

Dear Shareholders, Business Partners and Colleagues

Security and profitability, the business vision of the Triglav Group, were fully realised in 2011, despite the fact the year was not a favourable one for the insurance industry. High net profits of EUR 47.5 million and good results in the core insurance business were achieved in a complex and demanding environment: South-East Europe, marked by a constant search for the way out of the current financial and economic crisis.

The stagnation in the markets of the Triglav Group deepened in 2011, but we proved that we can consolidate our business even in difficult conditions.

Strategy extended to 2015

Except for the Czech market, all other markets were characterised by increasing unemployment, poorer liquidity in the corporate sector, especially increasing price competition and an uncertain economic recovery. All this was also true of the Slovene market, which has the strongest impact on the performance of the Triglav Group. Two factors became crucial in such circumstances: the monitoring of strategy implementation and adaptation to the changing environment. In 2011 we defined even more specific performance criteria, extended our development strategy on an even more ambitious basis, set a goal of at least 12% return on equity and sound profitability of the core business, i.e. a stable combined ratio below 95%.

Profitability increased

Strategic considerations two years ago only confirmed our belief that in tight economic conditions we have to guarantee long-term suitable growth of our core business, which can be achieved only if it is monitored and generates profit.

In the insurance industry, the going concern basis is linked to achieving an appropriate level of profitability, which is another proof that our good governance has enabled effective cost management and competitive premium pricing. An insurer's capability to duly meet its liabilities, make effective use of the available internal resources for providing capital adequacy and access capital markets under favourable conditions: all of this is closely linked to the profitability of its operations.

In 2011 the Triglav Group showed all of that. Two years ago return on equity before tax was negative, but last year it reached 9.6%. Favourable trends in core business profitability are underpinned by the combined ratio from non-life insurance business, which improved by 1.9 percentage point and reached a record low of 90.1%.

A credit rating maintained

Return on equity before tax and the combined ratio, as standard ratios for measuring the profitability of insurance companies, are both directly reflected in our financial strength rating. Our new development strategy defined as one of the objectives »maintaining the »A« rating from an established credit rating agency«, which was received for the first time in 2008.

In December 2011 Standard & Poor's awarded to Zavarovalnica Triglav the »A« rating (FCR, ICR), which proves the high level of its capital adequacy. As a result, Zavarovalnica Triglav remained the highest rated financial institution in Slovenia, despite the fact that the sovereign rating of Slovenia was lowered.

The two profitability ratios and the »A« rating by Standard & Poor's are positive signals to potential investors. They show that we put our equity to good use and define our internal potential for capital growth. It should be noted that Triglav's return on equity and combined ratio represent good achievements, according to insurance industry standards.

Consolidation steps for the further growth of the Triglav Group and the entry of a strategic partner

The Triglav Group formed and quickly expanded after 2000 through acquisitions and mergers of other insurers in the region, the launching of health insurance products and several other new lines of business.



The Balkans still represent an emerging region in Europe. Over the previous decade, which coincides with the internationalisation of the Triglav Group's operations, the region has experienced high GDP growth rates per capita, which, however, still remain below those reported by the weakest EU member states. We expect the EU approximation processes in the Balkans to have a positive impact on premium trends, whilst deteriorated economic conditions will have to be taken into account in forthcoming developments.

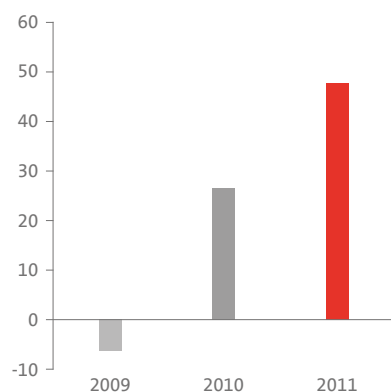
Two years ago the development of the Triglav Group was focused on the insurance business as well as the standardisation and adaptation of our recently created insurance group. The focus on insurance as the core business and the responsible boosting of its profitability turned out to be strategically and tactically important; by taking measures, we were able to successfully manage operations in a deteriorated regional environment, whilst our solid position on the Slovene market was under great pressure from our competitors and the economic conditions in the country.

We opted for controlled growth and gave preference to internal consolidation and performance improvement measures, such as cost management, standardisation and constant upgrading of products and services

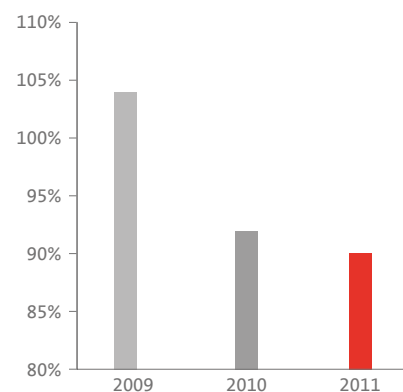
and IT implementation. A more diversified product range of the Triglav Group and its presence in several markets are among the factors of continued stable profit generation and business sustainability; however, we will not increase or keep our market shares at any cost. Capital and financial strength and the building of a quality portfolio are at the forefront.

In 2011, the internal consolidation process of the Triglav Group and preparations for future, more dynamic, market development included ownership consolidation. In this framework, the shareholdings of Zavarovalnica Triglav in subsidiaries were increased and the share capital of the holding company Triglav INT was raised with contributions in kind, taking the form of financial investments by Zavarovalnica Triglav. In this way, a transparent platform was created, enabling Zavarovalnica Triglav to involve a strategic partner in the business development of the Triglav Group, by becoming a shareholder of Triglav INT. Consequently, on 30 March 2012 Zavarovalnica Triglav, Triglav INT and IFC, a member of the World Bank Group, entered into a Subscription Agreement and a Shareholders' Agreement worth EUR 25 million. This capital increase is the beginning of a strategic partnership between IFC and the Triglav Group, aimed at the expansion and consolidation of the operations of the Triglav Group in existing and potential new markets.

Net profit in EUR million



Combined ratio in non-life insurance



Zavarovalnica Triglav promotes the adaptation of business processes in its subsidiaries outside Slovenia. Knowledge and experience in the insurance business proper, marketing, information technology, finance and accounting are transferred to subsidiaries outside Slovenia, whilst Triglav INT is becoming the focal management and governance company for these members of the Group.

Outcome of measures and economic conditions

Zavarovalnica Triglav, the parent company of the Triglav Group, is a market leader in the mature and highly competitive insurance industry in Slovenia. In 2011 73.3% of the total gross written premium of the Triglav Group was booked by Zavarovalnica Triglav and 8.4% by Triglav Zdravstvena Zavarovalnica. Their combined share in the Slovene insurance market was 37.1% or 0.8% lower than in 2010. Triglav subsidiaries outside Slovenia accounted for 18.3% of the total gross written premium of the Triglav Group, which represents a slight improvement.

Economic uncertainty, an increasing number of company bankruptcies and reduced purchasing power of households resulted in a 2% lower gross written insurance and co-insurance premium of the Triglav Group, which amounted to EUR 989.4 million in 2011. The distribution among lines of insurance business remained approximately unchanged. A comparison with less developed insurance markets outside Slovenia shows the characteristic predominance of non-life insurance lines. The Triglav Group posted 70.3% of the total gross written insurance and co-insurance premium from non-life insurance, 21.6% from life insurance and 8.1% from health insurance. Compared to 2010, both the life and the non-life insurance lines generated 3% lower premium, whereas an 11% premium growth was registered in health insurance.

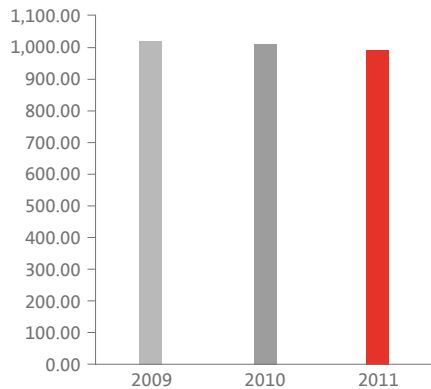
A very important development was restructuring and quality improvement of the non-life insurance portfolio, resulting from two years of coordinated efforts, which also improved the loss ratio. However, despite these two elements, the total premium was expectedly lower, due to reduced motor vehicle insurance premiums. The total premium from life insurance was also lower, due to social uncertainty among the active population and the aging of the portfolio, characterised by a high number of expiring insurance contracts.

Gross claims paid rose by 1% in total. However, gross claims paid from non-life insurance, which accounts for the greatest part of business, were lower by 8% and those from health insurance by 9%, whilst an increase of 31% was registered in life insurance. Claim settlements from life insurance mostly arose from maturities and surrenders of insurance policies, payable up to the amount of mathematical provisions and therefore having no impact on profit.

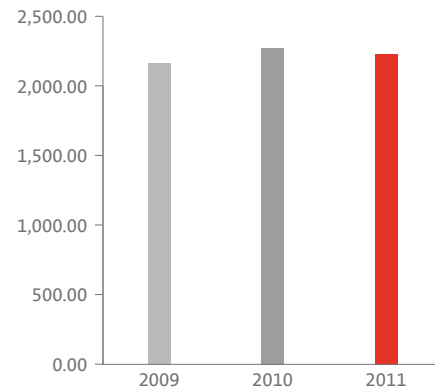
In addition to portfolio restructuring and favourable structure and volume of claims, the bottom line financial result was also passively influenced by austerity measures aimed at cost cutting, mainly concerning expenses that are not directly linked to insurance acquisition. Gross operating expenses dropped by 2%.

When judging the financial performance, it can be concluded that in an adverse business environment we took measures that enabled us to successfully manage the key insurance triangle: premiums, claims and costs. However, investment activities were marked by a series of external factors, such as the consequences of the financial crisis and developments in the banking sector, which resulted in permanent impairments of EUR 63.2 million. Nevertheless, the bottom line figures for 2011 are exceptionally good: 78% higher net profit and considerably improved return on equity.

Gross insurance and co-insurance premium of the Triglav Group in EUR million



Gross insurance technical provisions as at 31 December in EUR million



Even though these achievements in 2011 were not proportionally mirrored in price movements of Zavarovalnica Triglav's shares on the Ljubljana Stock Exchange, we are satisfied with their admission to the Prime Market. However, our commitment to reliable, financially sound and transparent operations has also started showing in the rising price of our share this year.

Marketing concept redefined and corporate social responsibility strategy adopted

Our network of insurance agents remains the main pillar of our sales network, with the growing importance of the individual management of key clients and the increasing role of the internet as a sales and communication channel. Last year the parent company successfully launched a key client unit for non-life insurance, a new website (www.triglav.eu) featuring extensive information for investors and a product called iTriglav enabling new insurance product sales options over the internet, featuring new functions and bringing additional value to users. Triglav's presence in social networks was boosted and new solutions are currently being developed.

The insurance market is sensitive to trends in the business environment. It is faced with the expectations of clients and society at large. Our client base is price sensitive, diverse and demanding. To this base we are linked not only with business services but also with common values. Therefore, the adoption of the Corporate Social Responsibility Strategy is of major importance for the corporate culture and functioning of the Triglav Group, today and in the future. This strategy is founded on a strong relationship with environment. The Annual Report for 2011 takes sustainable development reporting and indicators one step further; we

are particularly pleased that these indicators now include both employee satisfaction and client satisfaction.

Among numerous internal processes of redesign, integration and compliance in 2011, the most outstanding was the redefinition of marketing concept. The high value and potential of the Zavarovalnica Triglav brand outside Slovenia enabled us to start using Triglav brand in seven out of eight markets, based on a reinforced and up-dated identity. More work is still required for its full enforcement, based on which Triglav's presence in the region will be boosted. The Triglav brand will be underpinned by the implementation of set plans, in which the central objectives remain the profitability of operations, insurance product development and client satisfaction.

The year ahead of us in an unstable environment is demanding, but insurance companies are here to protect against risks. Our goal is to increase the financial strength of the Triglav Group and expand the boundaries of our success.

Let me thank you, dear shareholders and partners of Zavarovalnica Triglav and the Triglav Group, for the work done and the confidence shown.

Matjaž Rakovec,
President of the Management Board of Zavarovalnica Triglav d.d.

The Management Board of Zavarovalnica Triglav



1

Matjaž Rakovec

The President of the Management Board of
Zavarovalnica Triglav

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Marica Makoter

Member of the Management Board of Zava-
rovalnica Triglav, Employee Representative

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Igor Stebernak

Member of the Management Board of
Zavarovalnica Triglav

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Andrej Slapar

Member of the Management Board of
Zavarovalnica Triglav