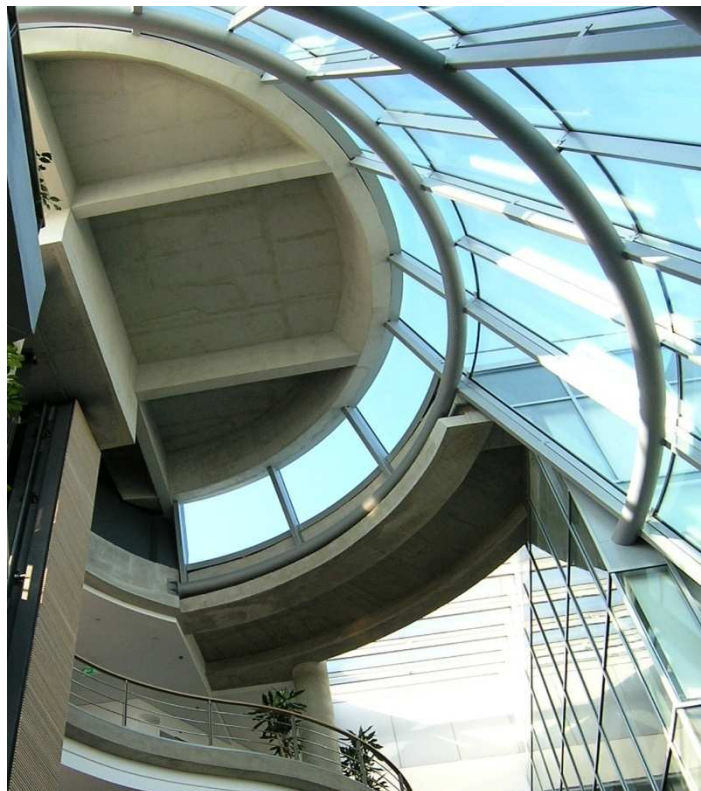




**CROATIA OSIGURANJE**

*utemeljeno 1884.*

## **ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2011**



**Zagreb, April 2012**

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## MANAGEMENT BOARD'S REPORT FOR THE BUSINESS YEAR 2011

The Croatia osiguranje Group realized income amounting to HRK 3,566.3 mil. that is a decrease of 2.3% compared to the same period of the previous year. Net profit after taxation and minority shareholders stake in net profit amounted to HRK 107.0 mil., that is an increase of 26.0% compared to the same period of the previous year.

During the period I-XII 2011, the written gross premium amounted to HRK 3,239.5 mil. that is a decrease of 1.7% caused by the global financial crisis during past three years. The non-life written gross premium amounted to 2,851.7 mil. that is a decrease of 2.0% while the written gross premium of life insurance amounted to HRK 387.8 mil. that is an increase of 0.5%.

The non-life and life insurance investment business in the Group recorded investment income amounting to HRK 443.9 mil. that is an increase of 27.2%.

Income of the Group by the business segments is set out below:

	2010	2011	Index (3/2)
1	2	3	4
Income from insurance operations	3.454.050.329	3.386.155.780	98,0
Income from financial and operative lease	67.966.195	34.076.995	50,1
Income from pension fund management	32.021.614	34.918.686	109,0
Income from MOT testings	67.872.024	81.749.216	120,4
Income from other activities	26.642.598	29.444.308	110,5
<b>Total</b>	<b>3.648.552.760</b>	<b>3.566.344.986</b>	<b>97,7</b>

The total expenditures of the Group amounted to HRK 3,408.1 mil. that is a decrease of 3.4%. The decrease in total expenditures is caused by the decrease in total expenses for insured events. The gross paid claims recorded an increase of 1%, change in provision for claims and reinsurance share in claims result with a decrease in insured events expenses.

As at 31/12/2011 the total assets of the Group amounted to HRK 9,052.1 mil. that is an increase of 0.5% compared to the status at 31/12/2010.

During the reported period the accounted technical provision amounted to HRK 6,307.4 mil. that is an increase of 1.2% compared to 31/12/2010.

During 2011, all subsidiaries operated with positive result apart from the company Croatia leasing d.d. which operates according to the out-going strategy and realized the planned loss amounting to HRK 6.5 mil.

Share of the particular member of the Group in the Group's result:

HRK000

MEMBER OF THE GROUP	Share %	Plan for 2011	PROFIT/LOSS		INDEX	INDEX
			I-XII 2010	I-XII 2011	(4:3)	(4:2)
0	1	2	3	4	5	6
Croatia osiguranje d.d.		69.580	56.771	104.700	184,4	150,5
Croatia Lloyd d.d.	94,64	40.400	40.717	42.625	104,7	105,5
Croatia zdravstveno osiguranje d.d.	100,00	1.921	6.309	4.557	72,2	237,2
Croatia osiguranje Ljubuški d.d.	52,05	3.867	2.773	1.975	71,2	51,1
Milenijum osiguranje a.d.	99,78	2.996	2.379	373	15,7	12,4
Croatia Sigurimi sh.a.	100,00	4.993	4.346	1.409	32,4	28,2
Croatia osiguranje a.d., za život.osig., Skopje	92,50	1.779	1.699	1.824	107,4	102,5
Croatia osiguranje a.d., za neživot.osig., Skopje	100,00	3.803	481	1.479	307,5	38,9
PBZ Croatia osiguranje d.d.*	50,00	15.601	16.371	18.176	111,0	116,5
Croatia osiguranje mirovinsko društvo d.o.o.	100,00	1.567	1.603	843	52,6	53,8
Croatia leasing d.o.o.	100,00	-6.968	-16.109	-6.455	-	-
Croatia - tehnički pregledi d.o.o.	100,00	10.198	10.438	11.287	108,1	110,7
Slavonijatrans tehnički pregledi d.o.o.	76,00	460	1.093	917	83,9	199,3
Herz d.d.	100,00	1.332	1.762	2.170	123,2	162,9
<b>GROSS PROFIT OF THE GROUP BEFORE ELIMINATION</b>		<b>151.529</b>	<b>130.633</b>	<b>185.880</b>	<b>142,3</b>	<b>122,7</b>
Consolidation elimination		25.000	11.583	27.603	238,3	110,4
<b>Gross profit of the Group</b>		<b>126.529</b>	<b>119.050</b>	<b>158.277</b>	<b>133,0</b>	<b>125,1</b>
Profit tax		30.306	30.750	48.585	158,0	160,3
<b>Net profit before minority interest</b>		<b>96.223</b>	<b>88.300</b>	<b>109.692</b>	<b>124,2</b>	<b>114,0</b>
Minority interest		3.556	3.350	2.645	79,0	74,4
<b>Net profit of the Group</b>		<b>92.667</b>	<b>84.950</b>	<b>107.047</b>	<b>126,0</b>	<b>115,5</b>

\*proportional consolidation



Silvana Ivančić

Member of the Management Board



Zdravko Žrinušić

President of the Management Board

# AUDITED ANNUAL FINANCIAL STATEMENTS

Reporting period: 01.01.2011. to 31.12.2011.

## Annual financial statement for insurance and reinsurance companies - GFI-OSIG

Tax number(MB)	03276147	
Company registration number (MBS):	080051022	
Personal identification number (OIB):	26187994862	
Issuing company:	CROATIA osiguranje d.d.	
Postal code and place	10000 ZAGREB	
Street and house number:	MIRAMARSKA 22	
E-mail address:		
Internet address	<a href="http://www.crosig.hr">www.crosig.hr</a>	
Municipality/city code and name	133 ZAGREB	
County code and name	21 GRAD ZAGREB	
Number of employees: (year end)	3.795	
Consolidated report:	YES	
NKD code:	65.12	
Companies of the consolidation subject (according to):	Seat:	MB:
CROATIA LLOYD D.D.	ZAGREB	03276236
CROATIA OSIGURANJE D.D.	LJUBUŠKI	20097647
PBZ CROATIA OSIGURANJE D.D.	ZAGREB	01583999
CROATIA ZDRAVSTVENO OSIGURANJE D.D.	ZAGREB	01808435
CROATIA TEHNIČKI PREGLEDI D.D.	ZAGREB	01450930
CROATIA LEASING D.O.O.	ZAGREB	01892037
Bookkeeping service:		
Contact person:	Gordana Golub Levanić	
Telephone:	016333108	Telefax: 016170381
E-mail address:	<a href="mailto:izdavatelji@crosig.hr">izdavatelji@crosig.hr</a>	
Family name and name:	SILVANA IVANČIĆ, ZDRAVKO ZRINUŠIĆ (person authorized to represent the company)	

### Documents to be published:

1. Audited annual financial statements with the auditors' report
2. Management report
3. Statement of persons responsible for the drawing-up of financial statements in PDF
4. The decision of the competent authority (the proposal) on the determining of the annual financial statements
5. Decision on the allocation of profit or loss of coverage

Članica Uprave  
*Silvana Ivančić*  
Silvana Ivančić

Predsjednik Uprave  
*Zdravko Zrinišić*  
Zdravko Zrinišić

**Consolidated report on comprehensive profit (Profit and loss account)  
For the period 01.01.-31.12.2011.**

in HRK

Position	AOP	Previous period			Current period		
		Life	Non-life	Total	Life	Non-life	Total
1	2	3	4	5(3+4)	6	7	8(6+7)
<b>I. Earned premiums (AOP 125 to 132)</b>	<b>124</b>	385.810.559	2.580.804.201	2.966.614.760	387.557.064	2.454.094.271	2.841.651.335
1. Gross written premiums	125	385.704.710	2.911.414.493	3.297.119.203	387.803.438	2.851.750.030	3.239.553.468
2. Coinsurance premium	126		556.583	556.583		1.024.374	1.024.374
3. Value adjustment and collected insurance/coinsurance premium value adjustment	127		-52.405.459	-52.405.459		-69.013.259	-69.013.259
4. Premiums ceded to reinsurance	128	-6.859	-352.894.530	-352.901.389	-319.731	-328.188.741	-328.508.471
5. Premiums ceded to coinsurance	129		-5.383.364	-5.383.364		-3.744.946	-3.744.946
6. Change in gross unearned premium provision	130	112.708	74.099.692	74.212.400	73.219	6.876.011	6.949.231
7. Change in unearned premium provision, reinsurer's share	131		4.342.854	4.342.854	138	-4.609.200	-4.609.062
8. Change in unearned premium provision, coinsurer's share	132		1.073.932	1.073.932			
<b>II. Income from investments (AOP 134 + 135 + 139 + 140 + 141 + 145 + 146)</b>	<b>133</b>	132.402.422	216.589.009	348.991.431	135.096.118	308.812.391	443.908.509
1. Income from branch-offices, associated companies and joint ventures	134						
2. Income from investments into land and buildings (136 to 138)	135	4.474	12.240.130	12.244.604	4.566	62.867.176	62.871.742
2.1. Income from rental fees	136	4.474	6.669.941	6.674.415	4.566	7.096.002	7.100.568
2.2. Income from increased value of land and buildings	137		5.137.070	5.137.070		55.751.782	55.751.782
2.3. Income from real estate sale	138		433.119	433.119		19.392	19.392
3. Interest income	139	120.273.024	173.695.336	293.968.360	108.747.360	160.646.103	269.393.462
4. Unrealized profits from investment at fair value	140	3.898.786	6.693.193	10.591.979	2.494.897	8.892.042	11.386.939
5. Gain on sale (realization) of financial investments (142 to 145)	141	3.455.091	7.390.415	10.845.506	3.870.283	6.598.217	10.468.500
5.1. Investment at fair value through profit and loss account	142	3.190.003	5.516.247	8.706.250	3.081.729	4.899.661	7.981.390
5.2. Investment available for sale	143	83.070	1.751.575	1.834.645		1.698.556	1.698.556
5.3. Other gains on sale of financial investments	144	182.018	122.593	304.611	788.554		788.554
6. Net positive exchange rate differences	145	11.058.585	12.329.780	23.388.365	19.753.250	16.947.707	36.700.956
7. Other investment income	146	-6.287.538	4.240.155	-2.047.383	225.763	52.861.146	53.086.909
<b>III. Income from commissions and fees</b>	<b>147</b>	90.042	45.903.228	45.993.270	69.101	44.660.305	44.729.407
<b>IV. Other insurance-technical income, net of reinsurance</b>	<b>148</b>	728.107	39.647.332	40.375.439	108.336	20.825.011	20.933.348
<b>V. Other income</b>	<b>149</b>	1.832.993	244.744.866	246.577.859	1.361.321	213.761.067	215.122.388
<b>VI. Expenses for insured events, net of reinsurance (AOP 151 + 155)</b>	<b>150</b>	-229.929.004	-1.549.705.854	-1.779.634.858	-323.768.560	-1.403.695.469	-1.727.464.029
1. Paid claims (AOP 152 to 154)	151	-230.501.346	-1.578.904.031	-1.809.405.377	-329.935.998	-1.470.065.857	-1.800.001.855
1.1. Gross amount	152	-230.501.346	-1.695.479.590	-1.925.980.936	-329.935.998	-1.614.599.709	-1.944.535.707
1.2. Coinsurer's share	153		-491.247	-491.247		40.489	40.489
1.3. Reinsurer's share	154		117.066.806	117.066.806		144.493.364	144.493.364
2. Change in claims provision (AOP 156 to 158)	155	572.342	29.198.177	29.770.519	6.167.438	66.370.388	72.537.826
2.1. Gross amount	156	572.342	29.198.177	29.770.519	6.163.009	-56.641.838	-50.478.829
2.2. Coinsurer's share	157				4.429		4.429
2.3. Reinsurer's share	158					123.012.226	123.012.226
<b>VII. Change in mathematical reserve and other technical reserves (AOP 160 + 163)</b>	<b>159</b>	-136.507.486	-13.847.225	-150.354.711	-64.996.943	-10.670.000	-75.666.943
1. Change in mathematical insurance provision (AOP 161 + 162)	160	-136.507.486		-136.507.486	-64.996.943		-64.996.943
1.1. Gross amount	161	-136.505.904		-136.505.904	-65.149.825		-65.149.825
1.2. Reinsurer's share	162	-1.582		-1.582	152.883		152.883
2. Change in other technical provision, net of reinsurance (AOP 164 do 166)	163		-13.847.225	-13.847.225		-10.670.000	-10.670.000
2.1. Gross amount	164		-13.847.225	-13.847.225		-10.670.000	-10.670.000
2.2. Coinsurer's share	165						
2.3. Reinsurer's share	166						
<b>VIII. Changes in special reserves for insurance concerning the life insurance group where the policyholder assumes the investment risk, net of reinsurance (AOP 168 to 170)</b>	<b>167</b>	1.918.336		1.918.336	4.700.768		4.700.768
1. Gross amount	168	1.918.336		1.918.336	4.700.768		4.700.768
2. Coinsurer's share	169						
3. Reinsurer's share	170						
<b>IX. Outlays for premium returns (bonuses and discounts), net of reinsurance (AOP 172 + 173)</b>	<b>171</b>		3.614.102	3.614.102		-466.213	-466.213
1. Depending on results (bonuses)	172		-390.424	-390.424		-104.981	-104.981
2. Irrespective of results (discounts)	173		4.004.526	4.004.526		-361.232	-361.232

<b>X. Business expenditures (AOP 175+179)</b>	<b>174</b>	-113.880.673	-1.022.477.203	-1.136.357.876	-108.883.777	-1.040.417.397	-1.149.301.174
1. Sales expenses (AOP 176 to 178)	<b>175</b>	-40.406.269	-303.952.105	-344.358.374	-35.290.163	-296.237.384	-331.527.547
1.1. Commission	<b>176</b>	-27.414.311	-152.594.619	-180.008.930	-25.822.347	-176.517.443	-202.339.790
1.2. Other sales expenses	<b>177</b>	-12.991.958	-149.729.940	-162.721.898	-9.467.816	-123.177.081	-132.644.897
1.3. Change in split sales expenses	<b>178</b>		-1.627.546	-1.627.546		3.457.139	3.457.139
2. Management expenses (AOP 180 to 182)	<b>179</b>	-73.474.404	-718.525.098	-791.999.502	-73.593.614	-744.180.013	-817.773.627
2.1. Depreciation of tangible assets	<b>180</b>	-2.069.428	-55.150.513	-57.219.941	-1.944.285	-54.451.779	-56.396.064
2.2. Salaries, taxes and salary contributions (from and on salary)	<b>181</b>	-42.779.247	-385.889.195	-428.668.442	-44.308.600	-380.279.989	-424.588.590
2.3. Other management expenses	<b>182</b>	-28.625.729	-277.485.390	-306.111.119	-27.340.729	-309.448.244	-336.788.973
<b>XI. Investment expenses (AOP 184 to 189)</b>	<b>183</b>	-33.810.143	-142.231.822	-176.041.965	-20.233.603	-184.753.812	-204.987.415
1. Depreciation (buildings not intended for business activities of the company)	<b>184</b>		-1.271.102	-1.271.102			
2. Interest	<b>185</b>	-16.051	-476.808	-492.859	-12.186	-1.354	-13.539
3. Investment impairments	<b>186</b>	-16.717.359	-20.330.656	-37.048.015	-12.043.534	-32.152.661	-44.196.195
4. Losses from sale (realizations) of investment	<b>187</b>	-13.739.085	-38.910.657	-52.649.742	-2.575.940	-21.363.966	-23.939.906
5. Adjustment of financial assets at fair value through P&L	<b>188</b>	-726.384	-111.231	-837.615	-5.089.978	-8.014.888	-13.104.866
6. Net foreign exchange losses	<b>189</b>						
7. Other investment costs	<b>190</b>	-2.611.264	-81.131.368	-83.742.632	-511.965	-123.220.944	-123.732.909
<b>XII. Other technical expenses, net of reinsurance (AOP 192 + 193)</b>	<b>191</b>	-305.749	-82.178.583	-82.484.332	-190.956	-84.668.049	-84.859.006
1. Prevention activities expenses	<b>192</b>		-3.271.962	-3.271.962		-6.101.039	-6.101.039
2. Other technical expenses	<b>193</b>	-305.749	-78.906.621	-79.212.370	-190.956	-78.567.010	-78.757.966
<b>XIII. Other expenses, including value adjustment</b>	<b>194</b>	-60.845	-210.100.989	-210.161.834	-1.142.463	-168.881.499	-170.023.962
<b>XIV. Profit or loss before taxes</b> (124+133+147+148+149+150+159+167+171+174+183+191+194)	<b>195</b>	8.288.559	110.761.062	119.049.621	9.676.407	148.600.606	158.277.013
<b>XV. Taxation (AOP 197+198)</b>	<b>196</b>	-1.051.194	-29.699.441	-30.750.635	-2.551.473	-46.033.081	-48.584.554
1. Current tax expenses	<b>197</b>	-1.051.194	-29.699.441	-30.750.635	-1.616.708	-45.990.298	-47.607.007
2. Deferred tax expenses	<b>198</b>				-934.765	-42.783	-977.548
<b>XVI. Net profit or loss for the period (AOP 195-196)</b>	<b>199</b>	7.237.365	81.061.621	88.298.986	7.124.933	102.567.525	109.692.459
1. Attributable to majority owners	<b>200</b>	6.607.740	78.342.027	84.949.767	6.785.475	100.261.629	107.047.105
2. Attributable to minority interests	<b>201</b>	629.625	2.719.594	3.349.219	339.458	2.305.895	2.645.353
<b>XVII. TOTAL INCOME</b>	<b>202</b>	520.864.123	3.127.688.636	3.648.552.759	524.191.941	3.042.153.045	3.566.344.986
<b>XVIII. TOTAL EXPENSES</b>	<b>203</b>	-513.626.758	-3.046.627.015	-3.560.253.773	-517.067.007	-2.939.585.520	-3.456.652.527
<b>IX. Other comprehensive profit (205 to 211 - 212)</b>	<b>204</b>	16.309.458	64.383.814	80.693.272	-24.407.721	-39.370.966	-63.778.687
1. Profit / loss from translation of financial statements	<b>205</b>					64.842	64.842
2. Profit / loss from revaluation of financial assets available for sale	<b>206</b>	16.309.458	62.123.524	78.432.982	-24.407.721	-41.830.581	-66.238.302
3. Profit / loss from revaluation of operational land and buildings	<b>207</b>		2.112.091	2.112.091		2.394.773	2.394.773
4. Profit / loss from revaluation of other tangible (except land and buildings) and intangible assets	<b>208</b>		148.199	148.199			
5. Effects of cash flow hedging instruments	<b>209</b>						
6. Actuarial profit / loss on pension plans with defined pensions	<b>210</b>						
7. Share of other comprehensive profit of associates	<b>211</b>						
8. Profit tax on other comprehensive profit	<b>212</b>						
<b>XX. Total comprehensive profit (199+204)</b>	<b>213</b>	23.546.823	145.445.435	168.992.258	-17.282.788	63.196.559	45.913.771
1. Attributable to majority owners	<b>214</b>	22.917.197	141.927.305	164.844.502	-17.622.246	54.587.155	36.964.909
2. Attributable to minority interests	<b>215</b>	629.625	3.518.131	4.147.756	339.458	8.609.405	8.948.863

## Consolidated report on financial position (Balance sheet) As at 31/12/2011

in HRK

Position	AOP	Previous period			Current period		
		Life	Non-life	Total	Life	Non-life	Total
1	2	3	4	5(3+4)	6	7	8(6+7)
<b>ASSETS</b>							
<b>A. RECEIVABLE FOR SUBSCRIBED NOT PAID CAPITAL (002+003)</b>	<b>001</b>						
1. Capital invited to be paid	<b>002</b>						
2. Capital that is not invited to be paid	<b>003</b>						
<b>B. INTANGIBLE ASSETS (005+006)</b>	<b>004</b>	35.779	68.571.950	68.607.729	59.932	63.309.339	63.369.271
1. Goodwill	<b>005</b>		43.154.776	43.154.776		42.263.906	42.263.906
2. Other intangible assets	<b>006</b>	35.779	25.417.174	25.452.953	59.932	21.045.433	21.105.365
<b>C. TANGIBLE ASSETS (008 to 010)</b>	<b>007</b>	4.868.441	1.551.699.463	1.556.567.904	4.305.464	1.484.861.406	1.489.166.870
1. Land and buildings used for insurance activities	<b>008</b>	4.185.330	1.372.329.198	1.376.514.528	3.679.148	1.347.814.385	1.351.493.534
2. Equipment	<b>009</b>	521.068	140.887.166	141.408.234	491.763	98.488.524	98.980.287
3. Other tangible assets and reserves	<b>010</b>	162.043	38.483.099	38.645.142	134.553	38.558.497	38.693.050
<b>D. INVESTMENTS (012+013+017+036)</b>	<b>011</b>	2.083.905.096	3.845.786.189	5.929.691.285	2.106.295.797	3.947.245.974	6.053.541.771
<b>I. Investments in land and buildings not intended for business activities of the company</b>	<b>012</b>		816.718.189	816.718.189	437.198	968.976.989	969.414.187
<b>II. Investments in branch-offices, associated companies and participating in joint investments (014 to 016)</b>	<b>013</b>		19.140.405	19.140.405		17.607.576	17.607.576
1. Shares and stakes in branch-offices	<b>014</b>		429.012	429.012			
2. Shares and stakes in associate companies	<b>015</b>		17.891.495	17.891.495		16.295.014	16.295.014
3. Participating in joint investments	<b>016</b>		819.898	819.898		1.312.562	1.312.562
<b>III. Other financial investments (018 + 021 + 026 + 032)</b>	<b>017</b>	2.083.905.096	3.009.927.595	5.093.832.691	2.105.858.599	2.960.661.409	5.066.520.008
1. Investments kept till maturity date (019 + 020)	<b>018</b>	1.229.341.654	793.103.148	2.022.444.802	1.312.794.201	918.652.533	2.231.446.734
1.1. Debt securities and other securities with fixed income	<b>019</b>	1.229.341.654	776.802.637	2.006.144.291	1.312.794.201	904.550.884	2.217.345.085
1.2. Other investments kept till maturity date	<b>020</b>		16.300.511	16.300.511		14.101.649	14.101.649
2. Investments available for sale (022 to 025)	<b>021</b>	115.155.930	324.509.104	439.665.034	60.422.034	198.835.404	259.257.438
2.1. Stocks, shares and other securities with variable income	<b>022</b>	54.417.013	205.911.348	260.328.361	24.314.237	118.648.920	142.963.157
2.2. Debt securities and other securities with fixed income	<b>023</b>					1.267.500	1.267.500
2.3. Stakes in investment funds	<b>024</b>	60.738.917	118.597.756	179.336.673	36.107.797	78.918.984	115.026.780
2.4. Other investments available for sale	<b>025</b>						
3. Investments at fair value through the profit and loss account (027 to 031)	<b>026</b>	180.044.882	312.854.885	492.899.767	200.501.903	383.929.268	584.431.170
3.1. Stocks, shares and other securities with variable income	<b>027</b>		2.279.958	2.279.958		8.213.904	8.213.904
3.2. Debt securities and other securities with fixed income	<b>028</b>	9.879.000	42.510.883	52.389.883	83.590.987	110.355.342	193.946.328
3.3. Derivative financial instruments	<b>029</b>						
3.4. Stakes in investment funds	<b>030</b>	170.165.882	268.064.044	438.229.926	116.910.916	265.360.022	382.270.938
3.5. Other investments	<b>031</b>						
4. Deposits, loans and receivables (033 to 035)	<b>032</b>	559.362.630	1.579.460.458	2.138.823.088	532.140.461	1.459.244.205	1.991.384.666
4.1. Bank deposits	<b>033</b>	488.990.842	1.162.729.771	1.651.720.613	474.809.212	1.073.025.807	1.547.835.019
4.2. Loans	<b>034</b>	69.709.704	391.404.689	461.114.393	56.645.349	381.059.384	437.704.732
4.3. Other loans and receivables	<b>035</b>	662.084	25.325.998	25.988.082	685.901	5.159.014	5.844.914
<b>IV. Deposits at insurance activities ceded to reinsurance (deposits with cedent)</b>	<b>036</b>						
<b>E. INVESTMENTS FOR THE ACCOUNT AND OWN RISK OF LIFE INSURANCE POLICYHOLDER</b>	<b>037</b>	22.374.967		22.374.967	16.320.627		16.320.627
<b>F. UDIO REOSIGURANJA U TEHNIČKIM PRIČUVAMA (039 to 045)</b>	<b>038</b>	11.607	170.577.663	170.589.270	164.628	236.107.174	236.271.802
1. Unearned premiums, reinsurance share	<b>039</b>		77.653.096	77.653.096	138	19.806.023	19.806.161
2. Mathematical insurance provision, reinsurance share	<b>040</b>	11.607		11.607	164.490		164.490
3. Claims provision, reinsurance share	<b>041</b>		92.306.696	92.306.696		215.781.823	215.781.823
4. Provision for premium returns depending and not depending on result (bonuses and discounts), reinsurance share	<b>042</b>		617.871	617.871		519.328	519.328
5. Provision for claims fluctuation, reinsurance share	<b>043</b>						
6. Other technical insurance provision, reinsurance share	<b>044</b>						
7. Special provision for insurance concerning life insurance group where the policyholder assumes the investment risk, reinsurance share	<b>045</b>						
<b>G. DEFERRED AND CURRENT TAX ASSETS (047+048)</b>	<b>046</b>	3.365.941	8.089.287	11.455.228	2.451.330	3.588.575	6.039.905
1. Deferred tax assets	<b>047</b>	3.343.472	4.192.043	7.535.515	2.408.707	3.588.575	5.997.282
2. Current tax assets	<b>048</b>	22.469	3.897.244	3.919.713	42.623		42.623
<b>H. RECEIVABLES (050 + 053 + 054)</b>	<b>049</b>	47.579.928	1.044.599.437	1.092.179.365	10.292.727	1.001.153.666	1.011.446.393
<b>1. Receivables from direct insurance activities (051 + 052)</b>	<b>050</b>	41.306.800	689.902.212	731.209.012	162.077	681.383.908	681.545.985
1.1. Receivables from policyholders	<b>051</b>	41.239.595	681.607.349	722.846.944	118.331	673.981.679	674.100.010
1.2. Receivables from insurance agents	<b>052</b>	67.205	8.294.863	8.362.068	43.746	7.402.229	7.445.975
<b>2. Receivables from coinsurance and reinsurance activities</b>	<b>053</b>		29.146.633	29.146.633		61.234.875	61.234.875
<b>3. Other receivables (055 to 057)</b>	<b>054</b>	6.273.128	325.550.592	331.823.720	10.130.650	258.534.884	268.665.533
3.1. Receivables for other insurance activities	<b>055</b>		39.441.426	39.441.426		29.563.633	29.563.633
3.2. Receivables for returns on investments	<b>056</b>	1.774.148	15.395.682	17.169.830	3.943.028	13.160.606	17.103.634
3.3. Other receivables	<b>057</b>	4.498.980	270.713.484	275.212.464	6.187.622	215.810.644	221.998.266
<b>I. OTHER ASSETS (059 + 063 + 064)</b>	<b>058</b>	7.480.660	77.732.314	85.212.974	6.117.246	88.539.542	94.656.787
<b>1. Money in bank and in cash (060 to 062)</b>	<b>059</b>	7.387.138	58.049.720	65.436.858	6.052.921	75.750.040	81.802.961
1.1. Money on business account	<b>060</b>	1.172.350	57.713.155	58.885.505	3.918.390	75.407.245	79.325.635
1.2. Money on mathematical provision account	<b>061</b>	6.205.208		6.205.208	2.127.973		2.127.973
1.3. Cash money	<b>062</b>	9.580	336.565	346.145	6.558	342.795	349.353
<b>2. Long-term assets intended for sale and business termination</b>	<b>063</b>						
<b>3. Other</b>	<b>064</b>	93.522	19.682.594	19.776.116	64.325	12.789.502	12.853.826
<b>J. PREPAID EXPENSES OF THE FUTURE PERIOD AND UNDUE COLLECTION OF INCOME (066 to 068)</b>	<b>065</b>	18.055.825	49.340.791	67.396.616	22.259.902	59.037.498	81.297.400
1. Split interest and rental fees	<b>066</b>	18.012.109	19.367.411	37.379.520	22.185.161	16.024.052	38.209.213
2. Split sales costs	<b>067</b>		13.408.769	13.408.769		20.454.677	20.454.677
3. Other paid expenses of the future period and undue income collection	<b>068</b>	43.716	16.564.611	16.608.327	74.741	22.558.770	22.633.510
<b>K. TOTAL ASSETS (001+004+007+011+037+038+046+049+058+065)</b>	<b>069</b>	2.187.678.244	6.816.397.094	9.004.075.338	2.168.267.651	6.883.843.174	9.052.110.826
<b>L. NON-BALANCE SHEET RECORDS</b>	<b>070</b>		704.570.820	704.570.820		734.133.072	734.133.072



<b>LIABILITIES</b>								
<b>A. CAPITAL AND RESERVES (072 + 076 + 077 + 081 + 085 + 088)</b>	<b>071</b>	141.697.572	1.793.597.369	1.935.294.941	121.188.229	1.837.865.704	1.959.053.933	
<b>1. Subscribed capital (073 to 075)</b>	<b>072</b>	44.288.720	398.598.480	442.887.200	44.288.720	398.598.480	442.887.200	
1.1. Subscribed capital - common shares	<b>073</b>	44.288.720	386.348.480	430.637.200	44.288.720	386.348.480	430.637.200	
1.2. Subscribed capital - preferred shares	<b>074</b>		12.250.000	12.250.000		12.250.000	12.250.000	
1.3. Capital invited to be paid	<b>075</b>							
<b>2. Capital reserves</b>	<b>076</b>							
<b>3. Revaluation reserves (078 to 080)</b>	<b>077</b>	8.753.985	552.018.411	560.772.396	-15.718.730	512.712.440	496.993.709	
3.1. Revaluation of land and buildings	<b>078</b>		518.667.184	518.667.184	-64.994	520.883.395	520.818.401	
3.2. Revaluation of investments in financial assets	<b>079</b>	8.753.985	26.530.844	35.284.829	-15.653.736	-15.000.350	-30.654.086	
3.3. Other revaluation reserves	<b>080</b>		6.820.383	6.820.383		6.829.395	6.829.395	
<b>4. Reserves (082 to 084)</b>	<b>081</b>	77.013.268	366.917.393	443.930.661	78.314.936	378.151.843	456.466.779	
4.1. Legal provision	<b>082</b>	263.177	17.198.799	17.461.976	489.554	19.152.617	19.642.171	
4.2. Statutory provision	<b>083</b>	1.250.091	83.007.767	84.257.858	2.325.382	92.288.398	94.613.780	
4.3. Other reserves	<b>084</b>	75.500.000	266.710.827	342.210.827	75.500.000	266.710.828	342.210.828	
<b>5. Retained profit or loss (086 + 087)</b>	<b>085</b>	5.033.861	397.721.058	402.754.919	7.517.828	448.141.312	455.659.140	
5.1. Retained profit	<b>086</b>	5.033.861	397.721.058	402.754.919	7.517.828	448.141.312	455.659.140	
5.2. Retained loss (-)	<b>087</b>							
<b>6. Profit or loss for the period (089 + 090)</b>	<b>088</b>	6.607.738	78.342.027	84.949.765	6.785.475	100.261.630	107.047.104	
6.1. Profit for the period	<b>089</b>	6.607.738	78.342.027	84.949.765	6.785.475	100.261.630	107.047.104	
6.2. Loss for the period (-)	<b>090</b>							
<b>B. MINORITY INTEREST</b>	<b>091</b>	9.606.916	58.991.088	68.598.004	7.791.231	67.654.463	75.445.694	
<b>C. TECHNICAL PROVISION (093 to 098)</b>	<b>092</b>	1.924.060.577	4.309.035.501	6.233.096.078	1.986.686.474	4.320.732.309	6.307.418.783	
1. Unearned premiums, gross amount	<b>093</b>	3.986.675	1.173.196.945	1.177.183.620	3.929.192	1.114.848.550	1.118.777.742	
2. Mathematical insurance provision, gross amount	<b>094</b>	1.877.152.130		1.877.152.130	1.945.987.781		1.945.987.781	
3. Claims provision, gross amount	<b>095</b>	42.921.772	3.074.104.217	3.117.025.989	36.769.501	3.133.643.782	3.170.413.284	
4. Provision for premium returns dependent upon or independent of result (bonuses and discounts), gross amount	<b>096</b>		5.977.339	5.977.339		5.812.976	5.812.976	
5. Provision for claims fluctuation, gross amount	<b>097</b>							
6. Other technical insurance provision, gross amount	<b>098</b>		55.757.000	55.757.000		66.427.000	66.427.000	
<b>D. SPECIAL PROVISION FOR THE GROUP LIFE INSURANCE WHERE THE POLICYHOLDER ASSUMES THE INVESTMENT RISK, gross amount</b>	<b>099</b>	22.374.967		22.374.967	16.320.627		16.320.627	
<b>E. OTHER PROVISION (101 + 102)</b>	<b>100</b>	2.647.001	85.216.786	87.863.787	2.557.348	87.913.893	90.471.240	
1. Provision for pensions	<b>101</b>	2.647.001	78.382.881	81.029.882	2.557.348	82.502.608	85.059.956	
2. Other provision	<b>102</b>		6.833.905	6.833.905		5.411.285	5.411.285	
<b>F. DEFERRED AND CURRENT TAX LIABILITY (104 + 105)</b>	<b>103</b>		129.438.669	129.438.669	55.052	134.844.757	134.899.809	
1. Deferred tax liability	<b>104</b>		123.685.469	123.685.469		122.317.431	122.317.431	
2. Current tax liability	<b>105</b>		5.753.200	5.753.200	55.052	12.527.327	12.582.379	
<b>G. DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>	<b>106</b>							
<b>H. FINANCIAL LIABILITIES (108 to 110)</b>	<b>107</b>	144.963	161.061.626	161.206.589	100.067	88.400.064	88.500.131	
1. Loan liabilities	<b>108</b>		146.314.014	146.314.014		84.079.870	84.079.870	
2. Outstanding securities	<b>109</b>							
3. Other financial liabilities	<b>110</b>	144.963	14.747.612	14.892.575	100.067	4.320.194	4.420.261	
<b>I. OTHER LIABILITIES (112 to 115)</b>	<b>111</b>	45.013.731	258.456.232	303.469.963	33.390.208	305.054.134	338.444.342	
1. Liabilities derived from direct insurance activities	<b>112</b>	974.033	109.025.151	109.999.184	2.025.459	110.716.980	112.742.439	
2. Liabilities derived from coinsurance and reinsurance activities	<b>113</b>	1.665	38.334.150	38.335.815	1.693	67.958.283	67.959.976	
3. Liabilities for misappropriation and discontinued operations	<b>114</b>							
4. Other liabilities	<b>115</b>	44.038.033	111.096.931	155.134.964	31.363.056	126.378.871	157.741.927	
<b>J. DEFERRED PAYMENT OF EXPENSES AND INCOME OF THE FUTURE PERIOD (117+118)</b>	<b>116</b>	42.132.517	20.599.823	62.732.340	178.417	41.377.850	41.556.267	
1. Reinsurance commission split	<b>117</b>							
2. Other deferred costs payment and future income	<b>118</b>	42.132.517	20.599.823	62.732.340	178.417	41.377.850	41.556.267	
<b>K. TOTAL LIABILITIES (071+091+092+099+100+103+106+107+111+116 )</b>	<b>119</b>	2.187.678.244	6.816.397.094	9.004.075.338	2.168.267.652	6.883.843.174	9.052.110.825	
<b>L. NON-BALANCE SHEET RECORDS</b>	<b>120</b>		704.570.820	704.570.820		734.133.072	734.133.072	
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>								
<b>M. CAPITAL AND RESERVES (122+123)</b>	<b>121</b>	151.304.488	1.852.588.457	2.003.892.945	128.979.460	1.905.520.167	2.034.499.627	
<b>1. Attributable to majority owners</b>	<b>122</b>	141.697.572	1.793.597.369	1.935.294.941	121.188.229	1.837.865.704	1.959.053.933	
<b>2. Attributable to minority interests</b>	<b>123</b>	9.606.916	58.991.088	68.598.004	7.791.231	67.654.463	75.445.694	

## Consolidated report on status and changes in equity For the period 01.01.2011. - 31.12.2011.

in HRK

Position	AOP	Attributable to the owners of the parent company							Attributable to non-controlling interests	Total capital and reserves (9+10)
		Subscribed capital	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained profit or transferred loss	Current year profit/loss	Total capital and reserves (3 to 8)		
1	2	3	4	5	6	7	8	9	10	11
<b>I. Balance at 1 January - previous year</b>	<b>001</b>	442.887.200		492.570.679	423.894.652	274.246.101	152.504.002	1.786.102.634	62.855.107	1.848.957.741
1. Change in accounting policy	002					906.944		906.944	1.746.368	2.653.312
2. Correction of previous period errors	003			-7.526.061		-6.134.196		-13.660.257	835.504	-12.824.753
<b>II. Balance at 1 January - previous year (corrected) (AOP 001 to 003)</b>	<b>004</b>	442.887.200		485.044.618	423.894.652	269.018.849	152.504.002	1.773.349.321	65.436.979	1.838.786.300
<b>III. Comprehensive profit or loss - previous year (AOP 006+007)</b>	<b>005</b>			75.727.778		4.166.959	84.949.765	164.844.502	4.147.754	168.992.256
1. Profit/loss of the previous period	006						84.949.765	84.949.765	3.349.219	88.298.984
2. Other comprehensive profit/loss of the previous year (AOP 008 do 011)	007			75.727.778		4.166.959		79.894.737	798.535	80.693.272
2.1. Unrealized profit/loss from tangible assets (land and buildings)	008			-3.244.589		5.356.680		2.112.091		2.112.091
2.2. Unrealized profit/loss from financial assets available for sale	009			-7.746.521				-7.746.521	245.624	-7.500.897
2.3. Realized profit/loss from financial assets available for sale	010			85.933.880				85.933.880		85.933.880
2.4. Other non-ownership changes in capital	011			785.008		-1.189.721		-404.713	552.911	148.198
<b>IV. Transactions with owners (previous period) (AOP 013 to 016)</b>	<b>012</b>				20.036.009	129.569.111	-152.504.002	-2.898.882	-986.729	-3.885.611
1. Increase/decrease of share capital	013									
2. Other payments by the owners	014									
3. Payment of shares in profit/dividends	015						-2.898.882	-2.898.882	-986.729	-3.885.611
4. Other distribution to the owners	016				20.036.009	129.569.111	-149.605.120			
<b>V. Balance at 31 December - previous period (AOP 017)</b>	<b>017</b>	442.887.200		560.772.396	443.930.661	402.754.919	84.949.765	1.935.294.941	68.598.004	2.003.892.945
<b>VI. Balance at 1 January - current year</b>	<b>018</b>	442.887.200		560.772.396	443.930.661	402.754.919	84.949.765	1.935.294.941	68.598.004	2.003.892.945
1. Change in accounting policy	019									
2. Correction of previous period errors	020			74.365		-39.842		34.523		34.523
<b>VII. Balance at 1 January - current period (corrected) (AOP 018 to 020)</b>	<b>021</b>	442.887.200		560.846.761	443.930.661	402.715.077	84.949.765	1.935.329.464	68.598.004	2.003.927.468
<b>VIII. Comprehensive profit or loss - current period (AOP 023+024)</b>	<b>022</b>			-63.853.052		9.194.235	107.047.105	52.388.288	8.948.863	61.337.151
1. Profit/loss of the previous period	023						107.047.105	107.047.105	2.645.353	109.692.457
2. Other comprehensive profit/loss of the current year (AOP 025 to 028)	024			-63.853.052		9.194.235		-54.658.816	6.303.511	-48.355.306
2.1. Unrealized profit/loss from tangible assets (land and buildings)	025			2.320.408		6.835.588		9.155.996	8.144.812	17.300.807
2.2. Unrealized profit/loss from financial assets available for sale	026			-48.173.323				-48.173.323	-1.494.807	-49.668.130
2.3. Realized profit/loss from financial assets available for sale	027			-18.064.979				-18.064.979		-18.064.979
2.4. Other non-ownership changes in capital	028			64.842		2.358.648		2.423.490	-346.494	2.076.996
<b>IX. Transactions with owners (current period) (AOP 030 to 033)</b>	<b>029</b>				12.536.118	43.749.827	-84.949.765	-28.663.820	-2.101.173	-30.764.993
1. Increase/decrease of share capital	030									
2. Other payments by the owners	031									
3. Payment of shares in profit/dividends	032						-28.663.820	-28.663.820	-2.101.173	-30.764.993
4. Other distribution to the owners	033				12.536.118	43.749.827	-56.285.945			
<b>X. Balance at 31 December - current period (AOP 021+022+029)</b>	<b>034</b>	442.887.200		496.993.709	456.466.779	455.659.139	107.047.105	1.959.053.932	75.445.694	2.034.499.626

**Consolidated report on money flows (indirect method)**  
**For the period from 01.01.2011. to 31.12.2011.**

in HRK

Position	AOP	Previous period	Current period
1	2	3	4
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES (002+013+031)</b>	<b>001</b>	273.728.784	319.179.770
<b>1. Cash flow before change in business property and liabilities (AOP 003+004)</b>	<b>002</b>	284.064.707	-71.994.543
1.1. Profit before tax	<b>003</b>	119.049.621	158.277.013
1.2. Adjustment: (AOP 005 to 012)	<b>004</b>	165.015.086	-230.271.556
1.2.1. Depreciation and amortization of immovables and equipment	<b>005</b>	92.593.942	78.610.696
1.2.2. Depreciation and amortization of intangible property	<b>006</b>	5.466.381	6.452.213
1.2.3. Impairment and profits/losses from adjustment to fair value	<b>007</b>	83.072.151	56.114.022
1.2.4. Interest expenses	<b>008</b>		482
1.2.5. Interest income	<b>009</b>	7.100.560	-229.499.066
1.2.6. Share in profit of associated companies	<b>010</b>		-34.558.009
1.2.7. Profits/losses from sale of tangible property (including real estate)	<b>011</b>	-16.754	10.899.507
1.2.8. Other adjustments	<b>012</b>	-23.201.194	-118.291.401
<b>2. Increase/decrease in business property and liabilities (AOP 014 to 030)</b>	<b>013</b>	44.001.317	437.034.800
2.1. Increase /decrease in investments available for sale	<b>014</b>	50.800.526	180.407.596
2.2. Increase /decrease in investment estimated at fair value	<b>015</b>	-117.423.599	-126.638.762
2.3. Increase / decrease in deposits, loans and receivables	<b>016</b>	76.305.127	162.056.557
2.4. Increase/decrease of deposits at insurance activities ceded to reinsurance	<b>017</b>		
2.5. Increase / decrease in investment for the account and own risk of life insurance policyholders	<b>018</b>	-47.302	6.054.340
2.6. Increase /decrease of reinsurance stakes in tehcnical provision	<b>019</b>	-19.556.515	-65.682.532
2.7. Increase/decrease of taxable property	<b>020</b>	-5.298.967	5.415.323
2.8. Increase/decrease in receivables	<b>021</b>	204.840.393	271.894.249
2.9. Increase/decrease in other assets	<b>022</b>	3.274.980	
2.10. Increase/decrease in prepaid expenses of the future period and undue collection of income	<b>023</b>	-19.580.536	-13.900.781
2.11. Increase/decrease in tehcnical provision	<b>024</b>	52.266.070	74.322.706
2.12. Increase/decrease in life insurance tehcnical provision when the policyholder bears investment risk	<b>025</b>	47.302	-6.054.340
2.13. Increase/decrease in tax liabilities	<b>026</b>	-15.770.859	5.461.139
2.14. Increase/decrease in deposits held from activities ceded to reinsurance	<b>027</b>		
2.15. Increase/decrease in financial liabilities	<b>028</b>	-71.162.828	-72.706.459
2.16. Increase/decrease in other liabilities	<b>029</b>	-50.142.167	37.581.832
2.17. Increase/decrease in deferred payment of expenses and income of the future period	<b>030</b>	-44.550.308	-21.176.070
<b>3. Income tax paid</b>	<b>031</b>	-54.337.240	-45.860.486
<b>II. CASH FLOW FROM INVESTMENT ACTIVITIES (AOP 033 to 046)</b>	<b>032</b>	-178.277.131	-241.864.931
1. Receipts fom sale of tangible assets	<b>033</b>	9.222.035	19.955.263
2. Expenditures for the purchase of tangible assets	<b>034</b>	-69.267.621	-34.193.150
3. Receipts from sale of intangible assets	<b>035</b>	237.804	
4. Expenditures for the purchase of intangible assets	<b>036</b>	-8.903.911	-2.027.176
5. Receipts from sale of land and buildings not intended for business activities of the company	<b>037</b>	433.119	
6. Expenditures for the purchase of land and buildings not intended for business activities of the company	<b>038</b>	-11.820.494	-81.376.244
7. Increase/decrease of investments in branch-offices, associated companies and participation in joint investements	<b>039</b>	13.688.777	40.116.167
8. Receipts from investments kept till maturity	<b>040</b>	80.271.090	109.012.553
9. Expenditures for investments kept till maturity	<b>041</b>	-188.366.596	-299.092.603
10. Receipts from sale of securities and stakes	<b>042</b>		1.314.422
11. Expenditures for investments in securities and stakes	<b>043</b>	-8.086.626	-1.288.898
12. Receipts from dividends and profit share	<b>044</b>	1.982.736	2.787.773
13. Receipts from long term and short term loans	<b>045</b>	6.271.979	323.751.179
14. Expenses for long term and short term loans	<b>046</b>	-3.939.423	-320.824.217
<b>III. CASH FLOW FROM FINANCIAL ACTIVITIES (AOP 050 to 054)</b>	<b>047</b>	-99.539.133	-34.839.517
1. Receipts from capital stock increase	<b>048</b>		
2. Receipts from short-term and long-term loans	<b>049</b>	203.347	31.596
3. Expenditures for short-term and long-term loanss	<b>050</b>	-96.843.597	-1.026.315
4. Expenditures for purchase of treasury shares	<b>051</b>		
5. Expenditures for payment of profit share (dividends)	<b>052</b>	-2.898.883	-33.844.798
<b>NET CASH FLOW (AOP 001 + 032 + 049)</b>	<b>053</b>	-4.087.480	42.475.322
<b>IV. EFFECTS OF CHANGES IN RATES OF FOREIGN CURRENCIES</b>	<b>054</b>	812.500	-33.031.508
<b>V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (055+056)</b>	<b>055</b>	-3.274.980	9.443.814
Cash and cash equivalents at the beginning of the period	<b>056</b>	88.487.953	85.212.974
Cash and cash equivalents at the end of the period (AOP 057 + 058)	<b>057</b>	85.212.973	94.656.788



On the basis of the Article 20 of the Statute of CROATIA osiguranje d.d. of 30 April 2008 and Article 410 of the Law on Equity Market (NN 88/08) the Management Board of the Company gives the

## STATEMENT

To the best of its knowledge:

- The consolidated annual financial statements for the year 2011 of the issuer made by applying relevant FRS, give the whole and true presentation of assets and liabilities, losses and gains, financial position and business operation of the issuer as well as companies included in consolidation as a whole,
- The Management Board's report consists of true presentation of the development and results of business operations as well as the position of the issuer and companies included in consolidation, accompanied by the description of major risks and uncertainties the issuer as well as companies are exposed to.

Silvana Ivančić

Member of the Board

Zdravko Zrinušić

President of the Board

## **INDEPENDENT AUDITOR'S REPORT**

To the Owners and the Management Board of the company Croatia osiguranje d.d., Zagreb

### **Subject of audit**

1. We have audited the enclosed consolidated financial statements of the company CROATIA osiguranje d.d., Zagreb (hereinafter "the Company") for the year ended 31 December 2011, which comprise the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended as well as the summary of significant accounting policies and other pertaining notes.

### **Management's Responsibility**

2. The Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards approved for usage in the Republic of Croatia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

3. 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 financial statements.

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

## Opinion

4. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company CROATIA osiguranje d.d., Zagreb as of December 31, 2011, and of its consolidated operating result and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards approved for usage in the Republic of Croatia.

## Emphasis of matter

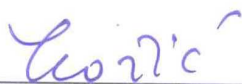
5. We draw attention to the fact that the policy in certain investment classes which the Company carried out in previous accounting periods, due to economic crisis, may have an impact on the inability to achieve expected yields in the future. The Company needs to pay additional attention to improve the structure of its investments, strengthen the credit risk management as well as other instruments in order to ensure the payment of outstanding claims and investments.

## Other legal and regulatory requirements

6. The Management of the Company is responsible for the composing of the consolidated annual financial statements for the year ended 31/12/2011 in the prescribed form on the basis of the Regulation on structure and contents of the financial statements of the insurance and reinsurance companies (NN132/10) brought by the Croatian Financial Services Supervisory Agency on the basis of the Law on Insurance and Law on Accountancy, and is responsible for the information on compliance with annual financial reports of the Company in accordance with IFRS presented on the pages 4-71 that we made an opinion of in the item above. The financial statements of the Company in accordance with Regulation on structure and contents of the financial statements of the insurance and reinsurance companies as well as compliances are presented on the pages 72-85.

In Zagreb, 6 April 2012

BDO Croatia d.o.o.  
Trg J. F. Kennedy 6b  
10 000 Zagreb



Ines Rožić, certified auditor



BDO Croatia d.o.o.  
za pružanje revizorskih, konzalting  
i računovodstvenih usluga  
Zagreb, J.F. Kennedy 6b



Jeni Krstičević, President of the  
Management Board

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL INFORMATION

#### Legal framework, activity and employees

Croatia osiguranje d.d., Zagreb, Miramarska 22 (hereinafter: „Company“) is the Parent company of the Group Croatia osiguranje and is registered at the Commercial court register in Zagreb under subject registration number: 080051022 and VAT number 26187994862.

The Company's principal activity is life and non-life insurance.

CROATIA osiguranje Group („Group“) consists of the parent company and daughter companies as is set out below:

Daughter companies	Activity	Country
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia
- Croatia mirovni dom d.o.o., Zagreb	Construction	Croatia
- Plančić d.o.o., Vrbanj	Viticulture	Croatia
Croatia Leasing d.o.o., Zagreb	Leasing	Croatia
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT tests	Croatia
- STP Pitomača, Pitomača	MOT tests	Croatia
Herz d.d., Požega	MOT tests	Croatia
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Pension fund management	Croatia
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance	Croatia
- Poliklinika Ars Medica, Pula	Health services	Croatia
- Poliklinika Croatia zdravstveno osiguranje, Zagreb	Health services	Croatia
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia
Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod	MOT tests	Croatia
Zagos d.o.o. u likvidaciji, Zabok	Insurance representation	Croatia
Croatia Sigurimi sh.a., Priština	Insurance	Kosovo
Milenijum osiguranje a.d., Beograd	Insurance	Serbia
Croatia osiguranje d.d., Ljubuški	Insurance	Bosna & Hercegovina
- Crotehna d.o.o., Ljubuški	MOT tests	Bosna & Hercegovina
- Croatia remont d.d., Čapljina	MOT tests	Bosna & Hercegovina
- Croauto d.o.o., Mostar	MOT tests	Bosna & Hercegovina
- Croatia Vitez d.o.o., Vitez	MOT tests	Bosna & Hercegovina
- Hotel Hum d.o.o., Ljubuški	Hotel & Catering Services	Bosna & Hercegovina
- Ponte d.o.o., Mostar	Insurance representation	Bosna i Hercegovina
Croatia osiguranje a.d., društvo za osiguranje života, Skopje	Insurance	Macedonia
Croatia osiguranje a.d. društvo za osiguranje neživota, Skopje	Insurance	Macedonia

As at 31 December 2011 the Group employed 3,795 employees (at 31 December 2010 3,827 employees).

Professional qualification	31 Dec 2011	31 Dec 2010
Doctor, Master degree	86	51
University degree	1.168	1.136
Higher education	565	506
High school degree	1.888	2.028
Primary school	88	106
<b>Total</b>	<b>3.795</b>	<b>3.827</b>

### Capital stock

The capital stock was determined at nominal value to the amount of HRK 442,887,200 (at 31 December 2010 to the same amount) and consists of 316,348 shares at par value of HRK 1,400, which were entirely paid in cash and entered in the registry of the Commercial Court in Zagreb.

All shares are of the I issue and are marked as follows:

- 307,598 common shares marked as CROS-R-A
- 8,750 preferred shares marked as CROS-P-A.

Each share, either the common or the preferred one, entitles to 1 (one) vote at the General Assembly of the Company. All shares are paid in total, issued in non-materialized form, freely transferable and recorded in the register of the Central Depository Agency.

Since 2004 the shares of the Company are listed in the first quotation of the Zagreb Stock-Exchange and so for the first time trading with the shares of one major state-owned company in the Republic of Croatia started.

### Bodies of the Company

Bodies of the Company are General Assembly, Supervisory Board and Management Board.

#### *Supervisory Board until 10/02/2011*

Ivan Šuker	Chairman of the Supervisory Board
Andrija Hebrang, D.Sc.	Deputy Chairman of the Supervisory Board
Miroslav Hrašćanec	Member of the Supervisory Board
Miljenko Boban	Member of the Supervisory Board
Gzim Redžepi, D.Sc.	Member of the Supervisory Board
Stjepan Kožić, M. Sc.	Member of the Supervisory Board



*Supervisory Board from 10/02/2011*

Nikola Mijatović	Chairman of the Supervisory Board
Nataša Duspara	Deputy Chairman of the Supervisory Board
Josip Zaher	Member of the Supervisory Board
Ante Obuljen	Member of the Supervisory Board
Gzim Redžepi, D.Sc.	Member of the Supervisory Board
Miroslav Hrašćanec	Member of the Supervisory Board

*Management Board*

Zdravko Zrinušić	President of the Management Board
Silvana Ivančić	Member of the Management Board

## **BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Statement of Compliance**

Consolidated financial statements are prepared in accordance with the Law on Accountancy (NN 109/07) and International Financial Reporting Standards (IFRS) (NN136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11) as issued by the International Accounting Standards Board (IASB) appointed by the Government of the Republic of Croatia, as well as the Regulation on Structure and Contents of the financial statements of the insurance/reinsurance companies (NN 132/10).

Consolidated financial statements are composed by applying the basic accounting assumption of the occurrence of the insured event which recognizes the effects of the transactions at time of the occurrence presented in consolidated financial statements for the period they refer to as well as by applying the basic accounting assumption of the time unlimitedness of the operations.

### **Basis for consolidation**

The consolidated financial statements include financial statements of the Parent Company and its related companies which are legal entities controlled by the Parent Company (subsidiaries). The control is implemented when the Group has the right to control financial and operating policies of the company in which the Group invested and realize benefits from the activities of that company.

All significant transactions and balances between Group members were eliminated during consolidation.

### **Key estimates and uncertainty of estimates**

During composing the financial statements estimates were used which influence the presented assets and obligations of the Group, income and expenditure and disclosure of contingent liabilities of the Group.

Future events and their influence can not be predicted with certainty that results with different results between planned and realized ones. The estimates used during composing of these consolidated financial statements are subject to changes depending on the occurrence of new events, new experience, new information and understanding due to change in the environment the Group operates.

The key estimates used during appliance of the accounting policies and composing the consolidated financial statements relate to the amortisation value calculation of the long-term intangible and tangible assets, decrease in value of the assets, value adjustment of the receivables and provision as well as to the disclosure of the contingent liabilities.

### **Reporting currency**

The financial statements of the company are composed in Croatian Kuna as the reporting currency of the Company. As at 31 December 2011 the official exchange rate for 1 EUR was HRK 7.530420 (at 31 December 2010 1 EUR equaled to HRK 7.385173)

## **SUMMARY OF THE ACCOUNTING POLICIES**

The summary of the significant accounting policies used for the preparation of the consolidated financial statements is set below. The policies are consistently applied to all periods included in these statements if not specified otherwise.

### **Operative segments**

Operative segments are presented in accordance with internal reporting to the main decision maker. The main decision maker, i.e. position responsible for allocating resources and judgment of operative segments is the Management Board which brings strategic decisions. At 31 December 2011 the Management Board consisted of Mr. Zdravko Zrinušić – President of the Management Board and Mrs. Silvana Ivančić – Member of the Management Board.

### **Foreign currency**

Transactions presented in foreign currencies were converted to HRK (Croatian Kuna) according to the exchange rate valid on the date of transaction. Croatian Kuna is the valid currency of the Company, consequently the consolidated financial statements are presented in that currency.

Monetary assets and liabilities presented in foreign currencies were converted in Croatian Kuna exchange rate valid as at the date of the balance sheet. Exchange rate differences which arose during converting were recognized in the profit and loss account apart from all monetary positions which give effective protection to net investment in foreign business. They are recognized in the other profit and loss account up to the availability of net investments after which they are recognized in the profit and loss account. Tax liabilities and loans that can be ascribed to exchange rate differences of these monetary positions are presented in equity as well.

Non-monetary positions presented in foreign currency are valued at fair value converted in Croatian Kuna according to exchange rate valid on the date of fair value determination. Non-monetary positions presented in foreign currency at purchasing cost have to be presented by applying foreign currency exchange rate on the transaction date.

Exchange rate differences that arose during converting initial net asset according to initial exchange rate as well as the results of activities abroad valued according to real exchange rate are recognized in the other comprehensive profit and accumulated in foreign exchange provision.

### **Written gross premium**

/i/ The written gross premium makes the basic business income consisting of the non-life and life insurance written premium.

/ii/ The non-life insurance written gross premium includes all amounts of premium that are written in the current accounting period independent of the fact whether these amounts are partly or in total related to the later accounting period .

/iii/ The life insurance written gross premium includes all amounts of premium paid until the end of the accounting period.

### **Income and investment expenses**

/i/ The investment income includes income realized through participating interests (dividends, shares in profit, book entries – increase in value), income from land and buildings investments, interests income, unrealized profit from fair value investment through profit and loss account, income from investment sales, positive net exchange rate difference and other investment income.

The land and buildings investment income consists of increase in land and buildings value income, land and buildings sales income, land and buildings rental income and other investment income from land and buildings. Land and buildings rental income and other operative leases count in profit and loss account by the straight line method during the whole period of lease.

The interests income counts in profit and loss account when accrued taking into consideration the effective returns on the definite assets. The interests on monetary assets at fair value through profit and loss account is calculated at coupon interest rate and presented in the interests income. The dividend income is counted in profit and loss account on the voting day of the shares. The accounting policy connected to the counting of the Financial income is described in note 3.9., „Financial assets“.

/ii/ The investment expenses include the interests expenses, value adjustment expenses (decrease) in investment, losses occurred during investment sales, negative net exchange rate differences and other investment expenses.

### **Insured events expenses**

The insured events expenses include all paid amounts for claims in the accounting period, regardless the accounting period in which the claims occurred, decreased by the reinsurance share in claims, collected recourses, sold and saved parts, increased by the provision for claims at the end of the accounting period and decreased by the provision for claims at the beginning of the accounting period.

The gross paid claims apart from net paid claims include expenses in connection with the settlement of the claims (assessments, lawyer fees and the like), surrenders and recourse expenses and decreased by the collected reimbursement receivables and sold and saved parts.

### **Operating costs**

The business expenditure includes sales costs for insurance premium and management costs. The sales costs include all direct costs incurred during concluding insurance as agent's costs, commission and promotion costs.

The commission costs are paid as they incur in accordance with accounting period principle. The management costs include costs incurred in connection with premium collection, portfolio management, employees expenses as well as other tangible and intangible costs.

## **Intangible and tangible assets and real estate investment**

The longterm intangible and tangible assets initially are presented as purchase costs including the purchase price, including import fees and non-refundable tax after commercial discounts deduction, as well as all costs directly linked to the transfer and function of the assets and put to the intended use.

The longterm intangible and tangible assets are recognized if it is likely that future economic benefits that can be ascribed to the asset will inflow to the Group, in case the asset purchase cost can be reliably identified and in case the particular purchase value of the asset is more than HRK 3,500.

After initial recognition, the asset is presented in accordance with its purchase price reduced by its amortisation and losses caused by the decrease in value.

After initial recognition, land and buildings are presented in revaluation amounts including their fair value on the date of revaluation reduced by later accumulated amortisation and accumulated losses caused by decrease in value. Increase in value of assets because of revaluation is approved directly on capital as revaluation provision. The revaluation is in principle performed in a way that book amount does not differ significantly from fair value amount on the date of the balance sheet.

The costs of the current maintenance and repairs, replacement, and investment maintenance in a small scope are recognized as expenditure in the period of their occurrence. In situations where it is clear that costs incurred because of the enhancement of future expected economic benefits through use of assets above their initially assessed potentials, they are capitalized i.e. included in the book value of that asset. Profits and losses on the basis of the write-off or sale of the asset are presented in profit and loss account in the period of their occurrence.

The amortisation of assets starts when the asset is ready for use i.e. located in adequate conditions needed for the use. The amortisation of asset ceases when the asset is classified as the asset held for sale.

The amortisation is calculated in a way that the purchasing cost of each particular asset excluding land and longterm intangible and tangible asset in preparation is written-off during the assessed duration period of use by applying the straight-line basis as follows:

DESCRIPTION	Amortisation rate (from –up to %)
Concessions, patents, licenses, software etc.	25
Other intangible asset	25
Buildings	2,5
Furniture and equipment	10 – 25
EDP equipment	33,33
Transport vehicles	20

The investment in real estate (land, buildings) not used for operating business owned by the Group or under financial lease and/or financial rent by the Group in order to realize income and/or expecting that the market value of asset will increase is presented by fair value/purchase value through profit and loss account.

### **Investment in associated companies**

The associated companies are the companies significantly influenced by the Company but with no control during making decisions and finance and business management.

The investment in associated companies are presented by cost method.

### **Financial assets**

#### **/i/ Fair value of financial asset through the profit and loss account**

The financial instruments included in this portfolio are financial instruments held for trade and are purchased in order to benefit from short-term price fluctuations or are securities included in the portfolio having the form of realizing short-term profit.

In accordance with the Group's investment policy, each financial instrument may be classified as asset presented by fair value through profit and loss account with the exception of the ownership instruments investments having no listed price on the active market and their fair value is not reliably measurable.

These instruments are initially presented at procurement cost and later they are measured again at fair value based on the listed purchase prices on the active market.

All connected realized and unrealized profits and losses are included in investment income/expenses. Earned interests incurred during the period of holding these instruments are presented as income from interests.

All purchases and sales of instruments held for trade are recognized on the date the trade is realized and that is the date the Group is obliged to purchase or sale the asset.

The transactions that are not recognized on the date the trade is made are calculated as financial derivatives.

#### **/ii/ Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments not listed on active market. Loans and receivables arise when the Group grants financial means without the intention of trading with these receivables, and they include loans to the insured and deposits at banks.

Granted loans and receivables created by the Group are recognized at the moment of transfer of means on the part of the Group.

Loans and receivables are set out reduced by provision for impairment losses. Provision for the impairment losses are determined if there is an objective evidence that the Group will not be able to collect all receivables upon maturity date. Provision for identified losses is estimated on the basis of the loan capacity and business results of debtor, taking into consideration the value of the collateral.

The loan is written off at the moment of understanding that it is not possible to collect the loan any more and that all legal possibilities for collection are exhausted and that the amount of total loss is determined. If the amount of the value decrease is subsequently diminished and the diminution is objectively related to an



event that occurred after the value decrease, then the value decrease or provision are diminished through the profit and loss account.

In an event of default payment the Group charges debtors for default interest that is computed on the accounting basis and set out as income from interest

### **/iii/ Financial assets available for sale**

Financial assets available for sale are those non-derivative financial assets that are defined as available for sale or those not classified either as assets at fair value through the profit and loss account or as loans and receivables.

Financial instruments included in the assets available for sale consist of debt and equity securities. These instruments are initially recognized according to the investment expenses, and after the initial recognition they are set out at fair value based on listed prices and amounts derived from the models of cash flows. In cases when listed market prices are not available, fair value of debt securities is estimated by applying current value of future financial flows, and fair value of unlisted equity instruments is estimated by applying current value of future financial flows, and fair value of unlisted equity instruments is estimated by applying a correspondent ratio of price and earnings or price and cash flow cleared in a way that it reflects specific circumstances connected with the issuer.

Profit and loss arising from the change in fair value of financial assets available for sale are recognized directly in the capital as revaluation provision, and are set out in the report on changes in capital up to the moment of sale when cumulative profits and losses previously recognized in the capital are included in the profit and loss account of the period.

The interest earned in the period of possession of securities available for sale is calculated daily and set out as income from interest.

Foreign exchange rate differences under equity instruments in foreign means of payment classified as available for sale are set out in the capital, together with the profits and losses from the change in fair value up to the moment of sale of instrument. Foreign exchange rate differences under debt instruments in foreign means of payment classified as available for sale are set out in the profit and loss account.

Dividends under securities classified as available for sale are booked when notified.

### **/iv/ Investments held to maturity**

Investments held to maturity are non-derivative financial assets with fixed payment amounts or payments that can be determined, and with fixed maturity dates, which the Group intends and is able to keep till maturity. Treasury bills and debt securities are included in them, too. Investments held to maturity are set out at amortized costs by applying the method of effective interest rate decreased by a contingent impairment loss.

The Group checks regularly if there are objective evidences pointing to an impairment of investments held to maturity. The value of a financial means is diminished if its book amount exceeds the estimated recoverable amount that equals the current value of expected future cash flows discounted by the application of the original effective interest rate for that instrument. The amount of impairment loss of certain means set out at amortised costs is calculated as a difference between the book value of that means and the current value of expected future cash flows discounted by the application of the original effective interest rate for that instrument. When it is established that a decrease in means arose, the Group recognizes the impairment loss by debiting the profit and loss account.

### **Receivables**

/i/ Receivables from insurance activities include receivables from the insured under the non-life and life insurance premium.

Receivables under the non-life insurance premium include receivables for written but non-invoiced premium as well as receivables for invoiced but uncollected premium.

Receivables under the life insurance premium and supplementary accident insurance premium consist of receivables for invoiced but uncollected premium.

The recognition of the insurance premium is described in note 3.3. – "Gross written premium".

/ii/ Receivables for invoiced but not collected premium are reported at nominal value, and for disputable and uncollectible claims the impairment is determined. The value adjustment as a decrease in receivables for premium is set out for all uncollected receivables whose maturity period expired 180 days earlier. The value adjustment can be decreased by those receivables under which a liability for the indemnification to the debtor (claims provision) was established.

/iii/ Receivables under the right to recourse are recognized for all recourse cases from out-of-court procedure resulting from receivables from other insurance company and recourses for which a financial settlement was reached. The value adjustment of recourse receivables is defined for all receivables not collected within the period of 180 days.

/iv/ Other receivables refer to the receivables for interest on loans and deposits, prepayment receivables, receivables for received payment instruments and the like.

### **Impairments**

At each balance sheet date the Group checks the book values of its assets in order to establish whether there are any indications of the occurrence of losses due to impairment in the value of assets. If such indications are present, the recoverable amount of assets is estimated so that a possible loss due to impairment can be established. If the recoverable amount of some assets is estimated at a value that is lower than the book value, then the book value of these assets is reduced to the recoverable amount.

### **Cash and cash equivalents and short-term deposits**

For the cash flow reporting purposes, cash and cash equivalents include implicitly cash at bank and till money as well as received cheques and bills of exchange. Deposits with the maturity period up to one year imply short-term deposits. Cash equivalents and deposits are set out at cost price, and those set out in foreign currencies are converted at the medium exchange rate of the Croatian National Bank at the end of the year.

### **Corporation tax**

Corporation tax consists of current and deferred tax. Current tax represents the expected tax liability calculated on the profit for the year and adjusted by the amounts not included in the tax basis or tax non-deductible expenditures, using tax rates that were in force on the report date.

Deferred taxes are recognized by the balance method, reflecting temporary differences between the book value of assets and liabilities for want of financial reports and amounts used for tax calculation. Deferred tax is not recognized in case of investments in subsidiaries if it is not to be refunded in the foreseeable future. Deferred tax is calculated by applying tax rates that are expected to be applied to temporary differences when they are refunded or settled on the basis of the regulations that were in force or were essentially valid at the balance sheet date. Deferred tax assets are recognized up to the amount for which the future taxable profit will probably be sufficient for the use of temporary differences. Deferred tax assets are examined at each reporting date and they are diminished if the realization of the related tax benefit is not likely any more. Deferred tax assets and liabilities are not discounted and they are set out as long-term assets and/or long-term liabilities.

## **Capital and provision**

In its business ledgers the Group reports the capital divided into: subscribed capital, revaluation provision, statutory provision, legal provision, other provision, retained earnings and current year profit.

/i/ Subscribed capital represents an inseparable share capital of the parent company paid in full.

/ii/ The effect of an increase/decrease in the value of investments classified as investments available for sale and real estate used for insurance activities, as a result of adjustment to the estimated market value is presented by the Group in the balance sheet as the revaluation reserve. During the period the revaluation provision are increased/decreased due to the value adjustment to the recoverable market value.

/iii/ Allocations for statutory provision, legal provision, other provision and retained earnings were determined by the decisions of the general Assembly of the Company as well as the decisions of daughter companies.

/iv/ Current financial year profit is reported with the balance as of 31 December and transferred into the next financial year. The use, i.e. the distribution of profit is determined by the decision of the General Assembly.

## **Technical provision**

Technical provision set out in the financial statements refer to the unearned premiums, life insurance mathematical provision, provision for claims, premium return dependent/independent on result (bonuses, discounts) and other insurance-technical provision, and they are formed in accordance with legal provisions. All technical provision was rated favourably by the appointed certified actuary.

### **/i/ Unearned premiums**

The Group accounts unearned premiums for those insurance classes where the insurance cover is continued after the end of the accounting period since the insurance year and the accounting year do not overlap. The basis for the calculation of gross general insurance unearned premiums is calculated (written) premium in the accounting period, while the basis for the calculation of gross unearned premium of supplementary insurance with life insurance is collected premium in the accounting period.

Unearned premiums are calculated according to the pro rata temporis method, except for the types of loan insurance where the decrease of insurance cover during the validity period of a contract is taken into consideration.

### **/ii/ Mathematical life insurance provision**

Mathematical life insurance provision is accounted individually under each insurance contract by net prospective method.

### **/iii/ Claims provision**

Claims provision include provision for reported losses, provision for incurred but not reported losses, provision for costs of claims handling and the reinsurance portion in them.

Provision for reported losses is determined through an individual assessment. Actuarial methods are applied in determining provision for claims handling costs and for incurred but not reported losses.

The reinsurance portion in provision is determined in accordance with the reinsurance contracts.

### **/iv/ Provision for premium return dependent/independent on result (bonuses and discounts)**

Provision for bonuses and discounts is formed according to the amounts insureds have the right to from their participation in profit out of insurance policies i.e. other rights on the insurance policy basis; future partial bonus on premium; premium return for unused period of insurance time caused by early termination of insurance.

### **/v/ Other insurance-technical provision**

The Group forms other insurance-technical provision for foreseeable future liabilities and risks regarding future liabilities and big claims that arise from pharmaceutical product manufacturers liabilities as well as earthquake risk. The Group formed provision for unexpired risks as well which arise from credit insurance business expecting that claims eventually incurred in regard with contracts concluded before that date will exceed unearned premium.

Technical life insurance provision when policyholder bears the investment risk

Since the Group concludes life insurance policy for which the policyholder bears the investment risk, a corresponding special provision was made under each insurance contract.

### **Other liabilities**

/i/ Liabilities resulted from direct insurance activities refer to the liabilities under claims.

/ii/ Liabilities resulted from reinsurance activities refer to the liabilities under stipulated sums for claims under reinsurance and liabilities under the reinsurance premium.

/iii/ Other liabilities refer to domestic trade payables, prepayment liabilities, liabilities for commissions and other.

### **Employees' salary**

Salary, taxes and contributions from salaries and on salary are accounted as expenses of the period to which the employee's work relates.

### **Provision**

Provision is recognized if and only if the Group has a current liability as a result of a past event and if the liability settlement is likely to require the outflow of resources with economic benefits and if the amount of liability can be determined with a reliable estimate. Provision are examined at each balance sheet date and adjusted according to the newest best estimates.

Provision is determined for costs of legal proceedings and expenses for employee rewards for their long-time work as well as for the retirement (regular jubilee awards and severance payments).

Provision for costs of employee rewards for their long-time work as well as for the retirement (regular jubilee awards and severance payments) were determined as a current value of future money outflows using a discount rate equalling the interest rate on state bonds.

### **Contingent liabilities and assets**

Contingent liabilities are not recognized in the financial statements, but are only set out in notes to the financial statements. Contingent assets are not recognized in the financial statements, but are recognized at the moment when an inflow of economic benefits becomes probable.

### **Events after the balance sheet date**

Events after the balance sheet date providing additional information on the position of the Group at the balance sheet date (events resulting in adjustments) are recognized in the financial statements. Those events that do not bring about the adjustments are presented in notes to the financial statements if they are substantially significant.

### **Earnings per share**

Earnings per share are accounted as profit of the period decreased by dividends of preferred shares divided by the weighted average of common shares decreased by own shares.

### **Classification of contracts**

Contracts by which the Group undertakes a significant insurance risk of the other party (policyholder) accepting to indemnify the policyholder or the other insurance beneficiary for a loss if a particular indefinite future event (insured event) occurs that has a negative impact on the policyholder or the other insurance beneficiary are classified as insurance contracts. Insurance risk differs from financial risk.

Financial risk is the risk of a possible future change of one or several definite interest rates, price of securities, price of goods, exchange rates, price or rate indexes, loan rating or loan indexes or other variables provided that in case of a non-financial variable that variable is not specific for any of the contracting parties. Insurance contracts can also transfer the financial risk to some extent.

Contracts in which the transfer of insurance risk from the policyholder to the Group is not significant are classified as investment contracts.

### **Concentration of insurance risk**

The key aspect of the insurance risk to which the Group is exposed is the level of insurance risk concentration that defines the level up to which a certain event or a series of events may influence the liabilities of the Group. Such concentration may arise from a single insurance contract or from a fairly large number of contracts. A very important aspect of the insurance risk concentration is that it may arise from the accumulation of risks through various classes of insurance. The risk concentration may arise from rare events with considerable consequences such as natural disasters, in situations when the Group is exposed to unexpected changes in trends, for example, unexpected change in human mortality or in the conduct of the insured; or when significant judicial or regulatory risks may cause big individual losses or have a significant impact on a large number of contracts. Risks underwritten by the Group is not notably exposed to any group of the insured according to social, professional, generational or similar criteria. The greatest probability of considerable losses emerges from disastrous events, such as floods, storms or losses in consequence of an earthquake. Techniques and presumptions used by the Group for the calculation of these risks include:

- Survey of geographical accumulations;
- Evaluation of the biggest possible loss;
- Reinsurance of excess of loss.

### **Insurance risk management**

The Group is exposed to the actuarial risk and the sales risk resulting from a wide offer of life and non-life insurance products: participating traditional life products, policies linked to stakes and all classes of non-life insurance. The insurance risk refers to the uncertainty of insurance activities. The most significant components of insurance risk are the premium risk and the provision risk. They refer to the adequateness of premium tariffs and the adequateness of provision in relation to the liabilities under insurance and capital stock.

The premium risk is present at the oment of issuance of policy before the insured event occurs. There is a risk that costs and losses that would come about might be higher than received premiums. The provision risk represents a risk that the absolute level of technical provision is wrongly assessed or that actual losses will vary around statistical medium value.

The non-life sales risk includes also the disaster risk that arises from extraordinary events that are not covered by the premium risk or provision risk to a sufficient degree. Life insurance sales risk includes biometrical risk (that includes mortality, longevity, ailment risk and disability) and the risk of withdrawal. The risk of withdrawal represents a higher or lower rate of withdrawing from policies, breaks, changes in capitalization (suspension of premium payment) and repurchase

The Group manages the insurance risk through the limits of sale, procedure for the approval of transactions that include new products or surpass certain limits, tariffing, design of products and reinsurance management. Sales strategy pursues diversity that would ensure a balanced portfolio and is based on a large portfolio of similar risks over several years, which decreases the variability of results. As a rule all non-life insurance contracts are on an annual basis and the underwriters have the right to refuse the renewal of contract or change the terms and conditions of contract at renewal. The Group reinsurers a part of a risk it underwrites in order to control the exposure to losses and protect the capital stock. The Group purchases a combination or proportional and disproportional reinsurance contracts in order to diminish the net exposure to a particular risk depending on the insurance type.

### **Basic presumptions with the greatest impact on recognized assets, liabilities, income and expenditures from insurance operations**

#### **/i/ Non-life insurance**

At the balance sheet date provision are made for the assessed final expenses for the settlement of all incurred losses arising from events that occurred up to that date, whether they were reported or not, together with appropriate claims handling fees, reduced by amounts already paid. The liability for reported but not paid losses is estimated separately for each particular loss with regard to the circumstances, available information from the assessor and historical evidences of the amounts of similar claims. Particular losses are regularly examined and provision is regularly updated with new information. The assessment of provision for incurred but not reported losses (IBNR) is generally subject to a higher level of uncertainty than the provision for reported losses. The IBNR provision is assessed by actuaries of the Group applying statistical and actuarial methods such as the chain-ladder method and the Bornhuetter-Ferguson method.

Key methods used for the liability and accident insurance are the following:

- The chain-ladder method that uses historical data in order to assess final costs of claims
- The Bornhuetter – Ferguson method that combines the estimated loss quota and the method of projections. This method improves the raw use of loss quota taking into consideration the information received from the newest pattern of loss development

The actual method that is applied depends on the year of the accident being under consideration, insurance class and observed historical loss development. To the extent to which these methods use historical loss development it is assumed that the historical pattern of loss development will repeat itself in the future as well. There are reasons why this might not be the case, which are taken into consideration to the extent to which they can be established and in a way that the methods of estimate are modified. Such reasons include:

- Economic, political and social trends (causing a different level of inflation in relation to the expected one);
- Changes in the combination of types of insurance contracts that are underwritten;
- Random variations, including the influence of major losses.



The IBNR provision is initially assessed in gross amount and a special calculation is made in order to assess the reinsurance portion.

The assumptions that have the greatest influence on the measurement of the amount of provision for the non-life insurance are as follows:

- Residual factor of loss development

For the backlog of claims the level of provision depends to a large extent on the assessment of loss development from the last year of development for which there are historical data up to the final development. The residual factors of loss development are assessed reasonably applying mathematical methods of curves that project the observed factors or are based on actuarial assessment.

- Discounting

Apart from the annuity claims, the non-life provision is not discounted.

### **/ii/ Life insurance**

Mathematical provision is calculated by net prospective method using rational actuarial assumptions. The guaranteed technical interest rate in insurance policies ranges from 2.75-6%, depending on the tariff.

In case of survival or death the policyholders are entitled to a share in the Group's profit realized through the management of life insurance funds. The right to a share is calculated annually earliest after the expiry of the first, respectively second insurance year depending on the tariff. The value of the profit share is determined by the Management Board.

## **Main sources of uncertainty related to assessments**

### **/i/ Losses from loans and receivables impairment**

The need for impairment of assets under the amortized costs is evaluated as described in Note 3.9./ii/. The impairment for particular exposures in total losses from the impairment is based on the best estimate on the part of the managers regarding the current value of expected future money receipts.

When evaluating these money receipts, the Management Board evaluates the financial position of a debtor and net sales value of the collateral. Any assets that suffered impairment are assessed separately and the function of loan risk independently approves the recovery strategy as well as the assessment of realizable cash flows.

### **/ii/ Determination of fair value**

For the financial instruments that are rarely traded with and that have a non-transparent price, a fair value is less objective and requires a different level of assessment depending on solvency, concentration, uncertainty of market factors, price assumptions and other risks affecting a particular instrument.

### **/iii/ Uncertainty of estimates related to setting provision**

The most significant estimates related to the financial statements of the Company refer to setting provision. The Group has a conservative approach to setting provision and it applies regulations prescribed by regulatory bodies. The Group employs certified actuaries. The Management Board regards the present level of technical provision as sufficient.

### **/iv/ Uncertainty of estimates related to legal proceedings**

A considerable source of the uncertainty of estimates arises out of judicial proceedings. The Management Board believes that the existing level of provision is sufficient.

### **/v/ Corporation tax**

The Group establishes tax liability in accordance with tax regulations of the Republic of Croatia. Tax reports are subject to control on the part of the tax authorities who have the right to subsequently inspect the taxpayer's books of accounts.

### **/vi/ Regulatory requirements**

The Croatian Financial Services supervisory Agency is authorized to perform regulatory inspections of business operations of the Group and to require changes in the book value of assets and liabilities in accordance with relevant regulations.

### **/vii/ Mutual liabilities**

The Group has liability towards the Croatian Insurance Bureau with regard to the Group's portion in the motor TPL losses caused by unknown or uninsured vehicles. Besides, like the other participants on the regional motor TPL insurance market the Group is liable for a part of unsettled motor TPL claims in case of bankruptcy of any of the insurance companies under the legal regulations.

## **Key accounting estimates in the application of the Group's accounting policies**

### **/i/ Classification of financial assets and liabilities**

The accounting policies of the Group make possible a classification of assets and liabilities at the beginning, under certain circumstances, in different accounting categories. When classifying financial assets and liabilities as those „intended for trade“, the Group establishes that they meet the definition of assets and liabilities as set out in Note 3.9.

### **/ii/ Classification of products**

For the accounting policy on the classification of contracts as insurance contracts or investment contracts see Note 3.23.

### **/iii/ Classification of real estate**

The Group classifies all non-operational real estate kept for renting as real estate investment.

### **/iv/ Estimated useful life of tangible and intangible assets**

The depreciation rates are initially set on the basis of the optimum evaluation of the useful life of these assets. The Company's Management Board believes that the applied depreciation rates reflect the useful life of tangible and intangible assets.

## **Financial risk management**

The basic goal of the Group in managing financial, insurance, operating and other risks is to keep the capital level adequate to the scope and insurance types it transacts with regard to the risks to which the Group is exposed. The Management Board of the Company recognizes the significance of existence of an efficient and effective system of risk management.

The Group is now in the process of introducing the centralized risk management system.

The regulatory bodies control the solvency of the Group to ensure the coverage of liabilities resulting from contingent economic changes or natural disasters.

The Group actively manages the assets using the approach that creates a balance among the quality, diversification, coordination of assets and liabilities, solvency and return on investments. The Management examines and approves target portfolios, determines investment directives and limits and supervises the process of managing assets and liabilities. Due attention is also paid to the compliance with the regulations defined by the Insurance Law.

In financial instruments transactions the Group takes over the financial risks. These risks include the market risk, the credit risks and the solvency risk. Each of these risks is described below including the summary of the ways the Group manages the particular risk.

## **Market risk**

The market risk refers to the risk resulting directly or indirectly from fluctuations and/or volatility of market prices of real estate, liabilities and financial instruments, and it comprises the following: currency risk (foreign currency exchange rate risk), interest risk (risk of change in interest rate), risk of country of placement (risk of change in tax regulations), real estate risk, equity securities risk, market solvency risk and derivatives risk.

The Group is exposed to the market risk in the following categories:

- a) The Group is exposed to the currency risk through transactions in foreign currencies. This is the risk of changes in the exchange rate of foreign currencies that might cause changes in the value of financial instruments. The Group is exposed to the currency risk through its investments in debt securities, deposits, loans and other investments as well as through premiums, losses and technical provision under the insurance policies with foreign currency clause. The company manages the currency risk in a way that it endeavours to diminish the difference between assets and liabilities denominated in foreign currency or with foreign currency clause. Investments for covering mathematical provision are for the most part denominated in euros, since most mathematical provision is also denominated in euros.
- b) The Group is subject to the risk of a change in interest rates if assets and liabilities mature in various periods or the interest under assets is changed in periods which differ from those of interest under liabilities. The exposure of the Group to the market risk of changes in interest rates is concentrated in the investment portfolio. However, this risk is limited in a way that most interest-bearing investments of the Group at the balance sheet date either bear fixed interest rates or variable interest rates corresponding to the liabilities of the Group.

The Group is not significantly exposed to the interest rate risk in the part of non-life insurance technical provision since they are not discounted, except in the part of annuity claims under the liability insurance.

When it comes to mathematical provision, the Group is significantly exposed to the interest risk. The Group endeavours to diminish that risk through the purchases of state bonds in order to adjust future receipts from these assets to the liabilities from insurance. However, considering a relatively short period of life of such bonds and a longer period of life of liabilities under life insurance, as well as the Group's inability to buy the interest „swap“ in the Republic of Croatia, the Group remains to be exposed to the interest rate risk.

c) The risk of equity securities is caused by the fluctuation of fair value or cash flows under financial instruments due to the changes in market prices (not resulting from the interest rate or currency risk) whether it is a matter of changes caused by factors typical of a particular financial instrument or its issuer or other factors affecting all similar financial instruments being traded in the market.

The portfolio of marketable equity securities that is presented at its fair value in the balance sheet makes the Group subject to this risk. The price risk is the risk that the financial instrument value will change as a result of its particular character or its issuer or influences on all instruments traded on the market.

The aim of the Group is earning the competitive income in a way to invest in diversified portfolio of securities. The portfolio is continually monitored and analyzed.

The portfolio of the Group contains securities of various issuers, and the concentration of any single firm or company is limited through legal requirements and adopted limits.

### **Credit risk**

Credit risk is the risk that one contractual party of the financial instrument will cause financial losses to the other contractual party due to unfulfilling obligations.

The portfolio of the Group including bonds with fixed income, mortgage credits and short-term and other investments, are exposed to credit risk. This risk is defined as a contingent decrease in market value as unfavourable changes in capability of the borrowers from whom the Group has receivables.

The Management has adopted Policy of credit risk management and continually monitors the exposure to credit risk . All insureds are subject to credit ability assessment and as well as collaterals are collected before payment the loans or their prolongation. The collaterals are in accordance with Insurance Law.

On the Balance Sheet date the Group had significant concentration of receivables from the Republic of Croatia in bonds and treasury bills.

### **Solvency risk**

Solvency risk is defined as the risk of inability to transform certain types of assets in cash or the risk of impossibility of balancing purchasing power on the one hand and liabilities on the other hand.

Solvency risk is the result of the financial activities of the Company and risk management. This risk includes the risk of inability to manage assets in appropriate terms and interests as well as inability to sale assets according to reasonable prices in the appropriate time limits. The Group has a portfolio of solvent assets as a part of solvency risk management strategy thus ensuring the continuity of its operations and legal requirements.

The solvency of the Group is good and all legal requirements regarding the settlement of claims are satisfied during the year.

### Strategic risk

During the year 2011 the Group realized investment income amounting to HRK 443,908,509 that is an increase compared to 2010 when total income amounted to HRK 348,991,432. The most significant increase of income was realized in real estate investments amounting to HRK 62,871,742 as well as in other investments amounting to HRK 53,086,909 mostly owing to income from collected loans whose value was decreased during previous years as well as to rental income from MOT test stations.

Income from subsidiaries, associated companies and joint ventures as well as interest income remained at approximately the same level.

DESCRIPTION	2011	Increase/	2010
	Total	decrease	Total
	HRK	%	HRK
Income from land and buildings investments	62.871.742	413,46%	12.244.604
Income from interests	269.393.462	(8,36%)	293.968.361
Unrealized investment gains at fair value through PLA	11.386.939	7,51%	10.591.979
Income from sales/realization of financial investments	10.468.500	(3,48%)	10.845.506
Net positive exchange rate differences	36.700.956	56,92%	23.388.366
Other income from investments	53.086.909		(2.047.383)
<b>TOTAL</b>	<b>443.908.509</b>	<b>27,20</b>	<b>348.991.432</b>

The Group adjusts its investment strategy and policy in accordance with market trends considering the volatility of financial market as well as the real estate market that creates uncertainty regarding expected future income. The Group will, in order to realize additional income i.e. higher profitability, improve activities on the insurance market through strengthening its influence and enhancing the scope of promotion activities as in the country as in the region.

## Consolidation

### Daughter companies:

Group	31 December 2011		31 December 2010	
	Ownership	Percentage of	Ownership	Percentage of
	percentage	votes ( %)	percentage	votes ( %)
	( %)		( %)	
<b>Daughter companies in the Republic of Croatia under consolidation:</b>				
Croatia Lloyd d.d., Zagreb	94,64	94,64	94,64	94,64
- Croatia mirovni dom d.o.o., Zagreb	100,00	100,00	100,00	100,00
- Plančić d.o.o., Vrbanj	51,00	51,00	51,00	51,00
Croatia Leasing d.o.o., Zagreb	100,00	100,00	100,00	100,00
Croatia-Tehnički pregledi d.o.o., Zagreb	100,00	100,00	100,00	100,00
- STP Pitomača, Pitomača	100,00	100,00	100,00	100,00
Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod	76,00	76,00	76,00	76,00
Herz d.d., Požega	100,00	100,00	100,00	100,00
Croatia osiguranje mirovinsko društvo d.o.o., Zageb	100,00	100,00	100,00	100,00
Croatia zdravstveno osiguranje d.d., Zagreb	100,00	100,00	100,00	100,00
- Poliklinika Ars Medica, Pula	74,00	74,00	74,00	74,00
- Poliklinika Croatia zdravstveno osiguranje, Zagreb	100,00	100,00	100,00	100,00
PBZ Croatia osiguranje d.d., Zagreb	50,00	50,00	50,00	50,00
<b>Daughter companies abroad under coonsolidation:</b>				
Milenijum osiguranje a.d., Beograd	99,78	99,78	99,78	99,78
Croatia Sigurimi sh.a., Priština	100,00	100,00	100,00	100,00
Croatia osiguranje d.d., Ljubuški	52,05	52,05	52,05	52,05
- Crotehna d.o.o., Ljubuški	100,00	100,00	100,00	100,00
- Croatia remont d.d., Čapljina	69,79	69,79	69,79	69,79
- Croauto d.o.o., Mostar	66,80	66,80	66,80	66,80
- Croatia Vitez d.o.o., Vitez	90,00	90,00	90,00	90,00
- Hotel Hum d.o.o. , Ljubuški	80,00	80,00	80,00	80,00
- Ponte d.o.o., Mostar	100,00	100,00	100,00	100,00
Croatia osiguranje d.d., društvo za osiguranje neživota, Skopje	100,00	100,00	100,00	100,00
Croatia osiguranje d.d., društvo za osiguranje života, Skopje	92,5	92,50	92,5	92,50

## NOTES TO THE COMPREHENSIVE PROFIT REPORT

### TOTAL INCOME

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	kune	kune	kune
Earned premium	387.557.064	2.454.094.271	2.841.651.335	385.810.559	2.580.804.201	2.966.614.760
Investment income	135.096.118	308.812.391	443.908.509	132.402.422	216.589.009	348.991.431
Income from commission and compensations	69.101	44.660.305	44.729.406	90.042	45.903.228	45.993.270
Other insurance-technical income, net of reinsurance	108.336	20.825.011	20.933.347	728.107	39.647.332	40.375.439
Other income	1.361.321	213.761.067	215.122.388	1.832.993	244.744.866	246.577.859
<b>TOTAL</b>	<b>524.191.940</b>	<b>3.042.153.045</b>	<b>3.566.344.985</b>	<b>520.864.123</b>	<b>3.127.688.637</b>	<b>3.648.552.760</b>

Total income of the Group by segments of business:

DESCRIPTION	2011	2010
	HRK	HRK
Income from insurance activities	3.386.155.780	3.454.050.329
Income from financial and operative lease	34.076.995	67.966.195
Income from pension fund management	34.918.686	32.021.614
Income from MOT tests	81.749.216	67.872.024
Income from other activities	29.444.308	26.642.598
<b>TOTAL</b>	<b>3.566.344.985</b>	<b>3.648.552.760</b>

### Earned premium

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Gross written premium</b>						
Insurance premium – gross	387.803.438	2.851.750.030	3.239.553.468	385.704.710	2.911.414.493	3.297.119.203
Coinurance premium	0	1.024.374	1.024.374	0	556.583	556.583
Value adjustment and collected premium adjustment	0	(69.013.259)	(69.013.259)	0	(52.405.459)	(52.405.459)
<b>Total</b>	<b>387.803.438</b>	<b>2.783.761.145</b>	<b>3.171.564.583</b>	<b>385.704.710</b>	<b>2.859.565.617</b>	<b>3.245.270.327</b>
<b>Premium ceded to reinsurance</b>						
Reinsurance premium abroad	(319.731)	(328.188.741)	(328.508.472)	(6.859)	(352.894.530)	(352.901.389)
<b>Total</b>	<b>(319.731)</b>	<b>(328.188.741)</b>	<b>(328.508.472)</b>	<b>(6.859)</b>	<b>(352.894.530)</b>	<b>(352.901.389)</b>
<b>Premium ceded to coinsurance</b>						
Premium ceded to coinsurance	0	(3.744.946)	(3.744.946)	0	(5.383.364)	(5.383.364)
<b>Total</b>	<b>0</b>	<b>(3.744.946)</b>	<b>(3,744.946)</b>	<b>0</b>	<b>(5.383.364)</b>	<b>(5.383.364)</b>
<b>Change in unearned premium provision</b>						
Unearned premium gross provision	73.219	6.876.013	6.949.232	112.708	74.099.692	74.212.400
Unearned premium provision, reinsurance share	138	(4.609.200)	(4.609.062)	0	4.342.854	4.342.854
Unearned premium provision, coinsurance share	0	0	0	0	1.073.932	1.073.932
<b>Total</b>	<b>73.357</b>	<b>2.266.813</b>	<b>2.340.170</b>	<b>112.708</b>	<b>79.516.478</b>	<b>79.629.186</b>
<b>TOTAL</b>	<b>387.557.064</b>	<b>2.454.094.273</b>	<b>2.841.651.335</b>	<b>385.810.559</b>	<b>2.580.804.201</b>	<b>2.966.614.760</b>



## Investment income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Land and buildings investment income	4.566	62.867.176	62.871.742	4.474	12.240.130	12.244.604
Interests income	108.747.360	160.646.103	269.393.462	120.273.024	173.695.336	293.968.361
Unrealized fair value investment income	2.494.897	8.892.042	11.386.939	3.898.786	6.693.193	10.591.979
Financial assets sale (realization) investment income	3.870.283	6.598.217	10.468.500	3.455.091	7.390.415	10.845.506
Net positive exchange rate differences	19.753.250	16.947.707	36.700.956	11.058.585	12.329.780	23.388.366
Other investment income	225.763	52.861.146	53.086.909	(6.287.538)	4.240.155	(2.047.383)
<b>Total</b>	<b>135.096.118</b>	<b>308.812.391</b>	<b>443.908.509</b>	<b>132.402.422</b>	<b>216.589.010</b>	<b>348.991.432</b>

### /i/ Land and buildings investment income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Rental income	4.566	7.096.002	7.100.568	4.474	6.669.941	6.674.415
Increase in value income	0	55.751.782	55.751.782	0	5.137.070	5.137.070
Sales income	0	19.392	19.392	0	433.119	433.119
<b>Total</b>	<b>4.566</b>	<b>62.867.176</b>	<b>62.871.742</b>	<b>4.474</b>	<b>12.240.130</b>	<b>12.244.604</b>

### /ii/ Interests income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Interests from investments held until maturity	75.841.840	43.983.876	119.825.716	86.777.935	50.448.545	137.226.480
Interests from investments at fair value through PLA	4.143.590	4.624.383	8.767.973	63.881	276.692	340.573
Interests from given deposits	24.022.340	51.413.889	75.436.229	28.351.265	53.276.317	81.627.583
Loans given and other investment interests	4.739.590	60.623.954	65.363.544	5.079.942	69.693.781	74.773.724
<b>Total</b>	<b>108.747.360</b>	<b>160.646.101</b>	<b>269.393.461</b>	<b>120.273.024</b>	<b>173.695.335</b>	<b>293.968.360</b>

### /iii/ Financial investment sale (realization) income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Fair value investments through PLA	3.081.729	4.899.661	7.981.390	3.190.003	5.516.247	8.706.250
Investments available for sale	0	1.698.556	1.698.556	83.070	1.751.575	1.834.645
Other financial asset investment sale (realization)	788.554	0	788.554	182018	122.593	304.611
<b>Total</b>	<b>3.870.283</b>	<b>6.598.217</b>	<b>10.468.500</b>	<b>3.455.091</b>	<b>7.390.415</b>	<b>10.845.506</b>

/iv/ Net positive exchange rate

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments held until maturity	17.949.160	7.971.233	25.920.393	10.810.815	4.910.118	15.720.933
Investments available for sale	0	2.109.351	2.109.351	0	4.798.547	4.798.547
Investments at fair value through PLA	1.437.561	1.094.916	2.532.477	254.018	42.816	296.835
Deposits	211.711	(444.158)	(232.447)	8.534	520.306	528.840
Loans	219.727	3.796.544	4.016.272	3.430	2.057.600	2.061.029
Foreign currency accounts	0	1.413.193	1.413.193	(18.271)	926.957	908.686
Other	(64.910)	1.006.627	941.718	60	(926.566)	(926.506)
<b>Total</b>	<b>19.753.249</b>	<b>16.947.707</b>	<b>36.700.956</b>	<b>11.058.585</b>	<b>12.329.779</b>	<b>23.388.364</b>

/v/ Other investment income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from dividends received		799.423	799.423	1.483.480	3.269.500	4.752.980
Adjusted value and write-off collected receivables	142.720	42.997.609	43.140.329	0	6.165.940	6.165.940
Call deposit interests	11.962	40.183	52.145	31.085	66.052	97.137
Other income	71.081	9.023.929	9.095.011	(7.802.103)	(5.261.339)	(13.063.443)
<b>Total</b>	<b>225.763</b>	<b>52.861.144</b>	<b>53.086.907</b>	<b>(6.287.538)</b>	<b>4.240.154</b>	<b>(2.047.384)</b>

**Other income**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission and compensation income	69.101	44.660.305	44.729.406	90.042	45.903.228	45.993.270
Other insurance-technical income, net of reinsurance	108.336	20.825.011	20.933.347	728.107	39.647.332	40.375.439
Other income	1.361.321	213.761.067	215.122.388	1.832.993	244.744.866	246.577.859
<b>Total other income</b>	<b>1.538.758</b>	<b>279.246.383</b>	<b>280.785.141</b>	<b>2.651.142</b>	<b>330.295.426</b>	<b>332.946.568</b>

/i/ Commission and compensation income

Commission and compensation income amounting to HRK 44,729,406 (in the year 2010 amounting to HRK 45,993,270) relate to commission from reinsurance companies according to reinsurance contracts.

/ii/ Other insurance-technical income, net of reinsurance

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Guarantee fund income	0	9.099.099	9.099.099	0	25.683.496	25.683.496
Foreign claims income	0	5.177.374	5.177.374	0	3.354.637	3.354.637
Premium interests income	71.951	3.244.857	3.316.808	0	0	0
Border insurance compensations income	0	437.210	437.210	0	550.111	550.111
Reimbursements income	0	(6.505.939)	(6.505.939)	0	(5.077.527)	(5.077.527)
Other income	36.385	9.372.410	9.408.795	728.107	15.136.615	15.864.722
<b>UKUPNO</b>	<b>108.336</b>	<b>20.825.011</b>	<b>20.933.347</b>	<b>728.107</b>	<b>39.647.332</b>	<b>40.375.439</b>

/iii/ Other income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insurance activities income	1.361.321	33.571.861	34.933.182	1.832.993	50.242.435	52.075.428
Non-insurance activities income	0	180.189.206	180.189.206	0	194.502.431	194.502.431
<b>TOTAL</b>	<b>1.361.321</b>	<b>213.761.067</b>	<b>215.122.388</b>	<b>1.832.993</b>	<b>244.744.866</b>	<b>246.577.859</b>

Insurance activities income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from elimination of long-term provision	1.150.000	9.806.276	10.956.276	861.390	4.510.982	5.372.372
Income from service assessments	0	9.750.538	9.750.538	2.800	11.672.122	11.674.922
Income from collected insurance claims	1.600	2.853.988	2.855.588	0	2.963.296	2.963.296
Income from write-off collected receivables	0	1.529.742	1.529.742	0	5.289.371	5.289.371
Income from sale of tangible assets	6.073	1.472.109	1.478.182	0	77.585	77.585
Income from previous years	0	1.089.758	1.089.758	0	0	0
Income from subventions and refunds	0	25.728	25.728	0	271.023	271.023
Income from MOT test stations	0	0	0	0	13.436.801	13.436.801
Other income	203.648	7.043.722	7.247.370	968.803	12.021.255	12.990.058
<b>Total</b>	<b>1.361.321</b>	<b>33.571.861</b>	<b>34.933.182</b>	<b>1.832.993</b>	<b>50.242.435</b>	<b>52.075.428</b>

Non-insurance activities income

DESCRIPTION	2011	2010
	HRK	HRK
Income from financial and operating lease	34.076.995	67.966.195
Income from pension fund management	34.918.686	32.021.614
Income from MOT tests	81.749.216	67.872.024
Income from other activities	29.444.309	26.642.598
<b>TOTAL</b>	<b>180.189.206</b>	<b>194.502.431</b>

## TOTAL EXPENDITURES

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insured events outlays, net	323.768.560	1.403.695.469	1.727.464.029	229.929.004	1.549.705.854	1.779.634.858
Change in other technical provision, net of reinsurance	64.996.943	10.670.000	75.666.943	136.507.486	13.847.225	150.354.711
Change in life insurance technical provision when the policyholder bears the risk	(4.700.768)	0	(4.700.768)	(1.918.336)	0	(1.918.336)
Premium return expenditure (bonuses and discounts), net of reinsurance	0	466.213	466.213	0	(3.614.102)	(3.614.102)
Business expenditures (outlays for business operations), net	108.883.777	1.040.417.397	1.149.301.174	113.880.673	1.022.477.203	1.136.357.876
Investment expenses	20.233.603	184.753.812	204.987.415	33.810.142	142.231.822	176.041.964
Other technical expenses, net of reinsurance	190.956	84.668.049	84.859.005	305.749	82.178.583	82.484.332
Other expenses, including value adjustments	1.142.463	168.881.499	170.023.962	60.845	210.100.988	210.161.833
<b>TOTAL</b>	<b>514.515.534</b>	<b>2.893.552.439</b>	<b>3.408.067.974</b>	<b>512.575.564</b>	<b>3.016.927.575</b>	<b>3.529.503.139</b>

### Outlays for insured events, net

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Paid claims</b>						
Gross amount	329.935.998	1.614.599.709	1.944.535.707	230.501.346	1.695.479.590	1.925.980.936
Coinsurance share	0	(40.489)	(40.489)	0	491.247	491.247
Reinsurance share	0	(144.493.364)	(144.493.364)	0	(117.066.806)	(117.066.806)
<b>Total</b>	<b>329.935.998</b>	<b>1.470.065.857</b>	<b>1.800.001.855</b>	<b>230.501.346</b>	<b>1.578.904.031</b>	<b>1.809.405.377</b>
<b>Change in provision for claims</b>						
Gross amount	(6.163.009)	56.641.838	50.478.829	(572.342)	(29.198.177)	(29.770.519)
Coinsurance/Reinsurance share	(4.429)	(123.012.226)	(123.016.655)	0	0	0
<b>Total</b>	<b>(6.167.438)</b>	<b>(66.370.388)</b>	<b>(72.537.826)</b>	<b>(572.342)</b>	<b>(29.198.177)</b>	<b>(29.770.519)</b>
<b>TOTAL</b>	<b>323.768.560</b>	<b>1.403.695.469</b>	<b>1.727.464.029</b>	<b>229.929.004</b>	<b>1.549.705.854</b>	<b>1.779.634.858</b>

### Change in mathematical provision and other technical provision, net of reinsurance

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Change in insurance mathematical provision</b>						
Gross amount	65.149.825	0	65.149.825	136.505.904	0	136.505.904
Reinsurance share	(152.883)	0	(152.883)	1.582	0	1.582
<b>Total</b>	<b>64.996.943</b>	<b>0</b>	<b>64.996.943</b>	<b>136.507.486</b>	<b>0</b>	<b>136.507.486</b>
<b>Change in other technical provision, net of reinsurance</b>						
Gross amount	0	10.670.000	10.670.000	0	13.847.225	13.847.225
<b>Total</b>	<b>0</b>	<b>10.670.000</b>	<b>10.670.000</b>	<b>0</b>	<b>13.847.225</b>	<b>13.847.225</b>
<b>TOTAL</b>	<b>64.996.943</b>	<b>10.670.000</b>	<b>75.666.943</b>	<b>136.507.486</b>	<b>13.847.225</b>	<b>150.354.711</b>

### **Change in life insurance technical provision when the policyholder bears the risk**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Change in life insurance technical provision when the policyholder bears the risk	(4.700.768)	0	(4.700.768)	(1.918.336)	0	(1.918.336)
<b>TOTAL</b>	<b>(4.700.768)</b>	<b>0</b>	<b>(4.700.768)</b>	<b>(1.918.336)</b>	<b>0</b>	<b>(1.918.336)</b>

### **Cost for premium returns (bonuses and discounts), net of reinsurance**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Change in provision for premium returns dependent on the result (bonuses)	0	104.981	104.981	0	390.424	390.424
Changes in provision for premium returns independent on the result (discounts)	0	361.232	361.232	0	(4.004.526)	(4.004.526)
<b>UKUPNO</b>	<b>0</b>	<b>466.213</b>	<b>466.213</b>	<b>0</b>	<b>(3.614.102)</b>	<b>(3.614.102)</b>

### **Business expenditures (outlays for insurance operations), net**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Sales expenses</b>						
Commission	25.822.347	176.517.443	202.339.790	27.414.311	152.594.619	180.008.930
Other sales expenses	9.467.816	123.177.081	132.644.897	12.991.958	149.729.940	162.721.898
Change in split sales expenses	0	(3.457.139)	(3.457.139)	0	1.627.546	1.627.546
<b>Total</b>	<b>35.290.163</b>	<b>296.237.385</b>	<b>331.527.548</b>	<b>40.406.269</b>	<b>303.952.105</b>	<b>344.358.374</b>
<b>Management expenses (administrative expenses)</b>						
Amortization of tangible assets	1.944.285	54.451.779	56.396.064	2.069.428	55.150.513	57.219.941
Salary, taxes and contributions from and on salary	44.308.600	380.279.989	424.588.590	42.779.247	385.889.195	428.668.442
Other management costs	27.340.729	309.448.244	336.788.973	28.625.729	277.485.390	306.111.119
<b>Total</b>	<b>73.593.614</b>	<b>744.180.012</b>	<b>817.773.627</b>	<b>73.474.404</b>	<b>718.525.098</b>	<b>791.999.502</b>
<b>TOTAL</b>	<b>108.883.777</b>	<b>1.040.417.397</b>	<b>1.149.301.174</b>	<b>113.880.673</b>	<b>1.022.477.203</b>	<b>1.136.357.876</b>

/i-1/ Commission

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission expenses under credit cards and pos devices	577.683	15.349.393	15.927.076	633.426	10.594.837	11.228.263
Commission expenses for commissioners	2.186.338	13.606.233	15.792.571	2.535.842	11.946.141	14.481.983
Commission expenses for employees	6.310.635	45.623.154	51.933.789	6.076.349	37.810.321	43.886.670
Commission expenses for banks, agencies and dispatchers	10.060.872	69.682.997	79.743.869	13.730.973	64.696.350	78.427.323
Commission expenses for MOT test stations	0	7.243.202	7.243.202	0	6.156.167	6.156.167
Other commission expenses	6.686.819	25.012.464	31.699.283	4.437.721	21.390.803	25.828.524
<b>TOTAL</b>	<b>25.822.347</b>	<b>176.517.443</b>	<b>202.339.790</b>	<b>27.414.311</b>	<b>152.594.619</b>	<b>180.008.930</b>

/i-2/ Other sales costs

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Promotion costs	7.903.351	59.328.672	67.232.023	11.365.107	100.152.867	111.517.974
Policy issuance cost	330.459	4.571.805	4.902.264	108.973	2.726.658	2.835.631
Other direct sales costs	1.234.006	59.276.604	60.510.610	1.517.878	46.850.415	48.368.293
<b>TOTAL</b>	<b>9.467.816</b>	<b>123.177.081</b>	<b>132.644.897</b>	<b>12.991.958</b>	<b>149.729.940</b>	<b>162.721.898</b>

/ii-1/ Amortization

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Amortization of intangible assets	25.492	3.692.444	3.717.935	261.869	2.518.018	2.779.887
Amortization of tangible assets	1.918.793	50.759.335	52.678.129	1.807.559	52.632.495	54.440.054
<b>TOTAL</b>	<b>1.944.285</b>	<b>54.451.779</b>	<b>56.396.064</b>	<b>2.069.428</b>	<b>55.150.513</b>	<b>57.219.941</b>

/ii-2/ Salary, taxes and contributions from and on salary

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Salary and compensations, net	25.789.269	220.011.975	245.801.243	24.341.589	214.537.606	238.879.195
Taxes and contributions from salary	11.691.885	104.813.835	116.505.720	12.172.758	115.615.517	127.788.275
Contributions on salary	6.827.447	55.454.179	62.281.627	6.264.900	55.736.072	62.000.972
<b>TOTAL</b>	<b>44.308.601</b>	<b>380.279.989</b>	<b>424.588.590</b>	<b>42.779.247</b>	<b>385.889.195</b>	<b>428.668.442</b>

/ii-3/ Other management costs

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Expended supplies	1.490.930	18.293.917	19.784.846	1.455.900	13.848.477	15.304.376
Energy	1.470.475	15.458.445	16.928.919	1.300.757	13.223.305	14.524.062
Services costs	9.734.470	95.659.767	105.394.237	9.681.856	92.693.429	102.375.285
Promotion costs	178.936	4.347.812	4.526.747	204.779	4.371.372	4.576.151
Long-term cost and risk provision	0	35.388.362	35.388.362	0	7.839.284	7.839.284
Daily allowances for business trips and travel expenses	476.640	3.902.029	4.378.669	269.913	2.307.582	2.577.495
Business travel allowances and expenses	1.545.147	12.860.144	14.405.291	1.507.495	12.248.693	13.756.188
Other reimbursement to employees according to Collective agreement	7.886.986	73.585.856	81.472.842	9.063.160	73.362.986	82.426.147
Fees according to contracts	340.688	5.571.611	5.912.299	291.729	4.437.156	4.728.884
Representation cost	345.386	4.809.456	5.154.842	255.042	3.703.786	3.958.828
Insurance premium	1.486.082	9.391.096	10.877.178	1.294.218	7.479.681	8.773.899
Contributions and compensations	788.434	9.060.081	9.848.515	696.701	12.414.953	13.111.655
Other costs and expenses	1.596.556	21.119.669	22.716.225	2.604.179	29.554.686	32.158.865
<b>TOTAL</b>	<b>27.340.731</b>	<b>309.448.243</b>	<b>336.788.974</b>	<b>28.625.727</b>	<b>277.485.392</b>	<b>306.111.120</b>

**Investments expenses**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Amortization(buildings) not used for insurance operations	0	0	0	0	1.271.102	1.271.102
Interests	12.186	1.354	13.539	16.051	476.808	492.859
Investments value adjustment (decrease)	12.043.534	32.152.661	44.196.195	16.717.358	20.330.656	37.048.014
Losses realized on investment sale (realization)	2.575.940	21.363.966	23.939.906	13.739.085	38.910.657	52.649.743
Financial asset adjustment at fair value through PLA	5.089.978	8.014.888	13.104.866	726.384	111.231	837.616
Other investment expenses	511.965	123.220.944	123.732.909	2.611.264	81.131.368	83.742.633
<b>Total</b>	<b>20.233.603</b>	<b>184.753.812</b>	<b>204.987.415</b>	<b>33.810.143</b>	<b>142.231.823</b>	<b>176.041.966</b>

/i/ Value adjustment (investment decrease)

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments available for sale	12.043.534	30.669.460	42.712.994	16.717.358	20.330.656	37.048.014
Other losses from financial asset decrease in value	0	1.483.200	1.483.200	0	0	0
<b>TOTAL</b>	<b>12.043.534</b>	<b>32.152.660</b>	<b>44.196.194</b>	<b>16.717.358</b>	<b>20.330.656</b>	<b>37.048.014</b>

/ii/ Loss on investment sale (realization)

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments available for sale	2.546.242	21.220.316	23.766.558	13.732.873	38.910.657	52.643.530
Investments at fair value through PLA	29.698	87.575	117.273	2.174	0	2.174
Investments held until maturity	0	0	0	4.038	0	4.038
Other investments	0	56.075	56.075	0	0	0
<b>Total</b>	<b>2.575.940</b>	<b>21.363.966</b>	<b>23.939.906</b>	<b>13.739.085</b>	<b>38.910.657</b>	<b>52.649.742</b>

/iii/ Other investment expenses

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Placement receivables value adjustment	0	55.375.156	55.375.156	1.662.266	28.291.289	29.953.555
Interest receivables value adjustment	0	7.885.875	7.885.875	0	10.595.694	10.595.694
Losses from change in real estate fair value	0	27.834.949	27.834.949	0	32.982.718	32.982.718
Compensation costs	0	0	0	0	39.138	39.138
Expenses for assessment and foundation of new branch offices	0	0	0	0	850.993	850.993
Money transfer expenses	488.589	3.236.004	3.724.593	442.905	3.524.953	3.967.858
Purchase of securities costs	0	1.590	1.590	0	13.050	13.050
Current value of sold asset	0	0	0	0	3.881	3.881
Other investment expenses	23.377	28.887.370	28.910.747	506.094	4.829.651	5.335.745
<b>Total</b>	<b>511.966</b>	<b>123.220.944</b>	<b>123.732.910</b>	<b>2.611.265</b>	<b>81.131.368</b>	<b>83.742.633</b>

**Other expenses**

/i-1/ Other technical expenses, net of reinsurance

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Prevention activity expenses	0	6.101.039	6.101.039	0	3.271.962	3.271.962
Other technical insurance expenses	190.956	78.567.010	78.757.966	305.749	78.906.621	79.212.370
<b>TOTAL</b>	<b>190.956</b>	<b>84.668.049</b>	<b>84.859.005</b>	<b>305.749</b>	<b>82.178.583</b>	<b>82.484.332</b>



/i-2/ Other technical insurance expenses

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Contributions for health insurance out of motor TPL insurance premium	0	48.498.968	48.498.968	0	47.913.182	47.913.182
Guarantee fund contribution	0	9.990.620	9.990.620	0	11.205.767	11.205.767
Fire-fighting contribution	0	7.855.120	7.855.120	0	8.679.498	8.679.498
Contribution for Croatian Insurance Bureau	59.140	3.402.321	3.461.461	0	2.479.072	2.479.072
Contribution for Croatian Financial Services Supervisory Agency	105.526	1.736.505	1.842.031	147.081	1.505.271	1.652.352
Other insurance technical expenses	26.259	7.447.195	7.473.454	153.004	3.956.332	4.109.336
Subsequent outlays	0	0	0	0	752.168	752.168
Other expenses	31	5.737.320	5.737.351	5.664	5.687.293	5.692.957
	<b>190.956</b>	<b>84.668.049</b>	<b>84.859.005</b>	<b>305.749</b>	<b>82.178.583</b>	<b>82.484.332</b>

**Other expenses – value adjustments included**

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insurance activities expenses	1.142.462	37.098.078	38.240.540	60.845	42.379.871	42.440.716
Non-insurance activities expenses	0	131.783.423	131.783.423	0	167.721.117	167.721.117
<b>TOTAL</b>	<b>1.142.462</b>	<b>168.881.501</b>	<b>170.023.962</b>	<b>60.845</b>	<b>210.100.988</b>	<b>210.161.833</b>

/i/ Non-insurance activities expenses

DESCRIPTION	2011	2010
	HRK	HRK
Raw material, material, energy and the like expenses	6.330.244	5.486.769
Service expenses	17.196.530	23.727.873
Amortization	26.987.549	38.589.117
Personnel expenses	32.083.116	32.680.663
Purchase value of property sold	3.968.502	4.516.572
Value adjustment	4.788.877	20.405.397
Provision	37.164	0
Interests expenses	11.182.818	20.014.899
Other expenses	29.208.623	22.299.827
<b>TOTAL</b>	<b>131.783.423</b>	<b>167.721.117</b>

### **Corporation tax**

The corporation tax is calculated in accordance with legal regulations of the countries in which the particular members of the Group operate.

### **Earning per share for the Parent company**

	2011	2010
DESCRIPTION	HRK	HRK
Net profit for the period	78.666.745	43.603.886
Less: preferred shares dividends	(980.000)	(980.000)
<b>Net profit for the period from ordinary share</b>	<b>77.686.745</b>	<b>42.623.886</b>
Weighted average of ordinary shares, except own	307.598	307.598
<b>Earnings per share</b>	<b>252,56</b>	<b>138,58</b>

## NOTES TO THE BALANCE SHEET

### Intangible assets

DESCRIPTION	Foundation costs	Development costs	Other intangible assets	Intangible assets in preparation	Total
	HRK	HRK	HRK	HRK	HRK
<b>Purchase value</b>					
<b>Balance at 1 January 2010</b>	<b>2.223.653</b>	<b>14.296.456</b>	<b>79.493.574</b>	<b>920.558</b>	<b>96.934.241</b>
Corrected opening balance	(109.373)	0	(1.007.667)	302.797	<b>(814.244)</b>
Additions	0	236.994	3.732.439	5.799.216	<b>9.768.649</b>
Sale and disposals	0	(15.775)	(2.255.451)	(651.057)	<b>(2.922.283)</b>
<b>Balance at 31 December 2010</b>	<b>2.114.280</b>	<b>14.517.675</b>	<b>79.962.895</b>	<b>6.371.514</b>	<b>102.966.363</b>
Corrected opening balance	(2.058.997)	0	2.203.788	3.992	148.783
Additions	0	757.909	5.951.440	(4.825.877)	1.883.472
Sale and disposals	0	0	(3.402.130)	(5.409)	(3.407.539)
<b>Balance at 31 December 2011</b>	<b>55.283</b>	<b>15.275.584</b>	<b>84.715.993</b>	<b>1.544.220</b>	<b>101.591.079</b>
<b>Impairment</b>					
<b>Balance at 1 January 2010</b>	<b>264.528</b>	<b>10.671.011</b>	<b>63.884.885</b>	<b>0</b>	<b>74.820.424</b>
Corrected opening balance	(92.706)	0	(1.430.512)	0	<b>(1.523.218)</b>
Amortization during 2010	61.497	1.308.885	4.424.421	0	<b>5.794.803</b>
Sale and disposals	0	(15.775)	(1.562.823)	0	<b>(1.578.598)</b>
<b>Balance at 31 December 2010</b>	<b>233.319</b>	<b>11.964.121</b>	<b>65.315.971</b>	<b>0</b>	<b>77.513.411</b>
Corrected opening balance	(178.419)	0	230.346	0	51.927
Amortization during 2011	0	1.394.125	4.738.377	0	6.132.502
Sale and disposals	0	0	(3.212.125)	0	(3.212.125)
<b>Balance at 31 December 2011</b>	<b>54.900</b>	<b>13.358.246</b>	<b>67.072.569</b>	<b>0</b>	<b>80.485.715</b>
<b>Current value</b>					
<b>1 January 2010</b>	<b>1.959.125</b>	<b>3.625.445</b>	<b>15.608.689</b>	<b>920.558</b>	<b>22.113.817</b>
<b>31 December 2010</b>	<b>1.880.961</b>	<b>2.553.554</b>	<b>14.646.924</b>	<b>6.371.514</b>	<b>25.452.953</b>
<b>31 December 2011</b>	<b>383</b>	<b>1.917.338</b>	<b>17.643.424</b>	<b>1.544.220</b>	<b>21.105.365</b>

## Real estate, plant & equipment

/i/ Real estate

DESCRIPTION	Land	Buildings	Assets under construction	Prepayments	Total
	HRK	HRK	HRK	HRK	HRK
<b>PURCHASE VALUE</b>					
<b>Balance at 1 January 2010</b>	<b>268.690.230</b>	<b>1.332.031.618</b>	<b>25.677.324</b>	<b>3.972.619</b>	<b>1.630.371.791</b>
Corrected opening balance	21.022	(905.504)	4.717	0	(879.765)
Revaluation	0	1.917.591	0	0	1.917.591
Additions	6.161.971	1.075.545	23.165.400	14.111.826	44.514.742
Transfer from asset in preparation	0	20.238.542	(31.144.204)	(15.225.181)	(26.130.843)
Transfer from / to	0	(15.689)	0	0	(15.689)
Transfer from land and buildings not used for insurance operations	0	6.766.874	0	0	6.766.874
Transfer to land and buildings not used for insurance operations	3.120.542	(7.881.944)	0	0	(4.761.402)
Sale or disposals	0	(1.220)	0	0	(1.220)
<b>Balance at 31 December 2010</b>	<b>277.993.766</b>	<b>1.353.225.813</b>	<b>17.703.238</b>	<b>2.859.264</b>	<b>1.651.782.081</b>
Corrected opening balance	38.666	1.228.350	9.017	99.067	1.375.100
Revaluation	855.606	16.147.438	0	0	17.003.044
Additions	595.356	389.352	14.206.160	280.994	15.471.862
Transfer from asset in preparation	0	4.291.208	(4.291.208)	0	0
Transfer from/to	(4.066.765)	(2.518.210)	(8.971.744)	(4.157)	(15.560.876)
Transfer from land and buildings not used for insurance operations	389.947	2.098.933	0	0	2.488.880
Transfer to land and buildings not used for insurance operations	(800.158)	(9.444.529)	0	0	(10.244.687)
Sale or disposals	(3.904.279)	(29.022)	0	0	(3.933.301)
<b>Balance at 31 December 2011</b>	<b>271.102.138</b>	<b>1.365.389.332</b>	<b>18.655.462</b>	<b>3.235.168</b>	<b>1.658.382.101</b>
<b>Impairment</b>					
<b>Balance at 1 January 2010</b>	<b>12.595.834</b>	<b>230.616.938</b>	<b>0</b>	<b>0</b>	<b>243.212.772</b>
Corrected opening balance	(12.595.834)	12.564.800	0	0	(31.034)
Amortization from revaluation	0	6.682.980	0	0	6.682.980
Amortization for 2010	0	27.249.312	0	0	27.249.312
Transfer from/to	0	(112.900)	0	0	(112.900)
Transfer to land and buildings not used for insurance operations	0	(1.732.354)	0	0	(1.732.354)
Sale or disposals	0	(1.222)	0	0	(1.222)
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>275.267.551</b>	<b>0</b>	<b>0</b>	<b>275.267.551</b>
Corrected opening balance	0	155.140	0	0	155.140
Amortization from revaluation	0	5.787.939	0	0	5.787.939
Amortization for 2011	0	28.239.368	0	0	28.239.368
Transfer to land and buildings not used for insurance operations	0	(2.536.397)	0	0	(2.536.397)
Sale or disposals	0	(25.037)	0	0	(25.037)
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>306.888.568</b>	<b>0</b>	<b>0</b>	<b>306.888.568</b>
<b>CURRENT VALUE</b>					
<b>1 January 2010</b>	<b>256.094.396</b>	<b>1.101.414.680</b>	<b>25.677.324</b>	<b>3.972.619</b>	<b>1.387.159.019</b>
<b>31 December 2010</b>	<b>277.993.765</b>	<b>1.077.958.262</b>	<b>17.703.237</b>	<b>2.859.264</b>	<b>1.376.514.528</b>
<b>31 December 2011</b>	<b>271.102.138</b>	<b>1.058.500.763</b>	<b>18.655.462</b>	<b>3.235.168</b>	<b>1.351.493.533</b>

## Investment

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment in non-operational land and buildings	437.198	968.976.989	969.414.187	0	816.718.189	816.718.189
Investment in subsidiaries, associates and joint ventures	0	17.607.577	17.607.577	0	19.140.405	19.140.405
Other financial investments	2.105.858.599	2.960.661.409	5.066.520.008	2.083.905.095	3.009.927.596	5.093.832.691
<b>Total</b>	<b>2.106.295.797</b>	<b>3.947.245.974</b>	<b>6.053.541.771</b>	<b>2.083.905.095</b>	<b>3.845.786.190</b>	<b>5.929.691.285</b>

## Investment in non-operational land and buildings

### /i/ Investment at purchase value

DESCRIPTION	Land	Buildings	Property in preparation	Total
	HRK	HRK	HRK	HRK
Purchase value				
<b>1 January 2010</b>	<b>25.430.592</b>	<b>129.628.000</b>	<b>5.198.951</b>	<b>160.257.542</b>
Increase	56.959	(3.454.079)	(5.071.667)	<b>(8.468.787)</b>
Transfer from property in preparation	0	0	(10.644)	<b>(10.644)</b>
Transfer to non-operational land and buildings	(4.608.896)	0	0	<b>(4.608.896)</b>
Sale or disposal	0	(150.471)	0	<b>(150.471)</b>
<b>31 December 2010</b>	<b>20.878.656</b>	<b>126.023.450</b>	<b>116.640</b>	<b>147.018.746</b>
Increase	1.672.759	1.573.615	4.191.214	<b>7.437.588</b>
Transfer from property in preparation	0	4.184.783	(4.184.783)	<b>0</b>
Transfer from operational land and buildings	800.158	10.404.741	0	<b>11.204.899</b>
Sale or disposal	0	(821.233)	0	<b>(821.233)</b>
<b>31 December 2011</b>	<b>23.351.573</b>	<b>141.365.356</b>	<b>123.071</b>	<b>164.840.000</b>
Value adjustment				
<b>1 January 2010</b>	<b>0</b>	<b>13.592.344</b>	<b>0</b>	<b>13.592.344</b>
Amortization during 2010	0	3.067.251	0	<b>3.067.251</b>
<b>31 December 2010</b>	<b>0</b>	<b>16.659.595</b>	<b>0</b>	<b>16.659.595</b>
Amortization during 2011	0	2.957.643	0	<b>2.957.643</b>
Sale or disposal	0	(268.263)	0	<b>(268.263)</b>
<b>31 December 2011</b>	<b>0</b>	<b>19.348.974</b>	<b>0</b>	<b>19.348.974</b>
Current value				
<b>1 January 2010</b>	<b>25.430.593</b>	<b>116.035.655</b>	<b>5.198.951</b>	<b>146.665.200</b>
<b>31 December 2010</b>	<b>20.878.656</b>	<b>109.363.855</b>	<b>116.640</b>	<b>130.359.151</b>
<b>31 December 2011</b>	<b>23.351.573</b>	<b>122.016.381</b>	<b>123.071</b>	<b>145.491.025</b>

/ii/ Investment at fair value through PLA

DESCRIPTION	Investment
	HRK
<b>1 January 2010</b>	<b>653.700.604</b>
Corrected opening balance	(3.835.779)
Transfer to operational land and buildings	(2.463.211)
Transfer from operational land and buildings	15.783.020
Increase in fair value recognized in the profit and loss account	5.137.070
Decrease in fair value debited to the profit and loss account	(32.676.564)
Additions during the year	55.785.202
Non-operational assets under construction	11.801.447
Sold during the year	(16.872.752)
<b>31 December 2010</b>	<b>686.359.037</b>
Corrected opening balance	(20.174)
Transfer to operational land and buildings	(6.165.310)
Transfer from operational land and buildings	6.133.378
Increase in fair value recognized in the profit and loss account	56.199.957
Decrease in fair value debited to the profit and loss account	(27.837.087)
Non-operational asset under construction	4.238.016
Additions during the year	105.600.229
Sold during the year	(584.884)
<b>31 December 2011</b>	<b>823.923.162</b>

**Investments in subsidiaries, associates and joint ventures**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Shares and stakes in subsidiaries	0	0	0	0	429.012	429.012
Shares and stakes in associate companies	0	16.295.014	16.295.014	0	17.891.495	17.891.495
Participation in joint ventures	0	1.312.562	1.312.562	0	819.898	819.898
<b>TOTAL</b>	<b>0</b>	<b>17.607.577</b>	<b>17.607.577</b>	<b>0</b>	<b>19.140.405</b>	<b>19.140.405</b>

/i/ Shares and stakes in subsidiaries

DESCRIPTION	31/12/2011			31/12/2010		
	Activity	Country	Ownership percentage	Investment value	Ownership	Ownership percentage
			%	HRK	%	HRK
Zagos d.o.o. u likvidaciji, Zabok	Zastupanje u osiguranju	Hrvatska	0%	0	100%	429.012
<b>TOTAL</b>				<b>0</b>		<b>429.012</b>

/ii/ Shares and stakes in associate companies

DESCRIPTION	Activity	Country	31/12/2011		31/12/2010	
			Ownership	Investment	Ownership	Investment
			percentage	value	percentage	value
			%	HRK	%	HRK
Autoprijevoz d.d., Otočac	Transport	Hrvatska	32,78%	2.966.400	32,78%	4.449.600
Brioni d.d., Pula	Trgovina	Hrvatska	25,57%	4.259.700	25,57%	4.259.700
Strmec projekt d.o.o.	Kupnja i prodaja vlastitih nekretnina	Hrvatska	49,76%	8.513.331	49,76%	8.513.331
STP Agroservis d.o.o.	Stanica za tehnički pregled	Hrvatska	37,00%	555.583	37,00%	555.583
Reumal d.o.o. Fojnica	Centar za medicinsku rehabilitaciju	BiH	0%	0	2,79%	113.281
<b>TOTAL</b>				<b>16.295.014</b>		<b>17.891.495</b>

/iii/ Participation in joint ventures

DESCRIPTION	Country	31/12/2011		31/12/2010	
		Investment	Investment	Investment	Investment
		value	value	value	value
		HRK	HRK	HRK	HRK
Nacionalno biro za osiguranje Skopje	Makedonija	1.173.369		680.705	
Potraživanja za udružena sredstva H.U.O.	Hrvatska	139.193		139.193	
<b>TOTAL</b>		<b>1.312.562</b>		<b>819.898</b>	

**Other financial investments**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments held to maturity	1.312.794.201	918.652.533	2.231.446.734	1.229.341.654	793.103.148	2.022.444.802
Investments available for sale	60.422.034	198.835.404	259.257.438	115.155.930	324.509.104	439.665.034
Investments at fair value through PLA	200.501.903	383.929.268	584.431.170	180.044.882	312.854.885	492.899.767
Deposits, loans and receivables	532.140.461	1.459.244.205	1.991.384.666	559.362.629	1.579.460.458	2.138.823.088
<b>TOTAL</b>	<b>2.105.858.599</b>	<b>2.960.661.409</b>	<b>5.066.520.008</b>	<b>2.083.905.095</b>	<b>3.009.927.596</b>	<b>5.093.832.691</b>

/i/ Investment held until maturity

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Neživot	Ukupno
	HRK	HRK	HRK	HRK	HRK	HRK
<u>Debt and other securities with fixed income</u>						
State bonds	1.154.961.020	609.097.711	1.764.058.731	1.061.216.726	540.497.688	1.601.714.414
Corporate bonds	35.790.852	142.516.621	178.307.473	60.463.734	132.116.208	192.579.942
Local government bonds	4.301.384	0	4.301.384	4.717.611	0	4.717.611
<b>Total</b>	<b>1.195.053.256</b>	<b>751.614.332</b>	<b>1.946.667.588</b>	<b>1.126.398.071</b>	<b>672.613.896</b>	<b>1.799.011.967</b>
Treasury bills	94.282.749	161.413.762	255.696.512	63.336.140	100.224.500	163.560.640
Commercial bills	23.458.196	5.624.438	29.082.634	39.607.443	20.264.752	59.872.195
<b>TOTAL</b>	<b>1.312.794.201</b>	<b>918.652.533</b>	<b>2.231.446.734</b>	<b>1.229.341.654</b>	<b>793.103.148</b>	<b>2.022.444.802</b>

/ii/ Investment available for sale

	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<u>Shares, stakes and other securities with variable income</u>						
- listed on stock exchange	24.314.237	80.129.730	104.443.967	54.417.013	162.010.790	216.427.803
- not listed on stock exchange	0	39.786.690	39.786.690	0	43.900.559	43.900.559
	24.314.237	119.916.420	144.230.657	54.417.013	205.911.349	260.328.362
<u>Stakes in investment funds</u>	36.107.797	78.918.984	115.026.781	60.738.917	118.597.755	179.336.672
<b>TOTAL</b>	<b>60.422.034</b>	<b>198.835.404</b>	<b>259.257.438</b>	<b>115.155.930</b>	<b>324.509.104</b>	<b>439.665.034</b>

/iii/ Investment at fair value through PLA:

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Shares, stakes and other securities with variable income	0	8.213.904	8.213.904	0	2.279.958	2.279.958
Debt securities and other securities with fixed income	83.590.987	110.355.342	193.946.328	9.879.000	42.510.883	52.389.883
Shares in investment funds	116.910.916	265.360.022	382.270.938	170.165.882	268.064.044	438.229.926
<b>TOTAL</b>	<b>200.501.903</b>	<b>383.929.268</b>	<b>584.431.170</b>	<b>180.044.882</b>	<b>312.854.885</b>	<b>492.899.767</b>



/iv/ Deposits, loans and receivables

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deposits at loan institutions	474.809.212	1.073.025.807	1.547.835.019	488.990.842	1.162.729.771	1.651.720.613
Loans	56.645.349	381.059.384	437.704.732	69.709.704	391.404.689	461.114.393
Other loans and receivables	685.901	5.159.014	5.844.914	662.084	25.325.998	25.988.082
<b>TOTAL</b>	<b>532.140.461</b>	<b>1.459.244.205</b>	<b>1.991.384.666</b>	<b>559.362.629</b>	<b>1.579.460.458</b>	<b>2.138.823.088</b>

/iv-1/ Loans

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Gross amount	59.404.229	570.624.700	630.028.929	71.475.680	534.975.661	606.451.341
Value decrease	(2.758.880)	(189.565.316)	(192.324.196)	(1.765.976)	(143.570.972)	(145.336.948)
<b>TOTAL</b>	<b>56.645.349</b>	<b>381.059.384</b>	<b>437.704.733</b>	<b>69.709.704</b>	<b>391.404.689</b>	<b>461.114.393</b>

Maturity dates of the granted loans:

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Up to 1 year	38.332.658	321.632.893	359.965.551	38.758.271	256.311.525	295.069.796
From 1 to 5 years	9.990.437	53.673.386	63.663.823	22.317.057	129.381.231	151.698.288
Over 5 years	8.322.254	5.753.105	14.075.359	8.634.376	5.711.933	14.346.309
<b>TOTAL</b>	<b>56.645.349</b>	<b>381.059.384</b>	<b>437.704.733</b>	<b>69.709.704</b>	<b>391.404.689</b>	<b>461.114.394</b>

Structure of loans according to the collateral:

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Guarantees of business banks	0	12.421.961	12.421.961	460.708	21.094.448	21.555.156
Life insurance policies with restricted transferability	46.310.556	0	46.310.556	55.647.466	0	55.647.466
Mortgages and real estate fiduciaries	7.709.840	368.441.985	376.151.825	7.899.297	368.434.719	376.334.016
Other collateral	2.624.953	195.438	2.820.391	5.702.233	1.875.522	7.577.755
<b>TOTAL</b>	<b>56.645.349</b>	<b>381.059.384</b>	<b>437.704.733</b>	<b>69.709.704</b>	<b>391.404.689</b>	<b>461.114.393</b>

## Maturity dates of investments

As at 31 December 2011:

	LIFE					NON-LIFE					TOTAL				
	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total
<b>Investment in subsidiaries and associated companies</b>	0	0	0	0	0	9.825.893	0	0	7.781.683	17.607.577	9.825.893	0	0	7.781.683	17.607.577
<b>Investment in real estate</b>	0	0	0	437.198	437.198	6.864.971	0	0	962.112.018	968.976.989	6.864.971	0	0	962.549.216	969.414.187
										0					
Bonds	276.945.027	240.741.125	172.927.733	504.439.372	1.195.053.256	276.871.845	344.493.460	74.828.557	174.178.275	870.372.137	553.816.872	585.234.585	247.756.290	678.617.646	2.065.425.393
Treasury bills	1.708.701	0	0	0	1.708.701	48.280.395	0	0	0	48.280.395	49.989.097	0	0	0	49.989.097
Commercial bills	18.709.804	0	0	0	18.709.804	0	0	0	0	0	18.709.804	0	0	0	18.709.804
Other investment	97.322.440	0	0	0	97.322.440	0	0	0	0	0	97.322.440	0	0	0	97.322.440
<b>Investment held until maturity</b>	<b>394.685.972</b>	<b>240.741.125</b>	<b>172.927.733</b>	<b>504.439.372</b>	<b>1.312.794.201</b>	<b>325.152.241</b>	<b>344.493.460</b>	<b>74.828.557</b>	<b>174.178.275</b>	<b>918.652.533</b>	<b>719.838.213</b>	<b>585.234.585</b>	<b>247.756.290</b>	<b>678.617.646</b>	<b>2.231.446.734</b>
Share	0	24.314.237	0	0	24.314.237	14.051.514	27.575.298	17.189.190	24.430.074	83.246.076	14.051.514	51.889.535	17.189.190	24.430.074	107.560.312
Stakes in funds	6.806.268	23.733.529	5.568.000	0	36.107.797	15.285.633	19.463.498	42.402.866	1.766.987	78.918.984	22.091.901	43.197.027	47.970.866	1.766.987	115.026.781
Stakes in commercial companies	0	0	0	0	0	0	36.670.344	0	0	36.670.344	0	36.670.344	0	0	36.670.344
<b>Investment available for sale</b>	<b>6.806.268</b>	<b>48.047.766</b>	<b>5.568.000</b>	<b>0</b>	<b>60.422.034</b>	<b>29.337.147</b>	<b>83.709.140</b>	<b>59.592.056</b>	<b>26.197.061</b>	<b>198.835.404</b>	<b>36.143.415</b>	<b>131.756.906</b>	<b>65.160.056</b>	<b>26.197.061</b>	<b>259.257.438</b>
Bonds	0	0	14.913.997	68.676.990	83.590.987	0	4.867.500	24.503.997	68.457.344	97.828.841	0	4.867.500	39.417.994	137.134.334	181.419.828
Shares	0	0	0	0	0	5.254.204	2.959.701	0	0	8.213.905	5.254.204	2.959.701	0	0	8.213.905
Treasury bills	0	0	0	0	0	123.620.886	0	0	0	123.620.886	123.620.886	0	0	0	123.620.886
Stakes in funds	116.910.916	0	0	0	116.910.916	153.918.609	0	347.028	0	154.265.637	270.829.526	0	347.028	0	271.176.553
<b>Investment at fair value through PLA</b>	<b>116.910.916</b>	<b>0</b>	<b>14.913.997</b>	<b>68.676.990</b>	<b>200.501.903</b>	<b>282.793.699</b>	<b>7.827.201</b>	<b>24.851.025</b>	<b>68.457.344</b>	<b>383.929.269</b>	<b>399.704.615</b>	<b>7.827.201</b>	<b>39.765.022</b>	<b>137.134.334</b>	<b>584.431.172</b>
Deposits in banks	306.663.280	148.915.013	11.363.831	7.867.086	474.809.211	801.322.622	271.703.185	0	0	1.073.025.807	1.107.985.902	420.618.199	11.363.831	7.867.086	1.547.835.018
Loans	43.040.252	2.815.836	2.467.010	8.322.251	56.645.348	112.525.757	236.651.769	28.026.585	3.855.273	381.059.384	155.566.009	239.467.605	30.493.595	12.177.524	437.704.732
Other loans and receivables	685.901	0	0	0	685.901	2.197.531	2.961.483	0	0	5.159.014	2.883.432	2.961.483	0	0	5.844.914
<b>Deposits, loans and receivables</b>	<b>350.389.433</b>	<b>151.730.849</b>	<b>13.830.841</b>	<b>16.189.337</b>	<b>532.140.459</b>	<b>916.045.910</b>	<b>511.316.437</b>	<b>28.026.585</b>	<b>3.855.273</b>	<b>1.459.244.205</b>	<b>1.266.435.342</b>	<b>663.047.286</b>	<b>41.857.426</b>	<b>20.044.610</b>	<b>1.991.384.664</b>
<b>TOTAL</b>	<b>868.792.589</b>	<b>440.519.740</b>	<b>207.240.571</b>	<b>589.742.897</b>	<b>2.106.295.796</b>	<b>1.570.019.860</b>	<b>947.346.239</b>	<b>187.298.222</b>	<b>1.242.581.654</b>	<b>3.947.245.975</b>	<b>2.438.812.449</b>	<b>1.387.865.978</b>	<b>394.538.793</b>	<b>1.832.324.550</b>	<b>6.053.541.771</b>

Maturity dates of investments as at 31 December 2010:

	LIFE					NON-LIFE					TOTAL				
	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total
Investment in subsidiaries and associated companies	0	0	0	0	0	680.705	0	139.192	18.320.508	19.140.405	680.705	0	139.192	18.320.508	19.140.405
Investment in real estate	0	0	0	0	0	116.640	0	0	816.601.550	816.718.190	116.639	0	0	816.601.550	816.718.189
Bonds	42.630.629	284.278.915	350.295.558	449.192.970	1.126.398.071	157.635.415	247.450.059	163.300.440	87.927.470	656.313.385	200.266.044	531.728.973	513.595.999	537.120.440	1.782.711.456
Treasury bills	63.336.140	0	0	0	63.336.140	100.224.500	0	0	0	100.224.500	163.560.640	0	0	0	163.560.640
Commercial bills	39.607.443	0	0	0	39.607.443	20.264.753	0	0	0	20.264.753	59.872.196	0	0	0	59.872.196
Other investment	0	0	0	0	0	185.853	91.191	1.892.948	14.130.520	16.300.512	185.853	91.191	1.892.948	14.130.520	16.300.512
<b>Investment held until maturity</b>	<b>145.574.212</b>	<b>284.278.915</b>	<b>350.295.558</b>	<b>449.192.970</b>	<b>1.229.341.654</b>	<b>278.310.521</b>	<b>247.541.250</b>	<b>165.193.388</b>	<b>102.057.990</b>	<b>793.103.149</b>	<b>423.884.732</b>	<b>531.820.164</b>	<b>515.488.947</b>	<b>551.250.960</b>	<b>2.022.444.804</b>
Shares	0	54.417.013	0	0	54.417.013	25.131.148	35.286.409	106.819.224	276.500	167.513.281	25.131.148	89.703.422	106.819.224	276.500	221.930.294
Stakes in funds	0	18.383.925	42.354.992	0	60.738.917	1.304.770	32.826.765	38.253.409	46.212.812	118.597.756	1.304.770	51.210.690	80.608.401	46.212.812	179.336.673
Stakes in commercial companies	0	0	0	0	0	0	0	38.398.067	0	38.398.067	0	0	38.398.067	0	38.398.067
<b>Investment available for sale</b>	<b>0</b>	<b>72.800.938</b>	<b>42.354.992</b>	<b>0</b>	<b>115.155.931</b>	<b>26.435.918</b>	<b>68.113.173</b>	<b>183.470.700</b>	<b>46.489.312</b>	<b>324.509.104</b>	<b>26.435.918</b>	<b>140.914.112</b>	<b>225.825.692</b>	<b>46.489.312</b>	<b>439.665.034</b>
Bonds	0	0	0	9.879.000	9.879.000	0	1.084.593	0	27.022.500	28.107.093	0	1.084.593	0	36.901.500	37.986.093
Shares	0	0	0	0	0	1.195.364	0	0	0	1.195.364	1.195.364	0	0	0	1.195.364
Treasury bills	0	0	0	0	0	15.488.383	0	0	0	15.488.383	15.488.383	0	0	0	15.488.383
Stakes in funds	170.165.882	0	0	0	170.165.882	196.850.220	71.213.825	0	0	268.064.044	367.016.102	71.213.825	0	0	438.229.927
<b>Investment at fair value through PLA</b>	<b>170.165.882</b>	<b>0</b>	<b>0</b>	<b>9.879.000</b>	<b>180.044.882</b>	<b>213.533.967</b>	<b>72.298.418</b>	<b>0</b>	<b>27.022.500</b>	<b>312.854.885</b>	<b>383.699.850</b>	<b>72.298.418</b>	<b>0</b>	<b>36.901.500</b>	<b>492.899.767</b>
Deposits in banks	427.461.634	58.009.459	3.519.749	0	488.990.842	957.056.838	55.834.450	100.000.000	50.000.000	1.162.891.288	1.384.518.472	113.843.909	103.519.749	50.000.000	1.651.882.130
Loans	49.490.860	1.650.901	18.567.941	0	69.709.702	285.176.285	105.024.129	969.914	234.361	391.404.689	334.667.145	106.675.030	19.537.855	234.361	461.114.391
Other loans and receivables	662.084	0	0	0	662.084	2.642.270	5.326.301	1.334.438	15.861.470	25.164.479	3.304.354	5.326.301	1.334.438	15.861.470	25.826.564
<b>Deposits, loans and receivables</b>	<b>477.614.578</b>	<b>59.660.360</b>	<b>22.087.690</b>	<b>0</b>	<b>559.362.627</b>	<b>1.244.875.393</b>	<b>166.184.880</b>	<b>102.304.353</b>	<b>66.095.831</b>	<b>1.579.460.456</b>	<b>1.722.489.971</b>	<b>225.845.240</b>	<b>124.392.042</b>	<b>66.095.831</b>	<b>2.138.823.084</b>
<b>TOTAL</b>	<b>793.354.672</b>	<b>416.740.213</b>	<b>414.738.240</b>	<b>459.071.970</b>	<b>2.083.905.095</b>	<b>1.763.953.144</b>	<b>554.137.721</b>	<b>451.107.634</b>	<b>1.076.587.690</b>	<b>3.845.786.189</b>	<b>2.557.307.816</b>	<b>970.877.934</b>	<b>865.845.874</b>	<b>1.535.659.660</b>	<b>5.929.691.285</b>

## Currency investment structure

As at 31 December 2011:

Description	LIFE				NON-LIFE				TOTAL			
	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)
	HRK	EUR	OSTALE VALUTE		HRK	EUR	OSTALE VALUTE		HRK	EUR	OSTALE VALUTE	
<b>Investment in subsidiaries and associate companies</b>		0	0	0	14.638.872	1.795.337	1.173.369	17.607.578	14.638.872	1.795.337	1.173.369	17.607.578
<b>Investment in real estate</b>		0	437.198	437.198	910.209.635	0	58.767.354	968.976.989	910.209.635	0	59.204.552	969.414.187
Bonds	179.059.610	1.015.993.646	0	1.195.053.256	417.222.880	441.988.190	11.161.068	870.372.137	596.282.490	1.457.981.836	11.161.068	2.065.425.393
Treasury bills	92.574.048	0	1.708.701	94.282.749	35.179.258	7.085.704	6.015.434	48.280.395	127.753.306	7.085.704	7.724.135	142.563.145
Commercial bills	11.685.532	11.772.664	0	23.458.196	0	0	0	0	11.685.532	11.772.664	0	23.458.196
Other investment		0	0	0	0	0	0	0	0	0	0	0
<b>Investment held until maturity</b>	<b>283.319.190</b>	<b>1.027.766.310</b>	<b>1.708.701</b>	<b>1.312.794.201</b>	<b>452.402.137</b>	<b>449.073.893</b>	<b>17.176.502</b>	<b>918.652.533</b>	<b>735.721.327</b>	<b>1.476.840.204</b>	<b>18.885.203</b>	<b>2.231.446.734</b>
Shares	24.314.237	0	0	24.314.237	81.357.326	83.705	1.805.045	83.246.076	105.671.563	83.705	1.805.045	107.560.313
Stakes in funds	9.242.743	26.865.053	0	36.107.796	61.238.705	17.680.278	0	78.918.983	70.481.448	44.545.331	0	115.026.779
Stakes in commercial companies		0	0	0	36.670.344	0	0	36.670.344	36.670.344	0	0	36.670.344
<b>Investment available for sale</b>	<b>33.556.980</b>	<b>26.865.053</b>	<b>0</b>	<b>60.422.033</b>	<b>179.266.375</b>	<b>17.763.983</b>	<b>1.805.045</b>	<b>198.835.403</b>	<b>212.823.355</b>	<b>44.629.036</b>	<b>1.805.045</b>	<b>259.257.436</b>
Bonds	14.404.500	69.186.487	0	83.590.987	52.752.500	45.076.341	0	97.828.841	67.157.000	114.262.828	0	181.419.828
Shares		0	0	0	8.213.904	0	0	8.213.904	8.213.904	0	0	8.213.904
Treasury bills		0	0	0	12.526.501	0	0	12.526.501	12.526.501	0	0	12.526.501
Stakes in funds	104.676.774	12.234.141	0	116.910.915	254.861.231	10.151.763	347.028	265.360.022	359.538.005	22.385.904	347.028	382.270.937
<b>Investment at fair value through PLA</b>	<b>119.081.274</b>	<b>81.420.628</b>	<b>0</b>	<b>200.501.902</b>	<b>328.354.136</b>	<b>55.228.104</b>	<b>347.028</b>	<b>383.929.268</b>	<b>447.435.410</b>	<b>136.648.732</b>	<b>347.028</b>	<b>584.431.170</b>
Deposits in banks	368.000.000	81.650.473	25.158.739	474.809.212	845.180.500	151.880.957	75.964.350	1.073.025.807	1.213.180.500	233.531.430	101.123.089	1.547.835.019
Loans to insureds	6.565.373	36.474.879	13.605.096	56.645.348	380.567.222	0	492.163	381.059.384	387.132.595	36.474.879	14.097.259	437.704.732
Other loans and receivables		0	685.901	685.901	629.683	29.909	4.499.422	5.159.014	629.683	29.909	5.185.322	5.844.914
<b>Deposits, loans and receivables</b>	<b>374.565.373</b>	<b>118.125.352</b>	<b>39.449.735</b>	<b>532.140.461</b>	<b>1.226.377.405</b>	<b>151.910.866</b>	<b>80.955.934</b>	<b>1.459.244.205</b>	<b>1.600.942.778</b>	<b>270.036.219</b>	<b>120.405.669</b>	<b>1.991.384.666</b>
<b>TOTAL</b>	<b>810.522.817</b>	<b>1.254.177.344</b>	<b>41.595.634</b>	<b>2.106.295.795</b>	<b>3.111.248.560</b>	<b>675.772.184</b>	<b>160.225.231</b>	<b>3.947.245.976</b>	<b>3.921.771.377</b>	<b>1.929.949.528</b>	<b>201.820.866</b>	<b>6.053.541.771</b>

Review of the investment currency structure as at 31 December 2010:

Description	LIFE				NON-LIFE				TOTAL			
	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and currency clause (amount in HRK)	Foreign currency and currency clause (amount in HRK)	TOTAL (amount in HRK)
	HRK	EUR	OTHER CURRENCIES	HRK	EUR	OTHER CURRENCIES	HRK	HRK	OTHER CURRENCIES			
<b>Investment in subsidiaries and associate companies</b>	0	0	0	0	18.346.420	0	793.985	19.140.405	18.346.420	0	793.985	19.140.405
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18.346.420</b>	<b>0</b>	<b>793.985</b>	<b>19.140.405</b>	<b>18.346.420</b>	<b>0</b>	<b>793.985</b>	<b>19.140.405</b>
<b>Investment in real estate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>769.881.792</b>	<b>0</b>	<b>46.836.398</b>	<b>816.718.190</b>	<b>769.881.792</b>	<b>0</b>	<b>46.836.398</b>	<b>816.718.190</b>
Bonds	203.647.011	875.197.169	47.553.892	1.126.398.071	224.799.686	430.717.064	796.634	656.313.385	428.446.697	1.305.914.234	48.350.526	1.782.711.456
Treasury bills	63.336.140	0	0	63.336.140	82.949.262	0	17.275.238	100.224.500	146.285.402	0	17.275.238	163.560.640
Commercial bills	22.252.443	17.355.000	0	39.607.443	20.264.753	0	0	20.264.753	42.517.196	17.355.000	0	59.872.196
Other investment	0	0	0	0	0	16.300.511	0	16.300.511	0	16.300.511	0	16.300.511
<b>Investment held until maturity</b>	<b>289.235.594</b>	<b>892.552.169</b>	<b>47.553.892</b>	<b>1.229.341.654</b>	<b>328.013.700</b>	<b>447.017.575</b>	<b>18.071.872</b>	<b>793.103.148</b>	<b>617.249.294</b>	<b>1.339.569.745</b>	<b>65.625.764</b>	<b>2.022.444.802</b>
Shares	54.417.013	0	0	54.417.013	141.900.967	481.166	25.131.148	167.513.281	196.317.980	481.166	25.131.148	221.930.294
Stakes in funds	29.155.440	31.583.477	0	60.738.917	47.141.897	71.080.173	375.685	118.597.756	76.297.337	102.663.651	375.685	179.336.673
Stakes in commercial companies	0	0	0	0	38.398.067	0	0	38.398.067	38.398.067	0	0	38.398.067
<b>Investment available for sale</b>	<b>83.572.453</b>	<b>31.583.477</b>	<b>0</b>	<b>115.155.931</b>	<b>227.440.930</b>	<b>71.561.340</b>	<b>25.506.834</b>	<b>324.509.104</b>	<b>311.013.384</b>	<b>103.144.817</b>	<b>25.506.834</b>	<b>439.665.034</b>
Bonds	9.879.000	0	0	9.879.000	28.107.093	0	0	28.107.093	37.986.093	0	0	37.986.093
Shares	0	0	0	0	1.195.366	0	0	1.195.366	1.195.366	0	0	1.195.366
Treasury bills	0	0	0	0	15.488.383	0	0	15.488.383	15.488.383	0	0	15.488.383
Stakes in funds	145.184.178	24.981.704	0	170.165.882	238.570.136	29.493.909	0	268.064.044	383.754.314	54.475.613	0	438.229.927
<b>Investment at fair value through PLA</b>	<b>155.063.178</b>	<b>24.981.704</b>	<b>0</b>	<b>180.044.882</b>	<b>283.360.977</b>	<b>29.493.909</b>	<b>0</b>	<b>312.854.885</b>	<b>438.424.155</b>	<b>54.475.613</b>	<b>0</b>	<b>492.899.768</b>
Deposits in banks	410.000.000	66.181.589	12.809.253	488.990.841	796.812.973	354.473.388	11.604.928	1.162.891.289	1.206.812.973	420.654.976	24.414.181	1.651.882.130
Loans to insureds	16.001.241	37.705.957	16.002.505	69.709.703	290.881.869	99.862.375	660.444	391.404.689	306.883.110	137.568.332	16.662.949	461.114.391
	0	0	662.084	662.084	0	21.160.677	4.003.803	25.164.480	0	21.160.677	4.665.887	25.826.564
<b>Deposits, loans and receivables</b>	<b>426.001.241</b>	<b>103.887.546</b>	<b>29.473.842</b>	<b>559.362.628</b>	<b>1.087.694.842</b>	<b>475.496.440</b>	<b>16.269.176</b>	<b>1.579.460.458</b>	<b>1.513.696.083</b>	<b>579.383.985</b>	<b>45.743.017</b>	<b>2.138.823.086</b>
	<b>953.872.466</b>	<b>1.053.004.896</b>	<b>77.027.733</b>	<b>2.083.905.095</b>	<b>2.714.738.662</b>	<b>1.023.569.264</b>	<b>107.478.264</b>	<b>3.845.786.190</b>	<b>3.668.611.128</b>	<b>2.076.574.160</b>	<b>184.505.997</b>	<b>5.929.691.285</b>

### **Investment for the account and risk of the life insurance policyholder**

Investment for the account and risk of the life insurance policyholder amounting to HRK 16,320,627 (at 31 December 2010 amounting to HRK 22,374,967) relates to the products that combine insurance and investment components for policyholders through the investment of premium in investment funds on behalf of and for the account of policyholders.

### **Reinsurance portion in technical provision**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Unearned premium, reinsurance portion	138	19.806.023	19.806.161	0	77.653.096	77.653.096
Mathematical provision, reinsurance portion	164.490	0	164.490	11.607	0	11.607
Claim provision, reinsurance portion	0	215.781.823	215.781.823	0	92.306.696	92.306.696
Provision for premium returns	0	519.328	519.328	0	617.871	617.871
<b>TOTAL</b>	<b>164.628</b>	<b>236.107.174</b>	<b>236.271.802</b>	<b>11.607</b>	<b>170.577.663</b>	<b>170.589.270</b>

### **Deferred and current tax assets**

Deferred and current tax assets in the amount of HRK 6,039,905 (at 31 December 2010 in the amount of HRK 11,455,228) relate to overpaid corporate income tax in the amount of HRK 42,623 and deferred tax assets in the amount of HRK 5,997,282 (in 2010: overpaid corporate income tax in the amount of HRK 3,919,713 as well as deferred tax assets in the amount of HRK 7,535,515).

### **Receivables**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables from direct insurance activities	162.077	681.383.908	681.545.985	41.306.800	689.902.212	731.209.012
Receivables from reinsurance activities	0	61.234.875	61.234.875	0	29.146.633	29.146.633
Other receivables	10.130.650	258.534.883	268.665.533	6.273.128	325.550.591	331.823.719
<b>TOTAL</b>	<b>10.292.727</b>	<b>1.001.153.666</b>	<b>1.011.446.393</b>	<b>47.579.928</b>	<b>1.044.599.436</b>	<b>1.092.179.364</b>

### **Receivables from direct insurance activities**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables from policyholders	118.331	673.981.679	674.100.010	41.239.595	681.607.349	722.846.944
Receivables from insurance agents	43.746	7.402.229	7.445.975	67.205	8.294.863	8.362.068
<b>TOTAL</b>	<b>162.077</b>	<b>681.383.908</b>	<b>681.545.985</b>	<b>41.306.800</b>	<b>689.902.212</b>	<b>731.209.012</b>

/i/ Receivables from policyholders

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Written non-invoiced premium	0	288.092.253	288.092.253	0	291.876.869	291.876.869
Invoiced uncollected premium	118.331	693.558.866	693.677.197	41.239.595	659.443.407	700.683.002
Gross premium receivables	<b>118.331</b>	<b>981.651.119</b>	<b>981.769.450</b>	41.239.595	951.320.276	992.559.871
Impairment	0	(307.669.440)	(307.669.440)	0	(269.712.927)	(269.712.927)
Net premium receivables	<b>118.331</b>	<b>673.981.679</b>	<b>674.100.010</b>	<b>41.239.595</b>	<b>681.607.349</b>	<b>722.846.944</b>

/i/ Time-limited insurance premium receivables as well as past due but uncollected receivables by over 180 days:

DESCRIPTION	31/12/2011 HRK
Written non-invoiced premium	288.092.253
Invoiced uncollected premium	693.677.197
Total receivables	981.769.450
Undue and past due up to 180 days	651.595.394
Past due by over 180 days	330.174.055
Total upon maturity date	981.769.450
Past due by over 180 days	330.174.056
Impairment	(307.669.509)
Unimpaired receivables	22.504.548
<u>Cover for receivables past due by over 180 days</u>	
Claim provision for disputable receivables	22.504.548
Total provision	22.504.548

**Receivables from coinsurance and reinsurance activities**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission receivables	0	16.570.268	16.570.268	0	8.033.600	8.033.600
Loss receivables	0	44.656.750	44.656.750	0	21.113.033	21.113.033
Coinsurance loss receivables	0	7.857	7.857	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>61.234.875</b>	<b>61.234.875</b>	<b>0</b>	<b>29.146.633</b>	<b>29.146.633</b>

## Other receivables

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for other insurance activities	0	29.563.633	29.563.633	0	39.441.426	39.441.426
Receivables for returns on investments	3.943.028	13.160.606	17.103.634	1.774.148	15.395.681	17.169.829
Other receivables	6.187.622	215.810.644	221.998.266	4.498.980	270.713.484	275.212.464
<b>TOTAL</b>	<b>10.130.650</b>	<b>258.534.883</b>	<b>268.665.533</b>	<b>6.273.128</b>	<b>325.550.591</b>	<b>331.823.719</b>

### /i/ Receivables from other insurance activities

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Recourse receivables	0	43.592.661	43.592.661	0	48.285.991	48.285.991
Impairments of recourse receivables	0	(27.609.998)	(27.609.998)	0	(23.956.546)	(23.956.546)
	0	15.982.663	15.982.663	0	24.329.445	24.329.445
Receivables for foreign claims	0	13.142.825	13.142.825	0	14.970.361	14.970.361
Impairment	0	(520.748)	(520.748)	0	(1.300.025)	(1.300.025)
	0	12.622.077	12.622.077	0	13.670.336	13.670.336
Other receivables	0	958.893	958.893	0	1.441.645	1.441.645
<b>TOTAL</b>	<b>0</b>	<b>29.563.633</b>	<b>29.563.633</b>	<b>0</b>	<b>39.441.426</b>	<b>39.441.426</b>

### /ii/ Receivables for investment returns

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for regular loan interests	1.095.866	31.308.521	32.404.387	763.749	24.521.145	25.284.894
Receivables for regular deposit interests	1.999.714	3.876.002	5.875.716	1.006.051	3.519.734	4.525.785
Receivables for default interests	17.782	18.100.070	18.117.852	4.239	19.494.240	19.498.479
Other interests receivables	829.664	1.235.105	2.064.769	109	846.985	847.094
Impairment	0	(41.359.090)	(41.359.090)	0	(32.986.423)	(32.986.423)
<b>TOTAL</b>	<b>3.943.026</b>	<b>13.160.608</b>	<b>17.103.634</b>	<b>1.774.148</b>	<b>15.395.681</b>	<b>17.169.829</b>



/iii/ Other receivables

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for sold apartments	0	15.350.179	15.350.179	0	17.743.581	17.743.581
Receivables for operating and financial lease	0	3.253.512	3.253.512	0	10.497.749	10.497.749
Receivables for prepayments	0	2.565.273	2.565.273	0	3.414.569	3.414.569
Receivables for assets acquired through fiduciary	0	76.010.374	76.010.374	0	69.546.950	69.546.950
Trade receivables	0	26.161.400	26.161.400	0	13.750.895	13.750.895
Receivables from the State and state institutions	1.459	2.773.489	2.774.948	0	2.760.071	2.760.071
Receivables from card companies	3.797.447	28.086.152	31.883.599	4.250.611	72.703.603	76.954.214
Receivables obtained through cession	0	17.026.131	17.026.131	0	11.552.219	11.552.219
Receivables from court proceedings	0	5.075.981	5.075.981	0	7.038.806	7.038.806
Other receivables	2.388.717	39.508.153	41.896.870	248.369	61.705.043	61.953.412
<b>TOTAL</b>	<b>6.187.623</b>	<b>215.810.643</b>	<b>221.998.266</b>	<b>4.498.980</b>	<b>270.713.486</b>	<b>275.212.466</b>

**Other assets**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash at bank and in hand	6.052.921	75.750.040	81.802.961	7.387.138	58.049.719	65.436.857
Other	64.325	12.789.502	12.853.827	93.522	19.682.594	19.776.116
<b>TOTAL</b>	<b>6.117.246</b>	<b>88.539.542</b>	<b>94.656.788</b>	<b>7.480.660</b>	<b>77.732.313</b>	<b>85.212.973</b>

**Cash at bank and in hand**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash at business account	3.918.390	75.407.245	79.325.635	1.172.350	57.713.155	58.885.505
Cash funds for coverage of mathematical provision	2.127.973	0	2.127.973	6.205.208	0	6.205.208
Cash in hand	6.558	342.795	349.353	9.580	336.564	346.144
<b>TOTAL</b>	<b>6.052.921</b>	<b>75.750.040</b>	<b>81.802.961</b>	<b>7.387.138</b>	<b>58.049.719</b>	<b>65.436.857</b>

/i/ Cash at business account

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash on HRK accounts	2.771.273	45.983.458	48.754.731	964.880	35.708.195	36.673.075
Cash on foreign currency account	1.147.117	29.423.787	30.570.904	207.470	22.004.960	22.212.430
<b>TOTAL</b>	<b>3.918.390</b>	<b>75.407.245</b>	<b>79.325.635</b>	<b>1.172.350</b>	<b>57.713.155</b>	<b>58.885.505</b>

## Other

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cheques received	64.324	5.543.380	5.607.704	93.522	8.751.111	8.844.633
Bills of exchange received	0	7.246.122	7.246.122	0	10.931.483	10.931.483
<b>UKUPNO</b>	<b>64.324</b>	<b>12.789.502</b>	<b>12.853.826</b>	<b>93.522</b>	<b>19.682.594</b>	<b>19.776.116</b>

## Prepayments and accrued income

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Accrued interests and rentals	22.185.161	16.024.052	38.209.213	18.012.109	19.367.411	37.379.520
Prepaid sales costs	0	20.454.677	20.454.677	0	13.408.769	13.408.769
Other prepayments	74.741	22.558.769	22.633.509	43.717	16.564.611	16.608.328
<b>TOTAL</b>	<b>22.259.902</b>	<b>59.037.498</b>	<b>81.297.399</b>	<b>18.055.826</b>	<b>49.340.792</b>	<b>67.396.618</b>

## Capital and provisions

### Capital stock

The capital stock was determined at nominal value to the amount of HRK 442,887,200 (at 31 December 2010 to the same amount) and consists of 316,348 shares at par value of HRK 1,400, which were entirely paid in cash and entered in the registry of the Commercial Court in Zagreb.

All shares are of the I issue and are marked as follows:

- 307,598 common shares marked as CROS-R-A
- 8,750 preferred shares marked as CROS-P-A.

Each share, either the common or the preferred one, entitles to 1 (one) vote at the General Assembly of the Company. All shares are paid in total, issued in non-materialized form, freely transferable and recorded in the register of the Central Depository Agency.

The ownership structure as at 31 December 2011 and 31 December 2010 is set out as follows:

Shareholder	At 31 Dec 2011			At 31 Dec 2010		
	Number Of shares	Amount in HRK	% of stakes In equity	Number Of shares	Amount in HRK	% of stakes In equity
AUDIO/Republika Hrvatska	253.807	355.329.800	80,23	253.961	355.545.400	80,28
Raiffeisenbank Austria d.d. – custody account	19.692	27.568.800	6,22	19.655	27.517.000	6,21
Hrvatska poštanska banka d.d. - custody account	6.505	9.107.000	2,06	6.904	9.665.600	2,18
Societe Generale - Splitska banka d.d. – custody account	6.441	9.017.400	2,04	6.022	8.430.800	1,90
Privredna banka Zagreb d.d., Zagreb — custody account	2.753	3.854.200	0,87	2.407	3.369.800	0,76
Zvon ena holding d.d. ( former Julius k.d.d., Maribor)	2.122	2.970.800	0,67	2.122	2.970.800	0,67
Hypo Alpe Adria Bank d.d., Zagreb - custody account	1.497	2.095.800	0,47	1.078	1.509.200	0,34
Kraš d.d., Zagreb	1.400	1.960.000	0,44	1.400	1.960.000	0,44
Erste & Steiermärkische Bank d.d., Rijeka – custody account	1.231	1.723.400	0,39	1.295	1.813.000	0,41
Auto Hrvatska d.d., Zagreb	1.004	1.405.600	0,32	1.004	1.405.600	0,32
Zagrebačka banka d.d. – custody account	711	995.400	0,22	729	1.020.600	0,23
Komercijalna banka Zagreb d.d., Zagreb – in bankruptcy	700	980.000	0,22	700	980.000	0,22
Bahovec Srećko	566	792.400	0,18	558	781.200	0,18
Adriacommerce d.o.o., Split	500	700.000	0,16	500	700.000	0,16
Radić Antun	408	571.200	0,13	408	571.200	0,13
Tankerska plovidba d.d., Zadar	400	560.000	0,13	400	560.000	0,13
Škaro Miroslav	380	532.000	0,12	380	532.000	0,12
Fran Mihaljević - klinika za infektivne bolesti	330	462.000	0,1	330	462.000	0,10
Cemex Hrvatska d.d.	249	348.600	0,08	249	348.600	0,08
Končar-elektroindustrija d.d.	230	322.000	0,07	230	322.000	0,07
Other small shareholders	15.422	21.590.800	4,88	16.016	22.422.400	5,06
<b>TOTAL</b>	<b>316.348</b>	<b>442.887.200</b>	<b>100,00</b>	<b>316.348</b>	<b>442.887.200</b>	<b>100,00</b>

## Revaluation provision

Revaluation provision in the amount of HRK 496,993,710 (31 December 2010 in the amount of HRK 560,772,396) is set out as follows:

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Land and buildings	(64.994)	520.883.395	520.818.401	0	518.667.184	518.667.184
Financial assets	(15.653.736)	(15.000.350)	(30.654.086)	8.753.985	26.530.844	35.284.829
Other revaluation provision	0	6.829.395	6.829.395	0	6.820.382	6.820.382
<b>TOTAL</b>	<b>(15.718.730)</b>	<b>512.712.440</b>	<b>496.993.710</b>	<b>8.753.985</b>	<b>552.018.410</b>	<b>560.772.395</b>

/i/ Revaluation provision for land and buildings:

DESCRIPTION	Revaluation of real estate
	HRK
<b>Balance at 31 December 2009</b>	<b>524.881.616</b>
Previous period correction	(2.969.843)
Transfer to retained earnings (depreciation revaluation)	(5.356.680)
Other gains/losses recognized directly in equity	2.112.091
<b>Balance at 31 December 2010</b>	<b>518.667.184</b>
Previous period correction	74.365
Transfer to retained earnings (depreciation revaluation)	(6.668.635)
Increase during 2011	7.411.757
Transfer from deferred tax liability	1.333.730
<b>Balance at 31 December 2011</b>	<b>520.818.401</b>

/ii/ Revaluation provision for financial assets available for sale:

DESCRIPTION	Revaluation of financial investments
	HRK
<b>Balance at 1 January 2011</b>	<b>(43.213.943)</b>
Previous period correction	62.143
Change in fair value of financial assets available for sale	(7.746.521)
Realized losses from financial assets available for sale / net	85.933.879
Other gains /losses recognized directly in equity	249.271
<b>Balance at 31 December 2010</b>	<b>35.284.829</b>
Change in fair value of financial assets available for sale	(48.173.323)
Realized losses from financial assets available for sale / net	(18.064.979)
Other gains /losses recognized directly in equity	299.387
<b>Balance at 31 December 2011</b>	<b>(30.654.086)</b>

iii/ Other revaluation provision:

DESCRIPTION	Revaluation of financial assets
	HRK
<b>Balance at 1 January 2010</b>	<b>10.903.006</b>
Previous period correction	(4.620.361)
Other gains/losses recognized directly in equity	537.737
<b>Balance at 31 December 2010</b>	<b>6.820.382</b>
Other gains /losses recognized directly in equity	9.013
<b>Balance at 31 December 2011</b>	<b>6.829.395</b>

### Provision

Provision in the amount of HRK 456,466,779 (31 December 2010 in the amount of HRK 443,930,661) were determined by the Decision of the Company's General Assembly from previous years profit, and are set out as follows:

DESCRIPTION	31/12/2011	31/12/2010
	HRK	HRK
Legal provision	19.642.171	17.461.976
Statutory provision	94.613.780	84.257.858
Other provision	342.210.828	342.210.827
<b>TOTAL</b>	<b>456.466.779</b>	<b>443.930.661</b>

### Retained earnings

DESCRIPTION	Retained earnings
	HRK
<b>1 January 2011</b>	<b>402.754.919</b>
Correction of previous period errors	(39.842)
Transfer to retained earnings 2010	43.749.827
Unrealized gains/losses from tangible assets	6.835.588
Other non-owner change in equity	2.358.648
<b>31 December 2011</b>	<b>455.659.140</b>

### Profit for the year

Profit for the year was realized in the amount of HRK 107,047,104 (31 December 2010 in the amount of HRK 84,949,765).

### Technical provision

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Unearned premium, gross	3.929.192	1.114.848.550	1.118.777.742	3.986.675	1.173.196.945	1.177.183.620
Mathematical insurance provision, gross	1.945.987.781	0	1.945.987.781	1.877.152.130	0	1.877.152.130
Claim provision, gross	36.769.501	3.133.643.782	3.170.413.283	42.921.772	3.074.104.217	3.117.025.989
Provision for (bonuses or discounts), gross amount	0	5.812.976	5.812.976	0	5.977.339	5.977.339
Other insurance-technical provision, gross	0	66.427.000	66.427.000	0	55.757.000	55.757.000
<b>TOTAL</b>	<b>1.986.686.474</b>	<b>4.320.732.308</b>	<b>6.307.418.782</b>	<b>1.924.060.577</b>	<b>4.309.035.501</b>	<b>6.233.096.078</b>

### /i/ Claim provision

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Provision for reported but unsettled claims	31.738.033	1.816.107.726	1.847.845.759	37.838.195	1.736.519.202	1.774.357.398
Provision for reported claims for unknown motor vehicles	0	-748.125	-748.125	0	3.074.307	3.074.307
Provision for claims handling costs	412.985	85.531.511	85.944.496	478.515	82.894.407	83.372.922
Provision for incurred but not reported (IBNR) claims	4.618.482	1.232.752.670	1.237.371.153	4.605.062	1.251.616.300	1.256.221.362
<b>TOTAL</b>	<b>36.769.500</b>	<b>3.133.643.782</b>	<b>3.170.413.283</b>	<b>42.921.772</b>	<b>3.074.104.217</b>	<b>3.117.025.989</b>

### Life insurance technical provision – policyholder's risk

Life insurance technical provision – policyholder's risk in the amount of HRK 16,320,627 (31 December 2010 in the amount of HRK 22,374,967) were formed for life insurance policies in which the policyholders bear investment risk.

### Other provision

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Provision for pensions and legal court disputes	2.557.348	82.502.608	85.059.956	2.647.001	78.382.881	81.029.882
Other provision	0	5.411.284	5.411.284	0	6.833.905	6.833.905
<b>TOTAL</b>	<b>2.557.348</b>	<b>87.913.893</b>	<b>90.471.241</b>	<b>2.647.001</b>	<b>85.216.786</b>	<b>87.863.787</b>

/i/ Development of provision for pensions and legal proceedings during 2011 is set out as follows:

DESCRIPTION	Costs for	Costs of	Total
	legal	anniversary	
	proceedings	rewards and	
	HRK	HRK	HRK
Balance at 1 January 2011	11.615.719	69.414.163	81.029.882
Corrected initial balance – exchange rate difference	0	28.602	28.602
Additional provision	1.786.000	19.539.662	21.325.662
Cancellation of provision	(3.173.664)	(13.599.690)	(16.773.354)
Use of provisions	(15.806)	(535.030)	(550.836)
<b>Balance at 31 December 2011</b>	<b>10.212.249</b>	<b>74.847.707</b>	<b>85.059.956</b>

/ii/ Other provision

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Other provision – Apartment fund	0	0	0	0	2.836.300	2.836.300
Other provision	0	5.411.285	5.411.285	0	3.997.606	3.997.606
<b>TOTAL</b>	<b>0</b>	<b>5.411.285</b>	<b>5.411.285</b>	<b>0</b>	<b>6.833.905</b>	<b>6.833.905</b>

### Deferred and current tax liability

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deferred tax liability	0	122.317.431	122.317.431	0	123.685.469	123.685.469
Current tax liability	55.052	12.527.327	12.582.379	0	5.753.201	5.753.201
<b>TOTAL</b>	<b>55.052</b>	<b>134.844.758</b>	<b>134.899.810</b>	<b>0</b>	<b>129.438.670</b>	<b>129.438.670</b>

The deferred tax liability is recognized under the adjustment to the fair value of land and buildings used for the insurance operations and a part of land and buildings not used for insurance operations.

Financial liabilities DESCRIPTION	31/12./011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Loan liabilities	0	84.079.870	84.079.870	0	146.314.015	146.314.015
Other financial liabilities	100.067	4.320.194	4.420.261	144.963	14.747.615	14.892.578
<b>TOTAL</b>	<b>100.067</b>	<b>88.400.064</b>	<b>88.500.131</b>	<b>144.963</b>	<b>161.061.630</b>	<b>161.206.593</b>

### /i/ Loan liabilities

#### Review of loan liabilities as at 31 December 2011:

Creditor	Interest rate	Maturity		
		31/12/2011	1 year or less	2-5 years
		HRK	HRK	HRK
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	16.237.467	0	16.237.467
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	7.353.454	0	7.353.454
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	16.472.794	0	16.472.794
Erste & Steiermarkische Bank d.d., Rijeka	7%fiksna	7.290.745	1.552.528	5.738.217
Hrvatska poštanska banka d.d., Zagreb	8,5%prom.	10.651.160	0	10.651.160
Hrvatska poštanska banka d.d., Zagreb	9,95% prom.	24.052.244	24.052.244	0
Zagrebačka banka d.d., Zagreb		1.916.813	1.916.813	0
Unicreditleasing d.o.o., Zagreb	10%	105.193	105.193	0
<b>Total</b>		<b>84.079.870</b>	<b>27.626.778</b>	<b>56.453.092</b>

#### Review of loan liabilities as at 31 December 2010:

Creditor	Interest rate	Maturity			
		31/12/2010	1 year or less	2-5 years	Over 5 years
		HRK	HRK	HRK	HRK
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	21.232.371	5.308.093	15.924.278	0
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	21.540.089	5.385.022	16.155.067	0
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	9.615.494	2.403.874	7.211.620	0
Erste & Steiermarkische Bank d.d., Rijeka	7%fiksna	17.722.800	17.722.800	0	0
Hypo Alpe-Adria bank d.d., Zagreb	1MEUR+2,2	3.022.873	3.022.873	0	0
Hrvatska poštanska banka d.d., Zagreb	8,5%prom.	21.216.026	9.717.323	11.498.703	0
Hrvatska poštanska banka d.d., Zagreb	9,95% prom.	40.470.748	40.470.748	0	0
Erste & Steiermarkische Bank d.d., Rijeka	6%	8.584.250	1.434.129	7.150.121	0
Zagrebačka banka d.d., zagreb	7%	537.141	48.829	0	488.312
VB Leasing d.o.o., Zagreb	8%	1.758.614	103.254	1.655.360	0
Hypo Leasing Kroatien d.o.o., Zagreb	9%	154.702	5.981	148.721	0
Unicreditleasing d.o.o., Zagreb	10%	130.753	1.760	128.993	0
HypoAlpeAdria Bank Mostar	0,1042	294.032	0	294.032	0
UniCredit leasing d.o.o. Sarajevo	varijabilna	34.122	0	34.122	0
<b>Total</b>		<b>146.314.015</b>	<b>85.624.686</b>	<b>60.201.017</b>	<b>488.312</b>



## Other liabilities

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities derived from direct insurance operations	2.025.459	110.716.980	112.742.439	974.033	109.025.151	109.999.184
Liabilities derived from coinsurance and reinsurance operations	1.693	67.958.283	67.959.976	1.665	38.334.150	38.335.815
Other liabilities	31.363.056	126.378.871	157.741.927	44.038.033	111.096.931	155.134.964
<b>TOTAL</b>	<b>33.390.208</b>	<b>305.054.134</b>	<b>338.444.342</b>	<b>45.013.731</b>	<b>258.456.232</b>	<b>303.469.963</b>

### /i/ Liabilities derived from direct insurance operations

DESCRIPTION	31/12./011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities for Guarantee fund	384.483	30.826.407	31.210.890	0	60.955.475	60.955.475
Liabilities towards Croatian Insurance Bureau	0	52.820.284	52.820.284	0	163.863	163.863
Liabilities under paid claims	(228)	13.901.456	13.901.228	242.474	41.382.771	41.625.245
Liabilities for health insurance contribution out of motor TPL insurance premium	0	3.814.506	3.814.506	0	3.862.350	3.862.350
Liabilities for fire department contributions	0	1.654.889	1.654.889	0	1.911.098	1.911.098
Liabilities for CFSSA contribution	0	111.421	111.421	0	0	0
Other liabilities	1.641.204	7.588.017	9.229.221	731.559	749.594	1.481.153
<b>TOTAL</b>	<b>2.025.459</b>	<b>110.716.980</b>	<b>112.742.439</b>	<b>974.033</b>	<b>109.025.151</b>	<b>109.999.184</b>

### /ii/ Liabilities derived from coinsurance and reinsurance activities

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities for reinsurance premium abroad	0	67.417.854	67.417.854	0	37.587.867	37.587.867
Liabilities for reinsurance premium in the country	1.693	404.972	406.665	1.665	746.283	747.948
Liabilities for coinsurance premium in the country	0	135.457	135.457	0	0	0
<b>TOTAL</b>	<b>1.693</b>	<b>67.958.283</b>	<b>67.959.976</b>	<b>1.665</b>	<b>38.334.150</b>	<b>38.335.815</b>

/iii/ Other liabilities

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities towards suppliers	350.268	33.340.925	33.691.193	162.772	30.813.917	30.976.689
Liabilities for net salary	39.760	22.605.748	22.645.508	45.303	21.946.668	21.991.971
Liabilities for contributions from salary	18.438	8.436.967	8.455.406	21.682	7.003.275	7.024.956
Liabilities for tax and surtax from salary	2.976	5.722.889	5.725.864	3.183	4.502.991	4.506.174
Liabilities for contributions on salary	6.249	6.588.142	6.594.391	7.344	6.126.444	6.133.788
Deductions from salary and compensations	1.132	7.635.511	7.636.643	0	2.462.622	2.462.622
Liabilities under motor TPL and motor-hull insurance	0	10.466.917	10.466.917	0	10.821.571	10.821.571
Liabilities towards state for sold flats	0	5.996.868	5.996.868	0	6.817.152	6.817.152
Liabilities for advances received	440.521	1.569.042	2.009.563	198.888	634.519	833.406
Liabilities for profit tax	0	1.923.972	1.923.972	0	826.608	826.608
Liabilities for dividends	0	472.606	472.606	0	1.259.137	1.259.137
Contributions, membership dues and the like	0	443.071	443.071	227	366.556	366.782
Liabilities to employees	508	201.735	202.243	6.665	2.203.823	2.210.488
Other liabilities	30.503.205	20.974.478	51.477.683	43.591.970	15.311.649	58.903.619
<b>TOTAL</b>	<b>31.363.057</b>	<b>126.378.872</b>	<b>157.741.929</b>	<b>44.038.033</b>	<b>111.096.931</b>	<b>155.134.964</b>

**Accrued expenses and deferred income**

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Total accrued expenses	0	25.674.753	25.674.753	3.773	383.612	387.385
<i>Deferred income</i>						
Accrued premium	118.329	2.983.686	3.102.015	42.085.204	0	42.085.204
Deferred income due to collection uncertainty	0	6.672.391	6.672.391	0	10.872.595	10.872.595
Other deferred income	60.090	6.047.023	6.107.113	43.540	9.343.611	9.387.151
Total deferred income	178.419	15.703.100	15.881.519	42.128.744	20.216.206	62.344.950
<b>TOTAL</b>	<b>178.419</b>	<b>41.377.853</b>	<b>41.556.272</b>	<b>42.132.517</b>	<b>20.599.818</b>	<b>62.732.335</b>

**Off-balance sheet records**

DESCRIPTION	31/12/2010	Increase	Decrease	31/12/2011
	HRK	HRK	HRK	HRK
Premium from companies in bankruptcy	119.169.573	22.550.711	7.934.773	133.785.511
Shares and stakes from companies in bankruptcy	14.251.620	0	0	14.251.620
Investments and interests from companies in bankruptcy	74.509.957	0	834.650	73.675.307
Default interests on investments	8.750.411	40.941	37.941	8.753.411
Other	0	37.500.000	10.000.000	27.500.000
Receivables from companies in bankruptcy	216.681.561	60.091.652	18.807.364	257.965.849
Recourse receivables	487.889.259	16.881.506	28.603.541	476.167.223
<b>TOTAL</b>	<b>704.570.820</b>	<b>76.973.158</b>	<b>47.410.905</b>	<b>734.133.072</b>

### Reimbursements to Management Board and Supervisory Board

DESCRIPTION	31/12/2011	31/12/2010
	HRK'000	HRK'000
Gross salary	1.233.992	1.508.790
Reimbursement to Supervisory Board	197.408	128.158
<b>TOTAL</b>	<b>1.431.400</b>	<b>1.636.948</b>

### Legal proceedings and Contingent Liabilities

According to the information received from the legal department of the Company, other than legal proceedings initiated against the Group for damages, court disputes of other nature have also been initiated against the Group. In assessing the outcome of disputes initiated against the Group, the potential outflow of funds based on loss of disputes has been determined and on that basis the Group set out provision in the amount of HRK 10,212,249.

For CROATIA osiguranje d.d. Zagreb,



Silvana Ivančić

Member  
of the Management Board



Zdravko Žrinušić

President of the  
Management Board

**SUPERVISORY BOARD  
NO/100/2012**

Based on the provision of Art. 26, paragraph 1 of the Articles of Association of CROATIA osiguranje d.d. from 30th April 2008 and Articles 300b, 300c and 300d of the Companies Act (Official Gazette 111/93, 118/03, 107/07, 146/08 and 137/09), the Supervisory Board of CROATIA osiguranje d.d, on its 15th meeting on 27th April 2012, passed the

**DECISION**

**on granting approval to Annual report on the position of the Company, Annual financial statements of the Company, Consolidated annual report of the Company and Annual consolidated financial statements of the Company for the year 2011**

**I**

It is determined that pursuant to the provision of Art. 300b of the Companies Act, Annual report on the position of the Company, Annual financial statements of the Company, as well as Consolidated annual report of the Company and Annual consolidated financial statements of the Company for the year 2011 were submitted for approval to the Supervisory Board immediately upon their preparation and adoption by the Management Board. Annual financial statements of the Company and Annual consolidated financial statements of the Company for the year 2011 were audited by the audit company BDO Croatia d.o.o.

**II**

The Supervisory Board grants approval to the Annual report of the position of the Company, Annual financial statements of the Company as well as Consolidated annual report of the Company and Annual consolidated financial statements of the Company for the year 2011 that were prepared and adopted by the Management Board's Decision No. UP-01/DRIF/2012 on 29th March 2012.

**III**

Pursuant to the provision of Art. 300d of the Companies Act, since the Supervisory Board of the Company has granted its approval to the Annual financial statements of the Company and Annual consolidated financial statements of the Company for the year 2011, the named statements are thereby also confirmed by the Management and the Supervisory Board.

According to the accounting standards the confirmed Annual financial statements of the Company and the Consolidated financial statements of the Company for the year 2011 include:

1. Comprehensive income statement (Profit and loss account) for the year 2011
2. Statement of financial position (Balance sheet) on 31st December 2011
3. Statement of changes in equity for the year 2011
4. Statement of cash flow for the year 2011 – indirect method
5. Notes to the financial statements of the Company for the year 2011
6. Consolidated statement of comprehensive income (Profit and loss account) for the year 2011
7. Consolidated statement of financial position (Balance sheet) on 31st December 2011
8. Consolidated statement of changes in equity for the year 2011
9. Consolidated statement cash flow for the year 2011 – indirect method
10. Notes to the consolidated statements for the year 2011.

#### IV

This Decision enters into force on the day of its passing.

**Deputy President of the Supervisory Board**

**Nataša Duspara**

*Nataša Duspara*