COST					
As at 1 January 2009	12,970,635	25,054,033	26,507,017	34,548,741	99,080,426
- increase	763,796	0	5,985,353	4,638,164	11,387,313
- decrease	0	0	-339,053	-1,682,828	-2,021,881
- impairment	-7,061,775	0	-37,544	0	-7,099,319
- other	0	0	639,584	0	639,584
- exchange rate differences	0	0	-5,650	-10,440	-16,090
As at 31 December 2009	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
ACCUMULATED AMORTISATION					
As at 1 January 2009	0	-1,991,220	-12,633,707	0	-14,624,927
- amortisation	0	-11,264,226	-2,356,712	0	-13,620,938
- disposal	0	0	251,457	0	251,457
- impairment	0	0	-12,072	0	-12,072
- other changes	0	0	-461,767	0	-461,767
- exchange rate differences	0	0	4,556	0	4,556
As at 31 December 2009	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
- exchange rate differences	0	0	24,217	0	24,217
As at 31 December 2010	0	-25,054,033	-17,237,003	0	-42,291,036
CARRYING AMOUNT					
As at 31 December 2009	6,672,656	11,798,587	17,541,462	37,493,637	73,506,342
As at 31 December 2010	2,460,627	0	20,170,134	38,587,347	61,218,108

Other intangible assets are computer software and other licences. The Group did not pledge any intangible assets as collateral. As at 31 December 2010, trade payables for intangible assets amounted to EUR 1,523,409 (vs. EUR 1,808,063 as at 31 December 2009).

The depreciation for the current year is split between several items of the income statement. For details, see expenses by their nature and function in Section 7.11.

As at 31 December 2010, intangible assets with an indefinite useful life amounted to EUR 9,368 (as at 31 December 2009: EUR 9,368) for a licence issued for an indefinite period.

The Group has no individual intangible assets of material value to the consolidated financial statements.

GOODWILL

GOODWILL DUE TO	IN EUR			
	AS AT 31 DECEMBER 2010	RECOGNISED GOODWILL	GOODWILL IMPAIRMENT	AS AT 31 DECEMBER 2010
Takeover of Triglav Kopaonik a.d.	5,649,679	0	-4,337,295	1,312,384
Additional acquisition of equity shares - TRI-PRO d.o.o.	112,759	0	0	112,759
Additional acquisition of equity shares - Golf Arboretum d.o.o.	146,422	0	0	146,422
Additional acquisition of equity shares - Lovćen Osiguranje a.d.	763,796	0	0	763,796
First consolidation of Sarajevostan d.o.o.	0	125,266	0	125,266
TOTAL GOODWILL AS AT 31 DECEMBER 2009	6,672,656	125,266	-4,337,295	2,460,627

The goodwill of the above stated items was tested as at 31 December 2010. It was calculated that goodwill impairment is required for certain items in Triglav Kopaonik a.d. Total goodwill impairment of EUR 4.3 million is disclosed under other expenses (see Section 7.13).

In the goodwill impairment test of Triglav Kopaonik, as at the reporting date a discount rate of 17.56% was applied, unchanged throughout the entire forecast period. Projections were made for a 10-year period, after which a period of continued growth was assumed. A period longer than 5 years was applied due to the planned regular measures in the first 5-year period, due to which the company should generate more sustainable profit from core business in that period and at the same time start applying the Triglav Group standards, as required by the Triglav Group Strategy. Invariable or decreasing growth rates of value parameters were generally applied in projection extrapolations in the framework of long-term economic growth rates in the country of principal activities. 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 4% nominal infinite growth rate was applied. The expected difference between the inflation rate in the Republic of Serbia and in the economically strongest European country was added to the infinite growth rate expected in the mentioned economically strongest European country. Based on the available information on the asset and the assumptions made, given a change of +/- 1% in the discount rate and in the infinite growth rate (g by +/- 1%), the change in goodwill would amount to EUR 758,591 million.

CONTRACTUAL RIGHTS AND THE VALUE OF BUSINESS ACQUIRED

Contractual rights and the value of acquired operations, arising from the takeover of Vardar Osiguranje, decreased in 2010 by EUR 11,798,587 or 51.2% of the total value of such intangible assets. The amortisation and impairment of these assets is disclosed under other expenses (see Section 7.13).

6.2 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

	IN EUR			
	LAND	BUILDINGS	EQUIPMENT	TOTAL
COST				
As at 1 January 2009	19,539,251	115,899,430	69,506,340	204,945,021
- acquisition	1,649,248	1,803,243	5,308,045	8,760,536
- disposal	-846,786	-140,301	-2,734,511	-3,721,598
- other changes	-151,787	4,014,962	1,197,677	5,060,852
- exchange rate differences	9,471	-71,449	-66,792	-128,770
As at 31 December 2009	20,199,397	121,505,885	73,210,759	214,916,041
- acquisition	1,873,808	9,923,727	11,249,556	23,047,090
- disposal	-2,267,093	-2,550,813	-12,751,922	-17,569,829
- exchange rate differences	-39,389	-379,242	-161,084	-579,715
As at 31 December 2010	19,766,723	128,499,556	71,547,309	219,813,587
ACCUMULATED DEPRECIATION				
As at 1 January 2009	0	-20,609,224	-51,751,233	-72,360,457
- depreciation charge for the current year	0	-2,370,773	-7,213,052	-9,583,825
- disposal	0	48,166	2,133,601	2,181,767
- value adjustment decrease	0	146,208	2,120	148,328
- other changes	0	-1,995,473	-461,332	-2,456,805
- exchange rate differences	0	6,157	44,076	50,233
As at 31 December 2009	0	-24,774,939	-57,245,820	-82,020,759
- depreciation charge for the current year	0	-3,014,197	-6,668,648	-9,682,845
- disposal	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	-51,687,446	-77,262,927
CARRYING AMOUNT				
As at 31 December 2009	20,199,397	96,730,946	15,964,939	132,895,282
As at 31 December 2010	19,766,723	102,924,075	19,859,863	142,550,661

Property, plant and equipment pledged as collateral by the Group as at 31 December 2010 amounted to EUR 23,875,547 (vs. EUR 12,519,884 as at 31 December 2009). The statutory limitation on the Group's property, plant and equipment as at 31 December 2010 was EUR 25,621,629 (vs. EUR 13,930,669 as at 31 December 2009).

As at 31 December 2010, trade payables for property, plant and equipment amounted to EUR 99,376 (vs. EUR 826,973 as at 31 December 2009).

The depreciation charge for the current year is disclosed in several items of the income statement, as income statement expenses are recorded 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 2010, property, plant and equipment under financial lease totalled EUR 11,726,498 (vs. EUR 12,572,892 as at 31 December 2009).

6.3 INVESTMENT PROPERTY

INVESTMENT PROPERTY

	IN EUR		
	LAND	BUILDINGS	TOTAL
COST			
As at 1 January 2009	33,943,182	52,979,381	86,922,563
- acquisition	0	529,846	529,846
- disposal	-47,210	-35,601	-82,811
- other changes	-250,289	56,566	-193,723
- consolidation adjustment	2,787,489	0	2,787,489
- exchange rate differences	52	-24,694	-24,642
As at 31 December 2009	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
- consolidation adjustment	-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
ACCUMULATED DEPRECIATION			
As at 1 January 2009	0	-6,852,618	-6,852,618
- depreciation	0	-1,218,404	-1,218,404
- disposal	0	4,058	4,058
- value adjustment decrease	0	69,541	69,541
- other changes	0	55,150	55,150
- exchange rate differences	0	603	603
As at 31 December 2009	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
CARRYING AMOUNT			
As at 31 December 2009	36,433,224	45,563,828	81,997,052
As at 31 December 2010	35,746,675	48,509,581	84,256,256

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). Investment property was not impaired in 2009. Fair value is disclosed below.

	IN EUR	
	31 DECEMBER 2010	31 DECEMBER 2009
Carrying amount	84,256,256	81,997,052
Estimated fair value	150,298,056	143,263,134

6.4 INVESTMENT IN ASSOCIATES

INVESTMENT IN ASSOCIATES

	NAME OF THE LEGAL ENTITY	ADDRESS	TAX RATE (IN %)	ACTIVITY	SHARE IN CAPITAL (IN %)		VOTING RIGHTS (IN %)		ASSET VALUE (IN EUR)
					2010	2009	2010	2009	2010
1	Abanka Vipava d.d.	Slovenska cesta 58, 1000 Ljubljana, Slovenia	20	Banking	25.69	26.61	25.69	25.69	63,949,664
2	Avrigo d.d.	Kidričeva ulica 20, 5000 Nova Gorica, Slovenia	20	Transport	42.99	46.51	42.99	46.51	3,624,562
3	Elan skupina	Begunje na Gorenjskem 1, 4275 Begunje na Gorenjskem, Slovenia	20	Holding	23.16	22.42	23.16	22.42	1,231,755
4	Goriške opekarne d.d.	Merljaki 7, 5292 Renče, Slovenia	20	Manufacturing	43.83	46.13	43.83	46.13	1,153,728
5	Info TV d.d.	Šmartinska cesta 152, 1000 Ljubljana, Slovenia	20	Radio and television	38.27	33.10	38.27	33.10	0
6	Intercement d.o.o.	Dunajska cesta 63, 1000 Ljubljana, Slovenia	20	Advisory and holding	23.19	23.13	23.19	23.13	29,157,675
7	Nama trgovsko podjetje d.d.	Tomšičeva ulica 1, 1000 Ljubljana, Slovenia	20	Retail	38.99	38.86	38.99	38.86	4,812,928
8	Skupna pokojninska družba d.d.	Trg Republike 3, 1000 Ljubljana, Slovenia	20	Pension funds	30.14	30.14	30.14	30.14	2,378,380
9	Tehnološki center varne vožnje Vransko	Vransko 66a, 3305 Vransko, Slovenia	20	Research and development	25.01	25.01	25.01	25.01	839
10	Triglavko d.o.o.	Ulica XXX. divizije 23, 5000 Nova Gorica, Slovenia	20	Insurance brokerage	38.47	38.47	38.47	38.47	30,338
11	ZIF Polara Invest Fond a.d., Banja Luka	Veselina Masleše 1, Banja Luka, Republika Srpska - Bosnia and Herzegovina	10	Investment funds	14.06	14.06	20.09	20.09	3,239,982
12	ZIF Prof Plus	Veselina Masleše 1, Banja Luka, Republika Srpska - Bosnia and Herzegovina	10	Investment funds	23.64	18.58	23.64	21.97	7,487,888
13	Nacionalni biro osiguravača Crne Gore	Novaka Miloševa 6, Podgorica, Montenegro	9	Insurance association	30.61	30.61	30.61	30.61	0
	TOTAL								117,067,739

INVESTMENTS IN ASSOCIATES

	NAME OF THE LEGAL ENTITY	IN EUR									
		ASSETS		LIABILITIES		EQUITY		REVENUES		PROFIT/LOSS	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
1	Abanka Vipava d.d.	4,586,218,000	4,557,476,000	4,229,084,000	4,197,199,000	357,134,000	360,277,000	237,641,000	234,069,000	2,991,000	22,119,000
2	Avrigo d.d.	13,916,141	13,570,536	3,599,980	3,688,595	10,316,161	9,881,941	15,713,392	15,218,730	876,01	949,586
3	Elan skupina	94,948,704	100,590,674	49,609,903	5,361,955	45,338,801	47,762,311	57,312,687	73,970,117	-1,968,290	-2,155,881
4	Goriške opekarne d.d.	17,055,290	15,476,005	9,404,081	9,001,121	7,651,209	6,474,884	8,307,337	8,150,112	-1,301,481	-1,478,031
5	Info TV d.d.	1,922,481	2,084,866	2,498,644	1,996,967	-576,163	87,899	898,119	1,182,041	-664,061	-2,155,244
6	Intercement d.o.o.	116,727,505	116,772,235	16,660,800	16,026,423	100,066,705	100,745,812	1,932,990	4,828,454	1,391,984	4,142,182
7	Nama trgovsko podjetje d.d.	14,493,508	15,469,752	4,194,117	5,262,199	10,299,391	10,207,553	15,823,537	17,160,869	743,848	569,217
8	Skupna pokojninska družba d.d.	337,554,250	287,882,237	323,190,803	274,918,211	14,363,447	12,964,026	5,175,568	4,620,807	1,550,951	2,231,922
9	Tehnološki center varne vožnje Vransko	6,958	6,987	0	0	6,958	6,987	140	75	-29	-214
10	Triglavko d.o.o.	280,195	262,057	151,488	104,441	128,707	157,616	760,422	824,131	-28,908	-17,062
11	ZIF Polara Invest Fond, a.d. Banja Luka	1,168,148	1,125,808	20,789	17,785	1,147,359	255,646	497,541	324,878	227,742	83,572
12	ZIF Prof Plus	29,967,723	32,314,667	78,453	109,668	29,889,269	32,204,999	1,014,035	2,621,770	-7,336	2,121,634
13	Nacionalni biro osiguravača Crne Gore*	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available

* The company stated under 13 is not accounted for using the equity method, since the Group cannot influence the operations of this entity through the management or supervisory boards.

The effect of the valuation of investments using the equity method is disclosed as a separate item in the financial statements (see Section 7.2 for more details). The fair value of the investments in associates listed on the stock exchange is stated below:

NAME OF THE LEGAL ENTITY	IN EUR	
	FAIR VALUE	
	2010	2009
Abanka Vipava d.d.	89,675,094	101,102,253
Nama trgovsko podjetje d.d.	11,329,854	10,379,040
Goriške opekarne d.d.	1,731,644	1,932,424

6.5 FINANCIAL ASSETS¹³

FINANCIAL ASSETS

	IN EUR	
	2010	2009
Held to maturity	253,578,582	261,587,909
At fair value through profit and loss	91,013,031	87,414,343
- designated	81,585,831	76,088,456
- held for trading	9,427,200	11,325,887
Available for sale	1,195,021,035	1,075,127,103
Loans and receivables	364,944,602	397,384,402
Unit-linked insurance assets	377,892,260	310,636,100
- at fair value through profit and loss	373,707,231	306,068,489
- loans and receivables	4,185,029	4,135,196
- available for sale	0	432,414
TOTAL	2,282,449,510	2,132,149,856

The table above shows the carrying amount of financial assets (without operating receivables and cash or cash equivalents).

OVERVIEW OF FINANCIAL ASSETS BY TYPE

2010						IN EUR
	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

¹³ 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 receivables

OVERVIEW OF FINANCIAL ASSETS BY TYPE

2009	IN EUR					
	HTM	FVTPL - HELD FOR TRADING	FVTPL - CLASSIFIED INTO THIS GROUP	AFS	L&R	TOTAL
Debt and other fixed-return securities	249,597,477	0	72,223,821	815,783,662	115,211,028	1,252,815,987
Investments in shares, other floating-rate securities and fund coupons	0	13,427,850	304,491,985	256,999,175	0	574,919,010
Financial derivatives	0	3,255,988	83,190	0	0	3,339,177
Loans and receivables	11,990,433	0	0	2,776,679	283,325,434	298,092,546
- deposits with banks	0	0	0	0	220,767,910	220,767,910
- loans given	0	0	0	0	58,084,160	58,084,160
- other financial investments	11,990,433	0	0	2,776,679	4,473,364	19,240,476
Financial investments of reinsurance companies in reinsurance contracts	0	0	0	0	2,983,136	2,983,136
TOTAL	261,587,909	16,683,838	376,798,995	1,075,559,516	401,519,598	2,132,149,856

MOVEMENTS IN FINANCIAL ASSETS

FINANCIAL ASSETS	IN EUR				
	HTM	FVTPL	AFS	L&R	TOTAL
As at 1 January 2009	243,444,567	305,872,836	1,079,274,972	334,725,728	1,963,318,101
Acquisitions	23,147,172	109,630,184	1,084,287,198	2,299,415,883	3,516,480,437
Maturity	-16,734,917	-4,394,002	-49,279,665	-2,175,622,111	-2,246,030,695
Disposal	-1,005,671	-60,577,817	-1,065,213,128	-67,525,355	-1,194,321,970
Amounts transferred from equity at disposal	0	0	12,512,196	0	12,512,196
Valuation through profit and loss	0	38,366,052	0	0	38,366,052
Valuation through equity	0	0	7,037,979	0	7,037,979
Value adjustment changes	0	0	-24,634,001	-1,431,610	-26,065,610
Premiums and discounts	3,101,407	0	1,052,736	618,746	4,772,889
Interest income	9,624,483	4,585,579	30,542,728	11,383,249	56,136,040
Foreign exchange differences	10,868	0	-21,498	-44,931,678	-55,563
As at 31 December 2009	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	-2,921,200,988
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
Value adjustment changes	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	369,129,631	2,282,449,510

FAIR VALUE OF FINANCIAL ASSETS HELD TO MATURITY

	IN EUR	
	2010	2009
Financial instruments held to maturity		
- amortised value	253,578,582	261,587,909
- fair value	239,736,184	256,593,393

FINANCIAL ASSETS ACCORDING TO VALUATION LEVELS

	IN EUR	
	2010	2009
Financial assets available for sale	1,195,021,035	1,075,127,103
- level 1	1,075,041,003	722,579,187
- level 2	49,632,988	205,083,711
- level 3	70,347,043	147,464,204
Financial assets at fair value through profit and loss	464,720,263	393,482,832
- level 1	314,000,502	246,236,863
- level 2	150,719,761	147,245,970
- 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 operating mostly based on unobservable market inputs. This group includes shares in companies with no active market, valued through valuation models unobservable market inputs, and security holding measured at historical cost, since their fair value cannot be reliably measured.

RECLASSIFICATION OF FINANCIAL ASSETS

In accordance with amendments to IFRS (IAS 39.50) and IAS 39.54, individual members of the Group opted for the reclassification of financial assets already in 2008. In 2009 and 2010 additional reclassifications of financial assets were performed. The effects of reclassifications are disclosed below.

RECLASSIFICATIONS FROM THE FINANCIAL ASSETS »AVAILABLE FOR SALE« (AFS) CATEGORY TO THE »LOANS AND RECEIVABLES« (L&R) CATEGORY

	IN EUR	
	2010	2009
Amount of reclassified financial assets	0	8,977,963
Effective interest rate as at the reclassification date	0	6.39%
Carrying amount of reclassified assets as at 31 December	54,672,139	80,843,173
Fair value of reclassified assets as at 31 December	54,672,139	80,843,173
Impact on comprehensive income if not reclassified	0	0
Effect on net profit if not reclassified	11,761	-26,511
Loss at disposal of reclassified assets	164,46	-338,795
Estimated cash flows	77,217,669	113,778,589

RECLASSIFICATIONS FROM THE FINANCIAL ASSETS »AVAILABLE FOR SALE« (AFS) CATEGORY TO THE »HELD TO MATURITY« (HTM) CATEGORY

	IN EUR	
	2010	2009
Amount of reclassified financial assets	0	23,131,525
Effective interest rate at the date of reclassification	0	6.64%
Carrying amount of reclassified financial assets as at 31 December	71,753,486	94,607,294
Fair value of reclassified financial assets as at 31 December	75,789,089	97,865,523
Impact on comprehensive income if not reclassified	4,035,603	3,258,229
Impact on net profit if not reclassified	0	0
Profit from disposal of reclassified financial assets	81,063	57,649
Estimated cash flows	91,513,556	116,362,199

6.6 REINSURERS' SHARE OF TECHNICAL PROVISIONS

REINSURERS' SHARE OF TECHNICAL PROVISIONS

	IN EUR	
	2010	2009
NON-LIFE INSURANCE		
Reinsurers' share of unearned premiums	11,958,410	10,086,014
Reinsurers' share of claims provisions	32,262,523	28,586,157
TOTAL NON-LIFE INSURANCE	44,220,933	38,672,171
LIFE INSURANCE		
Reinsurers' share of unearned premiums	383	240
Reinsurers' share of claims	0	34,702
TOTAL LIFE INSURANCE	383	34,942
TOTAL ASSETS FROM REINSURANCE CONTRACTS	44,221,316	38,707,113

6.7 OPERATING RECEIVABLES

RECEIVABLES BY MATURITY

2010	RECEIVABLES BY MATURITY			IN EUR
	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' shares in claims	58,006	15,466	0	73,472
Receivables from reinsurers' shares in claims	14,602,052	3,943,927	653,369	19,199,347
Other receivables from co-insurance and reinsurance operations	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 from advance payments on 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
Uninsured receivables as at 31 December 2010				206,860,165

RECEIVABLES BY MATURITY

2009	RECEIVABLES BY MATURITY			IN EUR
	NOT DUE	OVERDUE UP TO 180 DAYS	OVERDUE OVER 180 DAYS	TOTAL 31 DECEMBER 2009
RECEIVABLES FROM DIRECT INSURANCE OPERATIONS	87,555,932	29,464,286	15,162,679	132,182,897
Receivables from insurers	84,616,633	26,793,403	14,507,477	125,917,513
Receivables from insurance brokers	346,830	1,790,471	76,886	2,214,188
Other receivables from direct insurance operations	2,592,469	880,412	578,316	4,051,197
RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	25,959,747	4,657,184	4,056,874	34,673,805
Premium receivable from co-insurance	1,062,533	0	0	1,062,533
Premium receivable from reinsurance	8,048,108	2,593,198	3,628,380	14,269,685
Receivables from co-insurers' shares in claims	9,033	27,064	0	36,097

RECEIVABLES BY MATURITY - CONTINUED

2009	RECEIVABLES BY MATURITY			IN EUR
	NOT DUE	OVERDUE UP TO 180 DAYS	OVERDUE OVER 180 DAYS	TOTAL 31 DECEMBER 2009
Receivables from reinsurers' shares in claims	14,287,413	1,856,581	443,442	16,587,436
Other receivables from co-insurance and reinsurance operations	2,552,660	180,340	-14,948	2,718,053
OTHER RECEIVABLES	40,864,209	9,351,547	2,714,729	52,930,485
Receivables from advance payments on intangible assets	37,571	0	0	37,571
Other short-term receivables from insurance operations	13,807,635	4,071,305	1,833,432	19,712,372
Short-term receivables from financing	800,032	485,174	-22,435	1,262,771
Other short-term receivables	21,429,415	4,795,068	903,731	27,128,214
Long-term receivables	619,021	0	0	619,021
Receivables from corporate profit tax	4,170,535	0	0	4,170,535
TOTAL	154,379,888	43,473,017	21,934,282	219,787,187
Insured receivables as at 31 December 2009				3,384,144
Uninsured receivables as at 31 December 2009				216,403,043

The gross and net amounts of each group of receivables are disclosed below.

2010	IN EUR		
	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

2009	IN EUR		
	GROSS VALUE	IMPAIRMENT	NET VALUE
Receivables from direct insurance operations	185,984,435	-53,801,538	132,182,897
Receivables from co-insurance and reinsurance operations	34,673,805	0	34,673,805
Other receivables	128,074,455	-79,314,505	48,759,950
TOTAL	348,732,695	-133,116,043	215,616,652

6.8 OTHER ASSETS

OTHER ASSETS

	IN EUR	
	2010	2009
Deferred costs	7,308,797	6,167,331
Inventories	4,777,236	5,652,650
Other assets	863,663	967
TOTAL	12,949,696	11,820,949

6.9 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

	IN EUR	
	2010	2009
Cash in bank accounts in EUR	13,659,004	7,159,883
Cash in bank accounts in other currencies	14,116,203	12,594,732
Cash on hand and cheques in EUR	33,670	39,763
Cash on hand and cheques in other currencies	39,965	367,746
Other	6,259,246	10,281,842
TOTAL	34,108,090	30,443,965

Within »Other« the Group holds EUR 5.4 million (in 2009: EUR 10 million) from Slovenijales which was frozen due to a legal dispute with Fincor Invest Anstalt. See Section 8.7 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:

NON-CURRENT ASSETS HELD FOR SALE

	IN EUR	
	2010	2009
Slovenijales (real estate)	1,385,441	1,469,388
Triglav BH Osiguranje	0	433,831
TOTAL	1,385,441	1,903,219

6.11 EQUITY

As at 31 December 2010, the share capital amounted to EUR 23,701,392 and has not changed compared to the previous year. 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.

SHAREHOLDER	PERCENTAGE OF OWNERSHIP	NUMBER OF SHARES
Zavod za pokojninsko in invalidsko zavarovanje, Ljubljana, Slovenia	34.47%	7,836,628
Slovenska odškodninska družba d.d., Ljubljana, Slovenia	28.07%	6,380,728
Nova ljubljanska banka d.d., Ljubljana, Slovenia	3.06%	696,213
NFD 1, delniški investicijski sklad d.d., Ljubljana, Slovenia	1.63%	371,187
Radenska d.d., Radenci, Slovenia	1.61%	366,944
Poteza Naložbe d.o.o., Ljubljana, Slovenia - in bankruptcy proceedings	1.52%	346,570
Hypo Alpe-Adria Bank AG Klagenfurt, Austria	1.23%	280,720
HIT d.d., Nova Gorica, Slovenia	1.12%	255,408
Claycroft Limited, Nicosia, Cyprus	0.92%	210,000
Unicredit Bank Austria AG, Vienna, Austria	0.81%	183,772
Other shareholders (individual less than 1%)	25.54%	5,806,978
TOTAL	100.00%	22,735,148

Price of the Company's share

The shares of Zavarovalnica Triglav bearing the symbol ZVTG are listed on the OTC market of the Ljubljana Stock Exchange. The quoted price of the Company's share on the Ljubljana Stock Exchange at the year end is given below.

SHARES

	IN EUR	
	31 DECEMBER 2010	31 DECEMBER 2009
Quoted price of the share	17,61	25,00
Carrying amount per share	21,19	21,00

Dividends

DIVIDENDS

	IN EUR	
	2010	2009
Dividends to be distributed to shareholders	To be defined	0
Dividends per share		0

Authorised capital

In accordance with the Company's Articles of Association, the Management Board is authorised to increase the share capital by up to 15%, which amounts to EUR 3,555,209, by issuing new shares. The authorisation is valid until 25 April 2013. The Company's Management Board - with the consent of the Supervisory Board - is authorised to decide on the issuance of new shares, the amount of capital increases, the rights related to new shares and the conditions for issuing new shares.

The Management Board has not exercised the right to increase the capital, but has an opportunity to do so until 25 April 2013.

Reserves from profit

In addition to legal and treasury share reserves, reserves from profit also represent the credit risk equalisation reserve and catastrophe reserves.

According to the Companies Act, the Management Board of Zavarovalnica Triglav may allocate net profit for the current year to other profit reserves, 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. For the preparation of the financial statements for the year 2010 the Management Board therefore decided to allocate EUR 16 million to other reserves from profit, which equals 49.84% of the net profit of Zavarovalnica Triglav for the current year. The aforementioned formation of reserves decreases the distributable profit.

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. The local regulator in the Czech Republic also requires the formation of catastrophe reserves. The above mentioned 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 the equalisation provisions in the reserves from profit. Any changes in these reserves are also recognised as an increase or decrease in the result for the current year in the statement of changes in equity. The same applies to catastrophe reserves.

Had the consolidated financial statements been prepared in line with the provisions of the Insurance Act, the result for the current year would be lower by EUR 574,316 (in 2009: EUR 167,503). Profit for the current year would thus equal EUR 26,075,492 (the loss for 2009: EUR 6,459,845). In compliance with the Insurance Act, the amount of the above mentioned reserves would have been disclosed among the insurance technical provisions and as at 31 December 2010 these would have amounted to EUR 2,304,352,114 (in 2009: EUR 2,194,713,333).

Reserves from treasury shares and treasury shares (as a deductible item)

The Group company Slovenijales acquired 24,312 shares of Zavarovalnica Triglav in 2008, 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).

Currency translation differences

Currency translation differences arise from consolidation procedures. In 2010, the currency translation adjustment amounted to EUR 538,760 (vs. EUR 263,803 in 2009), primarily due to the decrease in the Serbian dinar (RSD).

Notes to the statement of changes in equity

- A share premium increase of EUR 3,100,787 was disclosed in the 2010 statement of changes in equity on account of real estate recognition in Triglav Osiguranje d.d. The recognition followed the entry of the real estate in the Court Register on the basis of a separation balance sheet between Zavarovalnica Triglav d.d. and Triglav Osiguranje d.d. in 1993. Simultaneously, to cover losses in the company, the share premium was decreased, which is reflected in the changes in equity as an increase in net profit/loss carried forward.
- A share premium decrease of EUR 237,022 arises from an increase (i.e. additional purchase) in shareholdings of Triglav Naložbe d.d. and Lovćen Osiguranje a.d., as described in Section 1.7.
- Following the decision of the Management Board, EUR 16,000,000 of net profit was allocated to other reserves. For detailed information, see Section 6.11 - Other reserves.
- Catastrophe reserves in the amount of EUR 87,361 were used up in full, which caused an increase in net profit brought forward attributable to the controlling interest holders.
- Credit risk equalisation reserves increased by EUR 574,316, allocated from the net profit for the year (EUR 533,563 of net profit attributable to the controlling interest holders and EUR 40,753 of net profit attributable to the non-controlling interest holders).
- Contingency reserves in the amount of EUR 682,105 and legal reserves in the amount of EUR 595,396 were decreased to cover losses from previous years.
- Retained earnings attributable to the controlling interest holders decreased by EUR 477,040, i.e. it was transferred to the equity attributable to non-controlling interest holders due to the recognition of social capital in Triglav Kopaonik a.d.
- In the statement of changes in equity for 2009, under the item »Other« a decrease in total equity of EUR 6,360,344 was disclosed, of which EUR 5,989,619 referred to a decrease in non-controlling interests. The decrease in non-controlling interests was caused by the acquisition of 41.14% of Lovćen Osiguranje by Zavarovalnica Triglav. The remaining decrease of EUR 370,725 refers to the equity attributable to the controlling interest holders.

6.12 SUBORDINATED LIABILITIES

	IN EUR	
AMORTISED COST	2010	2009
ZT01 bonds	10,998,000	13,308,000
ZT02 bonds	29,934,091	29,934,091
TOTAL SUBORDINATED LIABILITIES	40,932,091	43,242,091

Issued bonds are disclosed at amortised cost. Fair values are shown in the table below. 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 2010 was 103% (102% at the end of last year) and the price for ZT02 was 102.5%. ZT02 bonds were listed on the Ljubljana Stock Exchange only in 2010, therefore fair value for the previous year cannot be determined.

	IN EUR	
FAIR VALUE	2010	2009
ZT01 bonds	11,337,754	13,574,160
ZT02 bonds	30,682,443	n/a
TOTAL FAIR VALUE OF SUBORDINATED LIABILITIES	42,020,197	13,574,160

The ZT01 bonds were issued in 2003 as subordinated registered bonds denominated in EUR and in a dematerialised form and all were sold. The nominal value of this bond is EUR 1,000 per bond with a fixed interest rate of 5.125% p.a. The last coupon and the principal will fall due on 20 October 2013. In 2009, the Company bought 16,692 of the said bonds and on 28 December 2009 issued an order to partially delete these bonds at a nominal value of EUR 1,000. Therefore the Company has an outstanding commitment for 10,998 bonds.

The ZT02 bonds 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 the bonds were sold. The fixed interest rate of the 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 form of debt. ZT01 bonds were listed on the Ljubljana Stock Exchange in 2004, whilst ZT02 bonds were listed in 2010.

6.13 INSURANCE TECHNICAL PROVISIONS AND INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS

INSURANCE TECHNICAL PROVISIONS AND INSURANCE TECHNICAL PROVISIONS FOR UNIT-LINKED INSURANCE CONTRACTS

	IN EUR	
	2010	2009
NON-LIFE INSURANCE		
GROSS PROVISIONS FOR UNEARNED PREMIUMS		
Gross provisions for unearned premiums	295,892,720	300,423,935
Gross provisions for unearned premiums from co-insurance	111,351	96,213
TOTAL GROSS UNEARNED PREMIUM PROVISIONS	296,004,071	300,520,148
GROSS CLAIMS PROVISION		
Gross provisions for incurred and reported claims	203,400,836	206,467,229
Gross claims provisions for co-insurance	1,127,216	1,259,670
Gross claims provisions for IBNR and IBNER	453,482,545	459,754,395
Expected subrogation	-11,124,365	-13,840,711
Provisions for claim handling costs	43,370,371	35,875,482
GROSS CLAIMS PROVISIONS	690,256,603	689,516,065
GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	17,836,389	19,364,696
TOTAL OTHER INSURANCE TECHNICAL PROVISIONS	19,052,894	25,191,309
TOTAL NON-LIFE INSURANCE TECHNICAL PROVISIONS	1,023,149,957	1,034,592,218
LIFE INSURANCE		
GROSS UNEARNED PREMIUM PROVISIONS	363,380	747,123
GROSS MATHEMATICAL PROVISIONS*		
Gross mathematical provisions covering life insurance	678,945,431	644,998,829
Gross mathematical provisions covering SVPI	170,902,344	149,829,227
TOTAL GROSS MATHEMATICAL PROVISIONS	849,847,775	794,828,056
GROSS CLAIMS PROVISIONS	21,471,714	21,713,631
OTHER TECHNICAL PROVISIONS	0	59,355
TOTAL LIFE INSURANCE TECHNICAL PROVISIONS	871,682,869	817,348,165
TOTAL INSURANCE TECHNICAL PROVISIONS	1,894,832,829	1,851,940,383
GROSS MATHEMATICAL PROVISIONS COVERING ULI	376,083,063	309,823,680

* 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«.

ANALYSIS OF CHANGES IN INSURANCE TECHNICAL PROVISIONS

	IN EUR				
	31 DECEMBER 2009	FORMATION	USE	RELEASE	31 DECEMBER 2010
Gross unearned premium	301,267,271	212,458,834	-217,358,651	0	296,367,454
Gross mathematical provisions	794,828,057	125,266,248	-66,490,929	-3,755,601	849,847,775
Gross claims provisions	711,229,696	284,131,581	-271,428,223	-12,204,737	711,728,317
Gross provisions for bonuses and discounts	19,364,696	12,449,207	-4,331,740	-9,645,774	17,836,389
Other gross insurance technical provisions	25,250,664	16,976,884	-23,016,844	-157,810	19,052,894
Gross insurance technical provisions for unit-linked insurance	309,823,679	83,944,894	-17,355,857	-329,652	376,083,063
TOTAL	2,161,764,063	735,227,648	-599,982,244	-26,093,574	2,270,915,892

ANALYSIS OF THE DECREASE IN GROSS MATHEMATICAL PROVISIONS

	IN EUR	
	2010	2009
Surrenders	41,602,591	21,656,854
Endowments	39,208,196	21,970,499
Deaths	3,035,999	2,505,128
TOTAL	83,846,786	46,132,481

ANALYSIS OF CHANGES IN LOSS EVENTS FOR NON-LIFE INSURANCE

CUMULATIVE LOSS ASSESSMENT	IN EUR								TOTAL*
	BEFORE 2004	2004	2005	2006	2007	2008	2009	2010	
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	3,208,435,226	
1 year after year of occurrence	364,915,806	349,418,055	388,699,228	441,568,602	558,871,106	502,868,739		2,606,341,538	
2 years after year of occurrence	388,566,812	364,418,433	386,951,625	437,542,206	531,833,942			2,109,313,019	
3 years after year of occurrence	419,309,049	394,812,349	391,396,176	429,583,969				1,635,101,542	
4 years after year of occurrence	493,011,817	437,600,736	391,600,750					1,322,213,303	
5 years after year of occurrence	527,660,587	462,894,947						990,555,534	
6 years after year of occurrence	550,965,574							550,965,574	
CUMULATIVE	550,965,574	462,894,947	391,600,750	429,583,969	531,833,942	502,868,739	535,615,958	3,405,363,879	
Cumulative payments until balance sheet date	496,198,344	421,197,122	350,752,252	383,375,447	473,523,650	411,542,581	305,945,481	2,842,534,876	
CLAIMS PROVISIONS BALANCE	94,054,377	54,767,230	41,697,826	40,848,498	46,208,522	58,310,292	91,326,159	229,670,477	656,883,379

* The triangle includes gross claims provisions for reported claims as well as gross claims provisions for IBNER.

6.14 EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

	IN EUR				
	31 DECEMBER 2009	FORMATION	USE	RELEASE	31 DECEMBER 2010
Provisions for (redundancy) payments (at retirement)	6,794,359	3,432,816	-529,175	-92,098	9,605,902
Provisions for jubilee rewards	858,475	98,381	-259,733	-24,949	672,174
TOTAL	7,652,834	3,531,197	-788,908	-117,047	10,278,077

The change in provisions for jubilee rewards and (redundancy) payments (at retirement) is disclosed under other operating costs.

6.15 OTHER PROVISIONS

OTHER PROVISIONS

	IN EUR	
	2010	2009
As at 1 January	15,386,717	14,293,196
Formation	2,623,111	1,902,867
Use	-212,433	-809,346
As at 31 December	17,797,395	15,386,717

The increase in other provisions is recognised in the income statement under »Other income«. Other provisions include provisions for litigation, which mostly (EUR 8.5 million) arise from the legal action of Jugobanka against Slovenijales, due to which EUR 5.4 million is frozen in the bank account of Slovenijales. For details, see Section 8.7.

The maturity of over 90% of other provisions is above 12 months.

6.16 DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES

	IN EUR	
	2010	2009
DEFERRED TAX ASSETS		
As at 1 January	20,426,847	21,121,861
Increase	7,118,181	0
Decrease	0	-695,014
As at 31 December	27,545,028	20,426,847
DEFERRED TAX LIABILITIES		
As at 1 January	16,383,815	15,297,569
Increase	0	1,086,246
Decrease	-2,272,976	0
As at 31 December	14,110,839	16,383,815
NET DEFERRED TAX ASSETS	13,434,189	4,043,032

Deferred tax assets are recognised for temporary differences arising from 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

OTHER FINANCIAL LIABILITIES

	IN EUR	
	2010	2009
Loans secured by fixed-return securities	8,700,000	13,744,412
Loans from banks	13,705,631	14,920,718
Loans from other institutions	1,606,405	106,405
Long-term liabilities for a finance lease	7,286,371	7,679,293
Other financial liabilities	3,572,018	7,607,909
TOTAL FINANCIAL LIABILITIES	34,870,425	44,058,737

As at 31 December 2010, the Group has outstanding liabilities for loans totalling EUR 24 million. Compared to the previous year, these liabilities have decreased by EUR 4.8 million. 91% of outstanding liabilities for received loans refer to the following Group entities: Triglav Naložbe, Slovenijales and Triglav DZU.

The interest rates on these loans range between 5.5% 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. These amounts are intended for completing the construction of an office building in Zagreb.

Other financial liabilities mostly refer to liabilities for security purchases.

6.18 OPERATING LIABILITIES

	IN EUR	
	2010	2009
DIRECT INSURANCE LIABILITIES		
Liabilities to policyholders	15,039,029	9,029,768
Liabilities to insurance brokers	1,709,179	2,183,724
Other liabilities from direct insurance operations	6,427,344	3,258,166
Liabilities from direct insurance operations towards Group companies	67,552	205,884
TOTAL LIABILITIES FROM DIRECT INSURANCE OPERATIONS	23,243,104	14,677,542
LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS		
Liabilities from re/co-insurance premiums	12,754,352	12,279,881
Liabilities from the share of claims from co-insurance	7,268,522	7,921,014
Other re/co-insurance liabilities	7,869,425	4,305,442
Other re/co-insurance liabilities towards Group companies	36,513	57,811
TOTAL LIABILITIES FROM CO-INSURANCE AND REINSURANCE	27,928,812	24,564,148
CURRENT TAX LIABILITIES	16,877,495	419,393
TOTAL LIABILITIES FROM INSURANCE OPERATIONS	68,049,411	39,661,083

All liabilities are short-term and are to be settled within the next 12 months.

6.19 OTHER LIABILITIES

	IN EUR	
	2010	2009
Short-term liabilities to employees	15,208,247	9,801,920
Other short-term liabilities from insurance operations	23,915,664	20,111,843
Other short-term liabilities	22,104,537	24,504,388
Accrued costs and expenses	4,254,325	2,447,794
Other accruals	2,981,101	3,177,060
TOTAL OTHER LIABILITIES	68,463,874	60,043,005

Other short-term liabilities from insurance operations include payments to the claim fund, liabilities from insurance contract tax, fire tax and other similar items.

Other short-term liabilities include accounts payable and all of the liabilities from non-insurance companies.

All liabilities are short-term and are due to be paid off within the next 12 months.

7. NOTES TO THE INCOME STATEMENT

7.1 PREMIUM INCOME

PREMIUM INCOME

	IN EUR	
	2010	2009
NON-LIFE INSURANCE		
Gross written premium	718,043,703	727,986,201
Assumed co-insurance written premium	1,694,680	1,410,148
Ceded co-insurance written premium	-936,805	-819,999
Reinsurance written premium	-73,419,132	-70,507,647
Changes in gross provisions for unearned premiums	5,005,698	-5,685,855
Changes in reinsurers' share of unearned premiums	1,618,261	860,006
NET PREMIUM INCOME ON NON-LIFE INSURANCE	652,006,405	653,242,854
LIFE INSURANCE		
Gross written premium	221,373,955	225,744,430
Reinsurance written premium	-15,800	-6,896
Changes in gross provisions for unearned premiums	383,426	339,157
Changes in reinsurers' share of unearned premiums	143	-348
NET PREMIUM INCOME ON LIFE INSURANCE	221,741,724	226,076,343
HEALTH INSURANCE		
Gross written premium	72,447,887	67,118,835
Changes in gross provisions for unearned premiums	-25,792	-93,909
NET PREMIUM INCOME ON HEALTH INSURANCE	72,422,095	67,024,926
TOTAL NET PREMIUM INCOME	946,170,224	946,344,123

OVERVIEW OF PREMIUM INCOME BY INSURANCE CLASS

	IN EUR		
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

OVERVIEW OF PREMIUM INCOME BY INSURANCE CLASS

2009	IN EUR		
	GROSS WRITTEN PREMIUM	REINSURERS' SHARE	NET WRITTEN PREMIUM
Accident insurance	63,599,688	-1,969,903	61,629,785
Health insurance	68,484,638	-40,481	68,444,157
Land motor vehicle insurance	160,285,281	-20,169,485	140,115,796
Railway insurance	3,008,480	-1,231,400	1,777,080
Aircraft insurance	5,568,491	-4,531,203	1,037,288
Marine Insurance	1,718,058	-370,227	1,347,830
Cargo insurance	8,249,053	-2,274,216	5,974,837
Fire and natural forces insurance	105,571,595	-47,030,009	58,541,585
Other damage to property insurance	118,376,876	-37,738,402	80,638,474
Motor TPL insurance	260,571,643	-18,960,163	241,611,480
Aircraft liability insurance	3,007,687	-2,848,426	159,262
Marine liability insurance	783,242	-221,847	561,395
General liability insurance	37,795,048	-6,770,011	31,025,037
Credit insurance	24,413,259	-2,240,069	22,173,190
Suretyship insurance	1,866,316	-817,731	1,048,585
Miscellaneous financial loss insurance	6,002,171	-3,411,558	2,590,613
Legal expenses insurance	1,304,862	-58,592	1,246,270
Travel assistance insurance	6,074,831	-489,198	5,585,633
TOTAL NON-LIFE INSURANCE	876,681,220	-151,172,921	725,508,299
Life insurance	106,880,628	-402,525	106,478,104
Wedding insurance or birth insurance	2,732	0	2,732
Unit-linked life insurance	99,269,804	0	99,269,804
Capital redemption insurance	19,781,923	0	19,781,923
Loss of income due	0	0	0
TOTAL LIFE INSURANCE	225,935,087	-402,525	225,532,562
TOTAL	1,102,616,306	-151,575,446	951,040,861
Consolidation adjustments	-80,356,692	80,240,904	-115,789
TOTAL	1,022,259,614	-71,334,542	950,925,072

7.2 INCOME FROM FINANCIAL ASSETS

INCOME FROM FINANCIAL ASSETS

	IN EUR	
	2010	2009
Interest income from financial assets		
- available for sale	39,643,569	33,632,195
- loans and deposits	18,537,874	18,052,715
- held to maturity	13,116,278	13,148,104
- at fair value through profit and loss	3,411,683	3,230,031
- derivate financial instruments	3,111,858	1,494,190
- cash or cash equivalents	44,019	56,763
- interest on late payments of insurance receivables	1,500,980	1,490,390
- interest income from subrogated receivables	5,850,886	6,463,882
- other interest income from insurance operations	0	102,800
TOTAL INTEREST INCOME	85,217,148	77,671,070
Dividends from		
- available-for-sale financial assets	2,718,343	5,729,256
- financial assets at fair value through profit and loss	391,885	165,349
TOTAL DIVIDENDS	3,110,228	5,894,606
FAIR VALUE GAINS	55,540,526	71,952,555
REALISED GAINS ON DISPOSALS	27,627,968	31,444,580
PROFIT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	3,525,434	12,388,038
OTHER FINANCIAL INCOME	6,512,057	5,090,253
TOTAL INVESTMENT INCOME	181,533,361	204,441,101

Fair value gains are described in detail in Section 7.4 and realised gains on disposals in Section 7.5.

7.3 EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES

EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES

	IN EUR	
	2010	2009
Interest expense from derivative financial instruments held for trading	2,877,972	1,162,683
Interest expense from current debt	1,304,127	3,324,870
- on bank loans	1,010,650	3,033,261
- other loans	0	53,712
- other interest expense	293,477	237,897
Interest expense from non-current debt	591,865	698,351
- bank loans	0	41,318
- other loans	334,119	356,053
- other interest expense	257,746	300,980
Interest expense from bonds issued	2,346,817	1,582,071
TOTAL INTEREST EXPENSE	7,120,781	6,767,975
FAIR VALUE LOSSES	40,987,067	28,388,145
REALISED LOSS ON DISPOSALS	9,414,307	14,739,247
LOSS ON EQUITY INVESTMENTS IN ASSOCIATES, ACCOUNTED FOR USING THE EQUITY METHOD	1,504,027	6,354,300
LOSS ON IMPAIRMENT OF FINANCIAL ASSETS	51,052,283	14,415,580
OTHER FINANCE COSTS	11,475,789	12,831,133
TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES	121,554,254	83,496,380

Fair value gains are described in detail in Section 7.4 and realised loss on disposals of financial assets in Section 7.5.

Loss on impairment of financial assets in the amount of EUR 2.4 million arises from impairment of equity participation in associated companies, EUR 2 million from loans and deposits, and the remaining EUR 46.6 million from available-for-sale financial assets.

7.4 FAIR VALUE GAINS AND LOSSES

FAIR VALUE GAINS AND LOSSES

	IN EUR	
	2010	2009
Derivative financial instruments	-450,832	3,753,126
- gains	5,631,387	5,729,233
- losses	-6,082,219	-1,976,107
Financial assets recognised at fair value through profit/loss	15,004,292	39,811,284
- gains	49,909,139	66,223,322
- losses	-34,904,848	-26,412,038
NET GAINS FROM CHANGES IN FAIR VALUE	14,553,460	43,564,410

7.5 REALISED GAINS AND LOSSES

REALISED GAINS AND LOSSES

	IN EUR	
	2010	2009
Financial assets recognised at fair value through profit/loss	2,133,715	4,092,158
- realised gains on disposals	2,538,743	5,123,471
- realised losses on disposals	-405,028	-1,031,313
Available-for-sale financial assets	20,393,211	13,669,311
- realised gains on disposals	23,950,082	22,819,227
- realised losses on disposals	-3,556,870	-9,149,915
Loans and deposits	246,305	-2,028,035
- realised gains on disposals	366,077	947,583
- realised losses on disposals	-119,772	-2,975,618
Derivative financial instruments	-4,574,369	1,536,604
- realised gains on disposals	758,268	2,554,300
- realised losses on disposals	-5,332,637	-1,017,696
Held-to-maturity financial assets	14,799	-564,704
- realised gains on disposals	14,799	0
- realised losses on disposals	0	-564,704
TOTAL REALISED GAINS AND LOSSES	18,213,661	16,705,334

In 2010, Zavarovalnica Triglav received a demand for the early redemption of a bond, classified in the »financial assets held to maturity« category. In June 2010, the »MEINL 5 3/8 08/09/13« bond with maturity in 2013 and a nominal value of EUR 1 million was sold at a price of 101.5%. The disposal was carried out at the request of the issuer and was approved with a positive vote by the required majority of the bondholders. The extraordinary redemption was rewarded with a 1.5% mark-up on the nominal value of the bond. Zavarovalnica Triglav thus created a capital gain amounting to EUR 14,799.

In 2009, the Company sold a bond classified in the »financial assets held to maturity« category. In July 2009, the »CIT 4 1/2 15« bond with maturity in 2015 and a nominal value of EUR 1 million was sold at a price of 43%. The above-mentioned transaction was carried out despite the company's commitment that it would be able to hold the above bond till maturity. The sale was made due to a steep decline in the bond's credit rating (in the previous two months it fell from BBB- to CCC+, moreover, the bond was assigned a »negative outlook«, meaning the credit rating would probably continue to deteriorate). Subsequently, the issuer went bankrupt in November 2009.

7.6 OTHER INSURANCE INCOME

OTHER INSURANCE INCOME

	IN EUR	
	2010	2009
FEES AND COMMISSION INCOME		
- investment management services	12,593,865	17,700,428
- reinsurance commission income	-1,893,168	1,682,585
- policyholder administration	3,651,338	1,229,999
- other fees and commission income	281,199	196,828
- surrender charges and other contract fees	0	20,343
TOTAL FEES AND COMMISSION INCOME	14,633,234	20,830,183
OTHER INCOME FROM INSURANCE OPERATIONS		
- income from sale of green cards for motor vehicles	2,498,765	2,380,005
- income from claims settled for other insurance companies	1,058,111	1,369,244
- income from assistance services	56,358	332,721
- other income from insurance operations	4,186,557	2,536,868
TOTAL OTHER INCOME FROM INSURANCE OPERATIONS	7,799,790	6,618,838
OTHER INSURANCE INCOME	22,433,024	27,449,021

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

7.7 OTHER INCOME

OTHER INCOME

	IN EUR	
	2010	2009
Income from investment property	7,098,314	2,299,747
Rental income	557,512	577,319
Income from other services	5,546,982	5,760,793
Claims refund	157,515	85,070
Fair value gains	341,999	1,326,614
Income from non-insurance companies in the Group	47,859,172	46,564,295
TOTAL OTHER INCOME	61,561,494	56,613,838

Income from non-insurance companies mostly refers to the business operations of the Group company Slovenijales, totalling EUR 35.4 million.

7.8 CLAIMS

CLAIMS

	IN EUR	
	2010	2009
NON-LIFE INSURANCE		
Gross claims settled	448,483,223	492,539,121
Income from gross subrogated receivables	-24,743,559	-26,644,437
Reinsurers' share of gross claims settled	-30,576,036	-38,524,812
Co-insurers' share of gross claims settled	427,720	530,102
Change in gross claims provisions	-3,761,779	41,851,090
Change in gross claims provisions for re/co-insurer's share	-2,723,529	5,385,916
NET CLAIMS INCURRED ON NON-LIFE INSURANCE	387,106,040	475,136,980
LIFE INSURANCE		
Gross claims settled	107,291,185	80,666,500
Change in gross claims provisions	-285,576	849,130
NET CLAIMS INCURRED ON LIFE INSURANCE	107,005,609	81,515,630
HEALTH INSURANCE		
Gross claims settled	57,361,376	50,654,990
Subrogation income	-66,766	-12,800
Change in gross claims provisions	436,755	-920,525
Equalisation scheme expenses	5,861,892	4,510,423
TOTAL NET CLAIMS INCURRED ON HEALTH INSURANCE	63,593,257	54,232,088
NET CLAIMS INCURRED TOTAL	557,704,906	610,884,698

OVERVIEW OF NET CLAIMS INCURRED BY INSURANCE CLASS IN 2010

INSURANCE CLASS	IN EUR		
	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

OVERVIEW OF NET CLAIMS INCURRED BY INSURANCE CLASS IN 2010 - CONTINUED

INSURANCE CLASS	GROSS CLAIMS	REINSURERS' SHARE	IN EUR
			NET CLAIMS INCURRED
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

Gross claims outward include gross claims settled and assessment costs divided by function (see Section 7.11).

OVERVIEW OF NET CLAIMS INCURRED BY INSURANCE CLASS IN 2009

INSURANCE CLASS	GROSS CLAIMS	REINSURERS' SHARE	IN EUR
			NET CLAIMS INCURRED
Accident insurance	31,312,325	-659,912	30,652,413
Health insurance	51,243,785	-24,349	51,219,436
Land motor vehicle insurance	147,818,068	-24,237,734	123,580,334
Railway insurance	985,278	0	985,278
Aircraft insurance	551,264	-273,793	277,471
Marine Insurance	2,282,968	-231,634	2,051,333
Cargo insurance	2,169,846	-139,049	2,030,797
Fire and natural forces insurance	54,076,170	-22,441,777	31,634,393
Other damage to property insurance	99,440,252	-27,357,123	72,083,128
Motor TPL insurance	151,499,223	-9,517,212	141,982,011
Aircraft liability insurance	746,203	-681,934	64,269
Marine liability insurance	199,384	-24,421	174,963
General liability insurance	25,054,981	-2,094,813	22,960,168
Credit insurance	18,964,338	-1,114,660	17,849,679
Suretyship insurance	925,971	-26,075	899,896
Miscellaneous financial loss insurance	5,270,976	-2,832,148	2,438,828
Legal expenses insurance	9,897	-286	9,611
Travel assistance insurance	4,652,377	-306,058	4,346,318
TOTAL NON-LIFE INSURANCE	597,203,305	-91,962,978	505,240,327
Life insurance	63,972,465	-108,132	63,864,333
Unit-linked life insurance	14,120,278		14,120,278
Capital redemption insurance	2,627,827		2,627,827
TOTAL LIFE INSURANCE	80,720,570	-108,132	80,612,438
TOTAL	677,923,875	-92,071,110	585,852,765
Consolidation adjustments	-54,063,264	54,076,400	13,136
TOTAL	623,860,611	-37,994,710	585,865,901

REINSURANCE RESULT

	IN EUR	
	2010	2009
Reinsurance premiums	-74,371,737	-71,334,542
Changes in reinsurers' share of unearned premiums	1,618,404	859,658
Reinsurers' share of claims	30,148,316	37,994,710
Changes in claims provisions for reinsurers' shares	2,723,529	-5,397,976
Net result from reinsurance operations	-39,881,488	-37,878,150
Reinsurance commission	-1,893,168	1,682,585
GROSS REINSURANCE RESULT	-41,774,656	-36,195,565

7.9 CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS**CHANGE IN OTHER INSURANCE TECHNICAL PROVISIONS**

	IN EUR	
	2010	2009
Change in other insurance technical provisions	62,450,614	92,004,461
Change in insurance technical provisions for unit-linked insurance contracts	66,351,880	90,122,332
TOTAL	128,802,494	182,126,793

Change in other insurance technical provisions refers to changes in mathematical provisions and provisions for cancellation and unexpired risk provisions.

7.10 EXPENSES FOR BONUSES AND DISCOUNTS**EXPENSES FOR BONUSES AND DISCOUNTS**

	IN EUR	
	2010	2009
Settled bonuses and discounts	7,263,534	10,942,125
Changes in gross provisions for bonuses and discounts	-1,528,306	1,124,602
TOTAL EXPENSES FOR BONUSES AND DISCOUNTS	5,735,228	12,066,727

7.11 ACQUISITION COSTS AND OTHER OPERATING EXPENSES**GROSS OPERATING EXPENSES BY FUNCTION COMPARED TO 2009**

	IN EUR	
	2010	2009
Acquisition costs	132,463,862	134,822,095
Other operating costs	75,672,113	72,929,909
Claim handling costs*	27,293,056	27,443,854
Costs of asset management**	4,468,219	3,905,907
Operating expenses from non-insurance operations***	53,241,072	49,400,205
TOTAL	293,138,322	288,501,970

* 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 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. Costs 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 COSTS	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 COSTS	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 COSTS	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 costs	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

GROSS OPERATING EXPENSES BY NATURE AND BUSINESS SEGMENT IN 2009

	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)	21,885,120	8,329,809	1,094,145	31,309,074	0	31,309,074
2. Costs of goods sold	0	0	0	0	24,423,372	24,423,372
3. Depreciation of operating assets	7,321,154	2,788,209	506,253	10,615,617	1,881,578	12,497,195
4. Labour costs	108,642,888	18,549,907	4,215,032	131,407,827	12,730,874	144,138,700
- wages and salaries	75,810,079	13,328,095	2,797,215	91,935,390	9,367,506	101,302,896
- social security and pension insurance costs	18,973,048	2,620,087	536,953	22,130,088	1,532,296	23,662,385
- other labour costs	13,859,760	2,601,725	880,863	17,342,348	1,831,071	19,173,419
5. Costs of services provided by natural persons other than SPs, including related taxes	3,212,529	398,942	182,462	3,793,934	0	3,793,934
6. Other operating costs	51,615,871	11,683,630	5,229,968	68,529,468	12,812,193	81,341,661
- costs of entertainment, advertising, trade shows	12,911,955	2,955,202	668,156	16,535,312	0	16,535,312
- costs of material and energy	6,106,617	1,098,611	185,545	7,390,774	1,898,217	9,288,991
- maintenance costs	5,439,948	1,958,022	1,619,579	9,017,548	0	9,017,548
- reimbursement of labour related costs	4,213,957	549,232	121,165	4,884,354	0	4,884,354
- costs of intellectual and personal services	2,385,653	514,257	372,222	3,272,132	0	3,272,132
- membership fees and charges	2,656,743	534,788	95,571	3,287,102	0	3,287,102
- costs of services - transport and communications	3,719,864	1,011,756	467,670	5,199,290	0	5,199,290
- costs for insurance premiums	1,453,028	262,862	6,618	1,722,507	0	1,722,507
- payment transaction costs and banking services	2,465,215	1,390,376	261,892	4,117,482	0	4,117,482
- rents	5,003,562	846,830	888,766	6,739,159	0	6,739,159
- costs of professional training services	655,193	156,440	79,750	891,383	0	891,383
- other costs of services	4,604,136	405,254	463,035	5,472,426	10,913,976	16,386,401
TOTAL OPERATING COSTS	192,677,562	41,750,498	11,227,860	245,655,920	51,848,017	297,503,937
Consolidation adjustments	-2,319,430	-2,551,382	-1,683,343	-6,554,155	-2,447,812	-9,001,967
TOTAL OPERATING COSTS	190,358,132	39,199,116	9,544,517	239,101,765	49,400,205	288,501,970

OPERATING EXPENSES BY NATURE AND FUNCTION IN 2009

	IN EUR					
	TOTAL	ACQUISITION COSTS	CLAIM HANDLING COSTS	COSTS OF ASSET MANAGEMENT	OTHER OPERATING COSTS	COSTS OF NON-INSURANCE OPERATIONS
1. Acquisition costs (fees and charges)	31,309,074	29,267,464	20,337	15	2,021,258	0
2. Cost of goods sold	24,423,372	0	0	0	0	24,423,372
3. Depreciation of operating assets	12,497,195	2,996,045	1,601,885	300,397	5,717,290	1,881,578
4. Labour costs	144,138,700	70,967,602	19,495,080	2,665,876	38,279,269	12,730,874
- wages and salaries	101,302,896	50,185,518	13,575,348	2,035,032	26,139,491	9,367,506
- social security and pension insurance costs	23,662,385	11,651,672	3,207,048	341,459	6,929,910	1,532,296
- other labour costs	19,173,419	9,130,412	2,712,684	289,384	5,209,868	1,831,071
5. Costs of services provided by natural persons other than SPs, including related taxes	3,793,934	1,747,699	989,489	22,649	1,034,096	0
6. Other operating costs	81,341,661	34,212,770	5,337,064	916,970	28,062,665	12,812,193
- costs of entertainment, advertising, trade shows	16,535,312	14,025,026	94,384	91,481	2,324,420	0
- costs of material and energy	9,288,991	3,430,596	1,143,987	64,291	2,751,899	1,898,217
- maintenance costs	9,017,548	1,839,826	935,112	189,963	6,052,648	0
- reimbursement of labour-related costs	4,884,354	3,897,677	239,392	119,936	627,349	0
- costs of intellectual and personal services	3,272,132	674,400	442,863	185,632	1,969,237	0
- membership fees and charges	3,287,102	1,422,372	204,738	52,245	1,607,747	0
- costs of services - transport and communications	5,199,290	2,399,168	685,597	88,151	2,026,374	0
- costs for insurance premiums	1,722,507	595,064	327,680	30,619	769,144	0
- payment transaction costs and banking services	4,117,482	788,064	69,981	7,889	3,251,548	0
- rents	6,739,159	3,482,035	312,878	16,311	2,927,934	0
- costs of professional training services	891,383	373,414	117,452	17,034	383,483	0
- other costs of services	16,386,401	1,285,128	763,000	53,417	3,370,881	10,913,976
TOTAL OPERATING EXPENSES	297,503,937	139,191,581	27,443,854	3,905,907	75,114,578	51,848,017
Consolidation adjustments	-9,001,967	-4,369,486	0	0	-2,184,669	-2,447,812
TOTAL OPERATING EXPENSES	288,501,970	134,822,095	27,443,854	3,905,907	72,929,909	49,400,205

7.12 OTHER EXPENSES FROM INSURANCE OPERATIONS

OTHER EXPENSES FROM INSURANCE OPERATIONS

	IN EUR	
	2010	2009
Expenses of preventive activity	3,780,553	2,944,568
Contributions for claims from uninsured or unidentified vehicles	4,360,225	3,506,090
Other net insurance expenses	53,299,220	54,035,356
OTHER EXPENSES FROM INSURANCE OPERATIONS	61,439,998	60,486,014

Other net insurance expenses refer to fire-protection fees (EUR 4,924,894), supervisory authority fees (EUR 1,388,690), commission expenses (subscription, redemption and management commission fees in the amount of EUR 17,170,162) and the impairment of receivables and write-offs (EUR 22,113,681).

7.13 OTHER EXPENSES

OTHER EXPENSES

	IN EUR	
	2010	2009
Depreciation of investment property	1,368,670	503,549
Other investment property expenses	1,754,540	824,208
Other expenses	81,951,771	74,626,489
- operating expenses of non-insurance companies	54,853,948	49,400,205
- impairment charge	16,135,882	18,326,000
- other expenses	10,961,941	6,900,284
TOTAL	85,074,981	75,954,246

Impairment charge relates to the impairment of goodwill in the amount of EUR 4,337,295 and the impairment of contractual rights and the value of acquired operations in the amount of EUR 11,798,587. Details are shown in Section 6.1.

7.14 INCOME TAX EXPENSE

TAX EXPENSE IN THE INCOME STATEMENT

	IN EUR	
	2010	2009
Current tax expense	-23,998,866	-8,803,506
Deferred tax expense/income	7,398,408	429,944
TOTAL TAX EXPENSE IN THE INCOME STATEMENT	-16,600,458	-8,373,562

TAX EXPENSE IN OTHER COMPREHENSIVE INCOME

	2010			2009		
	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX
Profit from increase in fair value of available-for-sale financial assets	-20,471,532	4,234,017	-16,237,515	-13,101,506	-3,083,410	-16,184,916
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	9,349,361	-1,869,872	7,479,489	-11,881,684	2,376,337	-9,505,347
Net 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	-483,129	96,626	-386,503	2,193,297	-438,659	1,754,638
Translation differences	-538,760	0	-538,760	-263,803	0	-263,803
TOTAL OTHER COMPREHENSIVE INCOME	-12,144,060	2,460,771	-9,683,289	-23,053,696	-1,145,732	-24,199,428

RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT

	IN EUR	
	2010	2009
ACCOUNTING PROFIT	43,250,267	2,081,220
Income tax rate - tax rate average of several countries	19.80%	19.60%
ACCOUNTING PROFIT MULTIPLIED BY TAX RATE	-8,563,307	-407,919
Tax effect of income deductible for tax purposes	3,200,784	6,360,007
Tax effect of expenses not deductible for tax purposes	-17,543,534	-12,634,461
Tax effect of income added for tax purposes	425,830	696,237
Revenues or expenses concerning tax relief	-1,322,239	177,119
Changes in temporary differences	7,202,008	-2,564,545
TOTAL TAX EXPENSE	-16,600,458	-8,373,562
Effective tax rate	38.38%	402.34%

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company has applied a 20% tax rate to its taxable profit for 2010. In line with CITA-2, a 21% tax rate was applied for the previous year. For subsidiaries operating outside the Republic of Slovenia, the Group applied the tax rate of the country of operation in compliance with its local legislation. See Section 1.7 for details on tax rates by company.

As at 31 December 2010, unused tax losses of the Group amounted to EUR 44 million (as at 31 December 2009: EUR 66.4 million).

8. OTHER INFORMATION

8.1 RELATED PARTY TRANSACTIONS

Related party transactions are disclosed separately for transactions with:

- associates,
- two main shareholders 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.

The two main shareholders are 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 participate with 34.37% and 28.07% in share capital, respectively.

Other related entities are those which are related to Zavarovalnica Triglav through the members of the management and supervisory boards.

Business cooperation with associates mostly refers to financial services (deposits and certificates of deposits) and insurance operations (reinsurance and co-insurance, insurance acquisition, the development and implementation of new products, handling of claims). Only a minor part of cooperation refers to operating leases and other service activities.

Business transactions with the main shareholders, as well as with other related parties, were limited to property insurance.

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.

ASSETS	IN EUR		
	ASSOCIATES	SHAREHOLDERS	OTHER RELATED ENTITIES
Debt securities and loans	3,460,461	0	0
Deposits and certificates of deposits	26,625,643	0	0
Receivables from insurance premium	23,554	0	0
Short term receivables from financing	9,581	0	0
Other short term receivables	66,947	0	0

All loans given to associates are secured with mortgages or pledged securities.

LIABILITIES	IN EUR		
	ASSOCIATES	SHAREHOLDERS	OTHER RELATED ENTITIES
Liabilities to agents and brokers	54,416	0	0
Liabilities for co-insurers' share of claims	0	0	100,887
Other short term liabilities	80,494	0	10,136

INCOME AND EXPENSES	IN EUR		
	ASSOCIATES	SHAREHOLDERS	OTHER RELATED ENTITIES
Gross written premium	3,874,706	4,809	942,204
Ceded co-insurance written premium	0	0	807,380
NET PREMIUM INCOME	3,874,706	4,809	1,749,584
Interest income	1,318,740	0	0
Other income from investments	4,149,810	0	0
Net unrealised gains on unit-linked life insurance assets	236,321	0	0
TOTAL INCOME	9,579,577	4,809	1,749,584
Gross claims settled	2,330,576	0	100,776
Co-insurers' share of claims	0	0	38,707
NET CLAIMS INCURRED	2,330,576	0	139,483
Net unrealised losses on unit-linked life insurance assets	109,759	0	0
Other expenses from investments	2,589,977	0	0
Interest expense	589,645	0	0
Other costs and expenses	317,703	0	36,962
TOTAL EXPENSES	5,937,660	0	176,445

8.2 MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

In 2010, the Management Board members were paid the following amounts as compensation for their work:

MANAGEMENT BOARD	FIXED SALARY (GROSS)	OTHER ADDITIONAL PAYMENTS*	BONUSES	BENEFITS			NET PAY RECEIVED
				INSURANCE PREMIUMS**	OTHER BENEFITS	REIMBURSEMENTS	
Matjaž Rakovec	156,339	9,541	0	24,110	6,035	1,902	67,838
Igor Stebernak	143,875	8,587	0	22,030	8,279	1,974	64,233
Andrej Slapar	144,089	8,587	0	23,016	8,556	3,401	60,835
Vladimir Mišo Čeplak	153,864	10,365	0	23,378	5,694	252	66,142

* Other additional payments include holiday allowances.

** Insurance premiums include premiums for supplementary pension insurance, accident insurance, liability insurance and other types of insurance.

In 2010, members of the Management Board did not receive any payments for their work in subsidiaries.

As at 31 December 2010, Zavarovalnica Triglav had the following receivables from and liabilities to the Management Board members:

MANAGEMENT BOARD	IN EUR	
	31 DECEMBER 2010	31 DECEMBER 2009
RECEIVABLES		
Matjaž Rakovec	150	136
Igor Stebernak	0	75
Andrej Slapar	0	11
Vladimir Mišo Čeplak	0	0
TOTAL RECEIVABLES FROM THE MANAGEMENT BOARD	150	222
PAYABLES		
Matjaž Rakovec	5,548	5,988
Igor Stebernak	5,631	5,636
Andrej Slapar	5,267	5,241
Vladimir Mišo Čeplak	5,176	5,902
TOTAL PAYABLES TO THE MANAGEMENT BOARD	21,622	22,767

In 2010, the Supervisory Board members were paid the following amounts as compensation for their work:

SUPERVISORY BOARD	IN EUR			
	ATTENDANCE FEE	REIMBURSEMENTS	TOTAL GROSS PAY	TOTAL NET PAY
Borut Jamnik	8,498	0	8,498	6,586
Uroš Slavinec	8,663	0	8,663	6,713
Anton Ribnikar	6,124	739	6,863	5,319
Igor Mihajlovič	6,537	0	6,537	5,066
Aljoša Valentinčič	8,123	0	8,123	6,295
Vladimir Uršič	2,063	525	2,588	2,005
Boris Gabor	6,537	2,578	9,115	7,064
Branko Gorjan	7,711	1,817	9,528	7,384
Peter Celar	4,950	458	5,408	4,191
Barbara Nose	2,856	0	2,856	2,213
Srečko Jadek	1,269	0	1,269	984

Members of Supervisory Board Committees:

- Appointments and Compensation Committee: Borut Jamnik, Boris Gabor, Srečko Jadek
- Audit Committee: Uroš Slavinec, Anton Ribnikar, Aljoša Valentinčič, Branko Gorjan, Barbara Nose

As at 31 December 2010, Zavarovalnica Triglav did not have any outstanding liabilities to the Supervisory Board Members.

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 a 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 the goals are exceeded. On the other hand, a deduction is assumed when the goals are not met.

An annual bonus for business efficiency is paid 30 days after the Supervisory Board approves the annual report. In the event the annual report is approved at the Annual General Meeting, the bonus is paid 30 days after the Annual General Meeting.

Management Board Members are entitled to severance pay amounting to six of his average monthly salaries received as a board member, if he is dismissed for economic reasons. Severance is paid within one month after dismissal.

8.3 AMOUNTS SPENT ON AUDITORS

The Annual Reports for 2010 and 2009 were audited by KPMG Slovenija d.o.o. The following amounts were paid for the services of the auditors:

	IN EUR	
	2010	2009
Auditing of the annual report and other auditing services	610,571	703,053
Advisory services	123,163	50,156
Tax advice	10,181	58,378

8.4 SLOVAKIA BRANCH OFFICE¹⁴

Having examined the operations of the branch office in Slovakia, the Management Board decided to redefine the presence of the Triglav Group on the Slovak market. The branch office was liquidated in 2010 and Zavarovalnica Triglav now directly markets its insurance products under the freedom of services principle (FOS).

¹⁴ The financial statements of the branch office in Slovakia are included in the annual report on the basis of secondary legislation of the Insurance Supervision Agency.

The financial statements of the branch office in Slovakia are included in the financial statements of Zavarovalnica Triglav. The set of financial statements of the branch office for 2010 are also separately disclosed, but only for the period from January to August, i.e. until its liquidation.

The financial statements of the Slovakia branch office are included in the financial statements of Zavarovalnica Triglav d.d. Its separate financial statements are shown below.

STATEMENT OF FINANCIAL POSITION

	IN EUR	
	31 AUGUST 2010	31 DECEMBER 2009
ASSETS	342,506	2,774,854
Intangible assets	7,948	26,750
Property, plant and equipment	73,764	87,197
Financial assets	6,276	6,276
Reinsurers' share of technical provisions	201,404	2,447,315
Insurance receivables	48,618	173,533
Income tax receivables	12	29
Other assets	0	24,551
Cash and cash equivalents	4,483	9,203
EQUITY AND LIABILITIES	342,506	2,774,854
Equity	-5,993,704	-6,123,753
- net profit/loss brought forward	-6,123,753	-6,663,033
- net profit/loss for the year	130,049	539,280
Insurance technical provisions	1,501,816	5,360,306
Liabilities from insurance operations	996	31,159
Other liabilities	4,833,397	3,507,142

INCOME STATEMENT

	IN EUR	
	JANUARY - AUGUST 2010	JANUAR - DECEMBER 2009
NET PREMIUM INCOME	201,446	269,989
Gross written premium	206,028	546,153
Ceded written premium	-92,327	-307,862
Change in provisions for unearned premiums	87,744	31,698
OTHER INCOME	10,054	19,567
Investment income	63	154
Fees and commission income	9,936	17,626
Other income	56	1,787
NET CLAIMS INCURRED	-496,169	-1,136,269
Gross claims settled	2,027,842	1,151,168
Re/co-insurers' share of gross claims settled	-992,479	-619,530
Changes in claims provisions	-1,531,533	-1,667,907
OTHER EXPENSES AND CHARGES	577,620	886,545
Change in other insurance technical provisions	25,368	3,812
Acquisition costs	495,852	791,464
Other expenses from insurance operations	55,107	25,879
Other expenses	1,293	65,390
PROFIT BEFORE TAX	130,049	539,280
Income tax expense	0	0
NET PROFIT FOR THE ACCOUNTING PERIOD	130,049	539,280

8.5 PROFIT PER SHARE

Net profit per share is calculated for the parent company and is disclosed in the annual report of Zavarovalnica Triglav.

8.6 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 the figures 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	
	2010	2009
PROFIT BEFORE TAX	43,250,266	2,081,220
Depreciation	11,231,762	12,497,195
Impairment of receivables	22,113,681	22,838,581
Change in receivables	3,143,227	12,439,146
Change in deferred tax assets	-7,118,181	695,014
Change in inventory	875,415	447,528
Change in liabilities	6,222,023	176,813,203
Payment of income tax	-10,331,543	-16,820,042
OPERATING CASH FLOW	69,386,650	210,991,845

8.7 LEGAL DISPUTES

- Zavarovalnica Triglav (plaintiff) versus Istrabenz holdinška družba d.d. (respondents)

On 28 December 2007, Zavarovalnica Triglav d.d. 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. Since Istrabenz did not meet its obligations arising from the above mentioned offer, Zavarovalnica Triglav sued Istrabenz.

Istrabenz filed a counterclaim against Zavarovalnica Triglav which challenges the agreement on the sale of the Petrol shares. Zavarovalnica Triglav responded by negating all the allegations of Istrabenz.

On 9 February 2010, the District Court in Koper issued a decision rejecting the claim and the counterclaim by Istrabenz, holdinška družba d.d and ordered each party to bear its own costs. Zavarovalnica Triglav appealed against the ruling of the court regarding its claim and on the ruling regarding the bearing of costs.

On 1 April 2011, the Higher Court in Koper issued a decision rejecting Zavarovalnica Triglav's appeal and confirmed the judgement of the court of first instance. Zavarovalnica Triglav will consider the possibility of lodging an extraordinary appeal.
- Zavarovalnica Triglav (plaintiff) versus Milan Marolt and Nadežda Klemenčič (respondents)

The Company filed a suit against Milan Marolt and Nadežda Klemenčič on 12 August 2004 on the grounds of their unlawful issuance of decisions and exceeding their powers. The respondents alleged an erroneous interpretation of the Companies Act and claimed there were no elements of tort as preconditions for liability for damages. The court of first instance accepted their argument and on 8 November 2006 rendered a decision rejecting the claim. On 29 December 2006 the plaintiff 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. The court of first instance has not yet issued a decision in the retrial.

- Legal action claiming the nullity of the General Meeting of Shareholders resolutions of 13 November 1999 and 20 February 2001 and the Management Board decision on the increase in share capital by the issuance of 1800 new bonds

In the legal dispute of the Republic of Slovenia and the Social Attorney of the Republic of Slovenia (plaintiffs) vs. 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 decision on the increase in share capital by the issuance of 1800 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 lower courts and ordered a retrial at the District Court in Ljubljana, which has not yet decided the case.
- Non-litigious civil procedure - Vzajemna zdravstvena zavarovalnica d.v.z. (plaintiff) versus Zavarovalnica Triglav (respondent)

On 4 August 2006 Vzajemna zdravstvena zavarovalnica d.v.z. started a non-litigious civil procedure requiring judicial scrutiny of the exchange rate applied in the merger of Triglav finančna družba d.d. to Zavarovalnica Triglav d.d. On 3 February 2011, the District Court in Ljubljana issued a decision terminating the proceedings because the request for judicial scrutiny of the exchange filed on 4 August 2006 had been withdrawn by the requester.
- Jugobanka a.d. Belgrade, in bankruptcy proceedings, and new creditor Municipium S (plaintiff) versus Slovenijales d.d. (respondent)

In three claims, Jugobanka demands that Slovenijales d.d. pay the principal sums totalling USD 5,545,153 together with default interest for the period from 1 December 1994 onwards. The claim concerns guarantees allegedly issued by Slovenijales for liabilities of its subsidiaries in the USA. 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 contests the existence of the capacity to bring proceedings and the capacity to be sued and filed a time-barring of claims. The Court appointed expert witnesses to the proceedings to determine the amount of the defendant's potential debt. The court of first instance has not yet decided the case.
- Fincor Invest Anstalt AG versus Slovenijales d.d.

By endorsing the bills it acquired at a public auction, Municipium S sold its receivables to Fincor Invest Anstalt, as stated above.

The proceedings were initiated in 2010 on the proposal for execution based on an original document (bills of exchange) filed by Fincor Invest Anstalt. The Court referred the case 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 together with default interest for the period from 23 September 2010 onwards. The defendant contests 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 District Court has not yet fixed the date of a settlement hearing nor the first date of the oral hearing.

This dispute is linked to a pre-trial hearing conducted at the District Court in Ljubljana. On the basis of reasonable grounds for suspicion of money laundering according to Article 252 of the Criminal Code, the judge in charge of the preliminary investigations issued decisions ordering the securing of a request for the seizure of property benefits on 24 September 2010, 27 September 2010, 28 October 2010 and 23 December 2010.

Moreover, on 18 February 2008 an interim injunction was issued by the Department for Commercial Law at the District Court in Ljubljana prohibiting all payment to the creditor until a final judgement is given.
- »Sloga« Serbia versus Slovenijales d.d.

The proceedings were initiated in 1991 on the proposal for execution based on an original document (principal sum and interests 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 - 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.

- Vegrad d.d. (plaintiff) versus Gradis IPGI d.d. (respondent)

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 it 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 based on an original 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 default interest). The requests concern services allegedly carried out under the service contract of 6 November 2007. Gradis IPGI d.d. filed appeals in good time. The Court thus repealed the enforcement notices in so far as they approved an 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. will most probably not be entitled to the said payments. Due to Vegrad d.d. being in bankruptcy proceedings, all legal actions have been stayed. A final decision on the litigation is not expected in 2011.
- Westminster Network Ltd. versus Triglav Pojišt'ovna a.s. Brno

The claim for the amount of EUR 1,585,370 was filed in 2009 and refers to a cooperation agreement concluded between the plaintiff's predecessor in law as the insurance agent and Triglav Pojišt'ovna a.s. Brno as the insurance company, on the basis of which the plaintiff's predecessor in law was entitled to a commission. In the claim the plaintiff demands payment of commissions for the period from March 2007 to October 2009. The outcome of the proceedings is uncertain.
- Labour disputes

As at 31 December 2010, there were 27 labour disputes involving employees or former employees as plaintiffs. Total claims as at the same date amounted to approximately EUR 1 million. Prior to 31 December 2010, the Court rendered the final decision in 11 cases. The plaintiffs claimed judicial review. The amount of claims might be significantly lower due to success in the disputes, since judicial review is claimed for the disputes with the highest claims. In one case in which the plaintiff already received the backdated salary, the Supreme Court ruled that the termination decision had been fair and, therefore the paid out amount of EUR 90,000 needs to be recovered.

In 2010, the Company was also served 4 claims challenging the lawfulness of an extraordinary termination of an employment contract and claiming reinstatement and damages. As at the date of issuing these financial statements, the proceedings had not been concluded. It is impossible to assess what amount Zavarovalnica Triglav would be required to pay if the plaintiff wins the case. This event may have an impact on the financial statements for 2011.

8.8 REVIEWS BY SUPERVISORY BODIES

8.8.1 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 insurance 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.

- Regularity review of the 2008 consolidated annual report of the Triglav Group
From 8 July 2009 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 eliminate the violations listed in the said notification. Zavarovalnica Triglav had complied with most of the requirements and/or measures referred to in the above stated Decision by the release of the Annual Report.
- Claims challenging the validity of an ISA decision
On 27 February 2009, Zavarovalnica Triglav brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ISA decision of 11 February 2009 by which the defendant established that the plaintiff's authorisation to perform insurance operations in the »health insurance, excluding supplementary health insurance« class (point 2 of the first paragraph of Article 2 of the Insurance Act) granted by the ISA decision of 17 December 2003 had expired. On 14 December 2010 the Supreme Court of the Republic of Slovenia issued a decision rejecting the application.
On 18 February 2011 Zavarovalnica Triglav d.d. brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ISA decision of 4 February 2011 by which the defendant rejected the plaintiff's challenge of the ISA decision on the elimination of violations of 7 December 2009. In this decision the ISA found that Zavarovalnica Triglav had violated Article 16 of the Insurance Act, as its share capital as at 30 June 2010 failed to reach 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 lower than the minimum guarantee fund and ordered Triglav to elimination of violations by 31 August 2011 at the latest and report thereon to the ISA.

8.8.2 Tax matters

The current state of various tax procedures is the following:

- The tax procedure related to the inspection of the regularity and lawfulness of levying taxes and contributions for 1995 and 1996 is still pending. The issue of levied income tax amounting to EUR 799,940 referring to the expenses for the formation of equalisation provisions in 1995 and 1996 is still to be resolved. With regard to this dispute, on 1 October 2009 Zavarovalnica Triglav received a decision of the Administrative Court of the Republic of Slovenia rejecting the appeal regarding a misinterpretation of part of Insurance Statistical Standard No. 5, which is contrary to the stipulations of the Insurance Undertakings Act. On 30 October 2009 Zavarovalnica Triglav claimed judicial review of the issued decision at the Supreme Court. As at 31 March 2011 Zavarovalnica Triglav had not received any reply. The Company settled the entire liability in the above-mentioned tax procedure.
- The tax procedure initiated on 16 November 2005 by the Special Tax Office related to an inspection of the corporate income tax for the financial year 2004 was concluded in 2010. On 14 April 2010 Zavarovalnica Triglav received a decision from the Directorate for Tax, Customs and Other Public Revenue Systems of the Ministry of Finance rejecting its appeal. Zavarovalnica Triglav has not challenged that decision in administrative proceedings. The Company has already settled the entire liability in the above-mentioned tax procedure.
- In 2007 the Tax Authority carried out a review of Triglav BH Osiguranje d.d. Sarajevo for the period from 2002 to 2007. The report on the findings of the review determined a tax liability due to a misapplication of the Corporate Income Tax Act. In the years from 2002 to 2006 Triglav BH Osiguranje used the amounts of foreign capital investment as tax relief. The Federal Ministry of Finance adopted a decision ordering the company to pay income tax with default interest amounting to BAM 3,478,264 (EUR 1,778,410). The payment was made in August 2009. Within the legal deadline, Triglav BH Osiguranje appealed this decision at the court of competent jurisdiction. The stated amount was disclosed in 2009 as a loss in the financial year.
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.

8.9 SUBSEQUENT EVENTS

No events occurring after the reporting date were material to the consolidated financial statements for the year 2010.

The developments after the reporting date that are important for the operation in 2011 are the following:

- **Action brought against the Securities Market Agency**
On 13 January 2011 the Securities Market Agency (hereinafter: ATVP) issued a decision prohibiting Zavarovalnica Triglav d.d., Slovenska odškodninska družba d.d., Mobitel d.d. and Hit d.d. from exercising their voting rights in the offeree company Abanka Vipava d.d. (hereinafter: Abanka) and prohibiting Abanka from exercising its voting rights until those companies and Luka Koper d.d. either launch a take-over bid for the shares of Abanka or dispose of Abanka shares, so that one individual company, several companies or all companies as a whole no longer cross the takeover threshold. In its decision the ATVP finds that, after the entry into force of the Takeover Act on 11 June 2006, the persons acting in concert (Zavarovalnica Triglav d.d., Slovenska odškodninska družba d.d., Hit d.d., Mobitel d.d. and Luka Koper d.d.) in Abanka Vipava d.d. increased their share of voting rights on 22 March 2010 when Luka Koper d.d. acquired 28 shares of Abanka. Therefore, the companies were obliged to launch a takeover bid according to Article 75 of the Takeover Act. The companies which allegedly acted in concert oppose the decision of the ATVP. On 4 February 2011 Zavarovalnica Triglav d.d. brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ATVP decision, proposed the issuance of an interim injunction and requested that the Court give the case priority.
- **Orders issued by the Securities Market Agency**
On similar grounds as in the case of the investment in Abanka Vipava d.d. described above, the ATVP initiated procedures to suspend voting rights in several other cases of offerree companies in which Zavarovalnica Triglav is a minor shareholder, such as Krka d.d., Petrol d.d., Sava Re d.d., Aerodrom Ljubljana d.d. and Telekom d.d., but has not yet issued any decisions on the suspension of voting rights. On 22 March 2011 ATVP issued a decision relating to the investment in Petrol d.d. prohibiting Zavarovalnica Triglav and other persons it considered acting in concert from exercising their voting rights attached to the shares of Petrol d.d. Zavarovalnica Triglav opposes the ATVP decision and has brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ATVP decision. In the other procedures mentioned the ATVP has not yet issued any decisions on the suspension of voting rights.
- **Non-litigious proceedings with Vzajemna zdravstvena zavarovalnica halted**
On 3 February 2011 the District Court in Ljubljana issued a decision terminating the proceeding on account of the fact that the request had been withdrawn by the requester. See Section 8.7 for additional information.
- **Claim challenging the validity of an ISA decision**
On 18 February 2011 Zavarovalnica Triglav brought legal proceedings before the Supreme Court of the Republic of Slovenia challenging the validity of the ISA decision on the elimination of violations in which the ISA established that the share capital of Zavarovalnica Triglav was insufficient. See Section 8.7 for additional information.
- **Tax audit**
On 4 February 2011 a tax audit procedure was initiated with reference to tax on total insurance operations charged for the period from 1 January to 31 December 2010. As at the time the financial statements for 2010 were approved, the tax audit procedure had not been concluded.
- **Approval by the Supervisory Board to increase the share capital of Triglav INT d.d.**
The Supervisory Board of Zavarovalnica Triglav at its session of 10 February 2011 approved a share capital increase in its subsidiary Triglav INT d.d. with in-kind contribution. Zavarovalnica Triglav shall provide an in-kind contribution to Triglav INT in the form of financial assets.

- **PHSC Štetarje d.o.o.**
In March 2011 Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion of PHSC Štetarje d.o.o. from the Companies register. At the end of 2010 Zavarovalnica Triglav acquired a 26.49% share from other shareholders of the company and in February 2011, as the sole shareholder, adopted a decision to wind up the company in a simplified procedure without liquidation. After this winding-up the total assets of the company were assigned to Zavarovalnica Triglav.
- **THP Krona d.o.o.**
In April 2011 Zavarovalnica Triglav received a decision of the District Court in Kranj on the deletion of THP Krona d.o.o. from the Companies Register. At the end of 2010 Zavarovalnica Triglav acquired a 26.49% share from other shareholders of the company and in February 2011, as the sole shareholder, adopted a decision to wind up the company in a simplified procedure without liquidation. After this winding-up the total assets of the company were assigned to Zavarovalnica Triglav.
- **Resignation by a Management Board Member**
On 28 February 2011, Vladimir Mišo Čeplak resigned as the employee representative on the Management Board. Until a new employee representative is appointed member of the Management Board, Vladimir Mišo Čeplak shall continue to hold this office, but no later than 1 June 2011.
- **New members on the management bodies of subsidiaries**
On 1 February 2011 Ana Stradar Igljič was appointed member to the Management Board of Triglav nepremičnine d.d.
In 2011 two new members were appointed to the Management Board of Triglav Osiguranje d.d., Zagreb: Vanja Nadali on 1 January 2011 and Igor Bratina on 1 March 2011.
- **New members on the supervisory bodies of subsidiaries**
A new Supervisory Board of AS Triglav d.o.o. was appointed as of 2 February 2011: Stanislav Vrtunski, Chairman, and Blaž Jakič and Iztok Šekoranja, members.
Also on 2 February 2011, Predrag Bobera was appointed to the Management Board of Triglav penzijski fondovi.
Matjaž Rakovec was appointed member of the Management Board of Triglav INT d.d. as of 25 March 2011.

1. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

1.1 CONSOLIDATED BALANCE SHEET FOR NON-LIFE AND LIFE INSURANCE AS AT 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET FOR NON-LIFE AND LIFE INSURANCE AS AT 31 DECEMBER 2010

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to G.)		3,024,395,808	2,865,980,034	106
A.	INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	61,218,108	73,506,342	83
	1. Intangible assets	20,034,484	29,328,497	68
	2. Goodwill	2,460,627	6,672,656	37
	3. Deferred acquisition costs	38,587,347	37,493,637	103
	4. Other long-term deferred items	135,650	11,552	
B.	LAND, BUILDINGS AND FINANCIAL ASSETS	2,280,058,091	2,188,454,093	104
I.	LAND AND BUILDINGS	206,947,054	198,927,394	104
	a.) Directly used in insurance activities	122,690,795	116,930,342	105
	1. Land directly used in insurance activities	17,108,699	17,177,344	100
	2. Buildings directly used in insurance activities	103,084,369	96,818,827	106
	3. Other land and buildings directly used in insurance activities	2,497,727	2,934,171	85
	b.) Investment property	84,256,259	81,997,052	103
	1. Land	35,746,677	36,433,224	98
	2. Buildings	48,509,582	45,563,828	106
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	147,333,611	161,039,916	91
	1. Shares in subsidiaries	0	0	
	2. Debt securities and loans to subsidiaries	0	0	
	3. Shares in associated companies	117,067,739	122,342,222	96
	4. Debt securities and loans to associated companies	3,460,461	7,762,314	45
	5. Other financial investments in subsidiaries and associates	26,805,411	30,935,380	87
III.	OTHER FINANCIAL INVESTMENTS	1,878,453,125	1,786,796,534	105
	1. Long-term financial investments	1,780,124,834	1,549,574,890	115
	1.1. Shares and other floating rate securities and fund coupons	194,750,139	207,959,436	94
	1.2. Debt and other fixed return securities	1,385,364,483	1,155,176,491	120
	1.3. Investment fund shares	3,504,556	5,435,149	64
	1.4. Mortgage loans	6,191,012	4,140,037	150
	1.5. Other loans	45,305,949	49,636,240	91
	1.6. Deposits with banks	138,215,776	90,403,908	153
	1.7. Other financial investments	6,792,919	36,823,629	18
	2. Short-term financial investments	98,328,291	237,221,644	41
	2.1. Shares available for sale	12,534,803	21,632,948	58
	2.2. Securities available for sale and with maturity up to one year	8,422,632	82,327,718	10
	2.3. Short-term loans	1,633,991	5,257,521	31
	2.4. Short-term bank deposits	72,486,268	121,304,086	60
	2.5. Other short-term financial investments	3,250,597	6,699,371	49
IV.	FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	3,102,985	2,983,136	104
V.	ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI.	ASSETS FROM REINSURANCE CONTRACTS	44,221,316	38,707,113	114
	1. from unearned premium	11,958,793	10,086,254	119
	- in reinsurance	11,943,142	10,071,710	119
	- in co-insurance	15,651	14,544	108
	2. from mathematical provision	0	0	
	3. from outstanding claims	32,262,523	28,620,859	113
	- in reinsurance	32,251,426	28,585,985	113
	- in co-insurance	11,097	34,874	32
	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	370,627,528	303,672,492	122

CONSOLIDATED BALANCE SHEET FOR NON-LIFE AND LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
D.	RECEIVABLES	244,188,988	240,214,034	102
I.	RECEIVABLES FROM DIRECT INSURANCE	127,992,948	132,182,897	97
1.	Receivables from insurers	116,455,200	125,861,735	93
2.	Receivables from insurance brokers	1,816,693	2,214,187	82
3.	Other receivables from direct insurance operations	9,610,422	4,051,197	237
4.	Receivables from direct insurance operations -associates and subsidiaries	110,633	55,778	198
II.	RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	45,432,007	34,673,805	131
1.	Premium receivable from co-insurance	8,300	1,062,533	1
2.	Premium receivable from reinsurance	23,678,590	14,269,685	166
3.	Receivables from co-insurers' share in claims	73,472	36,097	204
4.	Receivables from reinsurers' share in claims	19,199,347	16,442,855	117
5.	Other receivables from co-insurance and reinsurance	2,472,298	2,718,053	91
6.	Receivables from co-insurance and reinsurance- associates and subsidiaries	0	144,582	
III.	OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	70,764,033	73,357,332	96
1.	Receivables for advanced payments for intangible assets	93,835	37,571	250
2.	Other short-term receivables from insurance operations	20,947,221	21,587,352	97
3.	Short term receivables from financing	1,047,944	1,262,771	83
4.	Other short-term receivables	20,636,497	24,647,051	84
5.	Long-term receivables	323,868	619,021	52
6.	Current tax receivables	2,427	4,170,535	
7.	Deferred tax assets	27,545,028	20,426,847	135
8.	Other short-term receivables - associates and subsidiaries	167,213	606,184	28
IV.	CALLED UP SHARE CAPITAL UNPAID	0	0	
E.	OTHER ASSETS	59,608,855	52,062,523	114
I.	TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	19,859,866	15,964,940	124
1.	Equipment and small tools	18,478,368	15,010,937	123
2.	Other tangible fixed assets	1,381,498	954,003	145
II.	CASH AT BANK AND IN HAND	34,108,090	30,443,965	112
III.	INVENTORIES AND OTHER ASSETS	5,640,899	5,653,618	100
1.	Inventories	4,777,236	5,652,651	85
2.	Other assets	863,663	967	
F.	SHORT-TERM DEFERRED ASSETS	7,308,797	6,167,331	119
1.	Accrued interest and rent	22,428	105,733	21
2.	Deferred short-term expenses of insurance contract acquisition	3,586,486	3,634,962	99
3.	Other short-term deferred items	3,699,883	2,426,636	152
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1,385,441	1,903,219	73
H.	OFF BALANCE SHEET ASSETS	235,198,101	248,934,231	94

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
EQUITY AND LIABILITIES (from A. to I.)		3,024,395,808	2,865,980,034	106
A.	EQUITY	498,977,808	477,787,692	104
I.	SUBSCRIBED (CALLED UP) CAPITAL	23,701,391	23,701,391	100
1.	Share capital	23,701,391	23,701,391	100
2.	Unsubscribed capital (as deduction)	0	0	
II.	CAPITAL RESERVES	53,655,516	53,892,536	100
III.	RESERVES FROM PROFIT	69,417,981	54,180,190	128
1.	Security reserves	529,798	1,211,904	44
2.	Legal and statutory reserves	19,451,956	19,423,582	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	33,436,227	32,861,910	102
6.	Catastrophe reserves	0	87,360	
7.	Other reserves from profit	16,000,000	595,434	

CONSOLIDATED BALANCE SHEET FOR NON-LIFE AND LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
IV. FAIR VALUE RESERVE	45,520,845	54,370,241	84
1. Fair value reserve for tangible fixed assets	2,485	2,486	100
2. Fair value reserve for long-term investments	51,769,638	51,949,419	100
3. Fair value reserve for short-term investments	-6,265,954	2,051,709	
4. Other fair value reserve	14,676	366,627	4
V. NET PROFIT / LOSS CARRIED FORWARD	269,153,671	271,086,497	99
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	11,313,293	-5,861,926	
VII. NON-CONTROLLING INTERESTS	28,212,772	27,877,664	101
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,997,661	-1,458,901	137
B. SUBORDINATED LIABILITIES	40,932,090	43,242,091	95
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1,894,832,826	1,851,940,383	102
1. GROSS PROVISIONS FOR UNEARNED PREMIUMS	296,367,451	301,267,271	98
2. GROSS MATHEMATICAL PROVISIONS	849,847,775	794,828,056	107
3. GROSS CLAIM PROVISIONS	711,728,317	711,229,696	100
4. GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	17,836,389	19,364,696	92
5. OTHER GROSS TECHNICAL PROVISIONS	19,052,894	25,250,664	75
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	376,083,063	309,823,680	121
E. PROVISIONS FOR OTHER RISKS AND CHARGES	28,075,472	23,039,548	122
1. Provisions for pensions	10,278,077	7,652,833	134
2. Other provisions	17,797,395	15,386,715	116
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	178,259,123	154,521,786	115
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	23,243,104	14,677,542	158
1. Liabilities to policy holders	15,039,029	9,029,768	167
2. Liabilities to agents and brokers	1,709,179	2,183,724	78
3. Other liabilities from direct insurance operations	6,427,344	3,258,166	197
4. Liabilities from direct insurance operations- associates and subsidiaries	67,552	205,884	33
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	27,928,812	24,564,148	114
1. Liabilities for co-insurance premiums	329,698	66,019	499
2. Liabilities for reinsurance premiums	12,424,654	12,213,862	102
3. Liabilities for co-insurers' share in claims	160,085	1,044,257	15
4. Liabilities for reinsurers' share in claims	7,108,437	6,876,757	103
5. Other liabilities from co-insurance and re-insurance	7,869,425	4,305,442	183
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	36,513	57,811	63
III. LOANS SECURED BY FIXED RATE SECURITIES	8,744,637	13,744,412	64
IV. LIABILITIES TO BANKS	9,583,854	10,317,405	93
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	108,758,716	91,218,279	119
a.) Other long term liabilities	26,950,800	25,026,306	108
1. Long term liabilities from finance leases	7,204,775	7,679,293	94
2. Other long term liabilities	5,635,186	963,198	585
3. Deferred tax liabilities	14,110,839	16,383,815	86
b.) Other short-term liabilities	81,807,916	66,191,973	124
1. Short-term liabilities to employees	15,208,247	9,801,920	155
2. Other short-term liabilities from insurance operations	23,915,664	20,111,843	119
3. Short-term liabilities from financing	3,701,973	11,354,429	33
4. Current income tax liabilities	16,877,495	419,393	
5. Other short-term liabilities	22,104,537	24,504,388	90
H. ACCRUED EXPENSES AND DEFERRED INCOME	7,235,426	5,624,854	129
1. Accrued expenses	4,254,325	2,447,794	174
2. Other accruals and deferred income	2,981,101	3,177,060	94
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	235,198,101	248,934,231	94

1.2 CONSOLIDATED BALANCE SHEET FOR NON-LIFE INSURANCE AS AT 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET FOR NON-LIFE INSURANCE AS AT 31 DECEMBER 2010

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to G.)		1,650,421,687	1,616,852,278	102
A.	INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	59,138,284	71,579,210	83
1.	Intangible assets	17,954,660	27,401,665	66
2.	Goodwill	2,460,627	6,672,656	37
3.	Deferred acquisition costs	38,587,347	37,493,637	103
4.	Other long-term deferred items	135,650	11,252	
B.	LAND, BUILDINGS AND FINANCIAL ASSETS	1,295,605,668	1,262,532,546	103
I.	LAND AND BUILDINGS	194,174,121	185,622,896	105
a.)	Directly used in insurance activities	112,786,292	106,910,645	105
1.	Land directly used in insurance activities	16,469,103	16,526,462	100
2.	Buildings directly used in insurance activities	93,819,462	87,450,012	107
3.	Other land and buildings directly used in insurance activities	2,497,727	2,934,171	85
b.)	Investment property	81,387,829	78,712,251	103
1.	Land	35,418,608	36,105,155	98
2.	Buildings	45,969,221	42,607,096	108
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	120,151,001	126,392,495	95
1.	Shares in subsidiaries	0	0	
2.	Debt securities and loans to subsidiaries	0	0	
3.	Shares in associated companies	100,434,353	98,069,112	102
4.	Debt securities and loans to associated companies	175,970	4,351,610	4
5.	Other financial investments in subsidiaries and associates	19,540,678	23,971,773	82
III.	OTHER FINANCIAL INVESTMENTS	933,956,628	908,861,848	103
1.	Long-term financial investments	858,192,572	753,857,997	114
1.1.	Shares and other floating rate securities and fund coupons	148,857,422	164,679,300	90
1.2.	Debt and other fixed return securities	601,955,698	480,275,189	125
1.3.	Investment fund shares	3,504,556	5,435,149	64
1.4.	Mortgage loans	6,191,012	4,140,037	150
1.5.	Other loans	14,021,303	18,298,973	77
1.6.	Deposits with banks	77,922,104	54,343,650	143
1.7.	Other financial investments	5,740,477	26,685,699	22
2.	Short-term financial investments	75,764,056	155,003,851	49
2.1.	Shares available for sale	8,611,156	14,214,367	61
2.2.	Securities available for sale and with maturity up to one year	7,921,957	42,388,985	19
2.3.	Short-term loans	1,633,991	3,693,562	44
2.4.	Short-term bank deposits	55,119,720	88,786,089	62
2.5.	Other short-term financial investments	2,477,232	5,920,848	42
IV.	FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	3,102,985	2,983,136	104
V.	ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI.	ASSETS FROM REINSURANCE CONTRACTS	44,220,933	38,672,171	
1.	from unearned premium	11,958,410	10,086,014	114
-	in reinsurance	11,942,759	10,071,470	119
-	in co-insurance	15,651	14,544	119
2.	from mathematical provision	0	0	
3.	from outstanding claims	32,262,523	28,586,157	113
-	in reinsurance	32,251,426	28,551,283	113
-	in co-insurance	11,097	34,874	32
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	0	0	
D.	RECEIVABLES	231,278,877	228,194,008	101

CONSOLIDATED BALANCE SHEET FOR NON-LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
I. RECEIVABLES FROM DIRECT INSURANCE	126,872,234	131,195,968	97
1. Receivables from insurers	116,010,688	125,152,247	93
2. Receivables from insurance brokers	1,815,582	2,214,146	82
3. Other receivables from direct insurance operations	8,935,331	3,773,797	237
4. Receivables from direct insurance operations -associates and subsidiaries	110,633	55,778	198
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	45,425,812	34,673,546	131
1. Premium receivable from co-insurance	8,300	1,062,533	1
2. Premium receivable from reinsurance	23,678,590	14,269,685	166
3. Receivables from co-insurers' share in claims	73,472	36,097	204
4. Receivables from reinsurers' share in claims	19,199,347	16,442,855	117
5. Other receivables from co-insurance and reinsurance	2,466,103	2,717,794	91
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	144,582	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	58,980,831	62,324,494	95
1. Receivables for advanced payments for intangible assets	93,835	37,571	250
2. Other short-term receivables from insurance operations	12,802,171	18,928,107	68
3. Short term receivables from financing	1,014,250	1,238,381	82
4. Other short-term receivables	19,034,938	18,394,948	103
5. Long-term receivables	323,868	619,021	52
6. Current tax receivables	2,409	4,170,514	0
7. Deferred tax assets	25,590,436	18,332,143	140
8. Other short-term receivables - associates and subsidiaries	118,924	603,809	20
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	56,125,353	46,760,821	120
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	17,888,202	14,968,516	120
1. Equipment and small tools	16,536,449	14,037,002	118
2. Other tangible fixed assets	1,351,753	931,514	145
II. CASH AT BANK AND IN HAND	32,601,768	26,141,106	125
III. INVENTORIES AND OTHER ASSETS	5,635,383	5,651,199	100
1. Inventories	4,772,575	5,651,199	84
2. Other assets	862,808	0	
F. SHORT-TERM DEFERRED ASSETS	6,888,064	5,882,474	117
1. Accrued interest and rent	22,428	102,132	22
2. Deferred short-term expenses of insurance contract acquisition	3,410,532	3,436,084	99
3. Other short-term deferred items	3,455,104	2,344,258	147
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1,385,441	1,903,219	73
H. OFF BALANCE SHEET ASSETS	197,323,606	187,031,293	106

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
EQUITY AND LIABILITIES (from A. to I.)	1,650,421,687	1,616,852,278	102
A. EQUITY	412,757,252	395,857,955	104
I. SUBSCRIBED (CALLED UP) CAPITAL	16,510,540	16,510,539	100
1. Share capital	16,510,540	16,510,539	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	40,587,609	40,824,629	99
III. RESERVES FROM PROFIT	67,448,314	51,420,236	131
1. Security reserves	376,299	268,118	140
2. Legal and statutory reserves	17,635,788	17,607,414	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	33,436,227	32,861,910	102
6. Catastrophe reserves	0	87,360	
7. Other reserves from profit	16,000,000	595,434	

CONSOLIDATED BALANCE SHEET FOR NON-LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
IV. FAIR VALUE RESERVE	37,934,655	45,558,934	83
1. Fair value reserve for tangible fixed assets	2,485	2,486	100
2. Fair value reserve for long-term investments	44,350,202	43,020,397	103
3. Fair value reserve for short-term investments	-6,432,708	2,169,424	
4. Other fair value reserve	14,676	366,627	4
V. NET PROFIT / LOSS CARRIED FORWARD	218,123,015	231,364,329	94
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	5,697,192	-16,262,924	
VII. NON-CONTROLLING INTERESTS	27,391,208	27,303,757	100
VIII. CURRENCY TRANSLATION DIFFERENCES	-935,281	-861,545	109
B. SUBORDINATED LIABILITIES	27,259,666	27,259,666	100
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	1,023,149,957	1,034,592,218	99
1. GROSS PROVISIONS FOR UNEARNED PREMIUMS	296,004,071	300,520,148	98
2. GROSS MATHEMATICAL PROVISIONS	0	0	
3. GROSS CLAIM PROVISIONS	690,256,603	689,516,065	100
4. GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	17,836,389	19,364,696	92
5. OTHER GROSS TECHNICAL PROVISIONS	19,052,894	25,191,309	76
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	26,415,824	21,844,702	121
1. Provisions for pensions	8,618,938	6,494,411	133
2. Other provisions	17,796,886	15,350,291	116
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	154,169,909	131,810,211	117
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	13,029,795	12,446,920	105
1. Liabilities to policy holders	6,864,129	7,302,882	94
2. Liabilities to agents and brokers	1,563,634	2,111,025	74
3. Other liabilities from direct insurance operations	4,584,764	2,864,765	160
4. Liabilities from direct insurance operations- associates and subsidiaries	17,268	168,248	10
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	27,913,467	24,557,252	114
1. Liabilities for co-insurance premiums	329,698	66,019	499
2. Liabilities for reinsurance premiums	12,409,309	12,206,966	102
3. Liabilities for co-insurers' share in claims	160,085	1,044,257	15
4. Liabilities for reinsurers' share in claims	7,108,437	6,876,757	103
5. Other liabilities from co-insurance and re-insurance	7,869,425	4,305,442	183
6. Liabilities from co-insurance and re-insurance-associates and subsidiaries	36,513	57,811	63
III. LOANS SECURED BY FIXED RATE SECURITIES	8,744,637	13,744,412	64
IV. LIABILITIES TO BANKS	9,583,854	10,317,405	93
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	94,898,156	70,744,222	134
a.) Other long term liabilities	25,318,302	22,699,868	112
1. Long term liabilities from finance leases	7,204,775	7,679,293	94
2. Other long term liabilities	5,633,436	961,448	586
3. Deferred tax liabilities	12,480,091	14,059,127	89
b.) Other short-term liabilities	69,579,854	48,044,354	145
1. Short-term liabilities to employees	15,197,361	9,791,917	155
2. Other short-term liabilities from insurance operations	15,464,671	10,954,254	141
3. Short-term liabilities from financing	3,691,322	7,302,795	51
4. Current income tax liabilities	16,877,495	389,994	
5. Other short-term liabilities	18,349,005	19,605,394	94
H. ACCRUED EXPENSES AND DEFERRED INCOME	6,669,079	5,487,526	122
1. Accrued expenses	3,688,416	2,312,325	160
2. Other accruals and deferred income	2,980,663	3,175,201	94
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	197,323,606	187,031,293	106

1.3 CONSOLIDATED BALANCE SHEET FOR LIFE INSURANCE AS AT 31 DECEMBER 2010

CONSOLIDATED BALANCE SHEET FOR LIFE INSURANCE AS AT 31 DECEMBER 2010

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to G.)		1,373,974,121	1,249,127,756	110
A.	INTANGIBLE ASSETS, LONG TERM DEFERRED ITEMS	2,079,824	1,927,132	108
1.	Intangible assets	2,079,824	1,926,832	108
2.	Goodwill	0	0	
3.	Deferred acquisition costs	0	0	
4.	Other long-term deferred items	0	300	
B.	LAND, BUILDINGS AND FINANCIAL ASSETS	984,452,423	925,921,547	106
I.	LAND AND BUILDINGS	12,772,933	13,304,498	96
a.)	Directly used in insurance activities	9,904,503	10,019,697	99
1.	Land directly used in insurance activities	639,596	650,882	98
2.	Buildings directly used in insurance activities	9,264,907	9,368,815	99
3.	Other land and buildings directly used in insurance activities	0	0	
b.)	Investment property	2,868,430	3,284,801	87
1.	Land	328,069	328,069	100
2.	Buildings	2,540,361	2,956,732	86
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	2,868,430	34,647,421	87
1.	Shares in subsidiaries	0	0	
2.	Debt securities and loans to subsidiaries	0	0	
3.	Shares in associated companies	16,633,386	24,273,109	69
4.	Debt securities and loans to associated companies	3,284,491	3,410,704	96
5.	Other financial investments in subsidiaries and associates	7,264,733	6,963,608	104
III.	OTHER FINANCIAL INVESTMENTS	944,496,497	877,934,686	108
1.	Long-term financial investments	921,932,262	795,716,893	116
1.1.	Shares and other floating rate securities and fund coupons	45,892,717	43,280,136	106
1.2.	Debt and other fixed return securities	783,408,785	674,901,302	116
1.3.	Investment fund shares	0	0	
1.4.	Mortgage loans	0	0	
1.5.	Other loans	31,284,646	31,337,267	100
1.6.	Deposits with banks	60,293,672	36,060,258	167
1.7.	Other financial investments	1,052,442	10,137,930	10
2.	Short-term financial investments	22,564,235	82,217,793	27
2.1.	Shares available for sale	3,923,647	7,418,581	53
2.2.	Securities available for sale and with maturity up to one year	500,675	39,938,733	1
2.3.	Short-term loans	0	1,563,959	0
2.4.	Short-term bank deposits	17,366,548	32,517,997	53
2.5.	Other short-term financial investments	773,365	778,523	99
IV.	FINANCIAL INVESTMENTS OF REINSURANCE COMPANIES IN REINSURANCE CONTRACTS	0	0	
V.	ASSETS FROM INVESTMENT CONTRACTS	0	0	
VI.	ASSETS FROM REINSURANCE CONTRACTS	383	34,942	1
1.	from unearned premium	383	240	160
-	in reinsurance	383	240	160
-	in co-insurance	0	0	
2.	from mathematical provision	0	0	
3.	from outstanding claims	0	34,702	
-	in reinsurance	0	34,702	
-	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	370,627,528	303,672,492	122
D.	RECEIVABLES	12,910,111	12,020,026	107
I.	RECEIVABLES FROM DIRECT INSURANCE	1,120,714	986,929	114
1.	Receivables from insurers	444,512	709,488	63
2.	Receivables from insurance brokers	1,111	41	

CONSOLIDATED BALANCE SHEET FOR LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
3. Other receivables from direct insurance operations	675,091	277,400	243
4. Receivables from direct insurance operations -associates and subsidiaries	0	0	
II. RECEIVABLES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	6,195	259	
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	0	0	
5. Other receivables from co-insurance and reinsurance	6,195	259	
6. Receivables from co-insurance and reinsurance- associates and subsidiaries	0	0	
III. OTHER RECEIVABLES AND DEFERRED TAX RECEIVABLES	11,783,202	11,032,838	107
1. Receivables for advanced payments for intangible assets	0	0	
2. Other short-term receivables from insurance operations	8,145,050	2,659,245	306
3. Short term receivables from financing	33,694	24,390	138
4. Other short-term receivables	1,601,559	6,252,103	26
5. Long-term receivables	0	0	
6. Current tax receivables	18	21	86
7. Deferred tax assets	1,954,592	2,094,704	93
8. Other short-term receivables - associates and subsidiaries	48,289	2,375	2.033
IV. CALLED UP SHARE CAPITAL UNPAID	0	0	
E. OTHER ASSETS	3,483,502	5,301,702	66
I. TANGIBLE FIXED ASSETS, EXCEPT LAND AND BUILDINGS	1,971,664	996,424	198
1. Equipment and small tools	1,941,919	973,935	199
2. Other tangible fixed assets	29,745	22,489	132
II. CASH AT BANK AND IN HAND	1,506,322	4,302,859	35
III. INVENTORIES AND OTHER ASSETS	5,516	2,419	228
1. Inventories	4,661	1,452	321
2. Other assets	855	967	88
F. SHORT-TERM DEFERRED ASSETS	420,733	284,857	148
1. Accrued interest and rent	0	3,601	
2. Deferred short-term expenses of insurance contract acquisition	175,954	198,878	88
3. Other short-term deferred items	244,779	82,378	297
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
H. OFF BALANCE SHEET ASSETS	37,874,495	61,902,938	61

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
EQUITY AND LIABILITIES (from A. to I.)	1,373,974,121	1,249,127,756	110
A. EQUITY	86,220,556	81,929,737	105
I. SUBSCRIBED (CALLED UP) CAPITAL	7,190,851	7,190,852	100
1. Share capital	7,190,851	7,190,852	100
2. Unsubscribed capital (as deduction)	0	0	
II. CAPITAL RESERVES	13,067,907	13,067,907	100
III. RESERVES FROM PROFIT	1,969,667	2,759,954	71
1. Security reserves	153,499	943,786	16
2. Legal and statutory reserves	1,816,168	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	0	0	
IV. FAIR VALUE RESERVE	7,586,190	8,811,307	86
1. Fair value reserve for tangible fixed assets	0	0	
2. Fair value reserve for long-term investments	7,419,436	8,929,022	83
3. Fair value reserve for short-term investments	166,754	-117,715	
4. Other fair value reserve	0	0	

CONSOLIDATED BALANCE SHEET FOR LIFE INSURANCE AS AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	31 DECEMBER 2010	31 DECEMBER 2009	INDEX
V. NET PROFIT / LOSS CARRIED FORWARD	51,030,656	39,722,168	128
VI. NET PROFIT / LOSS FOR THE CURRENT YEAR	5,616,101	10,400,998	54
VII. NON-CONTROLLING INTERESTS	821,564	573,907	143
VIII. CURRENCY TRANSLATION DIFFERENCES	-1,062,380	-597,356	178
B. SUBORDINATED LIABILITIES	13,672,424	15,982,425	86
C. GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	871,682,869	817,348,165	107
1. GROSS PROVISIONS FOR UNEARNED PREMIUMS	363,380	747,123	49
2. GROSS MATHEMATICAL PROVISIONS	849,847,775	794,828,056	107
3. GROSS CLAIM PROVISIONS	21,471,714	21,713,631	99
4. GROSS PROVISIONS FOR BONUSES AND DISCOUNTS	0	0	
5. OTHER GROSS TECHNICAL PROVISIONS	0	59,355	
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	376,083,063	309,823,680	121
E. PROVISIONS FOR OTHER RISKS AND CHARGES	1,659,648	1,194,846	139
1. Provisions for pensions	1,659,139	1,158,422	143
2. Other provisions	509	36,424	1
F. LIABILITIES FROM REINSURERS' INVESTMENTS IN REINSURANCE CONTRACTS	0	0	
G. OTHER LIABILITIES	24,089,214	22,711,575	106
I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	10,213,309	2,230,622	458
1. Liabilities to policy holders	8,174,900	1,726,886	473
2. Liabilities to agents and brokers	145,545	72,699	200
3. Other liabilities from direct insurance operations	1,842,580	393,401	468
4. Liabilities from direct insurance operations- associates and subsidiaries	50,284	37,636	134
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE OPERATIONS	15,345	6,896	223
1. Liabilities for co-insurance premiums	0	0	
2. Liabilities for reinsurance premiums	15,345	6,896	223
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. LIABILITIES TO BANKS	0	0	
V. LIABILITIES FROM INVESTMENT CONTRACTS	0	0	
VI. OTHER LIABILITIES	13,860,560	20,474,057	68
a.) Other long term liabilities	1,632,498	2,326,438	70
1. Long term liabilities from finance leases	0	0	
2. Other long term liabilities	1,750	1,750	100
3. Deferred tax liabilities	1,630,748	2,324,688	70
b.) Other short-term liabilities	12,228,062	18,147,619	67
1. Short-term liabilities to employees	10,886	10,003	109
2. Other short-term liabilities from insurance operations	8,450,993	9,157,589	92
3. Short-term liabilities from financing	10,651	4,051,634	
4. Current income tax liabilities	0	29,399	
5. Other short-term liabilities	3,755,532	4,898,994	77
H. ACCRUED EXPENSES AND DEFERRED INCOME	566,347	137,328	412
1. Accrued expenses	565,909	135,469	418
2. Other accruals and deferred income	438	1,859	24
I. NON-CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS	0	0	
J. OFF BALANCE SHEET ASSETS	37,874,495	61,902,938	61

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010

		IN EUR		
		2010	2009	INDEX
A.	TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE EXCEPT HEALTH INSURANCE BUSINESS			
I.	Net premium earned	652,006,405	653,242,854	100
	1. Gross written premium	718,043,703	727,986,201	99
	2. Assumed co-insurance written premium (+)	1,694,680	1,410,148	120
	3. Ceded co-insurance written premium (-)	-936,805	-819,999	114
	4. Outward reinsurance premium (-)	-73,419,132	-70,507,647	104
	5. Change in gross provision for unearned premiums (+/-)	5,005,698	-5,685,855	
	6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	1,618,261	860,006	188
II.	ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM D. VIII.)	35,840,573	45,310,985	79
III.	OTHER NET INCOME FROM INSURANCE OPERATIONS	6,792,987	5,951,679	114
IV.	NET CLAIMS INCURRED	387,106,040	475,136,980	81
	1. Gross claims settled	448,483,223	492,539,121	91
	2. Income from gross subrogated receivables (-)	-24,743,559	-26,644,437	93
	3. Co-insurers' share (+/-)	427,720	530,102	81
	4. Reinsurers' share (-)	-30,576,036	-38,524,812	79
	5. Changes in gross provisions for claims outstanding (+/-)	-3,761,779	41,851,090	
	6. Changes in provisions for claims outstanding, reinsurers' and co-insurers' share (+/-)	-2,723,529	5,385,916	
V.	CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	-2,973,409	2,722,932	
VI.	NET EXPENSES FOR BONUSES AND DISCOUNTS	5,734,492	12,066,727	48
VII.	NET OPERATING EXPENSES	168,028,801	160,832,302	104
	1. Acquisition costs	111,813,343	113,142,336	99
	2. Change in deferred acquisition costs (+/-)	-745,946	-871,450	86
	3. Other operating expenses	55,112,695	50,244,001	110
	3.1 Depreciation of assets used in insurance business	3,700,171	3,644,697	102
	3.2 Labour costs	28,715,358	27,420,613	105
	- wages and salaries	19,488,988	18,602,046	105
	- social security and pension insurance costs	5,430,860	5,432,035	100
	- other labour costs	3,795,510	3,386,532	112
	3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes:	718,059	773,143	93
	3.4 Other operating expenses	21,979,107	18,405,548	119
	4. Income from reinsurance commissions and shares in the technical profit from reinsurance contracts (-)	1,848,709	-1,682,585	
VIII.	OTHER NET INSURANCE EXPENSES	43,065,739	38,985,907	110
	1. expenses of preventive activity	8,650,955	7,687,852	113
	2. Contributions for covering losses on uninsured and unknown vehicles	3,366,632	3,506,090	96
	3. Other net insurance expenses	31,048,152	27,791,965	112
IX.	RESULT OF THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII.)	93,678,302	14,760,670	635
B.	Technical account for life insurance business			
I.	Net premium earned	221,741,724	226,076,343	98
	1. Gross written premium	221,373,955	225,744,430	98
	2. Assumed co-insurance written premium	0	0	
	3. Ceded co-insurance written premium	0	0	
	4. Outward reinsurance premium	-15,800	-6,896	229
	5. Change in gross provision for unearned premiums	383,426	339,157	113
	6. Change in provision for unearned premiums, reinsurers' and co-insurers' share (+/-)	143	-348	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	2010	2009	INDEX
II. Income from investments	64,474,603	62,745,317	103
1. Income from dividends	1,015,760	1,242,345	82
1.1 Group companies	0	0	
1.2 Associates	0	0	
1.3 Others	1,015,760	1,242,345	82
2. Income from other investments	49,523,888	48,652,180	102
2.1 Income from land and buildings	109,977	95,376	115
- in Group companies	0	0	
- in associates	0	0	
- in others	109,977	95,376	115
2.2 Interest income	41,147,777	36,468,649	113
- in Group companies	0	0	
- in associates	649,314	1,149,916	56
- in others	40,498,463	35,318,733	115
2.3 Other investment income	8,266,134	12,088,155	68
2.3.1 Financial income from revaluation	7,418,750	9,924,487	75
- in Group companies	0	0	
- in associates	89,922	99,343	91
- in others	7,328,828	9,825,144	75
2.3.2 Other financial income	847,384	2,163,668	39
- in Group companies	0	0	
- in associates	829,158	2,160,491	38
- in others	18,226	3,177	574
3. Income from asset value adjustments	92,470	19,753	468
4. Profit on disposal of investments	13,842,485	12,831,039	108
III. NET UNREALISED GAINS ON UNIT-LINKED LIFE INSURANCE ASSETS	42,518,343	53,876,082	79
IV. OTHER NET INCOME FROM INSURANCE OPERATIONS	17,522,079	19,787,756	89
V. NET CLAIMS INCURRED	107,005,609	81,515,631	131
1. Gross claims settled	107,291,185	80,666,501	133
2. Income from gross subrogated receivables (-)	0	0	
3. Reinsurers' share (-)	0	0	
4. Changes in gross provisions for claims outstanding (+/-)	-285,576	837,070	
5. Changes in provisions for claims outstanding, reinsurers' share (+/-)	0	12,060	
VI. Change in other net technical provisions (+/-)	131,148,704	179,207,154	73
1. Change of mathematical provisions	131,148,704	179,147,799	73
1.1 Change in gross mathematical provision (+/-)	131,148,704	179,147,799	73
1.2 Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	0	59,355	
2.1 Change of other gross technical provisions (+/-)	0	59,355	
2.2 Change of reinsurers' share (+/-)	0	0	
VII. NET EXPENSES FOR BONUSES AND DISCOUNTS	736	0	
VIII. NET OPERATING EXPENSES	34,177,558	35,918,626	95
1. Acquisition costs	19,997,235	21,180,796	94
2. Change of deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	14,135,864	14,737,830	96
3.1 Depreciation of assets used in insurance business	999,009	1,626,624	61
3.2 Labour costs	6,893,142	7,141,435	97
- wages and salaries	4,883,370	5,097,527	96
- social security and pension insurance costs	1,064,898	1,020,667	104
- other labour costs	944,874	1,023,241	92
3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	129,391	137,866	94
3.4 Other operating expenses	6,114,322	5,831,905	105

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	2010	2009	INDEX
4. Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	44,459	0	
IX. EXPENSES FROM INVESTMENTS	18,759,357	15,359,058	122
1. Depreciation and amortization of assets not used in operations	51,012	53,659	95
2. Expenses arising from asset management, interest expenses and other financial expenses		2,671,997	
3. Revaluation financial expenses	4,207,968	5,735,656	157
4. Loss on disposal of investments	10,419,406	6,897,746	182
X. NET UNREALISED LOSSES ON INVESTMENTS FOR INSURANCE OF WHICH THE POLICYHOLDERS BEAR THE INVESTMENT RISK (UNIT-LINKED INSURANCE CONTRACTS)	28,597,583	17,442,142	164
XI. OTHER NET INSURANCE EXPENSES	17,981,071	19,932,956	90
1. expenses of preventive activity	0	0	
2. Other net insurance expenses	17,981,071	19,932,956	90
XII. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (-) (ITEM D. V.)	-3,440,304	2,812,874	
XIII. RESULT OF THE TECHNICAL ACCOUNT FOR LIFE INSURANCE BUSINESS (I. + II. + III. + IV. - V. +/- VI. - VII. - VIII. - IX. - X. - XI. - XII. - XIII.)	12,026,435	10,297,057	117
C. RESULT OF THE TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS			
I. NET PREMIUM EARNED	72,422,095	67,024,926	108
1. Gross premium	72,447,887	67,118,835	108
2. Reinsurance premiums (-)	0	0	
3. Change in gross unearned premium (+/-)	-25,792	-93,909	27
4. Change in gross unearned premium for reinsurance (+/-)	0	0	
II. INCOME FROM INVESTMENT	444,963	479,108	93
1. Income from dividends	0	0	
1.1 Group companies	0	0	
1.2 Associates	0	0	
1.3 Others	0	0	
2. Income from other investments	444,963	471,749	94
2.1 Income from land and buildings	0	0	
- Group companies	0	0	
- associates	0	0	
- others	0	0	
2.2 Interest income	444,462	461,602	96
- Group companies	0	0	
- associates	-34,454	50,826	
- others	478,916	410,776	117
2.3 Other income from investments	501	10,147	5
2.3.1 Financial income from revaluation	1	11	9
- Group companies	0	0	
- associates	0	0	
- others	1	11	9
2.3.2 Other financial income	500	10,136	5
- Group companies	0	0	
- associates	0	0	
- others	500	10,136	5
3. Income from asset value adjustments	0	7,359	
4. Profit on disposal of investments	0	0	
III. OTHER NET INCOME FROM INSURANCE OPERATIONS	11,126	27,000	41
IV. NET CLAIMS INCURRED	63,593,257	54,232,088	117
1. Gross claims settled	57,361,376	50,654,990	113
2. Income from gross subrogated receivables (-)	-66,766	-12,800	522
3. Reinsurers' share (-)	0	0	
4. Changes in gross provisions for claims outstanding (+/-)	436,755	-920,525	
5. Changes in provisions for claims outstanding reinsurers' share (+/-)	0	0	
6. Income from equalisation scheme (-)	0	0	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	2010	2009	INDEX
7. Expenses from equalisation scheme (-)	5,861,892	4,510,423	130
V. CHANGE IN OTHER NET TECHNICAL PROVISIONS (+/-)	627,199	196,707	319
1. Change of mathematical provisions (+/-)	0	0	
1.1 Change of gross mathematical provisions (+/-)	0	0	
1.2 Change of reinsurers' share (+/-)	0	0	
2. Change of other net technical provisions (+/-)	627,199	196,707	319
2.1 Change of gross provisions (+/-)	627,199	196,707	319
2.2 Change of reinsurers' share (+/-)	0	0	
VI. NET EXPENSES FOR BONUSES AND DISCOUNTS	0	0	
VII. NET OPERATING EXPENSES	7,822,785	9,318,491	84
1. Acquisition costs	1,399,230	1,370,413	102
2. Change in deferred acquisition costs (+/-)	0	0	
3. Other operating expenses	6,423,555	7,948,078	81
3.1 Depreciation of assets used in insurance business	413,655	445,968	93
3.2 Labour costs	2,802,355	3,717,221	75
- wages and salaries	2,189,591	2,439,802	90
- social security and pension insurance costs	424,032	554,227	77
- other labour costs	188,732	723,192	26
3.3 Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	90,045	128,094	70
3.4 Other operating expenses	3,117,500	3,656,795	85
VIII. EXPENSES FROM INVESTMENTS	0	19,072	
1. Depreciation and amortization of assets not used in operations	104,298	0	547
2. Expenses arising from asset management, interest expenses and other financial expenses	0	19,072	
3. Revaluation financial expenses		0	
4. Loss on disposal of investments	20,357	0	107
IX. OTHER NET INSURANCE EXPENSES	83,941	1,567,151	
1. expenses of preventive activity	0	0	
2. Other net insurance expenses	393,188	1,567,151	25
X. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (-) (D. VI.)	30,672	94,279	33
XI. PROFIT /-LOSS FROM HEALTH INSURANCE (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII. - IX. - X.) BEFORE ALLOCATION OF HALF OF THE PROFIT/-LOSS FROM SUPPLEMENTARY HEALTH INSURANCE	306,785	2,103,246	15
XII. ALLOCATED HALF OF THE PROFIT FROM SUPPLEMENTARY HEALTH INSURANCE (-)	0	0	
XIII. RESULT FOR THE TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS (XI. - XII.)	306,785	2,103,246	15
D. NON-TECHNICAL ACCOUNT			
I. RESULT OF THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (A. IX.)	93,678,302	14,760,670	635
II. RESULT OF TECHNICAL THE ACCOUNT FOR LIFE INSURANCE BUSINESS (B. XIII.)	12,026,435	10,297,057	117
III. RESULT OF TECHNICAL ACCOUNT FOR HEALTH INSURANCE BUSINESS (C. XIII.)	306,785	2,103,246	15
IV. INCOME FROM INVESTMENT	76,924,108	89,640,342	86
1. Income from participations	2,094,468	4,652,261	45
1.1 Group companies	0	0	
1.2 Associates	177,659	281,049	63
1.3 Others	1,916,809	4,371,212	44
2. Income from other investments	60,655,388	66,212,420	92
2.1 Income from land and buildings	2,718,678	2,204,371	123
- Group companies	0	0	
- associates	0	0	
- others	2,718,678	2,204,371	123
2.2 Interest income	43,624,909	40,826,819	107
- Group companies	0	86,000	
- associates	703,880	823,195	86
- others	42,921,029	39,917,624	108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	2010	2009	INDEX
2.3 Other income from investments	14,311,801	23,181,230	62
2.3.1 Financial income from revaluation	11,115,099	10,198,108	109
- Group companies	0	44	
- associates	101,805	556,599	18
- others	11,013,294	9,641,465	114
2.3.2. Other financial income	3,196,702	12,983,122	25
- Group companies	0	60,579	
- associates	2,696,276	12,240,384	22
- others	500,426	682,159	73
3. Income from asset value adjustments	388,769	162,120	240
4. Profit on disposal of investments	13,785,483	18,613,541	74
V. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM LIFE INSURANCE TECHNICAL ACCOUNT (B. XII.)	-3,440,304	2,812,874	
VI. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE HEALTH INSURANCE TECHNICAL ACCOUNT (C. X.)	30,672	94,279	33
VII. EXPENSES FROM INVESTMENTS	77,216,226	52,003,865	148
1. Depreciation and amortization of assets not used in operations	1,317,658	449,890	293
2. Expenses arising from asset management, interest expenses and other financial expenses	13,173,483	19,802,786	67
3. Revaluation financial expenses	57,391,749	23,909,688	240
4. Loss on disposal of investments	5,333,336	7,841,501	68
VIII. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS, EXCEPT HEALTH INSURANCE BUSINESS (A. II.)	35,840,573	45,310,985	79
IX. OTHER INCOME FROM INSURANCE BUSINESS	1,632,405	3,116,246	52
1. Other income from property insurance except for health insurance	1,307,879	2,955,633	44
2. Other income from life insurance	323,508	160,507	202
3. Other income from health insurance	1,018	106	960
X. OTHER EXPENSES	22,750,271	21,795,869	104
1. Other expenses from property insurance except for health insurance	21,554,696	21,628,075	100
2. Other expenses from life assurance	1,195,540	167,473	714
3. Other expenses from health insurance	35	321	11
XI. OTHER INCOME	57,100,434	51,197,845	112
1. Other income from property insurance except for health insurance	57,046,633	50,923,313	112
2. Other income from life assurance	41,240	43,308	95
3. Other income from health insurance	12,561	231,224	5
XII. OTHER EXPENSES	59,201,500	52,830,620	112
1. Other expenses from property insurance except for health insurance	58,858,120	52,157,138	113
2. Other expenses from life assurance	303,855	649,834	47
3. Other expenses from health insurance	39,525	23,648	167
XIII. PROFIT/LOSS BEFORE TAX (I. + II. + III. + IV. + V. + VI. - VII. - VIII. + IX. - X. + XI. - XII.)	43,250,267	2,081,220	
1. Net profit / -loss from property insurance, except health insurance	35,487,307	-12,820,105	
2. Net profit / -loss from life assurance	7,451,484	12,496,439	60
3. Net profit / -loss from health insurance	311,476	2,404,886	13
XIV. CORPORATE INCOME TAX	23,998,866	8,803,506	273
XV. DEFERRED TAXES	-7,398,408	-429,944	
XVI. NET PROFIT / -LOSS FOR THE ACCOUNTING PERIOD (XIII. - XIV. - XV.)	26,649,809	-6,292,342	
- Net profit / -loss from property insurance, except health insurance	20,577,789	-19,238,865	
- Net profit / -loss from life assurance	5,688,095	10,448,031	54
- Net profit / -loss from health insurance	383,925	2,498,492	15
Split of net profit / loss			
- Net profit attributable to equity holders	27,846,858	-4,810,682	
- Net profit attributable to minority interests	-1,197,049	-1,481,660	81
E. COMPREHENSIVE INCOME			
I. Net profit/loss for the accounting period after tax	26,649,809	-6,292,342	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2010 - CONTINUED

	IN EUR		
	2010	2009	INDEX
II. Other comprehensive income after tax (1. + 2. + 3. + 4. + 5. + 6. + 7. + 8. + 9.)	-9,683,289	-24,199,429	40
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 assets	-11,122,171	-24,983,191	45
5. Net profit / loss from non-current assets held for sale	0	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	-483,129	2,193,297	
8. Other net profit / loss from other comprehensive income	0	0	
9. Consolidation equity adjustment	-538,760	-263,803	204
10. Tax on other comprehensive income	2,460,771	-1,145,732	
III. COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX (I. + II.)	16,966,520	-30,491,771	
- attributable to the controlling company	18,458,701	-20,717,160	
- attributable to non-controlling interest holders	-1,492,181	-9,774,611	15

3. CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT ON 31 DECEMBER 2010

3.1 CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT FOR LIFE INSURANCE, RENT AND SUPPLEMENTARY PENSION INSURANCE

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to D.)		743,888,202	699,635,900	106
A.	INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	735,388,261	684,229,396	107
I.	INVESTMENT PROPERTY	1,734,207	2,126,528	82
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	2,249,687	2,227,965	101
	1. Shares in subsidiaries	0	0	
	2. Shares in associates	2,249,687	2,227,965	101
III.	OTHER FINANCIAL INVESTMENTS	731,400,865	679,839,961	108
	1. Shares and other floating rate securities	29,938,199	35,393,413	85
	2. Debt securities with fixed return	614,569,869	565,549,812	109
	3. Investment fund coupons	2,306,437	3,040,404	76
	4. Mortgage loans	0	0	
	5. Other loans	27,951,446	28,452,734	98
	6. Bank deposits	55,861,550	46,816,597	119
	7. Other financial investments	773,365	587,001	132
IV.	ASSETS FROM REINSURANCE CONTRACTS	3,502	34,942	10
	1. From unearned premium	383	240	160
	2. From mathematical provision	0	0	
	3. From outstanding claims	3,119	34,702	9
	4. From bonuses and discounts	0	0	
	5. From technical provisions for life insurance policy holders who bear investment risk	0	0	
B.	RECEIVABLES	6,649,812	12,152,825	55
I.	RECEIVABLES FROM DIRECT INSURANCE	2,714,229	2,437,387	111
	1. Receivables from insurers	444,513	709,489	63
	2. Receivables from insurance brokers	0	0	
	3. Other receivables from direct insurance operations	2,269,716	1,727,898	131
II.	RECEIVABLES FROM REINSURANCE	19,927	37,058	54
III.	OTHER RECEIVABLES	3,915,656	9,678,380	40
C.	OTHER ASSETS	716,024	2,356,819	30
I.	CASH AND CASH EQUIVALENTS	715,352	2,355,367	30
II.	OTHER ASSETS	672	1,452	46
D.	SHORT-TERM DEFERRED ASSETS	1,134,105	896,860	126
	1. Accrued interest and rent	715,151	0	
	2. Deferred expenses for insurance contract acquisition	174,696	197,857	88
	3. Other deferred items	244,258	699,003	35
E.	OFF BALANCE SHEET ITEMS	24,321,558	33,350,000	73

CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT FOR LIFE INSURANCE, RENT AND SUPPLEMENTARY PENSION INSURANCE - CONTINUED

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
LIABILITIES (from A. to F.)		743,888,202	699,635,900	106
A.	FAIR VALUE RESERVE	417,949	1,455,346	29
B.	GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	700,933,558	668,470,556	105
	1. Gross provision for unearned premium	363,380	747,122	49
	2. Gross mathematical provisions	678,945,431	644,998,828	105
	3. Gross provisions for outstanding claims	21,471,715	21,713,632	99
	4. Gross provisions for bonuses and discounts	153,033	951,619	16
	5. Other gross technical provisions	0	59,355	
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	42,532,408	29,676,325	143
	I. LIABILITIES FROM DIRECT INSURANCE OPERATIONS	13,665,981	6,308,124	217
	1. Liabilities towards policyholders	6,700,937	1,526,534	439
	2. Liabilities towards intermediaries	383,275	278,700	138
	3. Other liabilities from direct insurance operations	6,581,770	4,502,890	146
	II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE	195,379	6,896	2.833
	III. OTHER LIABILITIES	28,671,048	23,361,305	123
F.	ACCRUED EXPENSES AND DEFERRED INCOME	4,287	33,673	13
G.	OFF-BALANCE SHEET ITEMS	24,321,558	33,350,000	73

3.2 CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - SUPPLEMENTARY VOLUNTARY PENSION INSURANCE

CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - SUPPLEMENTARY VOLUNTARY PENSION INSURANCE

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to D.)		172,999,002	151,426,056	114
A.	INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	172,475,675	150,241,520	115
	I. INVESTMENT PROPERTY	0	0	
	II. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	1,034,804	1,182,739	87
	1. Shares in subsidiaries	0	0	
	2. Shares in associates	1,034,804	1,182,739	87
	III. OTHER FINANCIAL INVESTMENTS	171,440,871	149,058,781	115
	1. Shares and other floating rate securities	4,030,956	3,769,505	107
	2. Debt securities with fixed return	144,565,982	126,848,333	114
	3. Investment fund coupons	0	0	
	4. Mortgage loans	0	0	
	5. Other loans	3,077,553	3,077,553	100
	6. Bank deposits	19,766,380	15,363,391	129
	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	12,250	12,420	99
	I. RECEIVABLES FROM DIRECT INSURANCE	7,563	7,931	95
	1. Receivables from insurers	0	0	
	2. Receivables from insurance brokers	0	0	
	3. Other receivables from direct insurance operations	7,563	7,931	95
	II. RECEIVABLES FROM REINSURANCE	0	0	
	III. OTHER RECEIVABLES	4,687	4,489	104

CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - SUPPLEMENTARY VOLUNTARY PENSION INSURANCE - CONTINUED

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
C.	OTHER ASSETS	511,077	1,172,115	44
I.	CASH AND CASH EQUIVALENTS	511,077	1,172,115	44
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 acquisition	0	0	
	3. Other deferred items	0	0	
E.	OFF BALANCE SHEET ITEMS	6,993,300	21,993,300	32

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
LIABILITIES (from A. to F.)		172,999,002	151,426,056	114
A.	FAIR VALUE RESERVE	0	0	
B.	GROSS TECHNICAL PROVISIONS AND DEFERRED INCOME FROM PREMIUMS	170,902,344	149,829,227	114
	1. Gross provision for unearned premium	0	0	
	2. Gross mathematical provisions	170,902,344	149,829,227	114
	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	2,096,659	1,596,828	131
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	1,801,136	302,553	595
	1. Liabilities towards policyholders	1,471,620	200,352	735
	2. Liabilities towards intermediaries	0	0	
	3. Other liabilities from direct insurance operations	329,517	102,201	322
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III.	OTHER LIABILITIES	295,522	1,294,275	23
F.	ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G.	OFF-BALANCE SHEET ITEMS	6,993,300	21,993,300	32

3.3 CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - UNIT-LINKED INSURANCE

CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - UNIT-LINKED INSURANCE

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
ASSETS (from A. to D.)		377,982,128	311,073,150	122
A.	INVESTMENT PROPERTY AND FINANCIAL INVESTMENTS	377,892,262	310,636,099	122
I.	INVESTMENT PROPERTY	0	0	
II.	FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES	7,264,733	6,963,607	
	1. Shares in subsidiaries	0	0	104
	2. Shares in associates	7,264,733	6,963,607	
III.	OTHER FINANCIAL INVESTMENTS	370,627,528	303,672,492	104
	1. Shares and other floating rate securities	309,460,660	245,441,247	126
	2. Debt securities with fixed return	53,963,298	53,603,634	101
	3. Investment fund coupons	7,064,048	4,502,881	157
	4. Mortgage loans	0	0	
	5. Other loans	0	0	
	6. Bank deposits	0	124,730	
	7. Other financial investments	139,523	0	
IV.	ASSETS FROM REINSURANCE CONTRACTS	0	0	
	1. From unearned premium	0	0	

CONSOLIDATED ASSETS AND LIABILITIES OF TECHNICAL ACCOUNT - UNIT-LINKED INSURANCE - CONTINUED

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
	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	33,139	33,809	98
I.	RECEIVABLES FROM DIRECT INSURANCE	32,047	33,779	95
	1. Receivables from insurers	0	0	
	2. Receivables from insurance brokers	1,111	41	
	3. Other receivables from direct insurance operations	30,936	33,738	92
II.	RECEIVABLES FROM REINSURANCE	0	0	
III.	OTHER RECEIVABLES	1,092	30	
C.	OTHER ASSETS	56,817	403,242	14
I.	CASH AND CASH EQUIVALENTS	56,817	403,242	14
II.	OTHER ASSETS	0	0	
D.	SHORT-TERM DEFERRED ASSETS	-90	0	
	1. Accrued interest and rent	-90	0	
	2. Deferred expenses for insurance contract acquisition	0	0	
	3. Other deferred items	0	0	
E.	OFF BALANCE SHEET ITEMS	6,559,638	6,559,638	100

		IN EUR		
		31 DECEMBER 2010	31 DECEMBER 2009	INDEX
LIABILITIES (from A. to F.)		377,982,128	311,073,150	122
A.	FAIR VALUE RESERVE	-2,172	-31,533	7
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	376,083,063	309,823,680	121
D.	LIABILITIES FOR INVESTMENTS OF REINSURERS UNDER REINSURANCE CONTRACTS WITH CEDING UNDERTAKINGS	0	0	
E.	OTHER LIABILITIES	1,901,237	1,281,003	148
I.	LIABILITIES FROM DIRECT INSURANCE OPERATIONS	12,109	47,795	25
	1. Liabilities towards policyholders	2,345	0	
	2. Liabilities towards intermediaries	0	0	
	3. Other liabilities from direct insurance operations	9,764	47,795	20
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE	0	0	
III.	OTHER LIABILITIES	1,889,128	1,233,208	153
F.	ACCRUED EXPENSES AND DEFERRED INCOME	0	0	
G.	OFF-BALANCE SHEET ITEMS	6,559,638	6,559,638	100

4. CONSOLIDATED INCOME STATEMENTS OF TECHNICAL ACCOUNT

4.1 CONSOLIDATED INCOME STATEMENT FOR LIFE INSURANCE, RENT AND SUPPLEMENTARY PENSION INSURANCE

CONSOLIDATED INCOME STATEMENT FOR LIFE INSURANCE, RENT AND SUPPLEMENTARY PENSION INSURANCE

		IN EUR		
		2010	2009	INDEX
I.	PREMIUM EARNED	115,562,892	119,958,390	96
1.	Gross premium earned	115,179,323	119,619,581	96
2.	Change of unearned premium	383,569	338,809	113
II.	INCOME FROM INVESTMENTS	46,704,029	46,423,078	101
1.	Income from dividends	261,211	333,720	78
1.1	Dividends from subsidiaries	0	0	
1.2	Dividends from associated companies	0	0	
1.3	Dividends from others	261,211	333,720	78
2.	Income from other investments	38,058,997	37,894,982	100
2.1	Income from land and buildings	79,720	66,442	120
2.2	Interest income	32,270,387	28,917,158	112
2.3	Other income from investments	5,708,890	8,911,382	64
2.3.1	Financial income from revaluation	5,716,107	8,928,279	64
2.3.2	Other financial income	-7,217	-16,897	43
3.	Income from investment value adjustments	0	0	
4.	Gains from disposal of investments	8,383,821	8,194,376	102
III.	OTHER INCOME FROM INSURANCE	734,387	518,365	142
IV.	EXPENSES FROM CLAIMS	84,994,470	64,889,672	131
1.	Claims expenses	85,248,464	64,040,542	133
2.	Change in provisions from claims	-253,994	849,130	-30
V.	CHANGE IN OTHER TECHNICAL PROVISIONS (+/-)	39,807,301	65,542,279	61
1.	Change in mathematical provision (+/-)	39,807,301	65,482,924	61
1.1	Change in mathematical provisions without share in profit(+/-)	32,852,214	55,074,578	60
1.2	Change in mathematical provision from share in profit (+/-)	6,955,087	10,408,346	67
2.	Change in other technical provisions(+/-)	0	59,355	0
VI.	EXPENSES FOR BONUSES AND DISCOUNTS	736	0	
VII.	EXPENSES INCLUDED IN POLICIES	15,858,501	16,286,852	97
1.	Entry fees	1,413,359	2,233,471	63
2.	Incasso, administrative expenses	14,445,142	14,053,381	103
3.	Costs of claims settlement	0	0	
VII.a)	NET OPERATING EXPENSES	14,916,233	15,253,801	98
1.	Cost of contract acquisition	8,094,328	8,240,919	98
2.	Change in deferred costs of contract acquisition (+/-)	0	0	
3.	Other operating expenses	6,847,099	7,024,821	97
3.1	Amortisation and depreciation of assets, needed for operations	450,591	775,419	58
3.2	Labour costs	3,241,218	3,204,757	101
-	salaries	2,253,362	2,245,559	100
-	costs of social and pension insurance	563,567	515,804	109
-	other labour costs	424,289	443,394	96
3.3	Costs of services provided by outsourced natural persons other than Sole Traders together with pertaining taxes	69,057	69,725	99
3.4	Other operating expenses	3,086,233	2,974,920	104
4.	Income from reinsurance commissions and from participation in the positive technical result from reinsurance contracts (-)	-25,194	-11,939	211

CONSOLIDATED INCOME STATEMENT FOR LIFE INSURANCE, RENT AND SUPPLEMENTARY PENSION INSURANCE - CONTINUED

		IN EUR		
		2010	2009	INDEX
VIII.	INVESTMENT EXPENSES	8,510,291	10,210,983	83
	1. Depreciation of assets, not necessary for operations	22,657	24,604	92
	2. Expenses arising from asset management, interest expenses and other financial expenses	1,790,975	1,101,001	163
	3. Financial expenses from revaluation	4,616,285	4,485,405	103
	4. Losses from disposal of financial investments	2,080,374	4,599,973	45
IX.	OTHER NET INSURANCE EXPENSES	1,193,379	663,565	180
X.	Profit / Loss from life assurance (I. + II. + III. - IV. +/- V. - VI. - VII. - VIII. - IX.)	12,636,630	9,306,482	136
X.a)	Profit / Loss from life assurance (I. + II. + III. - IV. +/- V. - VI. - VII.a - VIII. - IX.)	13,578,898	10,339,533	131

4.2 CONSOLIDATED INCOME STATEMENT FOR SUPPLEMENTARY VOLUNTARY PENSION INSURANCE

CONSOLIDATED INCOME STATEMENT FOR SUPPLEMENTARY VOLUNTARY PENSION INSURANCE

		IN EUR		
		2010	2009	INDEX
I.	Gross written premium	21,280,476	19,781,922	108
II.	Income from investments	11,726,336	9,716,893	121
	1. Income from dividends in companies	2,992	25,547	12
	1.1 Group companies	0	0	
	1.2 Associated companies	0	0	
	1.3 Others	2,992	25,547	12
	2. Income from other investments	7,585,719	6,404,462	118
	2.1 Income from investment property	0	0	
	2.2 Interest income	7,181,228	5,805,000	124
	2.3 Other income from investments	404,492	599,462	67
	2.3.1 Revaluation income	404,492	599,462	67
	2.3.2 Other financial income	0	0	
	3. Income from revaluation of investments	0	0	
	4. Gains on disposals of investments	4,137,625	3,286,884	126
III.	Expenses from repayment of insurance amounts or repurchase	3,825,578	2,509,384	152
	1. Ordinary termination		0	
	2. Extraordinary termination	3,825,578	2,509,384	152
	2.1 Withdrawal from contract	3,584,875	2,230,424	161
	2.2 Cancellation of contract	0	0	
	2.3 Death of policyholder	240,703	278,960	86
IV.	Assets transfer on the other transactor	0	0	
V.	Change of other technical provisions(+/-)	24,989,522	23,542,543	106
	1. Change of mathematical provision (+/-)	24,989,522	23,542,543	106
	2. Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	2,585,371	2,433,785	106
	1. Entry fees	499,176	700,903	71
	2. Termination costs	36,091	20,343	177
	3. Management commission	2,050,105	1,712,540	120
VII.	Investment expenses	1,606,341	1,013,103	159
	1. Depreciation of assets, not used in operations	0	0	
	2. Expenses arising from asset management, interest expenses and other financial expenses	321,365	207,229	155
	3. Impairment expenses	556,786	259,421	215
	4. Loss on disposal of investments	728,189	546,452	133
VIII.	Profit / Loss of technical account (I. + II. - III. +/- IV. +/- V. - VI. - VII.)	0	0	

4.3 CONSOLIDATED INCOME STATEMENT FOR UNIT-LINKED INSURANCE

CONSOLIDATED INCOME STATEMENT FOR UNIT-LINKED INSURANCE

		IN EUR		
		2010	2009	INDEX
I.	Gross written premium	84,680,178	86,150,593	98
II.	Income from investments	43,641,182	54,519,993	80
	1. Income from dividends in companies	179,945	99,321	181
	1.1 Group companies	0	0	
	1.2 Associated companies	0	0	
	1.3 Others	179,945	99,321	181
	2. Income from other investments	43,059,200	54,420,672	79
	2.1 Income from investment property	0	0	
	2.2 Interest income	510,148	524,514	97
	2.3 Other income from investments	42,549,052	53,896,158	79
	2.3.1 Revaluation income	42,523,609	53,876,083	79
	2.3.2 Other financial income	25,443	20,075	127
	3. Income from revaluation of investments	0	0	
	4. Gains on disposals of investments	402,037	0	
III.	Expenses from repayment of insurance amounts or repurchase	17,355,857	13,174,134	132
	1. Ordinary termination	0	0	
	2. Extraordinary termination	17,355,857	13,174,134	132
	2.1 Withdrawal from contract	16,792,440	13,174,134	127
	2.2 Cancellation of contract	0	0	
	2.3 Death of policyholder	563,417	0	
IV.	Assets transfer on the other transactor	0	0	
V.	Change of other technical provisions(+/-)	66,351,880	90,122,332	74
	1. Change of mathematical provision (+/-)	66,351,880	90,122,332	74
	2. Change of other technical provisions (+/-)	0	0	
VI.	Costs and commissions	15,747,187	18,945,566	83
	1. Entry fees	5,846,516	4,131,899	141
	2. Termination costs	26,075	0	
	3. Management commission	9,874,596	14,813,667	67
VII.	Investment expenses	28,866,436	18,428,555	157
	1. Depreciation of assets, not used in operations	0	0	
	2. Expenses arising from asset management, interest expenses and other financial expenses	3,290	0	
	3. Impairment expenses	28,599,658	17,442,142	164
	4. Loss on disposal of investments	263,488	986,412	27
VIII.	Profit / Loss of technical account (I. + II. - III. +/- IV. +/- V. - VI. - VII.)	0	0	

5. ALLOCATED INVESTMENT RETURN

5.1 ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT - NON-LIFE INSURANCE 2010

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT - NON-LIFE INSURANCE (EXCLUDING HEALTH) IN 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 INCOME	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 EXPENSES FROM INVESTMENTS	27,635,359	49,580,868	77,216,227
Investment income (income - expenses)	35,840,573	-36,132,692	-292,119

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL 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 INCOME	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 EXPENSES FROM INVESTMENTS	10,385,483	8,373,873	18,759,356
Investment income (income - expenses)	49,155,552	-3,440,304	45,715,248

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL 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 INCOME	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 EXPENSES FROM INVESTMENTS	55,324	48,974	104,297
Investment income (income - expenses)	309,993	30,672	340,665

5.2 ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT -NON-LIFE INSURANCE 2009

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT - NON-LIFE INSURANCE 2009

	IN EUR		
	INCOME - NON-LIFE TECHNICAL PROVISIONS	INCOME - NON-LIFE OWN FUNDS	TOTAL INCOME
Income from dividends	3,442,377	1,209,885	4,652,261
Income from land and buildings	1,574,054	630,318	2,204,372
Interest income	39,578,015	1,248,804	40,826,819
Financial income from revaluation	6,138,668	4,059,440	10,198,108
Other financial income	3,016,607	9,966,515	12,983,122
Income from investment value adjustments	162,070	50	162,120
Gains from disposal of investments	15,590,875	3,022,665	18,613,541
TOTAL INCOME	69,502,667	20,137,677	89,640,344

	IN EUR		
	EXPENSES - NON-LIFE TECHNICAL PROVISIONS	EXPENSES - NON-LIFE OWN FUNDS	TOTAL EXPENSES
Amortisation and depreciation of assets not used in insurance business	306,952	142,938	449,890
Expenses from asset management, interest expenses and other financial expenses	4,596,470	15,206,316	19,802,786
Financial expenses from revaluations	12,776,804	11,132,883	23,909,688
Loss on disposal of investments	6,511,455	1,330,047	7,841,501
TOTAL EXPENSES FROM INVESTMENTS	24,191,682	27,812,184	52,003,865
Investment income (income - expenses)	45,310,985	-7,674,507	37,636,478

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT - LIFE INSURANCE 2009

	IN EUR		
	INCOME - NON-LIFE TECHNICAL PROVISIONS	INCOME - NON-LIFE OWN FUNDS	TOTAL INCOME
Income from dividends	458,588	783,757	1,242,344
Income from land and buildings	66,441	28,935	95,376
Interest income	35,246,672	1,221,975	36,468,647
Financial income from revaluation	9,527,741	396,746	9,924,487
Other financial income	3,178	2,160,490	2,163,668
Income from investment value adjustments	0	19,753	19,753
Gains from disposal of investments	11,481,260	1,349,779	12,831,039
TOTAL INCOME	56,783,879	5,961,436	62,745,315

	IN EUR		
	EXPENSES - NON-LIFE TECHNICAL PROVISIONS	EXPENSES - NON-LIFE OWN FUNDS	TOTAL EXPENSES
Amortisation and depreciation of assets not used in insurance business	24,604	29,055	53,659
Expenses from asset management, interest expenses and other financial expenses	1,308,229	1,363,768	2,671,997
Financial expenses from revaluations	4,744,826	990,830	5,735,656
Loss on disposal of investments	6,132,837	764,909	6,897,746
TOTAL EXPENSES FROM INVESTMENTS	12,210,496	3,148,561	15,359,057
Investment income (income - expenses)	44,573,383	2,812,874	47,386,257

ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT - HEALTH INSURANCE 2009

	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	373,870	87,731	461,601
Financial income from revaluation	11	0	11
Other financial income	10,136	0	10,136
Income from investment value adjustments	0	7,359	7,359
Gains from disposal of investments	0	0	0
TOTAL INCOME	384,017	95,090	479,107

	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	18,261	811	19,072
Financial expenses from revaluations	0	0	0
Loss on disposal of investments	0	0	0
TOTAL EXPENSES FROM INVESTMENTS	18,261	811	19,072
Investment income (income - expenses)	365,756	94,279	460,035



The Annual Report of the Triglav Group 2010
is available at the website:
www.triglav.si and www.triglav.eu.



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