



**CROATIA OSIGURANJE<sup>®</sup>**

*utemeljeno 1884.*

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



**Zagreb, April, 2012**

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

CROATIA osiguranje d.d. ended one more demanding business year, as for the insurers as for the others in the financial industry. In hard market conditions the Company held stable and profitable business and achieved the increase in gross profit of the Company. The income recorded decrease compared to the same period of the previous year, but the expenditure decreased significantly as well.

### *Written premium*

In 2011 the Croatian insurance market realized the total written premium amounting to HRK 9,145.2 mil. that is a decrease of 1.1% compared to the year 2010. In the total written premium of all insurance companies the market share of CROATIA osiguranje d.d. amounted to 30.5%. CROATIA osiguranje d.d. holds a leading position in non-life insurance with the share of 36.5% while in life insurance holds the second position with the share of 14.1% of the market share. The leading position is maintained in all types of non-life insurance.

CROATIA osiguranje d.d. realized the written insurance premium amounting to HRK 2,792.8 mil. that is a decrease of 3.7% or HRK 107.2 mil. compared to the same period of the previous year. The written premium in non-life insurance amounted to HRK 2,451.0 mil. that is a decrease of 4.1% compared to the year 2010, while in life insurance the written premium amounted to HRK 341.7 mil. that is a decrease of 1.0% compared to the previous year. The decrease in premium is the result of the recession environment and the total decrease on the market especially in the insurance types the Company holds over 60% share. The premium plan for 2011 was realized by 95.3%.

### *Business results*

In 2011 the total income amounted to HRK 2,829.5 mil. that is a decrease of 2.0% i.e. HRK 59.0 mil. compared to the previous year. Compared to the plan for 2011 the total income was realized by 99.5%. The decrease in income was influenced by the decrease in written premium as a consequence of decrease in insurance products sales that was the result of the economic crisis.

In 2011 the total expenditure amounted to HRK 2,724.8 mil. and recorded a decrease of 3.8% i.e. HRK 106.9 mil. compared to the previous year. Compared to the plan for 2011 the total expenditure was realized by 98.2%. The decrease in total expenditure was the consequence of the decrease in business expenditure and the total expenditure for the insured events.

Rationalization in business operations and cost awareness led to the savings in business expenditures of the Company. The business expenditures amounted to HRK 951.8 mil. that is a decrease of 0.9% i.e. HRK 8.2 mil. compared to the previous year. In 2011 the business expenditures provision in accordance with IAS 19 was made amounting to HRK 30.8 mil.

The investment result amounted to HRK 226.6 mil. that is an increase of 67.1% i.e. HRK 90.9 mil. compared to the investment result in 2010. The investment income recorded an increase of 36.4% i.e. HRK 114.8 mil. that was the result of the value adjustment of real estate made in accordance with IAS 40 as well as the paid receivables before value adjustment. The investment expenses recorded an increase of 13.2% i.e. HRK 23.9 mil.

compared to the previous year. The increase in investment expenses was the result of the financial assets decrease test made in accordance with the accounting policies of the Company. On 31/12/2011 it was recorded:

- Investment funds and shares available for sale decrease in investment amounting to HRK 35.2 mil.
- Commercial papers decrease in investment amounting to HRK 6.8 mil.
- Croatia Leasing company decrease in investment amounting to HRK 6.3 mil.
- Loans and deposits value adjustment amounting to HRK 56.1 mil.

The profit of the Company for 2011 amounted to HRK 104.7 mil. that is an increase of 84.4% i.e. HRK 47.9 mil. compared to the realized profit for 2010 i.e. 50.5% i.e. HRK 35.1 mil. more than profit for 2011 planned.

During the whole year the Company operated business with high solvency whose ratio was 19,7 on 31/12/2011. Capital stock and provision of the Company amounted to HRK 1,641.1 mil. that is a decrease of 0.7% because of the revaluation provision decrease as the consequence of the decrease of the financial investment available for sale decrease in value. The guarantee fund for the non-life insurance in 2011 increased in 2011 by 1.6% i.e. HRK 957.9 mil. while the guarantee fund for life insurance amounted to HRK 123.2 mil. that is a decrease of 11.3%.

The consolidated profit of the Group before elimination amounted to HRK 185.9 mil. that is an increase of 42.3% compared to the same period of the previous year. The annual profit plan was realized by 122.7%. The profit of the Group after elimination, taxation and minority shares amounted to HRK 107.0 mil. All daughter companies operated with profit with the exception of Croatia Leasing d.o.o. which operates according to outgoing strategy.

#### *Gross paid claims*

In 2011 the gross paid claims amounted to HRK 1,741.1 mil. that is an increase of 1.2% i.e. HRK 20.8 mil. compared to the year 2010. In non-life insurance the gross paid claims amounted to HRK 1,427.8 mil. that is a decrease of 6.1% i.e. HRK 92.5 mil. compared to the previous year. The gross paid claims in life insurance increased by 56.7% i.e. HRK 113.4 mil as the result of the expiration period of the policies. The gross paid claims recorded the increase of change in provision for claims and reinsurance share in claims but at the same time they influence the decrease in total expenditure for the insured events. The efficiency in handling the claims was high amounting to 83.8% that is one of the competition advantages of the company CROATIA osiguranje d.d



Silvana Ivančić  
Member of the Management Board



Zdravko Zrinušić  
President of the Management Board



# TOTAL GAINS REPORT (Profit&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>	345.294.633	2.122.001.014	2.467.295.647	341.703.274	1.988.004.619	2.329.707.893
1. Gross written premiums	125	345.214.596	2.550.202.297	2.895.416.893	341.732.078	2.447.128.712	2.788.860.790
2. Coinsurance premium	126		4.574.802	4.574.802		3.920.226	3.920.226
3. Value adjustment and collected insurance/coinsurance premium value adjustment	127		-50.290.476	-50.290.476		-66.048.930	-66.048.930
4. Premiums ceded to reinsurance	128	-6.859	-454.681.019	-454.687.878	-282.572	-406.688.732	-406.971.304
5. Premiums ceded to coinsurance	129		-5.094.469	-5.094.469		-4.304.247	-4.304.247
6. Change in gross unearned premium provision	130	86.896	81.020.103	81.106.999	253.630	21.425.918	21.679.549
7. Change in unearned premium provision, reinsurer's share	131		-3.730.225	-3.730.225	138	-7.428.329	-7.428.191
8. Change in unearned premium provision, coinsurer's share	132						
<b>II. Income from investments (AOP 134 + 135 + 139 + 140 + 141 + 145 + 146)</b>	<b>133</b>	131.695.327	202.758.803	334.454.130	125.955.184	304.785.234	430.740.418
1. Income from branch-offices, associated companies and joint ventures	134	1.483.480	30.239.640	31.723.120		34.558.009	34.558.009
2. Income from investments into land and buildings (136 to 138)	135		11.945.802	11.945.802		62.583.072	62.583.072
2.1. Income from rental fees	136		6.375.613	6.375.613		6.831.290	6.831.290
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			
3. Interest income	139	112.179.502	134.017.493	246.196.995	100.482.773	127.224.864	227.707.637
4. Unrealized profits from investment at fair value	140	3.898.786	2.785.671	6.684.457	2.460.726	2.769.591	5.230.317
5. Gain on sale (realization) of financial investments (142 to 145)	141	3.273.073	6.097.192	9.370.265	3.081.729	5.921.987	9.003.716
5.1. Investment at fair value through profit and loss account	142	3.190.003	4.345.617	7.535.620	3.081.729	4.223.430	7.305.159
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						
6. Net positive exchange rate differences	145	10.844.321	8.420.408	19.264.729	19.867.052	13.086.273	32.953.324
7. Other investment income	146	16.164	9.252.598	9.268.762	62.905	58.641.438	58.704.343
<b>III. Income from commissions and fees</b>	<b>147</b>	90.042	26.977.757	27.067.798	69.101	24.166.257	24.235.359
<b>IV. Other insurance-technical income, net of reinsurance</b>	<b>148</b>	726.683	35.587.581	36.314.264	108.336	15.831.248	15.939.584
<b>V. Other income</b>	<b>149</b>	1.783.815	40.157.931	41.941.746	1.346.297	27.522.063	28.868.360
<b>VI. Expenses for insured events, net of reinsurance (AOP 151 + 155)</b>	<b>150</b>	-199.197.507	-1.284.918.043	-1.484.115.550	-306.871.028	-1.139.989.853	-1.446.860.881
1. Paid claims (AOP 152 to 154)	151	-199.840.892	-1.304.187.561	-1.504.028.452	-313.225.335	-1.197.308.597	-1.510.533.931
1.1. Gross amount	152	-199.840.892	-1.520.388.419	-1.720.229.310	-313.225.335	-1.427.832.183	-1.741.057.518
1.2. Coinsurer's share	153		-1.219.114	-1.219.114		-60.093	-60.093
1.3. Reinsurer's share	154		217.419.972	217.419.972		230.583.679	230.583.679
2. Change in claims provision (AOP 156 to 158)	155	643.385	19.269.518	19.912.903	6.354.306	57.318.744	63.673.050
2.1. Gross amount	156	643.385	23.299.047	23.942.432	6.354.306	-55.807.852	-49.453.546
2.2. Coinsurer's share	157						
2.3. Reinsurer's share	158		-4.029.529	-4.029.529		113.126.596	113.126.596
<b>VII. Change in mathematical reserve and other technical reserves (AOP 160 + 163)</b>	<b>159</b>	-134.687.632	-357.000	-135.044.632	-45.550.833	-8.670.000	-54.220.833
1. Change in mathematical insurance provision (AOP 161 + 162)	160	-134.687.632		-134.687.632	-45.550.833		-45.550.833
1.1. Gross amount	161	-134.686.050		-134.686.050	-45.703.716		-45.703.716
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		-357.000	-357.000		-8.670.000	-8.670.000
2.1. Gross amount	164		-357.000	-357.000		-8.670.000	-8.670.000
2.2. Coinsurer's share	165						
2.3. Reinsurer's share	166						
<b>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>						
1. Depending on results (bonuses)	172						
2. Irrespective of results (discounts)	173						

<b>X. Business expenditures (AOP 175+179)</b>	<b>174</b>	-101.857.960	-858.143.647	-960.001.607	-93.974.897	-857.850.479	-951.825.376
1. Sales expenses (AOP 176 to 178)	<b>175</b>	-34.098.602	-238.888.013	-272.986.615	-26.252.743	-220.127.545	-246.380.288
1.1. Commission	<b>176</b>	-22.252.469	-135.772.794	-158.025.263	-18.379.139	-156.605.807	-174.984.946
1.2. Other sales expenses	<b>177</b>	-11.846.133	-103.115.219	-114.961.352	-7.873.604	-63.521.738	-71.395.342
1.3. Change in split sales expenses	<b>178</b>						
2. Management expenses (AOP 180 to 182)	<b>179</b>	-67.759.358	-619.255.634	-687.014.992	-67.722.155	-637.722.933	-705.445.088
2.1. Depreciation of tangible assets	<b>180</b>	-1.820.949	-46.842.535	-48.663.484	-1.629.044	-45.365.594	-46.994.638
2.2. Salaries, taxes and salary contributions (from and on salary)	<b>181</b>	-40.086.375	-331.205.132	-371.291.507	-41.165.922	-323.690.899	-364.856.821
2.3. Other management expenses	<b>182</b>	-25.852.034	-241.207.967	-267.060.001	-24.927.189	-268.666.440	-293.593.629
<b>XI. Investment expenses (AOP 184 to 189)</b>	<b>183</b>	-39.924.563	-158.910.764	-198.835.327	-20.209.546	-183.948.594	-204.158.141
1. Depreciation (buildings not intended for business activities of the company)	<b>184</b>						
2. Interest	<b>185</b>		-95	-95			
3. Investment impairments	<b>186</b>	-16.717.358	-30.842.642	-47.560.001	-12.043.534	-38.472.266	-50.515.800
4. Losses from sale (realizations) of investment	<b>187</b>	-13.739.085	-38.910.657	-52.649.743	-2.575.940	-17.360.943	-19.936.884
5. Adjustment of financial assets at fair value through P&L	<b>188</b>	-726.384	-111.231	-837.616	-5.089.978	-6.752.054	-11.842.032
6. Net foreign exchange losses	<b>189</b>						
7. Other investment costs	<b>190</b>	-8.741.735	-89.046.138	-97.787.873	-500.095	-121.363.330	-121.863.424
<b>XII. Other technical expenses, net of reinsurance (AOP 192 + 193)</b>	<b>191</b>	-305.749	-73.616.434	-73.922.183	-131.816	-71.469.884	-71.601.700
1. Prevention activities expenses	<b>192</b>						
2. Other technical expenses	<b>193</b>	-305.749	-73.616.434	-73.922.183	-131.816	-71.469.884	-71.601.700
<b>XIII. Other expenses, including value adjustment</b>	<b>194</b>		-301.638	-301.638		-825.855	-825.855
<b>XIV. Profit or loss before taxes</b> (124+133+147+148+149+150+159+167+171+174+183+191+194)	<b>195</b>	5.535.425	51.235.561	56.770.986	7.144.839	97.554.756	104.699.595
<b>XV. Taxation (AOP 197+198)</b>	<b>196</b>	-1.007.882	-12.159.217	-13.167.099	-2.497.347	-23.535.504	-26.032.851
1. Current tax expenses	<b>197</b>	-1.007.882	-12.159.217	-13.167.099	-1.562.582	-23.344.228	-24.906.810
2. Deferred tax expenses	<b>198</b>				-934.765	-191.276	-1.126.041
<b>XVI. Net profit or loss for the period (AOP 195-196)</b>	<b>199</b>	4.527.543	39.076.343	43.603.886	4.647.492	74.019.253	78.666.745
1. Attributable to majority owners	<b>200</b>						
2. Attributable to minority interests	<b>201</b>						
<b>XVII. TOTAL INCOME</b>	<b>202</b>	479.590.500	2.427.483.086	2.907.073.585	469.182.193	2.360.309.421	2.829.491.614
<b>XVIII. TOTAL EXPENSES</b>	<b>203</b>	-475.062.957	-2.388.406.742	-2.863.469.699	-464.534.701	-2.286.290.168	-2.750.824.869
<b>IX. Other comprehensive profit (205 to 211 - 212)</b>	<b>204</b>	16.309.458	58.812.786	75.122.244	-24.407.721	-37.744.686	-62.152.408
1. Profit / loss from translation of financial statements	<b>205</b>						
2. Profit / loss from revaluation of financial assets available for sale	<b>206</b>	16.309.458	57.473.616	73.783.074	-24.407.721	-40.080.760	-64.488.481
3. Profit / loss from revaluation of operational land and buildings	<b>207</b>		1.339.170	1.339.170		2.336.074	2.336.074
4. Profit / loss from revaluation of other tangible (except land and buildings) and intangible assets	<b>208</b>						
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>	20.837.001	97.889.129	118.726.130	-19.760.229	36.274.566	16.514.337
1. Attributable to majority owners	<b>214</b>						
2. Attributable to minority interests	<b>215</b>						
<b>XXI. Reclassification adjustments</b>	<b>216</b>						

Note: Data under AOP 200,201,214 and 215 are to be filled up by insurance companies that compose consolidated annual financial statements

# Financial status report (Balance sheet)

As at 31/12/2011

in HRK

Position 1	AOP 2	Previous period			Current period		
		Life 3	Non-life 4	Total 5(3+4)	Life 6	Non-life 7	Total 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>		11.455.283	11.455.283		7.116.440	7.116.440
1. Goodwill	<b>005</b>						
2. Other intangible assets	<b>006</b>		11.455.283	11.455.283		7.116.440	7.116.440
<b>C. TANGIBLE ASSETS (008 to 010)</b>	<b>007</b>		1.252.687.290	1.252.687.290		1.215.012.430	1.215.012.430
1. Land and buildings used for insurance activities	<b>008</b>		1.208.990.704	1.208.990.704		1.175.813.525	1.175.813.525
2. Equipment	<b>009</b>		37.965.176	37.965.176		33.736.317	33.736.317
3. Other tangible assets and reserves	<b>010</b>		5.731.409	5.731.409		5.462.588	5.462.588
<b>D. INVESTMENTS (012+013+017+036)</b>	<b>011</b>	1.940.695.774	3.304.055.308	5.244.751.082	1.940.782.115	3.390.168.120	5.330.950.235
<b>I. Investments in land and buildings not intended for business activities of the company</b>	<b>012</b>		677.014.955	677.014.955		814.142.982	814.142.982
<b>II. Investments in branch-offices, associated companies and participating in joint investments (014 to 016)</b>	<b>013</b>		436.930.913	436.930.913		431.372.755	431.372.755
1. Shares and stakes in branch-offices	<b>014</b>		428.221.613	428.221.613		424.146.655	424.146.655
2. Shares and stakes in associate companies	<b>015</b>		8.709.300	8.709.300		7.226.100	7.226.100
3. Participating in joint investments	<b>016</b>						
<b>III. Other financial investments (018 + 021 + 026 + 032)</b>	<b>017</b>	1.940.695.774	2.190.109.440	4.130.805.213	1.940.782.115	2.144.652.383	4.085.434.498
1. Investments kept till maturity date (019 + 020)	<b>018</b>	1.181.787.763	690.876.535	1.872.664.298	1.253.893.760	755.313.902	2.009.207.662
1.1. Debt securities and other securities with fixed income	<b>019</b>	1.181.787.763	690.876.535	1.872.664.298	1.253.893.760	755.313.902	2.009.207.662
1.2. Other investments kept till maturity date	<b>020</b>						
2. Investments available for sale (022 to 025)	<b>021</b>	115.155.931	293.450.484	408.606.414	60.422.034	192.541.118	252.963.152
2.1. Stocks, shares and other securities with variable income	<b>022</b>	54.417.013	176.533.184	230.950.197	24.314.237	113.622.134	137.936.371
2.2. Debt securities and other securities with fixed income	<b>023</b>						
2.3. Stakes in investment funds	<b>024</b>	60.738.917	116.917.300	177.656.217	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	140.184.465	320.229.347	200.501.903	211.571.393	412.073.295
3.1. Stocks, shares and other securities with variable income	<b>027</b>		1.195.364	1.195.364		7.515.667	7.515.667
3.2. Debt securities and other securities with fixed income	<b>028</b>	9.879.000	27.022.500	36.901.500	83.590.987	92.961.341	176.552.328
3.3. Derivative financial instruments	<b>029</b>						
3.4. Stakes in investment funds	<b>030</b>	170.165.882	111.966.600	282.132.482	116.910.916	111.094.385	228.005.300
3.5. Other investments	<b>031</b>						
4. Deposits, loans and receivables (033 to 035)	<b>032</b>	463.707.198	1.065.597.957	1.529.305.155	425.964.418	985.225.970	1.411.190.388
4.1. Bank deposits	<b>033</b>	410.000.000	768.717.370	1.178.717.370	383.060.840	662.923.829	1.045.984.469
4.2. Loans	<b>034</b>	53.707.198	296.880.587	350.587.785	42.903.578	322.302.341	365.205.919
4.3. Other loans and receivables	<b>035</b>						
<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 TEHNIKIM PRICUVAMA (039 to 045)</b>	<b>038</b>	11.607	306.071.448	306.083.055	164.628	411.769.714	411.934.342
1. Unearned premiums, reinsurance share	<b>039</b>		54.131.734	54.131.734	138	46.703.405	46.703.543
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>		251.939.714	251.939.714		365.066.310	365.066.310
4. Provision for premium returns depending and not depending on result (bonuses and discounts), reinsurance share	<b>042</b>						
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>	3.343.472	6.844.913	10.188.385	2.408.707	2.756.393	5.165.100
1. Deferred tax assets	<b>047</b>	3.343.472	2.947.669	6.291.141	2.408.707	2.756.393	5.165.100
2. Current tax assets	<b>048</b>		3.897.244	3.897.244			
<b>H. RECEIVABLES (050 + 053 + 054)</b>	<b>049</b>	46.730.724	784.086.611	830.817.335	7.816.611	713.606.884	721.423.494
<b>1. Receivables from direct insurance activities (051 + 052)</b>	<b>050</b>	41.193.220	609.562.350	650.755.570	43.746	588.277.703	588.321.449
1.1. Receivables from policyholders	<b>051</b>	41.126.015	605.928.668	647.054.683		585.059.115	585.059.115
1.2. Receivables from insurance agents	<b>052</b>	67.205	3.633.682	3.700.887	43.746	3.218.587	3.262.333
<b>2. Receivables from coinsurance and reinsurance activities</b>	<b>053</b>					16.129.222	16.129.222
<b>3. Other receivables (055 to 057)</b>	<b>054</b>	5.537.503	174.524.261	180.061.764	7.772.865	109.199.959	116.972.823
3.1. Receivables for other insurance activities	<b>055</b>		34.058.441	34.058.441		26.964.094	26.964.094
3.2. Receivables for returns on investments	<b>056</b>	1.485.844	6.363.575	7.849.419	1.935.304	5.862.135	7.797.439
3.3. Other receivables	<b>057</b>	4.051.659	134.102.245	138.153.904	5.837.561	76.373.730	82.211.290
<b>I. OTHER ASSETS (059 + 063 + 064)</b>	<b>058</b>	6.277.906	32.539.307	38.817.213	1.889.059	36.914.836	38.803.894
<b>1. Money in bank and in cash (060 to 062)</b>	<b>059</b>	6.184.384	12.856.713	19.041.097	1.824.734	24.128.164	25.952.898
1.1. Money on business account	<b>060</b>		12.651.116	12.651.116		23.951.866	23.951.866
1.2. Money on mathematical provision account	<b>061</b>	6.181.919		6.181.919	1.819.331		1.819.331
1.3. Cash money	<b>062</b>	2.465	205.597	208.063	5.403	176.298	181.700
<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	12.786.672	12.850.996
<b>J. PREPAID EXPENSES OF THE FUTURE PERIOD AND UNDEUE COLLECTION OF INCOME (066 to 068)</b>	<b>065</b>	18.055.825	25.259.444	43.315.270	22.229.797	30.797.002	53.026.799
1. Split interest and rental fees	<b>066</b>	18.012.109	14.350.144	32.362.253	22.185.161	14.966.325	37.151.486
2. Split sales costs	<b>067</b>						
3. Other paid expenses of the future period and undue income collection	<b>068</b>	43.716	10.909.300	10.953.016	44.636	15.830.677	15.875.313
<b>K. TOTAL ASSETS (001+004+007+011+037+038+046+049+058+065)</b>	<b>069</b>	2.037.490.275	5.722.999.604	7.760.489.879	1.991.611.543	5.808.141.817	7.799.753.360
<b>L. NON-BALANCE SHEET RECORDS</b>	<b>070</b>		646.551.949	646.551.949		670.302.250	670.302.250



<b>LIABILITIES</b>								
<b>A. CAPITAL AND RESERVES (072 + 076 + 077 + 081 + 085 + 088)</b>	<b>071</b>	138.333.787	1.514.859.332	1.653.193.119	115.588.079	1.525.498.057	1.641.086.136	
<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	521.944.423	530.698.408	-15.653.736	475.745.296	460.091.559	
3.1. Revaluation of land and buildings	<b>078</b>		492.595.123	492.595.123		486.476.755	486.476.755	
3.2. Revaluation of investments in financial assets	<b>079</b>	8.753.985	29.349.300	38.103.285	-15.653.736	-10.731.460	-26.385.196	
3.3. Other revaluation reserves	<b>080</b>							
<b>4. Reserves (082 to 084)</b>	<b>081</b>	77.013.268	366.917.394	443.930.661	78.314.936	378.151.842	456.466.778	
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	84.257.857	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	266.710.827	342.210.827	
<b>5. Retained profit or loss (086 + 087)</b>	<b>085</b>	3.750.272	188.322.692	192.072.963	3.990.667	198.983.187	202.973.853	
5.1. Retained profit	<b>086</b>	3.750.272	188.322.692	192.072.963	3.990.667	198.983.187	202.973.853	
5.2. Retained loss (-)	<b>087</b>							
<b>6. Profit or loss for the period (089 + 090)</b>	<b>088</b>	4.527.543	39.076.343	43.603.886	4.647.492	74.019.253	78.666.745	
6.1. Profit for the period	<b>089</b>	4.527.543	39.076.343	43.603.886	4.647.492	74.019.253	78.666.745	
6.2. Loss for the period (-)	<b>090</b>							
<b>B. MINORITY INTEREST</b>	<b>091</b>							
<b>C. TECHNICAL PROVISION (093 to 098)</b>	<b>092</b>	1.816.883.663	3.807.206.248	5.624.089.912	1.855.979.443	3.850.258.182	5.706.237.624	
1. Unearned premiums, gross amount	<b>093</b>	3.614.061	967.835.435	971.449.496	3.360.431	946.409.517	949.769.947	
2. Mathematical insurance provision, gross amount	<b>094</b>	1.770.878.195		1.770.878.195	1.816.581.911		1.816.581.911	
3. Claims provision, gross amount	<b>095</b>	42.391.407	2.824.613.813	2.867.005.220	36.037.101	2.880.421.665	2.916.458.766	
4. Provision for premium returns dependent upon or independent of result (bonuses and discounts), gross amount	<b>096</b>							
5. Provision for claims fluctuation, gross amount	<b>097</b>							
6. Other technical insurance provision, gross amount	<b>098</b>		14.757.000	14.757.000		23.427.000	23.427.000	
<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>	2.537.568	78.007.964	80.545.532	2.443.980	80.050.105	82.494.085	
1. Provision for pensions	<b>101</b>	2.537.568	76.127.583	78.665.151	2.443.980	78.169.725	80.613.705	
2. Other provision	<b>102</b>		1.880.381	1.880.381		1.880.381	1.880.381	
<b>F. DEFERED AND CURRENT TAX LIABILITY (104 + 105)</b>	<b>103</b>		125.399.231	125.399.231		128.204.750	128.204.750	
1. Deferred tax liability	<b>104</b>		123.123.052	123.123.052		121.789.319	121.789.319	
2. Current tax liability	<b>105</b>		2.276.179	2.276.179		6.415.430	6.415.430	
<b>G. DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>	<b>106</b>							
<b>H. FINANCIAL LIABILITIES (108 to 110)</b>	<b>107</b>		149.704	149.704		105.193	105.193	
1. Loan liabilities	<b>108</b>		149.704	149.704		105.193	105.193	
2. Outstanding securities	<b>109</b>							
3. Other financial liabilities	<b>110</b>							
<b>I. OTHER LIABILITIES (112 to 115)</b>	<b>111</b>	15.379.752	185.634.644	201.014.397	1.258.486	189.444.060	190.702.545	
1. Liabilities derived from direct insurance activities	<b>112</b>	248.556	98.448.932	98.697.488	1.223.389	96.882.454	98.105.843	
2. Liabilities derived from coinsurance and reinsurance activities	<b>113</b>	1.665	8.805.514	8.807.179	1.693	5.602.704	5.604.397	
3. Liabilities for misappropriation and discontinued operations	<b>114</b>							
4. Other liabilities	<b>115</b>	15.129.532	78.380.197	93.509.729	33.403	86.958.902	86.992.305	
<b>J. DEFERRED PAYMENT OF EXPENSES AND INCOME OF THE FUTURE PERIOD (117+118)</b>	<b>116</b>	41.980.537	11.742.481	53.723.017	20.929	34.581.471	34.602.400	
1. Reinsurance commission split	<b>117</b>							
2. Other deferred costs payment and future income	<b>118</b>	41.980.537	11.742.481	53.723.017	20.929	34.581.471	34.602.400	
<b>K. TOTAL LIABILITIES (071+091+092+099+100+103+106+107+111+116)</b>	<b>119</b>	2.037.490.275	5.722.999.604	7.760.489.879	1.991.611.543	5.808.141.817	7.799.753.360	
<b>L. NON-BALANCE SHEET RECORDS</b>	<b>120</b>		646.551.949	646.551.949		670.302.250	670.302.250	
<b>ADDITION TO BALANCE SHEET (only for consolidated financial statements)</b>								
<b>M. CAPITAL AND RESERVES (122+123)</b>	<b>121</b>							
1. Attributable to majority owners	<b>122</b>							
2. Attributable to minority interests	<b>123</b>							

Note: Data under AOP 121 to 123 are to be filled up by insurance companies that compose consolidated annual financial statements

# Report on status and changes in capital stock

For the period 01/01/2011 until 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 nad 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		462.272.015	423.894.652	136.702.656	69.690.466	1.535.446.989		1.535.446.989
1. Change in accounting policy	002									
2. Correction of previous period errors	003									
<b>II. Balance at 1 January - previous year (corrected) (AOP 001 to 003)</b>	<b>004</b>	442.887.200		462.272.015	423.894.652	136.702.656	69.690.466	1.535.446.989		1.535.446.989
<b>III. Comprehensive profit or loss - previous year (AOP 006+007)</b>	<b>005</b>			68.426.394		6.695.850	43.603.886	118.726.130		118.726.130
1. Profit/loss of the previous period	006						43.603.886	43.603.886		43.603.886
2. Other comprehensive profit/loss of the previous year (AOP 008 do 011)	007			68.426.394		6.695.850		75.122.244		75.122.244
2.1. Unrealized profit/loss from tangible assets (land and buildings)	008			-5.356.680		5.356.680				
2.2. Unrealized profit/loss from financial assets available for sale	009			-12.150.805				-12.150.805		-12.150.805
2.3. Realized profit/loss from financial assets available for sale	010			85.933.879				85.933.879		85.933.879
2.4. Other non-ownership changes in capital	011					1.339.170		1.339.170		1.339.170
<b>IV. Transactions with owners (previous period) (AOP 013 to 016)</b>	<b>012</b>				20.036.009	48.674.457	-69.690.466	-980.000		-980.000
1. Increase/decrease of share capital	013									
2. Other payments by the owners	014									
3. Payment of shares in profit/dividends	015						-980.000	-980.000		-980.000
4. Other distribution to the owners	016				20.036.009	48.674.457	-68.710.466			
<b>V. Balance at 31 December - previous period (AOP 017)</b>	<b>017</b>	442.887.200		530.698.408	443.930.661	192.072.963	43.603.886	1.653.193.119		1.653.193.119
<b>VI. Balance at 1 January - current year</b>	<b>018</b>	442.887.200		530.698.408	443.930.661	192.072.963	43.603.886	1.653.193.119		1.653.193.119
1. Change in accounting policy	019									
2. Correction of previous period errors	020			-783.466		825.966		42.500		42.500
<b>VII. Balance at 1 January - current period (corrected) (AOP 018 to 020)</b>	<b>021</b>	442.887.200		529.914.942	443.930.661	192.898.929	43.603.886	1.653.235.619		1.653.235.619
<b>VIII. Comprehensive profit or loss - current period (AOP 023+024)</b>	<b>022</b>			-69.823.383		7.670.975	78.666.745	16.514.337		16.514.337
1. Profit/loss of the previous period	023						78.666.745	78.666.745		78.666.745
2. Other comprehensive profit/loss of the current year (AOP 025 to 028)	024			-69.823.383		7.670.975		-62.152.408		-62.152.408
2.1. Unrealized profit/loss from tangible assets (land and buildings)	025			-6.118.371		6.780.054		661.684		661.684
2.2. Unrealized profit/loss from financial assets available for sale	026			-45.640.033				-45.640.033		-45.640.033
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					890.921		890.921		890.921
<b>IX. Transactions with owners (current period) (AOP 030 to 033)</b>	<b>029</b>				12.536.117	2.403.949	-43.603.886	-28.663.820		-28.663.820
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		-28.663.820
4. Other distribution to the owners	033				12.536.117	2.403.949	-14.940.066			
<b>X. Balance at 31 December - current period (AOP 021+022+029)</b>	<b>034</b>	442.887.200		460.091.559	456.466.778	202.973.854	78.666.745	1.641.086.137		1.641.086.137

# Money flow report (indirect method) for the period

01/01/2011 until 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>	266.968.346	226.393.768
<b>1. Cash flow before change in business property and liabilities (AOP 003+004)</b>	<b>002</b>	162.315.423	-163.003.389
1.1. Profit before tax	<b>003</b>	56.770.986	104.699.595
1.2. Adjustment: (AOP 005 to 012)	<b>004</b>	105.544.437	-267.702.985
1.2.1. Depreciation and amortization of immovables and equipment	<b>005</b>	46.337.562	44.284.222
1.2.2. Depreciation and amortization of intangible property	<b>006</b>	2.325.921	2.710.415
1.2.3. Impairment and profits/losses from adjustment to fair value	<b>007</b>	75.521.546	57.127.515
1.2.4. Interest expenses	<b>008</b>		0
1.2.5. Interest income	<b>009</b>		-227.707.637
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>		10.933.168
1.2.8. Other adjustments	<b>012</b>	-18.640.592	-120.492.660
<b>2. Increase/decrease in business property and liabilities (AOP 014 to 030)</b>	<b>013</b>	145.401.068	415.430.008
2.1. Increase /decrease in investments available for sale	<b>014</b>	853.939	155.643.263
2.2. Increase /decrease in investment estimated at fair value	<b>015</b>	-40.529.619	-126.951.308
2.3. Increase / decrease in deposits, loans and receivables	<b>016</b>	61.374.444	132.732.901
2.4. Increase/decrease of deposits at insurance activities ceded to reinsurance	<b>017</b>		0
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>	7.761.336	-105.851.287
2.7. Increase/decrease of taxable property	<b>020</b>	-9.594.756	5.023.285
2.8. Increase/decrease in receivables	<b>021</b>	140.213.293	300.555.118
2.9. Increase/decrease in other assets	<b>022</b>		0
2.10. Increase/decrease in prepaid expenses of the future period and undue collection of income	<b>023</b>	-22.271.637	-9.711.530
2.11. Increase/decrease in tehcnical provision	<b>024</b>	31.667.220	82.147.713
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>	-18.731.831	2.805.519
2.14. Increase/decrease in deposits held from activities ceded to reinsurance	<b>027</b>		0
2.15. Increase/decrease in financial liabilities	<b>028</b>	-41.792	0
2.16. Increase/decrease in other liabilities	<b>029</b>	1.808.993	-1.843.048
2.17. Increase/decrease in deferred payment of expenses and income of the future period	<b>030</b>	-7.108.522	-19.120.617
<b>3. Income tax paid</b>	<b>031</b>	-40.748.145	-26.032.851
<b>II. CASH FLOW FROM INVESTMENT ACTIVITIES (AOP 033 to 046)</b>	<b>032</b>	-269.338.900	-160.856.152
1. Receipts fom sale of tangible assets	<b>033</b>	77.585	0
2. Expenditures for the purchase of tangible assets	<b>034</b>	-50.305.297	-6.609.362
3. Receipts from sale of intangible assets	<b>035</b>		0
4. Expenditures for the purchase of intangible assets	<b>036</b>	-6.681.199	1.628.428
5. Receipts from sale of land and buildings not intended for business activities of the company	<b>037</b>	433.119	0
6. Expenditures for the purchase of land and buildings not intended for business activities of the company	<b>038</b>	-11.888.003	-81.376.244
7. Increase/decrease of investments in branch-offices, associated companies and participation in joint investements	<b>039</b>	14.203.919	40.116.167
8. Receipts from investments kept till maturity	<b>040</b>	8.763.659	0
9. Expenditures for investments kept till maturity	<b>041</b>	-252.874.335	-136.543.365
10. Receipts from sale of securities and stakes	<b>042</b>		0
11. Expenditures for investments in securities and stakes	<b>043</b>		0
12. Receipts from dividends and profit share	<b>044</b>	28.931.652	36.546.359
13. Receipts from long term and short term loans	<b>045</b>		313.725.823
14. Expenses for long term and short term loans	<b>046</b>		-328.343.958
<b>III. CASH FLOW FROM FINANCIAL ACTIVITIES (AOP 050 to 054)</b>	<b>047</b>	-988.427	-32.597.611
1. Receipts from capital stock increase	<b>048</b>		0
2. Receipts from short-term and long-term loans	<b>049</b>	0	6.569
3. Expenditures for short-term and long-term loans	<b>050</b>		-51.079
4. Expenditures for purchase of treasury shares	<b>051</b>	0	0
5. Expenditures for payment of profit share (dividends)	<b>052</b>	-988.427	-32.553.100
<b>NET CASH FLOW (AOP 001 + 032 + 049)</b>	<b>053</b>	-3.358.981	32.940.005
<b>IV. EFFECTS OF CHANGES IN RATES OF FOREIGN CURRENCIES</b>	<b>054</b>	624.137	-32.953.324
<b>V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (055+056)</b>	<b>055</b>	-2.734.844	-13.319
Cash and cash equivalents at the beginning of the period	<b>056</b>	41.552.057	38.817.213
Cash and cash equivalents at the end of the period (AOP 057 + 058)	<b>057</b>	38.817.213	38.803.894

**Note: The positions that reduce the cash flows are entered with a negative sign**

On the basis of the Article 20 of the Statute of CROATIA osiguranje d.d. of 30 April 2008 and the 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 annual financial statements of the issuer made by applying the relevant FRS, give the whole and true presentation of assets and liabilities, losses and gains, financial status and business operation of the issuer,
- The Management Board's report consists of true presentation of the development and results of the business operations as well as the status of the issuer, accompanied by the description of major risks and uncertainties the issuer is exposed to.

Member of the Management Board



Silvana Ivančić

President of the Management Board



Zdravko Zrinušić

## 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 financial statements of CROATIA osiguranje d.d., Zagreb (hereinafter "the Company") for the year ended 31 December 2011, which comprise the balance sheet, statement of comprehensive income, statement of changes in equity and 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 for the financial Statements**

2. The Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

3. Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 operating result and its 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 changes in market conditions, 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 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 4-78 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 79-93.

In Zagreb, 2 April 2012

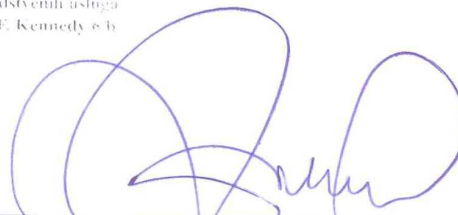
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Ines Rožić, certified auditor

**BDO**

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 FINANCIAL STATEMENTS**

### **BASIS FOR COMPOSING THE FINANCIAL STATEMENTS**

#### Statement on compliance and basis for presentation

The financial statements of the Company for 2011 are composed in accordance with Law on Accountancy (NN 109/07) and International Financial reporting Standards ("MSFI") (NN 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11) brought by the Financial Reporting Standards Board appointed by the Government of the Republic of Croatia in accordance with the Regulation on structure and contents of the financial reports of the insurance and reinsurance companies (NN 132/10, „Regulation“).

#### Basis for preparation

Financial reports are composed by applying basic accounting presumption of the occurrence of the business event which influence the transaction at the moment of its occurrence and is presented in the financial report for the related period given the unlimitedness of the operation.

#### Key estimates and uncertainty of estimates

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

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 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 Company operates.

The key estimates used during appliance of the accounting policies and composing the 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.

### **SUMMARY OF THE ACCOUNTING POLICIES**

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

## 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 the note „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 marketing 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 Company, 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 Company or under financial lease by the Company in order to realize income and/or expecting that the market value of asset will increase is presented by fair value through profit and loss account.

#### Investment in daughter companies and associated companies

The daughter companies are the companies owned by the Company and controlled by it during bringing decisions and financial and business management.

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 daughter companies and associated companies are presented by the 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 Company'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 Company 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 Company 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 Company are recognized at the moment of transfer of means on the part of the Company.

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 Company 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 Company 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 Company 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 Company 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 Company recognizes the impairment loss by debiting the profit and loss account.

#### Receivables

/i/ Receivables from insurance activities include receivables from the insured under the general 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.

The recognition of the insurance premium is described in note – "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 Company 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 Company 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 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 Company 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.

/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 of the Company.

#### Technical provision

Technical provision set out in the financial statements refer to the unearned premiums, life insurance mathematical provision, provision for claims and other insurance-technical provision, and they are formed pursuant to the Governance on minimal standards, accounting method and criteria for calculation of technical insurance provision. All technical provision was rated favourably by the appointed certified actuary of the Company.

#### /i/ Unearned premiums

The Company 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, and in a way described in the report of the appointed certified actuary of the Company on the calculation of mathematical provision.

#### /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/ Other insurance-technical provision

Other insurance-technical provision is determined for earthquake risk and not expired risks.

Earthquake risk provision is formed regarding the future obligations and risks incurred from catastrophe claims arising out of earthquake risk insurance.

Unexpired risks provision is formed for the non-life insurance products where the expected amount of loss relating to the unexpired policy periods is in effect on the date of reporting, is above unearned premium provision for these policies. The provision for unexpired risks is accounted separately for particular types of insurance.

Technical life insurance provision when the policyholder bears the investment risk

Since the Company 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' salaries

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

#### Provision

Provision is recognized if and only if the Company 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 Company 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 Company 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 Company is not significant are classified as investment contracts.

## Concentration of insurance risk

The key aspect of the insurance risk to which the Company 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 Company. 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company reinsurers a part of a risk it underwrites in order to control the exposure to losses and protect the capital stock. The Company 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 Company 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.

For other insurance types the IBNR is determined by flat rate methods.

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. Provision for liability insurance claims that are paid as annuities was determined as the current value of future liabilities on the basis of the annual discount rate of 2% and the table of mortality in the Republic of Croatia from 2000 to 2002.

/ii/ Life insurance

Mathematical provision is calculated by net prospective method using rational actuarial assumptions in accordance with the directives issued by the Croatian

Financial services Supervisory Agency. 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 Company'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 of 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 3.12./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 Company has a conservative approach to setting provision and it applies regulations prescribed by Croatian Financial Services Supervisory Agency. The Company 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 Company 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 Company and to require

changes in the book value of assets and liabilities in accordance with relevant regulations.

/vii/ Mutual liabilities

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

Key accounting estimates in the application of the Company's accounting policies

/i/ Classification of financial assets and liabilities

The accounting policies of the Company 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 Company establishes that they meet the definition of assets and liabilities as set out in Note Financial assets.

/ii/ Classification of products

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

/iii/ Classification of real estate

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

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

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

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

a) The Company 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 Company 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 Company 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 Company 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 Company at the balance sheet date either bear fixed interest rates or variable interest rates corresponding to the liabilities of the Company.

The Company 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 Company is significantly exposed

to the interest risk. The Company 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 Company's inability to buy the interest „swap“ in the Republic of Croatia, the Company 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 Company 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 Company 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 Company 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 Company 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 Company has receivables.

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

## Strategic risk

During the year 2011 the Company realized investment income amounting to HRK 430,740,418 that is an increase compared to 2010 when total income amounted to HRK 315,900,236. The most significant increase of income was realized in real estate investments amounting to HRK 50,637,270 as well as in other investments amounting to HRK 67,989,476 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 income from interests remained at approximately the same level.

DESCRIPTION	2011	Increase/	2010
	Total	decrease	Total
	HRK	%	HRK
Income from subsidiaries, associated companies and joint ventures	34.558.009	8,94%	31.723.120
Income from land and buildings investments	62.583.072	423,89%	11.945.802
Income from interests	227.707.637	(7,51%)	246.196.995
Unrealized fair value investment income through P&LA	5.230.316	(21,75%)	6.684.457
Income from sale/realization of financial investment	9.003.716	(3,91%)	9.370.265
Net positive exchange rate difference	32.953.325	71,06%	19.264.730
Other income investment	58.704.343	632,24%	(9.285.133)
<b>TOTAL</b>	<b>430.740.418</b>	<b>36,35%</b>	<b>315.900.236</b>

The Company 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 Company 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.

## OPERATING SEGMENT REPORTING:

Description	Accident insurance	Motor hull insurance	Property insurance	Liability insurance	Transport & Credit insurance	Other insurance	Total non-life	Life insurance	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Earned premium	172.202.525	346.152.983	500.477.290	854.513.349	54.385.833	60.272.640	1.988.004.619	341.703.274	2.329.707.893
Investment income	14.903.998	26.302.966	29.228.904	222.157.957	8.960.686	3.230.723	304.785.234	125.955.184	430.740.418
Commission & compensation income	6.632	3.363.134	13.665.033	6.053.185	1.078.273	0	24.166.257	69.101	24.235.358
Other insurance-technical income, net of reinsurance	187.111	3.229.954	4.597.866	11.677.035	(3.933.311)	72.592	15.831.248	108.336	15.939.584
Other income	1.393.915	4.422.348	5.613.155	15.043.888	614.207	434.550	27.522.063	1.346.297	28.868.360
Insured event expenses, net	(51.301.381)	(257.203.978)	(359.425.121)	(384.184.623)	(57.573.663)	(30.301.086)	(1.139.989.853)	(306.871.028)	(1.446.860.881)
Change in other technical provision, net of reinsurance (+/-)	0	0	(670.000)	0	(7.700.000)	(300.000)	(8.670.000)	(45.550.833)	(54.220.833)
Change in life insurance technical provision - policyholder's investment risk, net of reinsurance (+/-)	0	0	0				0	4.700.768	4.700.768
Business expenditure (operational expenses), net	(71.126.280)	(167.074.460)	(247.957.420)	(328.821.476)	(22.937.889)	(19.932.953)	(857.850.479)	(93.974.897)	(951.825.376)
Investment expenses	(8.995.086)	(15.874.764)	(17.640.670)	(134.080.130)	(5.408.089)	(1.949.855)	(183.948.594)	(20.209.546)	(204.158.140)
Other technical expenses, net of reinsurance	(492.816)	(3.851.077)	(6.813.633)	(60.231.496)	(38.851)	(42.010)	(71.469.884)	(131.816)	(71.601.700)
Other expenses, including value adjustments	0	0	0	(825.855)	0	0	(825.855)	0	(825.855)
Profit/loss of the accounting poeriod before taxation (+/-)	56.778.618	(60.532.894)	(78.924.596)	201.301.832	(32.552.804)	11.484.602	97.554.757	7.144.839	104.699.595
Profit/loss tax	(4.544.706)	(237.709)	0	(17.011.462)	(562.499)	(1.179.129)	(23.535.504)	(2.497.347)	(26.032.851)
<b>Profit/loss of the accounting period after taxation</b>	<b>52.233.911</b>	<b>(60.770.603)</b>	<b>(78.924.596)</b>	<b>184.290.370</b>	<b>(33.115.302)</b>	<b>10.305.473</b>	<b>74.019.253</b>	<b>4.647.492</b>	<b>78.666.745</b>
Other total profit	(1.845.715)	(3.257.366)	(3.619.715)	(27.512.102)	(1.109.694)	(400.095)	(37.744.686)	(24.407.721)	(62.152.408)
<b>TOTAL GAINS REPORT</b>	<b>50.388.196</b>	<b>(64.027.969)</b>	<b>(82.544.311)</b>	<b>156.778.268</b>	<b>(34.224.996)</b>	<b>9.905.378</b>	<b>36.274.567</b>	<b>(19.760.229)</b>	<b>16.514.337</b>



## NOTES TO THE PROFIT&LOSS ACCOUNT

### Total income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Earned premium	341.703.274	1.988.004.619	2.329.707.893	345.294.633	2.122.001.013	2.467.295.646
Investment income	125.955.184	304.785.234	430.740.418	123.889.541	192.010.695	315.900.236
Commission & compensation income	69.101	24.166.257	24.235.358	90.042	26.977.757	27.067.799
Other insurance-technical income, net of reinsurance	108.336	15.831.248	15.939.584	726.683	35.587.581	36.314.264
Other income	1.346.297	27.522.063	28.868.360	1.783.815	40.157.931	41.941.746
<b>TOTAL</b>	<b>469.182.192</b>	<b>2.360.309.421</b>	<b>2.829.491.613</b>	<b>471.784.714</b>	<b>2.416.734.977</b>	<b>2.888.519.691</b>

### Earned premium

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Written gross premium</b>						
Insurance premium - gross	341.732.078	2.447.128.712	2.788.860.790	345.214.596	2.550.202.298	2.895.416.894
Coinsurance premium	0	3.920.226	3.920.226	0	4.574.802	4.574.802
Value adjustment and collected premium adjustment	0	(66.048.930)	(66.048.930)	0	(50.290.477)	(50.290.477)
<b>Total</b>	<b>341.732.078</b>	<b>2.385.000.008</b>	<b>2.726.732.086</b>	<b>345.214.596</b>	<b>2.504.486.623</b>	<b>2.849.701.219</b>
<b>Premium ceded to reinsurance</b>						
Inland reinsurance premium	(282.572)	(394.409.088)	(394.691.660)	(6.859)	(440.897.581)	(440.904.440)
Reinsurance premium abroad	0	(12.279.644)	(12.279.644)	0	(13.783.438)	(13.783.438)
<b>Total</b>	<b>(282.572)</b>	<b>(406.688.732)</b>	<b>(406.971.304)</b>	<b>(6.859)</b>	<b>(454.681.019)</b>	<b>(454.687.878)</b>
<b>Premium ceded to coinsurance</b>						
Premium ceded to coinsurance	0	(4.304.247)	(4.304.247)	0	(5.094.469)	(5.094.469)
<b>Total</b>	<b>0</b>	<b>(4.304.247)</b>	<b>(4.304.247)</b>	<b>0</b>	<b>(5.094.469)</b>	<b>(5.094.469)</b>
<b>Change in earned premium provision</b>						
Earned premium gross provision	253.630	21.425.919	21.679.549	86.896	81.020.103	81.106.999
Earned premium provision, reinsurance share	138	(7.428.329)	(7.428.191)	0	(3.730.225)	(3.730.225)
<b>Total</b>	<b>253.768</b>	<b>13.997.590</b>	<b>14.251.358</b>	<b>86.896</b>	<b>77.289.878</b>	<b>77.376.774</b>
<b>TOTAL</b>	<b>341.703.274</b>	<b>1.988.004.619</b>	<b>2.329.707.893</b>	<b>345.294.633</b>	<b>2.122.001.013</b>	<b>2.467.295.646</b>

## Investment income

/i/ Income from subsidiaries, associated companies and participation in joint investment are related to received dividends i.e share in profit.

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from subsidiaries, associated companies and joint investment	0	34.558.009	34.558.009	1.483.480	30.239.640	31.723.120
Income from land and buildings investment	0	62.583.072	62.583.072	0	11.945.802	11.945.802
Interests income	100.482.773	127.224.864	227.707.637	112.179.502	134.017.493	246.196.995
Unrealized investment profit according to fair value through profit&loss account	2.460.725	2.769.591	5.230.316	3.898.786	2.785.671	6.684.457
Financial investment sales profit	3.081.729	5.921.987	9.003.716	3.273.073	6.097.192	9.370.265
Net positive exchange rate difference	19.867.052	13.086.273	32.953.325	10.844.322	8.420.408	19.264.730
Other investment income	62.905	58.641.438	58.704.343	-7.789.622	-1.495.511	-9.285.133
<b>TOTAL</b>	<b>125.955.184</b>	<b>304.785.234</b>	<b>430.740.418</b>	<b>123.889.541</b>	<b>192.010.695</b>	<b>315.900.236</b>

## /ii/ Investment in land and buildings income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Increase in value income	0	55.751.782	55.751.782	0	5.137.070	5.137.070
Rental income	0	6.831.290	6.831.290	0	6.375.613	6.375.613
Sales income	0	0	0	0	433.119	433.119
<b>TOTAL</b>	<b>0</b>	<b>62.583.072</b>	<b>62.583.072</b>	<b>0</b>	<b>11.945.802</b>	<b>11.945.802</b>

The Company owns 15 buildings – MOT test stations, which are given to the daughter company CROATIA TEHNIČKI PREGLEDI d.o.o. for their operations on the basis of the business technical cooperation contract thus transferring all rights and obligations to the daughter company which in return has to pay annual compensation amounting to HRK 15.000.000 plus VAT to the parent company.

Taking into consideration that it is about buildings which are used with the aim to realize income and from which profit is expected, during assessment of these buildings in 2011, certified assessors used income method.

/iii/ Interests income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	NON-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment interests held until maturity	80.868.658	45.334.762	126.203.420	83.784.877	47.543.516	131.264.512
Given deposits interests	19.797.501	30.693.051	50.490.552	28.394.625	28.414.853	56.809.478
Loans given and other investment interests	3.816.614	51.197.051	55.013.665	0	58.059.124	58.059.124
<b>TOTAL</b>	<b>100.482.773</b>	<b>127.224.864</b>	<b>227.707.637</b>	<b>112.179.502</b>	<b>134.017.493</b>	<b>246.196.995</b>

/iv/ Financial investment sale profit

DESCRIPTION	2011			2010		
	Life	NON-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Fair value investment through PLA	3.081.729	4.223.430	7.286.576	3.190.003	4.345.617	7.535.620
Investment available for sale		1.698.557	1.717.140	83.070	1.751.575	1.834.645
<b>TOTAL</b>	<b>3.081.729</b>	<b>5.921.987</b>	<b>9.003.716</b>	<b>3.273.073</b>	<b>6.097.192</b>	<b>9.370.265</b>

/v/ Other investment income

DESCRIPTION	2011			2010		
	Life	NON-life	Total	Life	NON-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Collected loans income, decreased in value in previous years		42.997.609	42.997.609	0	6.142.815	6.142.815
MOT-test stations income		13.336.949	13.336.949			
Call deposit interests	11.962	40.183	52.145	15.509	57.195	72.704
Other income	50.943	2.266.697	2.317.640	-7.805.131	-7.695.521	-15.500.652
<b>TOTAL</b>	<b>62.905</b>	<b>58.641.438</b>	<b>58.704.343</b>	<b>-7.789.622</b>	<b>-1.495.511</b>	<b>-9.285.133</b>

Other income

/i/ Commission and compensation income

DESCRIPTION	2011			2010		
	Life	NON-life	Total	Life	NON-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission and compensation income	69.101	24.166.257	24.235.358	90.042	26.977.757	27.067.799
Other insurance.technical income, net of reinsurance	108.336	15.831.248	15.939.584	726.683	35.587.581	36.314.264
Other income	1.346.297	27.522.063	28.868.360	1.783.815	40.157.931	41.941.746
<b>Total other income</b>	<b>1.523.734</b>	<b>67.519.568</b>	<b>69.043.302</b>	<b>2.600.540</b>	<b>102.723.269</b>	<b>105.323.809</b>

Commission and compensation income amounting to HRK 24,235,358 (in 2010 amounting to HRK 27,067,799) 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		9.099.099	9.099.099	0	25.683.496	25.683.496
Foreign claims income		4.551.906	4.551.906	0	3.354.637	3.354.637
Premium interests income	71.951	3.158.873	3.230.824	55.962	3.068.740	3.124.702
Border insurance compensations income		437.210	437.210	0	550.111	550.111
Reimbursements income		(6.505.938)	(6.505.938)	0	(5.077.527)	(5.077.527)
Other income	36.385	5.090.098	5.126.483	670.721	8.008.124	8.678.845
<b>TOTAL</b>	<b>108.336</b>	<b>15.831.248</b>	<b>15.939.584</b>	<b>726.683</b>	<b>35.587.581</b>	<b>36.314.264</b>

/iii/ Other income

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Service assessment income		9.386.575	9.386.575	2.800	10.438.579	10.441.379
MOT test stations income	0	0	0	0	13.436.801	13.436.801
Collected insured events income	1.600	2.490.391	2.491.991	0	2.944.539	2.944.539
Provision cancellation income	1.150.000	9.086.276	10.236.276	861.390	4.510.982	5.372.372
Refund and subvention income		25.728	25.728	0	96.817	96.817
Tangible asset sale income		1.191.062	1.191.062	0	77.585	77.585
Other income	194.697	5.342.031	5.536.728	919.625	8.652.628	9.572.253
<b>TOTAL</b>	<b>1.346.297</b>	<b>27.522.063</b>	<b>28.868.360</b>	<b>1.783.815</b>	<b>40.157.931</b>	<b>41.941.746</b>

TOTAL EXPENDITURES

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insured events outlays, net	306.871.028	1.139.989.853	1.446.860.881	199.197.507	1.284.918.043	1.484.115.550
Change in other technical provision, net of reinsurance	45.550.833	8.670.000	54.220.833	134.687.632	357.000	135.044.632
Change in life insurance technical provision, policyholder's risk	(4.700.768)	0	(4.700.768)	(1.918.336)	0	(1.918.336)
Business expenditures (outlays for business operations), net	93.974.897	857.850.479	951.825.376	101.857.960	858.143.647	960.001.607
Investment expenses	20.209.547	183.948.593	204.158.140	32.118.777	148.162.655	180.281.432
Other technical expenses, net of reinsurance	131.816	71.469.884	71.601.700	305.749	73.616.433	73.922.182
Other expenses, including value adjustments		825.855	825.855	0	301.638	301.638
<b>TOTAL</b>	<b>462.037.353</b>	<b>2.262.754.664</b>	<b>2.724.792.017</b>	<b>466.249.289</b>	<b>2.365.499.416</b>	<b>2.831.748.705</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	313.225.334	1.427.832.183	1.741.057.517	199.840.892	1.520.388.419	1.720.229.311
Coinsurance share		60.093	60.093	0	1.219.114	1.219.114
Reinsurance share		(230.583.679)	(230.583.679)	0	(217.419.972)	(217.419.972)
<b>Total</b>	<b>313.225.334</b>	<b>1.197.308.597</b>	<b>1.510.533.931</b>	<b>199.840.892</b>	<b>1.304.187.561</b>	<b>1.504.028.453</b>
<b>Change in provision for claims</b>						
Gross amount	(6.354.306)	55.807.852	49.453.546	(643.385)	(23.299.047)	(23.942.432)
Reinsurance share	0	(113.126.596)	(113.126.596)	0	4.029.529	4.029.529
<b>Total</b>	<b>(6.354.306)</b>	<b>(57.318.744)</b>	<b>(63.673.050)</b>	<b>(643.385)</b>	<b>(19.269.518)</b>	<b>(19.912.903)</b>
<b>TOTAL</b>	<b>306.871.028</b>	<b>1.139.989.853</b>	<b>1.446.860.881</b>	<b>199.197.507</b>	<b>1.284.918.043</b>	<b>1.484.115.550</b>

## Change in other technical provisions, net of reinsurance

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Change in mathematical insurance provision</b>						
Gross amount	45.703.716	0	45.703.716	134.686.050	0	134.686.050
Reinsurance share	(152.883)	0	(152.883)	1.582	0	1.582
<b>Total</b>	<b>45.550.833</b>		<b>45.550.833</b>	<b>134.687.632</b>	<b>0</b>	<b>134.687.632</b>
<b>Change in other technical provision, net of reinsurance</b>						
Gross amount		8.670.000	8.670.000	0	357.000	357.000
<b>Total</b>		<b>8.670.000</b>	<b>8.670.000</b>	<b>0</b>	<b>357.000</b>	<b>357.000</b>
<b>TOTAL</b>	<b>45.550.833</b>	<b>8.670.000</b>	<b>54.220.833</b>	<b>134.687.632</b>	<b>357.000</b>	<b>135.044.632</b>

## Change in life insurance technical provision, policyholder's risk

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Change in life insurance technical provision, policyholder's 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>

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	18.379.139	156.605.808	174.984.947	22.252.469	135.772.794	158.025.263
Other sales costs	7.873.604	63.521.738	71.395.342	11.846.134	103.115.219	114.961.353
<b>Total</b>	<b>26.252.743</b>	<b>220.127.546</b>	<b>246.380.289</b>	<b>34.098.603</b>	<b>238.888.013</b>	<b>272.986.616</b>
<b>Management expenses (administrative expenses)</b>						
Amortization of tangible assets	1.629.043	45.365.594	46.994.637	1.820.948	46.842.535	48.663.483
Salary, taxes and contributions from and on salary	41.165.922	323.690.899	364.856.821	40.086.374	331.205.132	371.291.506
Other management expenses	24.927.189	268.666.440	293.593.629	25.852.035	241.207.967	267.060.002
<b>Total</b>	<b>67.722.154</b>	<b>637.722.933</b>	<b>705.445.087</b>	<b>67.759.357</b>	<b>619.255.634</b>	<b>687.014.991</b>
<b>TOTAL</b>	<b>93.974.897</b>	<b>857.850.479</b>	<b>951.825.376</b>	<b>101.857.960</b>	<b>858.143.647</b>	<b>960.001.607</b>

/i-1/ Commission

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission costs 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	2.184.338	10.269.949	12.454.287	2.519.761	9.942.183	12.461.944
Commission expenses for employees	5.505.961	44.476.340	49.982.301	6.076.349	37.039.745	43.116.094
Commission expenses for banks, agencies and dispatchers	10.060.872	69.393.170	79.454.042	12.917.181	61.894.680	74.811.861
Commission expenses for MOT test stations	0	6.231.061	6.231.061	0	5.289.102	5.289.102
Other commission expenses	50.285	10.885.895	10.936.180	105.752	11.012.247	11.117.999
<b>TOTAL</b>	<b>18.379.139</b>	<b>156.605.808</b>	<b>174.984.947</b>	<b>22.252.469</b>	<b>135.772.794</b>	<b>158.025.263</b>

/i-2/ Other sales expenses

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Promotion expenses	6.576.485	54.137.191	60.713.676	10.793.680	94.068.966	104.862.646
Expenses for policy issuance	183.547	3.793.397	3.976.944	108.973	2.230.755	2.339.728
Other direct sales expenses	1.113.572	5.591.150	6.704.722	943.481	6.815.498	7.758.979
<b>TOTAL</b>	<b>7.873.604</b>	<b>63.521.738</b>	<b>71.395.342</b>	<b>11.846.134</b>	<b>103.115.219</b>	<b>114.961.353</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				249.571	2.076.350	2.325.921
Amortization of tangible assets	1.629.043	45.365.594	46.994.637	1.571.377	44.766.185	46.337.562
<b>TOTAL</b>	<b>1.629.043</b>	<b>45.365.594</b>	<b>46.994.637</b>	<b>1.820.948</b>	<b>46.842.535</b>	<b>48.663.483</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
Net salary and compensations	23.872.877	188.737.797	212.610.674	22.486.407	186.322.135	208.808.542
Taxes and contributions from salary	11.272.171	87.583.417	98.855.588	11.798.720	96.648.130	108.446.850
Contributions on salary	6.020.874	47.369.685	53.390.559	5.801.247	48.234.867	54.036.114
<b>TOTAL</b>	<b>41.165.922</b>	<b>323.690.899</b>	<b>364.856.821</b>	<b>40.086.374</b>	<b>331.205.132</b>	<b>371.291.506</b>

/ii-3/ Other management expenses

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Expended supplies	1.391.865	12.993.475	14.385.340	1.235.279	11.602.864	12.838.143
Energy	1.430.410	12.027.846	13.458.256	1.261.253	11.020.012	12.281.265
Transport, mail and telecommunication services	2.704.182	21.818.892	24.523.074	2.774.324	22.947.837	25.722.161
Maintenance services	2.004.829	19.517.643	21.522.472	2.265.010	19.397.614	21.662.624
Rental services	1.916.391	18.011.490	19.927.881	1.831.400	20.330.298	22.161.698
Municipal services	926.941	7.367.298	8.294.239	353.188	2.385.476	2.738.664
Intellectual services	498.914	5.689.501	6.188.415	1.036.369	9.770.471	10.806.840
Other services	769.749	6.514.366	7.284.115	1.170.207	10.218.085	11.388.292
Provision for severance pays and anniversary rewards	0	31.146.603	31.146.603	0	4.752.414	4.752.414
Provision for legal proceedings	0	2.868.420	2.868.420	0	1.949.119	1.949.119
Business travel allowances and expenses	1.976.485	16.039.986	18.016.471	229.262	1.754.898	1.984.160
Expenses compensations for employees, presents and subventions	191.120	2.626.458	2.817.578	1.580.845	12.684.818	14.265.663
Promotion expenses	505.970	5.648.964	6.154.934	458.537	4.920.653	5.379.190
Insurance premium	1.434.278	12.379.983	13.814.261	1.255.768	11.665.587	12.921.355
Banking services and fees	115.090	1.499.594	1.614.684	137.961	1.517.391	1.655.352
Contributions, membership dues and the like	730.050	6.954.724	7.684.774	647.265	9.226.547	9.873.812
Taxes independent of salary and charges	7.783	249.683	257.466	14.816	407.914	422.730
Unamortized value of tangible	0	380.602	380.602	835	109.773	110.608

property written off

Value decrease of tangible property used for insurance operations

Write off of supplies and small inventory	57.375	1.800.161	1.857.536	49.976	1.295.269	1.345.245
Other material rights of employees (refunds, severance pays and anniversary rewards)	7.564.550	67.365.255	74.929.805	8.839.851	68.709.275	77.549.126
Expenses for professional education and literature	701.207	10.183.122	10.884.329	267.895	3.279.711	3.547.606
Expenses for service claim settlements	0	4.804.290	4.804.290	0	4.823.384	4.823.384
Other operating expenses	0	778.084	778.084	441.994	6.438.557	6.880.551
<b>TOTAL</b>	<b>24.927.189</b>	<b>268.666.440</b>	<b>293.593.629</b>	<b>25.852.035</b>	<b>241.207.967</b>	<b>267.060.002</b>

### Investment expenses

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Interests	0	0	0	0	95	95
Investment value adjustment (decrease)	12.043.534	38.472.266	50.515.800	16.717.358	30.842.643	47.560.001
Losses realized on investment sale (realization)	2.575.940	17.360.943	19.936.883	13.739.085	38.910.657	52.649.742
Financial asset adjustment at fair value through PLA	5.089.978	6.752.054	11.842.032	726.384	111.231	837.615
Other investment expenses	500.095	121.363.330	121.863.425	935.950	78.298.029	79.233.979
<b>TOTAL</b>	<b>20.209.547</b>	<b>183.948.593</b>	<b>204.158.140</b>	<b>32.118.777</b>	<b>148.162.655</b>	<b>180.281.432</b>

### /i/ Value adjustment (investment decrease)

DESCRIPTION	2011			2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Losses from financial asset decrease in value	12.043.534	38.472.266	50.515.800	16.717.358	30.842.643	47.560.001
<b>TOTAL</b>	<b>12.043.534</b>	<b>38.472.266</b>	<b>50.515.800</b>	<b>16.717.358</b>	<b>30.842.643</b>	<b>47.560.001</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	17.217.294	19.763.536	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	56.074	56.074	0	0	0
<b>TOTAL</b>	<b>2.575.940</b>	<b>17.360.943</b>	<b>19.936.883</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
Value decrease of granted loans	0	55.375.156	55.375.156	0	28.291.289	28.291.289
Value decrease of receivables for interest on granted loans	0	7.885.875	7.885.875	0	10.595.694	10.595.694
Losses from change in real estate fair value	0	27.825.010	27.825.010	0	32.982.718	32.982.718
Compensation costs	488.589	3.236.004	3.724.593	442.905	3.498.915	3.941.820
Negative exchange rate differences under receivables and payables	44	458.725	458.769	862	587.616	588.478
Current value of sold and written off property	0	0	0	0	3.881	3.881
Expenses for foundation of new branch-offices	0	0	0	0	850.993	850.993
Other value decreases	0	25.890.421	25.890.421	0	138.829	138.829
Other investment expenses	11.462	692.139	703.601	492.183	1.348.094	1.840.277
<b>TOTAL</b>	<b>500.095</b>	<b>121.363.330</b>	<b>121.863.425</b>	<b>935.950</b>	<b>78.298.029</b>	<b>79.233.979</b>

Other expenses

/i/ Other technical expenses, net of reinsurance

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 premium	0	47.936.238	47.936.238	0	47.913.182	47.913.182
Contribution for Guarantee fund	0	6.372.315	6.372.315	0	8.723.755	8.723.755
Contribution for fire department	0	7.481.110	7.481.110	0	8.320.098	8.320.098
Contribution for Croatian Insurance Bureau	0	3.068.981	3.068.981	0	2.087.606	2.087.606
Contribution for Croatian Financial Services Supervisory Agency	105.526	530.375	635.901	147.081	1.270.412	1.417.493
Other insurance-technical expenses	26.259	5.401.438	5.427.697	153.004	3.647.161	3.800.165
Other expenses	31	679.427	679.458	5.664	1.654.219	1.659.883
<b>TOTAL</b>	<b>131.816</b>	<b>71.469.884</b>	<b>71.601.700</b>	<b>305.749</b>	<b>73.616.433</b>	<b>73.922.182</b>

## Corporation tax

The corporation tax is calculated at the rate of 20% (in the year 2010, 20%) on the determined tax basis and it is calculated and presented in accordance with the legal regulations which gives the reported difference of realized income and expenditures of the accounted period.

POSITION	TAX BALANCE SHEET	TAX BALANCE SHEET
	2011	2010
TOTAL INCOME	2.829.491.613	2.888.519.691
TOTAL EXPENDITURES	2.724.792.018	2.831.748.705
PROFIT	104.699.595	56.770.986
Amortization	0	14.407
70% representation costs	4.308.454	3.765.433
30% personal transport costs	2.839.917	2.640.753
Costs of penalties	20.414	2.490
Expenses for gifts over prescribed sums	5.000	0
Expenses for unrealized losses	18.432.769	16.104.297
Value adjustment and writing off the receivables	11.335.119	15.485.909
Value adjustment of financial asset	65.133.165	50.919.570
Expenses for provision	10.509.113	0
Increase in tax basis for all other expenses and other increases	2.045.770	2.673.932
Increase in profit for other income and tax loss for expired right of use	7.606.006	7.413.325
<b>TOTAL INCREASE IN PROFIT</b>	<b>122.235.727</b>	<b>99.020.116</b>
Income from dividends and shares in profit	34.558.009	31.723.120
Income from collected written-off receivables	13.816.622	0
Other expenditures from previous periods	31.455.704	20.416.048
Decrease in profit for other income	21.022.707	4.540.010
State subvention for education	1.548.233	1.820.723
<b>TOTAL DECREASE IN PROFIT</b>	<b>102.401.275</b>	<b>58.499.901</b>
Profit after increase and decrease	124.534.048	97.291.200
Tax basis	124.534.048	97.291.200
Tax rate	20%	20,00%
Tax liability	24.906.810	19.458.240
Granted advances	20.112.899	23.355.484
Difference for return	0	3.897.244

The difference in the amount of HRK 1,126,041.00 between tax liability presented in the form PD amounting to HRK 24,906,810 and tax liability in the Comprehensive profit report amounting to HRK 26,032,851.00 relates to the difference between deferred tax asset on 31/12/2010 (HRK 6,291,141.00) and newly determined deferred tax asset on 31/12/2011 (HRK 5,165,100.00).

## Earnings per share

DESCRIPTION	2011	2010
	HRK	HRK
Net profit for the period	78.666.745	43.603.886
Less: dividends on preferred shares	(980.000)	(980.000)
<b>Net profit for the period per common share</b>	<b>77.686.745</b>	<b>42.623.886</b>
Weighted average of common shares except own shares	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	Research & Development Expenses	Other Intangible Assets	Intangible Assets in Preparation	Total
	HRK	HRK	HRK	HRK
<b>Purchasing value</b>				
Balance at 1 January 2010	14.296.456	56.516.064	920.558	71.733.078
Increase	236.995	1.061.124	5.383.082	6.681.201
Write-off	-15.775	-1.318.004	-24.095	-1.357.874
Balance at 31 December 2010	14.517.676	56.259.184	6.279.545	77.056.405
Increase	757.909	2.917.252	-5.298.180	-1.623.019
Write-off	0	-3.005.768	-5.409	-3.011.177
Balance at 31 December 2011	15.275.585	56.170.668	975.956	72.422.209
<b>Value adjustment</b>				
Balance at 1 January 2010	10.671.011	53.937.968	0	64.608.979
Amortization during 2010	1.308.885	1.017.037	0	2.325.922
Write-off	-15.775	-1.318.004	0	-1.333.779
Balance at 31 December 2010	11.964.121	53.637.001	0	65.601.122
Amortization during 2011	1.393.743	1.316.672	0	2.710.415
Write-off	0	-3.005.768	0	-3.005.768
Balance at 31 December 2011	13.357.864	51.947.905	0	65.305.769
<b>Current value</b>				
<b>1 January 2010</b>	<b>3.625.445</b>	<b>2.578.096</b>	<b>920.558</b>	<b>7.124.099</b>
<b>31 December 2010</b>	<b>2.553.555</b>	<b>2.622.183</b>	<b>6.279.545</b>	<b>11.455.283</b>
<b>31 December 2011</b>	<b>1.917.721</b>	<b>4.222.763</b>	<b>975.956</b>	<b>7.116.440</b>

## Tangible assets

### /i/ Land and buildings used by the Company for insurance operations

DESCRIPTION	Land	Buildings	Property in preparation	Granted advances	Total
	HRK	HRK	HRK	HRK	HRK
<b>PURCHASING VALUE</b>					
Balance at 1 January 2010	231.393.302	1.195.606.004	16.798.600	3.972.619	1.447.770.525
New purchased property	0	0	19.582.186	12.329.975	31.912.161
Transfer from preparation	0	16.305.885	(26.702.651)	(15.225.181)	(25.621.947)
Transfer from/to	0	(255.297)	0	0	(255.297)
Transfer from technical provision	0	6.766.874	0	0	(6.766.874)
Transfer to technical provisions	(1.488.353)	(7.881.944)	0	0	(9.370.297)
Write-off	0	(1.220)	0	0	(1.220)
<b>Balance at 31 December 2010</b>	<b>229.904.949</b>	<b>1.210.540.302</b>	<b>9.678.135</b>	<b>1.077.413</b>	<b>1.451.200.799</b>
New purchased property	0	0	7.705.954	4.157	7.710.111
Transfer from preparation	0	2.181.832	(2.181.832)	0	0
Transfer from/to	0	(39.753)	(8.723.954)	(4.157)	(8.767.864)
Transfer from technical provision	0	1.859.855	0	0	1.859.855
Transfer to technical provision	(3.445.775)	0	0	0	(3.445.775)
Transfer to capital	(498.105)	(2.726.247)	0	0	(3.224.352)
Transfer from capital	389.947	3.915.508	0	0	4.305.455
Adjustment of initial position		(964.540)	0	0	(964.540)
Write-off	0	(29.022)	0	0	(29.022)
<b>Balance at 31 December 2011</b>	<b>226.351.016</b>	<b>1.214.737.935</b>	<b>6.478.303</b>	<b>1.077.413</b>	<b>1.448.644.667</b>
<b>VALUE ADJUSTMENT</b>					
Balance at 1 January 2010	0	212.688.111	0	0	212.688.111
Amortization from revaluation	0	6.682.980	0	0	6.682.980
Amortization during 2010	0	24.685.479	0	0	24.685.479
Transfer from/to	0	(112.900)	0	0	(112.900)
Transfer to technical provision	0	(1.732.355)	0	0	(1.732.355)
Write-off	0	(1.220)	0	0	(1.220)
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>242.210.095</b>	<b>0</b>	<b>0</b>	<b>242.210.095</b>
Amortization from revaluation	0	6.668.648	0	0	6.668.648
Amortization during 2011	0	24.514.185	0	0	24.514.185
Transfer to capital	0	(489.987)	0	0	(489.987)
Transfer to capital from revaluation	0	(46.762)	0	0	(46.762)
Write-off	0	(25.037)	0	0	(25.037)
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>272.831.142</b>	<b>0</b>	<b>0</b>	<b>272.831.142</b>
<b>CURRENT VALUE</b>					
<b>Balance at 1 January 2010</b>	<b>231.393.302</b>	<b>982.917.893</b>	<b>16.798.600</b>	<b>3.972.619</b>	<b>1.235.082.414</b>
<b>Balance at 31 December 2010</b>	<b>229.904.949</b>	<b>968.330.207</b>	<b>9.678.135</b>	<b>1.077.413</b>	<b>1.208.990.704</b>
<b>Balance at 31 December 2011</b>	<b>226.351.016</b>	<b>941.906.793</b>	<b>6.478.303</b>	<b>1.077.413</b>	<b>1.175.813.525</b>

/ii/ Equipment

DESCRIPTION	Equipment and	Means of	Instrument s	Means in	<b>Total</b>
	furniture	transport		preparatio n	
	HRK	HRK		HRK	
<b>Purchasing value</b>					
Balance at 1 January 2010	146.534.368	21.627.915	23.102.677	1.654.663	192.919.623
Increase	6.540.161	1.109.949	1.310.670	4.158.819	13.119.599
Transfer from/to	0	0	0	-4.293.897	-4.293.897
Write-off	-9.298.440	-410.196	-43.940	0	-9.752.576
Balance at 31 December 2010	143.776.089	22.327.668	24.369.407	1.519.585	191.992.749
Increase	4.592.612			4.608.694	9.201.306
Transfer from/to	3.300.997	2.137.857	322.767	-5.761.620	0
Write-off	-6.592.745	-6.110.384	0	0	-12.703.128
Balance at 31 December 2011	145.077.953	18.355.141	24.692.174	366.659	188.490.927
<b>Value adjustment</b>					
Balance at 1 January 2010	122.929.498	14.453.631	10.590.438	0	147.973.567
Amortization during 2010	11.475.341	2.304.930	1.879.390	0	15.659.661
Write-off	-9.288.125	-309.894	-7.636	0	-9.605.655
Balance at 31 December 2010	125.116.714	16.448.667	12.462.192	0	154.027.573
Amortization during 2011	8.701.521	2.532.448	1.816.016	0	13.049.985
Write-off	-6.578.217	-5.744.731	0	0	-12.322.948
Balance at 31 December 2011	127.240.018	13.236.384	14.278.208	0	154.754.610
<b>CURRENT VALUE</b>					
<b>1 January 2010</b>	<b>23.604.870</b>	<b>7.174.284</b>	<b>12.512.239</b>	<b>1.654.663</b>	<b>44.946.056</b>
<b>31 December 2010</b>	<b>18.659.375</b>	<b>5.879.001</b>	<b>11.907.215</b>	<b>1.519.585</b>	<b>37.965.176</b>
<b>31 December 2011</b>	<b>17.836.935</b>	<b>5.118.757</b>	<b>10.413.966</b>	<b>366.659</b>	<b>33.736.317</b>

/iii/ Other tangible assets and supplies

DESCRIPTION	Other tangible assets	Assets in preparation	Supplies	Total
	HRK	HRK	HRK	HRK
<b>Purchasing value</b>				
Balance at 1 January 2010	2.866.516	0	8.293.009	11.159.525
Increase	393.016		1.668.935	2.061.951
Balance at 31 December 2010	3.259.532	0	9.961.944	13.221.476
Increase	46.213		1.058.438	1.104.651
Balance at 31 December 2011	3.305.745	0	11.020.382	14.326.127
<b>VALUE ADJUSTMENT</b>				
Balance at 1 January 2010	175.193	0	6.655.801	6.830.994
Amortization during 2010	48.449		610.624	659.073
Balance at 31 december 2010	223.642	0	7.266.425	7.490.067
Amortization during 2011	51.404	0	0	51.404
Value adjustment of small inventory	0	0	1.322.068	1.322.068
Balance at 31 December 2011	275.046	0	8.588.493	8.863.539
<b>CURRENT VALUE</b>				
<b>1 January 2010</b>	<b>2.691.323</b>	<b>0</b>	<b>1.637.208</b>	<b>4.328.531</b>
<b>31 December 2010</b>	<b>3.035.890</b>	<b>0</b>	<b>2.695.519</b>	<b>5.731.409</b>
<b>31 December 2011</b>	<b>3.030.699</b>	<b>0</b>	<b>2.431.889</b>	<b>5.462.588</b>

Investments

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments in land and buildings not used for insurance operations	0	814.142.982	814.142.982	0	677.014.955	677.014.955
Investments in branch-offices, associate companies and participating in joint investments	0	431.372.755	431.372.755	0	436.930.913	436.930.913
Other financial investments	1.940.782.115	2.144.652.383	4.085.434.498	1.940.695.774	2.190.109.441	4.130.805.215
<b>TOTAL</b>	<b>1.940.782.115</b>	<b>3.390.168.120</b>	<b>5.330.950.235</b>	<b>1.940.695.774</b>	<b>3.304.055.309</b>	<b>5.244.751.083</b>

## Investments in land and buildings not used for insurance operations

DESCRIPTION	Investments
	HRK
<b>Balance at 1 January 2010</b>	<b>653.700.604</b>
Initial value adjustment	(3.835.780)
Transfer to land and buildings used for insurance operations	(2.463.211)
Transfer from land and buildings used for insurance operations	5.922.473
Fair value increase credited to the profit and loss account	5.137.070
Fair value decrease charged to the profit and loss account	(32.160.098)
New purchased during the year	55.785.202
Land and buildings in preparation not used for insurance operations	11.801.447
Sold during the year	(16.872.752)
<b>Balance at 31 December 2010</b>	<b>677.014.955</b>
Initial value adjustment	(20.172)
Transfer to land and buildings used for insurance operations	(6.165.310)
Transfer from land and buildings used for insurance operations	6.133.378
Fair value increase credited to the profit and loss account	55.751.782
Fair value decrease charged to the profit and loss account	(27.825.010)
New purchased during the year	105.600.228
Land and buildings in preparation not used for insurance operations	4.238.015
Sold during the year	(584.884)
<b>Balance at 31 December 2011</b>	<b>814.142.982</b>

## Investments in subsidiaries, associate companies 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	424.146.655	424.146.655	0	428.221.613	428.221.613
Shares and stakes in associate companies	0	7.226.100	7.226.100	0	8.709.300	8.709.300
<b>TOTAL</b>	<b>0</b>	<b>431.372.755</b>	<b>431.372.755</b>	<b>0</b>	<b>436.930.913</b>	<b>436.930.913</b>

/i/ Shares and stakes in subsidiaries

DESCRIPTION	31/12/2011										31/12/2010									
	Activity	Country	Ownership percentage	Investment	Value		Investment	Ownership percentage	Investment	Value		Investment								
				gross	decrease		net		gross	decrease		net								
				amount	HRK	HRK	amount		HRK	HRK	amount	HRK	HRK							
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia	94,64	109.839.200	0	109.839.200	94,64	109.839.200	0	109.839.200	109.839.200									
Croatia Leasing d.o.o., Zagreb	Leasing	Croatia	100	90.000.000	(74.814.597)	15.185.403	100	90.000.000	(68.494.991)	21.505.009	21.505.009									
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT tests	Croatia	100	71.767.400	0	71.767.400	100	71.767.400	0	71.767.400	71.767.400									
Herz d.d., Požega	MOT tests	Croatia	100	30.000.165	0	30.000.165	100	30.000.165	0	30.000.165	30.000.165									
Croatia osiguranje, mirovinsko društvo d.o.o., Zagreb	Pension fund Management	Croatia	100	30.000.000	(19.202.972)	10.797.028	100	30.000.000	(19.202.972)	10.797.028	10.797.028									
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance Pension fund management	Croatia	66,19	29.363.000	0	29.363.000	66,19	29.363.000	0	29.363.000	29.363.000									
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50	28.000.000	0	28.000.000	50	28.000.000	0	28.000.000	28.000.000									
Milenijum osiguranje a.d., Beograd, Srbija	Insurance	Serbia	99,78	43.606.012	0	43.606.012	99,78	42.582.893	0	42.582.893	42.582.893									
Croatia Sigurimi sh.a., Priština, Kosovo	Insurance	Kosovo	100	22.591.260	0	22.591.260	100	22.155.519	0	22.155.519	22.155.519									
Croatia osiguranje d.d., Ljubuški, Bosna i Hercegovina	Insurance	B&H	52,05	16.069.389	0	16.069.389	52,05	15.759.442	0	15.759.442	15.759.442									
Croatia osiguranje - život a.d, društvo za osiguranje života, Skopje, Makedonija	Insurance	Macedonia	92,5	22.438.732	0	22.438.732	92,5	22.005.933	0	22.005.933	22.005.933									
Croatia osiguranje - neživot a.d., društvo za osiguranje života, Skopje, Makedonija	Insurance	Macedonia	100	24.473.866	0	24.473.866	100	24.001.812	0	24.001.812	24.001.812									
Zagos d.o.o. u likvidaciji, Zabok	Insurance agency	Croatia	100	0	0	0	100	429.012	0	429.012	429.012									
Slavonijatrans-Tehn. pregledi d.o.o., Slavonski Brod	MOT tests	Croatia	76	15.200	0	15.200	76	15.200	0	15.200	15.200									
<b>TOTAL</b>				<b>518.164.224</b>	<b>(94.017.569)</b>	<b>424.146.655</b>		<b>515.919.576</b>	<b>(87.697.963)</b>	<b>428.221.613</b>										



/ii/ Shares and stakes in associate companies

DESCRIPTION	31/12/2011				31/12/2010	
	Activity	Country	Ownership percentage	Investment value	Ownership percentage	Investment 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
<b>TOTAL</b>			<b>-</b>	<b>7.226.100</b>	<b>-</b>	<b>8.709.300</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 until maturity	1.253.893.760	755.313.902	2.009.207.662	1.181.787.762	690.876.535	1.872.664.297
Investments availables for sale	60.422.034	192.541.118	252.963.152	115.155.931	293.450.483	408.606.414
Investmensts at fair value through PLA	200.501.903	211.571.393	412.073.296	180.044.883	140.184.464	320.229.347
Deposits, loans and receivables	425.964.418	985.225.970	1.411.190.388	463.707.198	1.065.597.959	1.529.305.157
<b>TOTAL</b>	<b>1.940.782.115</b>	<b>2.144.652.383</b>	<b>4.085.434.498</b>	<b>1.940.695.774</b>	<b>2.190.109.441</b>	<b>4.130.805.215</b>

/i/ Investments held until maturity

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Debt securities and securities with fixed income						
State bonds	1.097.769.280	510.038.676	1.607.807.956	1.013.662.835	485.732.660	1.499.395.495
Corporate bonds	35.790.852	142.516.621	178.307.473	60.463.734	131.319.574	191.783.308
Local government bonds	4.301.384	0	4.301.384	4.717.610	0	4.717.610
<b>Total</b>	<b>1.137.861.516</b>	<b>652.555.297</b>	<b>1.790.416.813</b>	<b>1.078.844.179</b>	<b>617.052.234</b>	<b>1.695.896.413</b>
Treasury bills	92.574.048	97.134.167	189.708.215	63.336.140	53.559.549	116.895.689
Commercial bills	23.458.196	5.624.438	29.082.634	39.607.443	20.264.752	59.872.195
<b>TOTAL</b>	<b>1.253.893.760</b>	<b>755.313.902</b>	<b>2.009.207.662</b>	<b>1.181.787.762</b>	<b>690.876.535</b>	<b>1.872.664.297</b>

/i-1/ Structure of investments in bonds is set out as follows:

Issuer	Mark	Interest rate	Maturity	31/12/2011			31/12/2010				
				Life	Non-life	Total	Total in foreign currency	Life	Non-life	Total	Total in foreign currency
				HRK	HRK	HRK	EUR	HRK	HRK	HRK	EUR
<u>Bonds denominated in HRK</u>											
Atlantic grupa d.d., Zagreb	ATGR-0-11CA	0,00%	20.9.2016	0	9.940.949	9.940.949	0	0	9.965.932	9.965.932	0
H1 TELEKOM d.d.	H1TE-O-139A	9,50%	2.9.2013	0	24.362.639	24.362.639	0	0	24.362.639	24.362.639	0
HEP d.d., Zagreb	HEP-0-13BA	5,00%	29.11.2013.	0	39.133.841	39.133.841	0	0	39.099.339	39.099.339	0
Ingra d.d., Zagreb	INGR-0-11CA	6,13%	6.12.2016.	0	14.991.691	14.991.691	0	0	14.963.108	14.963.108	0
Jadranka d.d., Mali Lošinj	JDRA-0-129A	6,48%	13.9.2012.	0	7.497.737	7.497.737	0	0	7.494.524	7.494.524	0
Ministry of finance of RC	RHMF-0-203A	6,75%	5.3.2020	46.753.900	0	46.753.900	0	46.852.199	0	46.852.199	0
Ministry of finance of RC	RHMF-O-17BA	6,25%	25.11.2017	24.788.700	84.853.640	109.642.340	0	24.753.105	69.419.416	94.172.521	0
Ministry of finance of RC	RHMF-0-103A	6,75%	8.03.2010.	0	0	0	0	0	0	0	0
Ministry of finance of RC	RHMF-0-137A	4,50%	11.7.2013.	0	32.424.288	32.424.288	0	0	1.889.684	1.889.684	0
Ministry of finance of RC	RHMF-0-15CA	5,25%	15.12.2015.	44.000.000	0	44.000.000	0	44.000.000	0	44.000.000	0
Nexe grupa, Našice	NEXE-0-116A	5,50%	10.12.2013.	0	26.853.397	26.853.397	0	0	19.990.907	19.990.907	0
Odašiljači i veze d.o.o., Zagreb	OIV-0-14B	7,25%	20.11.2014.	9.954.260	0	9.954.260	0	9.938.484	0	9.938.484	0
Jadran Galenski laboratorij d.d.	JDGL-0-166A1	5,76%	10.6.2016.	0	4.000.000	4.000.000	0	0	0	0	0
Plodine d.d., Rijeka	PLOR-0-133A	9,00%	4.3.2013.	9.987.853	0	9.987.853	0	9.977.530	0	9.977.530	0
Podravka d.d., Koprivnica	PODR-0-115A	5,13%	17.5.2011.	0	0	0	0	24.936.273	0	24.936.273	0
Ministry of finance of RC	RHMF-0-172A	4,75%	8.2.2017.	43.574.897	0	43.574.897	0	43.189.420	0	43.189.420	0
Bonds of RC, Brodogradilište Split		7,00%	31.08.2011.	0	0	0	0	0	155.756	155.756	0
<b>Total</b>				<b>179.059.610</b>	<b>244.058.182</b>	<b>423.117.792</b>	<b>0</b>	<b>203.647.011</b>	<b>187.341.305</b>	<b>390.988.316</b>	<b>0</b>

Issuer	Mark	Interest rate	Maturity	31/12/2011			31/12/2010				
				Life	Non-life	Total	Total in foreign currency	Life	Non-life	Total	Total in foreign currency
<u>Bonds denominated in foreign currency</u>											
Grad Rijeka	GRRI-0-167A	4,13%	18.7.2016.	4.301.384	0	4.301.384		4.717.610	0	4.717.610	638.795
HBOR d.d., Zagreb	XSO305384124	5,00%	14.6.2017.	57.648.078	0	57.648.078		54.884.422	0	54.884.422	7.431.704
Hrvatska pošta d.d.	HP00-O-127A4	9,00%	1.7.2012	15.848.739	0	15.848.739		15.611.448	0	15.611.448	2.113.891
Metronet telekomunik. d.d.	MTEL-O-137A	12,00%	17.7.2013.	0	15.736.367	15.736.367		0	15.443.125	15.443.125	2.091.099
Ministry of finance of RC	RHMF-0-203EO	6,50%	5.3.2020.	107.150.753	15.054.437	122.205.190		104.930.746	14.763.293	119.694.040	16.207.344
Ministry of finance of RC	XS0645940288	5,88%	9.7.2018.	3.439.985	0	3.439.985					
Ministry of finance of RC	XS0431967230	6,50%	5.1.2015.	27.401.974	31.424.894	58.826.868		7.717.977	0	7.717.977	1.045.064
Ministry of finance of RC	XS0126121507	6,75%	14.3.2011.	0	0	0		15.350.683	111.763.078	127.113.761	17.212.022
Ministry of finance of RC	RHMF-0-125A	6,88%	23.5.2012.	260.962.364	126.041.875	387.004.239		256.659.794	124.440.992	381.100.785	51.603.501
Ministry of finance of RC	RHMF-0-142A	5,50%	10.2.2014.	215.783.047	155.490.931	371.273.978		211.812.716	152.942.061	364.754.777	49.390.147
Ministry of finance of RC	RHMF-0-157A	4,25%	14.7.2015.	67.309.467	10.574.375	77.883.842		65.790.160	10.358.379	76.148.539	10.311.003
Ministry of finance of RC	RHMF-0-227E9	6,50%	22.7.2022.	58.566.741	54.174.236	112.740.977		0	0	0	0
Ministry of finance of RC	RHMF-0-19BA	5,38%	29.11.2019.	140.389.374	0	140.389.374		137.721.613	0	137.721.613	18.648.394
<b>Total</b>				<b>958.801.906</b>	<b>408.497.115</b>	<b>1.367.299.021</b>		<b>875.197.169</b>	<b>429.710.928</b>	<b>1.304.908.097</b>	<b>176.692.963</b>
<b>TOTAL</b>				<b>1.137.861.516</b>	<b>652.555.297</b>	<b>1.790.416.813</b>		<b>1.078.844.179</b>	<b>617.052.234</b>	<b>1.695.896.413</b>	<b>176.692.963</b>

/i-2/ Structure of investments in treasury bills is set out as follows:

Issuer	Maturity	%	Interest rate	Acquisition costs	31/12/2011		
					Life	Non-life	Total
				HRK	HRK	HRK	HRK
Ministry of finance of RC	30.8.2012.		3,96%	30.000.000	0	29.235.041	29.235.041
Ministry of finance of RC	6.9.2012.		4,01%	50.000.000	29.203.790	19.469.193	48.672.983
Ministry of finance of RC	4.10.2012.		5,01%	10.000.000	4.817.344	4.817.344	9.634.688
Ministry of finance of RC	18.10.2012.		5,01%	25.000.000	4.808.446	19.233.785	24.042.231
Ministry of finance of RC	3.5.2012.		4,91%	15.000.000	4.918.851	9.837.702	14.756.553
Ministry of finance of RC	31.5.2012.		5,21%	15.000.000	4.894.766	9.789.532	14.684.298
Ministry of finance of RC	13.12.2012.		5,51%	5.000.000	0	4.751.570	4.751.570
Ministry of finance of RC	7.6.2012.		5,26%	5.000.000	4.888.935	0	4.888.935
Ministry of finance of RC	6.12.2012.		5,46%	5.000.000	4.758.465	0	4.758.465
Ministry of finance of RC	13.9.2012.		4,01%	25.000.000	24.318.313	0	24.318.313
Ministry of finance of RC	2.2.2012.		4,00%	10.000.000	9.965.138	0	9.965.138
<b>TOTAL</b>				<b>145.000.000</b>	<b>92.574.048</b>	<b>97.134.167</b>	<b>189.708.215</b>

/i-3/ Structure of investments in commercial bills is set out as follows:

Issuer	Maturity	%	Interest rate	Acquisition costs	Currency	31/12/2011		
						Life	Non-life	Total
						HRK	HRK	HRK
Magma d.d., Zagreb	18.1.2012.		9,75%	7.500.000	HRK	0	0	0
INSTITUT IGH, d.d., Zagreb	8.6.2012.		9,01%	400.000	EUR	0	2.898.686	2.898.686
ZAGREB-MONTAŽA d.d., Zagreb	3.12.2012.		10,93%	3.000.000	HRK	0	2.725.752	2.725.752
Dalekovod d.d.	27.8.2012		8,11%	2.500.000	HRK	2.374.196	0	2.374.196
Žito d.o.o. Osijek	9.1.2012		7,80%	1.200.000	EUR	9.021.119	0	9.021.119
INGRA	24.1.2012		9,40%	367.550	EUR	2.751.545	0	2.751.545
Dalekovod d.d.	27.8.2012		8,11%	5.000.000	HRK	4.748.392	0	4.748.392
INGRA	8.5.2012		9,56%	4.715.517	HRK	4.562.943	0	4.562.943
<b>TOTAL</b>				<b>24.683.067</b>		<b>23.458.196</b>	<b>5.624.438</b>	<b>29.082.634</b>

/i-4/ Maturity dates of debt securities and other securities with fixed income are 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
<b>Bonds</b>						
Up to 1 year	276.811.103	133.539.612	410.350.715	45.004.566	152.121.171	197.125.737
From 1 to 5 years	378.737.985	364.933.371	743.671.356	621.508.108	376.030.743	997.538.851
Over 5 years	482.312.428	154.082.314	636.394.742	412.331.505	88.900.320	501.231.825
<b>Total</b>	<b>1.137.861.516</b>	<b>652.555.297</b>	<b>1.790.416.813</b>	<b>1.078.844.179</b>	<b>617.052.234</b>	<b>1.695.896.413</b>
<b>Treasury bills</b>						
Up to 1 year	92.574.048	97.134.167	189.708.215	63.336.140	53.559.549	116.895.689
<b>Total</b>	<b>92.574.048</b>	<b>97.134.167</b>	<b>189.708.215</b>	<b>63.336.140</b>	<b>53.559.549</b>	<b>116.895.689</b>
<b>Commercial bills</b>						
Up to 1 year	23.458.196	5.624.439	29.082.634	39.607.443	20.264.753	59.872.195
<b>Total</b>	<b>23.458.196</b>	<b>5.624.439</b>	<b>29.082.634</b>	<b>39.607.443</b>	<b>20.264.753</b>	<b>59.872.195</b>
<b>TOTAL</b>	<b>1.253.893.760</b>	<b>755.313.902</b>	<b>2.009.207.662</b>	<b>1.152.133.879</b>	<b>720.530.419</b>	<b>1.872.664.297</b>

/ii/ Investments available for sale

	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						
-listed on stock exchange	24.314.237	74.398.763	98.713.000	54.417.013	136.118.392	190.535.405
-not listed on stock exchange		39.223.371	39.223.371	0	40.414.791	40.414.791
<b>Total</b>	<b>24.314.237</b>	<b>113.622.134</b>	<b>137.936.371</b>	<b>54.417.013</b>	<b>176.533.183</b>	<b>230.950.196</b>
Stakes in investment funds	36.107.797	78.918.984	115.026.781	60.738.918	116.917.300	177.656.218
<b>TOTAL</b>	<b>60.422.034</b>	<b>192.541.118</b>	<b>252.963.152</b>	<b>115.155.931</b>	<b>293.450.483</b>	<b>408.606.414</b>

Structure of investments in shares, stakes and other securities with variable income is set out as follows:

DESCRIPTION	31/12/2011					31/12/2010				
	Gross amount		Value	Net	Ownership	Gross amount		Value	Net	Ownership
	Life	Non-life	decrease	amount	percentage	Life	Non-life	decrease	amount	percentage
	HRK	HRK	HRK	HRK	%	HRK	HRK	HRK	HRK	%
<b>Shares listed on stock exchange</b>										
Atlantska plovidba d.d., Dubrovnik	24.314.237	24.314.565	0	48.628.802	10,64%	54.417.013	54.417.747	0	108.834.760	10,08%
Luka Rijeka d.d., Rijeka	0	17.189.190	0	17.189.190	2,79%	0	30.316.666	0	30.316.666	2,79%
Jadranska banka d.d., Šibenik	0	13.175.000	0	13.175.000	6,48%	0	22.707.888	0	22.707.888	6,48%
Varaždinska banka d.d., Varaždin	0	2.271.150	0	2.271.150	2,86%	0	3.179.610	0	3.179.610	2,86%
Linijska nacionalna plovidba d.d., Split	0	2.906.694	0	2.906.694	0,74%	0	3.672.000	0	3.672.000	9,61%
Liburnia Riviera hoteli d.d., Rijeka	0	2.820.283	0	2.820.283	0,55%	0	3.484.978	0	3.484.978	0,53%
HT-Hrvatske komunikacije	0	4.831.200	0	4.831.200	0,02%	0	5.787.600	0	5.787.600	0,02%
Podravka d.d., Koprivnica	0	3.072.770	0	3.072.770	0,25%	0	4.072.418	0	4.072.418	0,29%
Atlantic grupa d.d., Zagreb	0	3.208.564	0	3.208.564	0,19%	0	5.165.685	0	5.165.685	0,26%
SPIN VALIS d.d., Požega	0	0	0	0	0,00%	0	1.321.483	0	1.321.483	4,29%
Istraturist d.d., Umag	0	178.642	0	178.642	0,02%	0	1.025.168	0	1.025.168	0,60%
Karlovačka banka d.d., Karlovac	0	147.000	0	147.000	0,22%	0	244.000	0	244.000	0,30%
Zvečevo d.d., Požega	0	200.000	0	200.000	0,81%	0	244.075	0	244.075	0,81%
Sarajevo osiguranje d.d., Sarajevo	0	83.705	0	83.705	0,00%	0	89.724	0	89.724	0,08%
<b>Total</b>	<b>24.314.237</b>	<b>74.398.763</b>	<b>0</b>	<b>98.713.000</b>		<b>54.417.013</b>	<b>136.118.392</b>	<b>0</b>	<b>190.535.405</b>	

DESCRIPTION	31/12/2011					31/12/2010				
	Gross amount		Value	Net	Ownership	Gross amount		Value	Net	Ownership
	Life	Non-life	decrease	amount	percentage	Life	Non-life	decrease	amount	percentage
	HRK	HRK	HRK	HRK	%	HRK	HRK	HRK	HRK	%
<b>Shares and stakes not listed on stock exchange</b>										
Adriatica.net d.o.o.	0	36.670.344	0	36.670.344	14,62%	0	38.398.067	0	38.398.067	14,62%
Baotić d.d., Zagreb	0	2.400.000	(332.940)	2.067.060	13,71%	0	2.400.000	(510.480)	1.889.520	13,71%
Agroservis d.o.o., Virovitica	0	1.983.600	(1.983.600)	0	18,00%	0	1.983.600	(1.983.600)	0	18,00%
Drvoplast d.d., Buzet	0	104.897	0	104.897	5,41%	0	79.950	0	79.950	0,08%
Split tours d.d., Split	0	287.572	0	287.572	11,24%	0	309.400	0	309.400	11,24%
IMOTA d.d., Imotski	0	1.202.400	(1.202.400)	0	0,07%	0	1.202.400	(1.202.400)	0	0,07%
Tržište novca d.d., Zagreb	0	312.000	(218.502)	93.498	5,21%	0	312.000	(184.796)	127.204	5,21%
Trimot d.d., Imotski	0	115.200	(115.200)	0	0,66%	0	115.200	(115.200)	0	0,66%
Adria Diesel d.d., Karlovac	0	50.800	(50.800)	0	0,01%	0	50.800	(50.800)	0	0,01%
Maslina d.d., Punat	0	37.798	(37.798)	0	7,18%	0	37.798	(37.798)	0	7,18%
Đuro Đaković Aparati d.d., Slavonski Brod	0	15.600	(15.600)	0	0,28%	0	15.600	(15.600)	0	0,28%
<b>Total</b>	<b>0</b>	<b>43.180.211</b>	<b>(3.956.840)</b>	<b>39.223.371</b>		<b>0</b>	<b>44.515.465</b>	<b>(4.100.674)</b>	<b>40.414.791</b>	
<b>TOTAL</b>	<b>24.314.237</b>	<b>117.578.974</b>	<b>(3.956.840)</b>	<b>137.936.371</b>		<b>54.417.013</b>	<b>180.633.857</b>	<b>(4.100.674)</b>	<b>230.950.196</b>	

DESCRIPTION	31 December 2011			31 December 2010			Revaluation provision in 2011					
	Life	Non-life	Total	Life	Non-life	Total	31/12/2010	Realized profit/loss	Unrealized loss/profit	Financial asset decrease	31/12/2011	
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	
<b>Stakes in investment funds</b>												
Erste Balanced	6.806.268	0	6.806.268	7.511.127	0	7.511.127	(1.488.873)	0	(704.859)	0	(2.193.732)	
Erste Adriatic Equity	12.956.467	0	12.956.467	15.455.223	0	15.455.223	(9.544.777)	0	(2.498.757)	12.043.534	0	
Ilirika Jugoistočna Europa	0	0	0	0	12.913.753	12.913.753	(9.396.247)	11.954.229	(2.557.982)	0	0	
Nexus	0	1.783.219	1.783.219	0	0	0	0	0	(123.372)	0	(123.372)	
OTP Indexni fond	2.043.860	0	2.043.860	2.438.573	0	2.438.573	(61.427)	0	(394.713)	0	(456.140)	
PBZ I-STOCK	1.630.883	15.285.633	16.916.516	1.980.226	20.385.990	22.366.216	(11.117.784)	1.241.045	(3.949.700)	12.573.323	(1.253.116)	
PBZ –Equity	0	0	0	18.282.641	0	18.282.641	0	0	0	0	0	
PROSPERGUS FGS	0	174.597	174.597	0	0	0	0	0	(125.403)	0	(125.403)	
Raiffeisen Balanced	7.102.319	17.680.278	24.782.597	8.617.128	21.451.193	30.068.321	(11.931.680)	0	(5.513.119)	0	(17.444.799)	
Raiffeisen Central Europe	0	0	0	0	16.329.238	16.329.238	319.761	(319.761)		0	0	
ZB PRIVATE EAST	5.568.000	0	5.568.000	6.454.000	0	6.454.000	(3.546.000)	0	(886.000)	0	(4.432.000)	
Questus Private Equity Kapital I	0	42.228.270	42.228.270	0	45.837.126	45.837.126	20.536.275	0	(4.249.920)	0	16.286.355	
Questus Private Equity Kapital II	0	1.766.987	1.766.987	0	0	0	0	0	(193.965)	0	(193.965)	
<b>TOTAL</b>	<b>36.107.797</b>	<b>78.918.984</b>	<b>115.026.781</b>	<b>60.738.918</b>	<b>116.917.300</b>	<b>177.656.218</b>	<b>(26.230.752)</b>	<b>12.875.513</b>	<b>(21.197.790)</b>	<b>24.616.857</b>	<b>(9.936.172)</b>	



/iii/ Structure of investments at fair value through the profit and loss account:

DESCRIPTION	31 December 2011			31 December 2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<u>Investment funds</u>						
Allianz Cash	0	0	0	2.006.558	3.009.837	5.016.395
Erste Bonds	0	3028155	3.028.155	11.078.883	0	11.078.883
Erste Money	15.434.178	13.448.732	28.882.910	30.364.708	20.843.052	51.207.760
HI cash	5.014.469	5.269.913	10.284.382	0	5.128.600	5.128.600
HI cash - KP	0	0	0	10.250.162	0	10.250.162
HPB novčani fond		6.680.419	6.680.419	2.156.140	9.362.873	11.519.013
HPB novčani - KP	11.706.485	0	11.706.485	10.389.760	0	10.389.760
OTP novčani fond	0	2.083.514	2.083.514	0	0	0
PBZ Bond	6.123.935	7.123.608	13.247.543	2.997.470	6.994.097	9.991.567
PBZ Novčani	16.030.087	9.840.135	25.870.222	25.491.502	6.364.364	31.855.866
PBZ Novčani - KP	2.375.456	0	2.375.456	10.279.792	0	10.279.792
Raiffeisen BONDS	6.110.207	0	6.110.207	10.905.351	10.016.603	20.921.954
Raiffeisen Cash	28.557.170	25.686.284	54.243.454	40.350.190	38.788.997	79.139.187
ST Cash	0	0	0	2.713.172	1.015.509	3.728.681
VB Cash	3.093.098	4.017.150	7.110.248	5.041.120	5.195.958	10.237.078
ZB Plus	22.465.831	33.916.475	56.382.306	6.141.074	5.246.710	11.387.784
<b>Total</b>	<b>116.910.916</b>	<b>111.094.384</b>	<b>228.005.300</b>	<b>170.165.883</b>	<b>111.966.600</b>	<b>282.132.483</b>
<u>Bonds</u>						
RHMF-O-17BA	14.404.500	24.007.500	38.412.000	9.879.000	14.818.500	9.879.000
RHMF - XS0431962730	14.913.997	14.913.997	29.827.994	0	0	0
RHMF-XS0645940288	28.891.962	13.758.077	42.650.039	0	0	0
RHMF-O-167A5	0	9.590.000	9.590.000	0	0	0
RHMF-O-203E0	14.609.015	14.287.500	28.896.515	0	0	0
RHMF-O-227E9	10.771.513	1.795.252	12.566.765	0	0	0
MFRH RHMF-O-203A	0	14.609.015	14.609.015	0	12.204.000	12.204.000
<b>Total</b>	<b>83.590.987</b>	<b>92.961.341</b>	<b>176.552.328</b>	<b>9.879.000</b>	<b>27.022.500</b>	<b>36.901.500</b>
<u>Shares</u>						
Adris Grupa d.d.	0	1.487.092	1.487.092	0	337.823	337.823
Končar grupa d.d.	0	425.009	425.009	0	183.380	183.380
Podravka d.d.	0	897.663	897.663	0	674.161	674.161
Luke ploče d.d.	0	815.339	815.339	0	0	0
HT-Hrvatske telekomunikacije d.d.	0	2.053.260	2.053.260	0	0	0
Ericsson Nikola Tesla d.d.	0	1.047.600	1.047.600	0	0	0
Končar - distributivni i specijalni transformatori d.d.	0	789.705	789.705	0	0	0
<b>Total</b>	<b>0</b>	<b>7.515.668</b>	<b>7.515.668</b>	<b>0</b>	<b>1.195.364</b>	<b>1.195.364</b>
<b>TOTAL</b>	<b>200.501.903</b>	<b>211.571.393</b>	<b>412.073.296</b>	<b>180.044.883</b>	<b>140.184.464</b>	<b>320.229.347</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	383.060.840	662.923.630	1.045.984.470	410.000.000	768.717.370	1.178.717.370
Loans	42.903.578	322.302.341	365.205.919	53.707.198	296.880.587	350.587.785
<b>TOTAL</b>	<b>425.964.418</b>	<b>985.225.971</b>	<b>1.411.190.389</b>	<b>463.707.198</b>	<b>1.065.597.957</b>	<b>1.529.305.155</b>

/iv-1/ Structure of investments in deposits at loan institutions is set out as follows:

	31/12/2011				31/12/2010		
	Life	Non-life	Total	Interest rate	Life	Non-life	Total
	HRK	HRK	HRK	%	HRK	HRK	HRK
BKS Bank d.d., Rijeka	5.000.000	5.000.000	10.000.000	5,00%-	0	5.000.000	5.000.000
Centar banka d.d., Zagreb	10.000.000	30.000.000	40.000.000	5,50%- 5,8%- 6,00%	10.000.000	50.000.000	60.000.000
Credo banka d.d., Split	0	0	0	0	20.000.000	20.000.000	40.000.000
Croatia banka d.d., Zagreb	0	40.000.000	40.000.000	5,50%	0	35.500.000	35.500.000
Erste&Steiermärkische Bank d.d., Rijeka	50.000.000	80.000.000	130.000.000	3,6%- 6,05%	0	120.000.000	120.000.000
Hrvatska poštanska banka d.d., Zagreb*	75.000.000	70.000.000	145.000.000	4,50%- 5,60%	75.000.000	70.000.000	145.000.000
Hypo-Alpe-Adria Bank d.d., Zagreb	73.000.000	75.000.000	148.000.000	1,00%- 5,90%	65.000.000	105.000.000	170.000.000
Imex banka d.d., Split	20.000.000	30.000.000	50.000.000	5,30-5,60%	10.000.000	30.000.000	40.000.000
Jadranska banka d.d., Šibenik	0	10.000.000	10.000.000	6,30%	0	17.500.000	17.500.000
Karlovačka banka d.d., Karlovac	0	0	0		30.000.000	10.000.000	40.000.000
Nava banka d.d., Zagreb	0	0	0		0	5.000.000	5.000.000
Partner banka d.d., Zagreb	10.000.000	21.000.000	31.000.000	5,50%	15.000.000	23.000.000	38.000.000
Podravska banka d.d., Koprivnica	35.000.000	10.000.000	45.000.000	6%-6,15%	35.000.000	0	35.000.000
Privredna banka Zagreb d.d., Zagreb	30.000.000	171.923.629	201.923.629	1,25%- 5,4%	80.000.000	177.717.370	257.717.370
Raiffeisenbank Austria d.d., Zagreb	30.000.000	70.000.000	100.000.000	3,3%- 5,40%	50.000.000	50.000.000	100.000.000
Slatinska banka d.d., Slatina	10.000.000	10.000.000	20.000.000	5,00%	10.000.000	10.000.000	20.000.000
Štedbanka d.d., Zagreb	10.000.000	10.000.000	20.000.000	4,60%	10.000.000	10.000.000	20.000.000
VABA d.d., Varaždin	15.060.840	0	15.060.840	4,50%	0	30.000.000	30.000.000
Zagrebačka banka d.d., Zagreb	10.000.000	30.000.000	40.000.000	3,9%- 4,70%	0	0	0
<b>Total</b>	<b>383.060.840</b>	<b>662.923.629</b>	<b>1.045.984.469</b>		<b>410.000.000</b>	<b>768.717.370</b>	<b>1.178.717.370</b>

\* On 31 December 2011 under the position Deposits the balance sheet sets out a hybrid deposit amounting to HRK 50,000,000 that is made at Hrvatska poštanska banka d.d., Zagreb pursuant to the Agreement on investment in the supplementary capital of the Bank.

/iv-2/ Loans

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Gross amount	42.903.578	451.153.439	494.057.017	53.707.198	406.885.086	460.592.284
Value decrease		(128.851.098)	(128.851.098)	0	(110.004.499)	(110.004.499)
<b>TOTAL</b>	<b>42.903.578</b>	<b>322.302.341</b>	<b>365.205.919</b>	<b>53.707.198</b>	<b>296.880.587</b>	<b>350.587.785</b>

In the Balance sheet as at 31 December 2011 loans were granted to the affiliated companies to the amount of HRK 47,469,978 (in 2010 to the amount of HRK 45,992,054).

Maturity dates of the granted loans are 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
Up to 1 year	35.380.150	36.225.038	55.651.591	35.573.758	166.699.436	202.273.194
From 1 to 5 years	7.523.429	277.776.446	301.065.855	18.133.440	114.004.593	132.138.033
Over 5 years	0	8.300.857	8.488.473	0	16.176.558	16.176.558
<b>Total</b>	<b>42.903.578</b>	<b>322.302.341</b>	<b>365.205.919</b>	<b>53.707.198</b>	<b>296.880.587</b>	<b>350.587.785</b>

Structure of loans according to the collateral 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
Guarantees of business banks	0	12.034.868	12.034.868	0	20.893.692	20.893.692
Life insurance policies with restricted transferability	42.903.578	0	42.903.578	53.707.198	0	53.707.198
Mortgages and real estate fiduciaries	0	310.267.473	310.267.473	0	275.536.895	275.536.895
<b>TOTAL</b>	<b>42.903.578</b>	<b>322.302.341</b>	<b>365.205.919</b>	<b>53.707.198</b>	<b>296.430.587</b>	<b>350.137.785</b>

Investments for the account and risk of life insurance policyholders

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

## Reinsurance share 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 share	0	46.703.405	46.703.405	0	54.131.734	54.131.734
Mathematical provision, reinsurance share	164.628	0	164.628	11.607	0	11.607
Provision for claims, reinsurance share	0	365.066.309	365.066.309	0	251.939.713	251.939.713
<b>TOTAL</b>	<b>164.628</b>	<b>411.769.714</b>	<b>411.934.342</b>	<b>11.607</b>	<b>306.071.447</b>	<b>306.083.054</b>

## Deferred and current tax assets

Deferred tax assets amounting to HRK 5,165,100 (at 31 December 2010 amounting to HRK 6,291,141, and the extra paid profit tax amounting to HRK 3,897,244).

## 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 operations	0	585.059.115	585.059.115	41.126.015	605.928.668	647.054.683
Receivables from agents i.e. mediators in insurance	43.746	3.218.587	3.262.333	67.205	3.633.682	3.700.887
Receivables from coinsurance and reinsurance	0	16.129.222	16.129.222	0	0	0
Other receivables	7.772.865	109.199.959	116.972.824	5.537.504	174.524.261	183.762.652
<b>TOTAL</b>	<b>7.816.611</b>	<b>713.606.883</b>	<b>721.423.494</b>	<b>46.730.724</b>	<b>784.086.611</b>	<b>830.817.335</b>

## Receivables from direct insurance operations

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables under inland premium	0	846.743.753	846.743.753	41.126.015	834.508.001	875.634.016
Receivables under premium abroad	0	28.436.808	28.436.808	0	24.974.389	24.974.389
Premium value adjustment	0	(290.121.446)	(290.121.446)	0	(253.553.722)	(253.553.722)
<b>TOTAL</b>	<b>0</b>	<b>585.059.115</b>	<b>585.059.115</b>	<b>41.126.015</b>	<b>605.928.668</b>	<b>647.054.683</b>

/i/ The elaboration of time-limited receivables structure for inland insurance premium as well as the cover for over 180 days past due but uncollected receivables are determined as follows:

DESCRIPTION	31/12/2011	31/12/2010
	HRK	HRK
Written uninvoiced inland premium	246.253.298	254.480.962
Invoiced uncollected inland premium	600.490.456	620.922.566
Invoiced uncollected premium abroad	28.436.808	24.974.389
Coinsurance premium receivables	0	230.488
<b>Total receivables</b>	<b>875.180.562</b>	<b>900.608.405</b>
Undue and past due up to 180 days	565.945.617	634.749.495
Past due by over 180 days	309.234.945	265.858.911
<b>Total upon maturity date</b>	<b>875.180.562</b>	<b>900.608.406</b>
Past due by over 180 days	309.234.945	265.858.911
Impairment	290.121.446	253.553.722
Unimpaired receivables	19.113.499	12.305.189
<u>Cover for receivables past due by over 180 days</u>		
Claims provision for debatable receivables	19.113.499	12.305.189
<b>Total cover</b>	<b>19.113.499</b>	<b>12.305.189</b>

Value decrease development during 2011 is set out as follows:

DESCRIPTION	2011	2010
	HRK	HRK
Balance at 31 December 2010	(253.553.722)	(226.114.678)
Increase of value adjustment	(250.913.932)	(243.409.147)
Collection of previously decreased amounts	184.865.002	192.391.883
Loss from value decrease	(66.048.930)	(51.017.264)
Write-offs	29.481.206	23.578.220
<b>Balance at 31 December 2011</b>	<b>(290.121.446)</b>	<b>(253.553.722)</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 from other insurance operations	0	26.964.094	26.964.094	0	34.058.441	34.058.441
Receivables for investment returns	1.935.304	5.862.135	7.797.439	1.485.845	6.363.575	7.849.420
Other receivables	5.837.561	76.373.730	82.211.291	4.051.659	134.102.245	138.153.904
<b>TOTAL</b>	<b>7.772.865</b>	<b>109.199.959</b>	<b>116.972.824</b>	<b>5.537.504</b>	<b>174.524.261</b>	<b>180.061.765</b>

*/i/* Receivables from other insurance operations

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Recourse receivables	0	41.544.907	41.544.907	0	43.434.799	43.434.799
Recourse receivables value decrease	0	(26.130.949)	(26.130.949)	0	(23.046.694)	(23.046.694)
<b>Total</b>	<b>0</b>	<b>15.413.958</b>	<b>15413958</b>	<b>0</b>	<b>20.388.105</b>	<b>20.388.105</b>
Receivables under foreign claims	0	12.070.884	12.070.884	0	14.970.361	14.970.361
Value decrease	0	(520.748)	(520.748)	0	(1.300.025)	(1.300.025)
<b>Total</b>	<b>0</b>	<b>11.550.136</b>	<b>11550136</b>	<b>0</b>	<b>13.670.336</b>	<b>13.670.336</b>
<b>TOTAL</b>	<b>0</b>	<b>26.964.094</b>	<b>26.964.094</b>	<b>0</b>	<b>34.058.441</b>	<b>34.058.441</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 interest on granted loans	543.164	13.072.136	13.615.300	763.749	10.800.285	11.564.034
Receivables for regular interest on granted deposits	1.374.017	2.328.180	3.702.197	717.748	1.775.107	2.492.855
Receivables for default interest	17.782	18.100.070	18.117.852	4.239	19.428.376	19.432.615
Other receivables for interest	341	67.318	67.659	109	29.792	29.901
Value decrease	0	(27.705.569)	(27.705.569)	0	(25.669.985)	(25.669.985)
<b>TOTAL</b>	<b>1.935.304</b>	<b>5.862.135</b>	<b>7.797.439</b>	<b>1.485.845</b>	<b>6.363.575</b>	<b>7.849.420</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 flats	0	15.350.179	15.350.179	0	17.743.581	17.743.581
Receivables for paid advances	0	1.442.193	1.442.193	0	(707.858)	(707.858)
Receivables obtained through cessions	0	16.576.634	16.576.634	0	11.552.219	11.552.219
Receivables from card issuers	3.797.447	27.167.257	30.964.704	4.250.610	71.784.481	76.035.091
Receivables from state and state institutions	0	1.558.212	1.558.212	0	2.385.422	2.385.422
Receivables from purchasers	0	6.227.162	6.227.162	0	5.662.354	5.662.354
Receivables from employees	0	849.255	849.255	0	593.221	593.221
Receivables under judicial rulings	0	5.075.981	5.075.981	0	7.038.806	7.038.806
Receivables acquired by fiduciaries	0	0	0	0	1.914.856	1.914.856
Other receivables	2.040.114	2.126.857	4.166.971	(198.951)	16.135.163	15.936.212
<b>TOTAL</b>	<b>5.837.561</b>	<b>76.373.730</b>	<b>82.211.291</b>	<b>4.051.659</b>	<b>134.102.245</b>	<b>138.153.904</b>

## Other assets

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Money at bank and till money	1.824.734	24.128.164	25.952.898	6.184.384	12.856.713	19.041.097
Other	64.325	12.786.672	12.850.997	93.522	19.682.594	19.776.116
<b>UKUPNO</b>	<b>1.889.059</b>	<b>36.914.836</b>	<b>38.803.895</b>	<b>6.277.906</b>	<b>32.539.307</b>	<b>38.817.213</b>

## Money at bank and till money

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Money on HRK accounts	0	12.607.515	12.607.515	0	125.985	125.985
Money on foreign currency accounts	0	11.344.351	11.344.351	0	12.525.131	12.525.131
Till money	5.403	176.298	181.701	2.465	205.597	208.062
Money for mathematical provision cover	1.819.331	0	1.819.331	6.181.919	0	6.181.919
<b>TOTAL</b>	<b>1.824.734</b>	<b>24.128.164</b>	<b>25.952.898</b>	<b>6.184.384</b>	<b>12.856.713</b>	<b>19.041.097</b>

## Other

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Received cheques	64.325	5.540.550	5.604.874	93.522	8.751.111	8.844.633
Received bills of exchange	0	7.246.122	7.246.122	0	10.931.483	10.931.483
<b>TOTAL</b>	<b>64.325</b>	<b>12.786.672</b>	<b>12.850.997</b>	<b>93.522</b>	<b>19.682.594</b>	<b>19.776.116</b>

## Prepaid expenses of the future period and undue collection

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deferred interest and rental fees	22.185.161	14.966.325	37.151.486	18.012.109	14.350.145	32.362.254
Other prepaid expenses of the future period	44.635	15.830.676	15.875.311	43.716	10.909.300	10.953.016
<b>TOTAL</b>	<b>22.229.796</b>	<b>30.797.001</b>	<b>53.026.797</b>	<b>18.055.825</b>	<b>25.259.445</b>	<b>43.315.270</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	Amount in	% of stakes	Number	Amount in	% of stakes
	Of shares	HRK	In equity	Of shares	HRK	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 provisions

Revaluation provisions amounting to HRK 460,091,559 ( at 31 December 2010 to HRK 530,698,408) are 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
Revaluation provision for tangible assets	0	486.476.755	486.476.755	0	492.595.123	492.595.123
Revaluation provisions for shares available for sale	(2.421.067)	(14.027.957)	(16.449.024)	27.681.709	36.652.329	64.334.038
Revaluation provisions for stakes in investment funds available for sale	(13.232.669)	3.296.497	(9.936.172)	(18.927.724)	(7.303.029)	(26.230.753)
<b>UKUPNO</b>	<b>(15.653.736)</b>	<b>475.745.295</b>	<b>460.091.559</b>	<b>8.753.985</b>	<b>521.944.423</b>	<b>530.698.408</b>

### /i/ Revaluation provision for land and buildings:

DESCRIPTION	Revaluation of real estate
	HRK
<i>Balance at 1.1.2010.</i>	<b>497.951.803</b>
Transfer to retained profit (amortization on the revaluation effect)	(5.356.680)
<b>Balance at 31.12.2010.</b>	<b>492.595.123</b>
Previous period correction	(783.463)
Transfer to retained profit (amortization on the revaluation effect)	(6.668.635)
Transfer from deferred tax liability	1.333.730
<b>Balance at 31.12.2011.</b>	<b>486.476.755</b>

### /ii/ Financial assets available for sale revaluation provision

DESCRIPTION	Investments in funds	Investments in shares and stakes	Total
	HRK	HRK	HRK
1 January 2010	(125.070.628)	89.390.840	(35.679.788)
Changes in fair value of financial assets available for sale	16.575.288	(25.056.802)	(8.481.514)
Decrease in financial assets	31.455.702	0	31.455.702
Financial assets available for sale realized losses / net	50.808.885	0	50.808.885
<b>31 December 2010</b>	<b>(26.230.753)</b>	<b>64.334.038</b>	<b>38.103.285</b>
Changes in fair value of financial assets available for sale	(21.197.790)	(90.967.661)	(117.800.281)
Decrease in financial assets	24.616.858	10.629.963	35.246.821
Financial assets available for sale realized losses / net	12.875.513	(445.364)	18.064.979
<b>31 December 2011</b>	<b>(9.936.172)</b>	<b>(16.449.024)</b>	<b>(26.385.196)</b>

## Provisions

Provisions to the amount of HRK 456,466,778 (at 31 December 2010 to the amount of HRK 443,930,662 were determined by the Decisions of the General Assembly of the Company out of the profit in previous years as follows:

DESCRIPTION	31/12/2011	31/12/2010
	HRK	HRK
Legal provisions	19.642.170	17.461.976
Statutory provisions	94.613.780	84.257.858
Other provisions	342.210.828	342.210.828
<b>TOTAL</b>	<b>456.466.778</b>	<b>443.930.662</b>

## Retained profit

DESCRIPTION	Retained profit
	HRK
<b>31 December 2010</b>	<b>192.072.963</b>
Previous periods value adjustments	825.966
Transfer of profit	2.403.949
Land and buildings unrealized profit/loss	6.668.635
Other non-owner changes in equity	1.002.341
<b>31 December 2011</b>	<b>202.973.854</b>

## Current year profit

Business operations of the Company during 2011 resulted in the realized profit amounting to HRK 78,666,745 (at 31 December 2010 to HRK 43,603,886).

The profit realized through the business operations of the Company during 2010 amounting to HRK 43,603,886 was allocated pursuant to the decision of the Assembly of the Company.

## Technical provision:

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Unearned premiums, gross	3.360.431	946.409.517	949.769.948	3.614.061	967.835.435	971.449.496
Math.insurance provision,gross	1.816.581.911	0	1.816.581.911	1.770.878.195	0	1.770.878.195
Claims provision, gross	36.037.101	2.880.421.665	2.916.458.766	42.391.407	2.824.613.813	2.867.005.220
Other insurance-technical provisions, gross	0	23.427.000	23.427.000	0	14.757.000	14.757.000
<b>TOTAL</b>	<b>1.855.979.443</b>	<b>3.850.258.182</b>	<b>5.706.237.625</b>	<b>1.816.883.663</b>	<b>3.807.206.248</b>	<b>5.624.089.911</b>

Other insurance-technical provisions, gross amount totalling HRK 23,427,000 (31 December 2010 totalling HRK 14,757,000) refer to the provisions for the earthquake risk.

Life insurance technical provision when the policyholder bears the investment risk.

Life insurance technical provision when the policyholder bears the risk amounting to HRK 16,320,627 (at 31 December 2010 amounting to HRK 22,374,967) are formed for the life insurance policies when the policyholder bears the 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
Provisions for pensions and legal proceedings	2.443.980	78.169.724	80.613.704	2.537.568	75.679.832	78.217.400
Other provisions	0	1.880.381	1.880.381	0	2.328.132	2.328.132
<b>TOTAL</b>	<b>2.443.980</b>	<b>80.050.105</b>	<b>82.494.085</b>	<b>2.537.568</b>	<b>78.007.964</b>	<b>80.545.532</b>

Development of provisions for pensions and legal proceedings during 2011 is set out as follows:

DESCRIPTION	Costs of legal proceedings	Costs of anniversary rewards and severance pays	Other	Total
	HRK	HRK	HRK	HRK
	<i>Balance at 31 December 2010</i>	10.025.768	68.191.632	0
Additional provisions	1.786.000	16.476.103	0	18.262.103
Transfer from/to	0		0	0
Cancellation of provisions	(3.173.664)	(12.692.135)	0	(15.865.799)
Use of provisions	0	0	0	0
<b>31 December 2011</b>	<b>8.638.104</b>	<b>71.975.600</b>	<b>0</b>	<b>80.613.704</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	121.789.319	121.789.319	0	123.123.052	123.123.052
Current tax liability	0	6.415.431	6.415.431	0	2.276.179	2.276.179
<b>TOTAL</b>	<b>0</b>	<b>128.204.750</b>	<b>128.204.750</b>	<b>0</b>	<b>125.399.231</b>	<b>125.399.231</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.

## 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	1.223.389	96.882.454	98.105.843	248.556	98.448.933	98.697.489
Liabilities derived from coinsurance and reinsurance operations	1.693	5.602.704	5.604.397	1.665	8.805.514	8.807.179
Other liabilities	33.403	86.958.902	86.992.305	15.129.531	78.380.197	93.509.728
<b>TOTAL</b>	<b>1.258.485</b>	<b>189.444.060</b>	<b>190.702.545</b>	<b>15.379.752</b>	<b>185.634.644</b>	<b>201.014.396</b>

## /i/ Liabilities derived from direct insurance operations

DESCRIPTION	31/12/2011			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 under paid claims	0	66.929	66.929	242.474	31.100.725	31.343.199
Liabilities for fire department contribution	0	1.654.889	1.654.889	0	1.620.460	1.620.460
Liabilities towards Croatian Insurance Bureau for insurance premiums	0	52.820.284	52.820.284	0	163.863	163.863
Liabilities for CFSSA contribution	0	111421	111421	0	0	0
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
Other liabilities	838.906	7.588.018	8.426.924	6.082	746.060	752.142
<b>TOTAL</b>	<b>1.223.389</b>	<b>96.882.454</b>	<b>98.105.843</b>	<b>248.556</b>	<b>98.448.933</b>	<b>98.697.489</b>

## /ii/ 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	423	25.427.510	25.427.933	5.432	24.358.402	24.363.834
Liabilities for received advances	32.980	1.248.616	1.281.596	9.674	65.146	74.820
Liabilities for dividends	0	420.336	420.336	0	1.185.816	1.185.816
Liabilities for net salary	0	18.074.595	18.074.595	0	18.059.661	18.059.661
Liabilities for contributions from salary	0	6.518.053	6.518.053	0	5.902.716	5.902.716
Liabilities for tax and surtax from salary	0	4.754.457	4.754.457	0	3.643.918	3.643.918
Liabilities for contributions on salary	0	5.598.859	5.598.859	0	5.051.390	5.051.390
Deductions from salaries and salary compensation	0	7.355.584	7.355.584	0	2.399.747	2.399.747
Liabilities under motor TPL and motor-hull insurance tax	0	10.120.011	10.120.011	0	10.457.230	10.457.230
Liabilities towards state for sold flats	0	5.996.868	5.996.868	0	6.817.152	6.817.152
Other liabilities		1.444.013	1.444.013	15.114.425	439.019	15.553.444
<b>TOTAL</b>	<b>33.403</b>	<b>86.958.902</b>	<b>86.992.305</b>	<b>15.129.531</b>	<b>78.380.197</b>	<b>93.509.728</b>

## Deferred expenses and accrued income

DESCRIPTION	31/12/2011			31/12/2010		
	Life	Non-life	Total	Life	Non-life	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Total deferred expenses	1.152	24.584.215	24.585.367	3.773	124.433	128.206
<i>Accrued income</i>						
Calculated premium	0	0	0	41.971.627	0	41.971.627
Depreciation of discount/ premium on treasury and commercial bills	0	180.140	180.140	0	422.603	422.603
Deferred income due to collection uncertainty	0	6.580.035	6.580.035	0	7.517.604	7.517.604
Other accrued income	19.777	3.237.081	3.256.858	5.137	3.677.841	3.682.978
Total accrued income	19.777	9.997.255	10.017.032	41.976.764	11.618.048	53.594.812
<b>TOTAL</b>	<b>20.929</b>	<b>34.581.470</b>	<b>34.602.399</b>	<b>41.980.537</b>	<b>11.742.481</b>	<b>53.723.018</b>

## Off-balance sheet records

DESCRIPTION	31/12/2010	Increase	Decrease	31/12/2011
	HRK	HRK	HRK	HRK
Premiums 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
Placements and interests from companies in bankruptcy	49.996.240	0	834.649	49.161.590
Default interests on placements	8.753.411	37.941	37.941	8.753.411
Other		37.500.000	10.000.000	
Receivables from companies in bankruptcy	192.170.844	60.088.652	18.807.363	233.452.132
Recourse receivables	454.381.105	10.863.092	28.394.080	436.850.118
<b>TOTAL</b>	<b>646.551.949</b>	<b>70.951.744</b>	<b>47.201.443</b>	<b>670.302.250</b>

## Reimbursement to the 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 the Supervisory Board	197.408	128.158
<b>TOTAL</b>	<b>1.431.400</b>	<b>1.636.948</b>

## Related party transactions

### /i/ Profit and loss account

DESCRIPTION	2011 HRK	2010 HRK
<u>Earned premiums (Income)</u>		
Written gross premiums	2.913.227	1.567.637
Coinsurance premiums	3.920.226	4.574.802
Premiums ceded to reinsurance	(406.971.304)	(454.687.878)
Changes in unearned premiums provision– reinsurance portion	(7.428.191)	(3.730.225)
Total	(407.556.181)	(452.275.664)
<u>Investment income</u>		
Income from subsidiaries and associated companies	33.922.949	27.200.057
Rental income	1.547.365	3.948.645
Total	35.470.314	31.148.702
<u>Income from commissions and fees</u>	24.255.694	26.977.757
<u>Other income</u>	11.708	40.234
<u>Insured event costs, net</u>		
Paid claims – gross	(261.703)	(568.685)
Paid claims – coinsurance portion	60.093	1.219.114
Paid claims – reinsurance portion	230.583.679	217.419.972
Change in claims provision – reinsurance portion	113.126.596	(4.029.529)
Total	343.508.665	214.040.872
<u>Change in other technical provision, net of reinsurance</u>		
Reinsurance portion	152.883	(1.582)
<u>Management costs</u>	(5.707.326)	(2.963.471)

/ii/ Balance sheet

DESCRIPTION	2011	2010
	HRK	HRK
<u>Investments</u>		
Investment in subsidiaries, associates and joint ventures	431.372.755	451.134.832
Granted loans and receivables	47.440.145	29.043.401
<b>Total</b>	<b>478.812.900</b>	<b>480.178.233</b>
<u>Reinsurance portion in technical provision</u>		
Unearned premiums, reinsurance portion	46.703.543	57.861.959
Mathematical insurance provision, reinsurance portion	164.490	13.189
Claims provision, reinsurance portion	365.066.310	255.969.243
<b>Total</b>	<b>411.934.343</b>	<b>313.844.391</b>
<u>Receivables</u>		
Receivables from direct insurance activities	94.051	196.410
Receivables from reinsurance activities	0	13.833.681
Other receivables	5.513.109	353.049
<b>Total</b>	<b>5.607.160</b>	<b>14.383.140</b>
<u>Other liabilities</u>		
Liabilities from coinsurance and reinsurance activities	5.604.397	697.058
Other receivables	579.183	243.987
<b>Total</b>	<b>6.183.580</b>	<b>941.045</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 Company for damages, court disputes of other nature have also been initiated against the Company. In assessing the outcome of disputes initiated against the Company, the potential outflow of funds based on loss of disputes has been determined and on that basis the Company set out provision in the amount of HRK 8,638,104.

For CROATIA osiguranje d.d. Zagreb,



Silvana Ivančić

Member  
of the Management Board



Zdravko Zrinušić

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*

**SUPERVISORY BOARD  
NO/112/2012**

Based on the provision of Art. 26 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 the draft Decision on allocation of profit for 2011**

**Article 1**

It is determined that the Management Board has passed the draft Decision on allocation of profit for the year 2011 (UP-6/SRK/2012) on its 98th meeting held on 12th 2012. It constitutes a part of this Decision and is therefore attached to it.

**Article 2**

The Supervisory Board grants approval to the draft Decision from Art. 1 of this Decision and suggests the 36th General Assembly of CROATIA osiguranje d.d to pass it.

**Article 3**

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

**Deputy President of the Supervisory Board**

**Nataša Duspara**

*Nataša Duspara*

**CROATIA osiguranje d.d.**  
**Zagreb, Miramarska 22**

**MANAGEMENT BOARD**  
**No.: UP-06/SRK/2012**

*Based on the provision of Art. 20 of the Articles of Association of CROATIA osiguranje d.d. from 30th April 2008 and Art. 300b of the Companies Act, the Management Board of CROATIA osiguranje d.d, on its 98th meeting held on 12th April 2012, passed the*

**DRAFT DECISION**  
**on allocation of profit for the year 2011**

*of the following content:*

„Based on the provision of Art. 275 paragraph 1, item 2 of the Companies Act and Art. 32 of the Articles of Association of CROATIA osiguranje d.d. from 30th April 2008, \_\_\_ General Assembly of CROATIA osiguranje d.d. held on \_\_\_\_\_, passed the

**DECISION**  
**on allocation of profit for the year 2011**

**Article 1**

Based on 2011 financial statements CROATIA osiguranje d.d. has realized the following results for life and non-life line of business:

Total revenue	HRK 2,829,491,613.97
Total expenses	HRK 2,724,792,618.52
Profit before tax	HRK 104,699,595.45
Corporation tax	HRK 26,032,850.32
Profit after tax	HRK 78,666,744.93

**Article 2**

The realized profit of CROATIA osiguranje d.d. shall be distributed as follows:

1. Legal provisions	HRK 3,933,337.25
2. Statutory reserves	HRK 18,683,351.92
3. Dividend on preferred stock	HRK 980,000.00
4. Retained profit	HRK 55,070,055.76

### Article 3

The dividend on preferred stock amounts to HRK 112.00 per share. The dividend payment becomes due on 30th day from the day this Decision was passed.

### Article 4

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

*Pursuant to Article 300b of the Companies Act the above stated Draft Decision on allocation of profit for the year 2011 as well as the Annual report on the position of the Company, Financial statements for the year 2011, Consolidated annual report of the Company and Annual consolidated financial statements shall be handed down for approval to the Supervisory Board of the Company.*

Member of the Management Bord

President of the Managemnt Board



Silvana Ivančić

Zdravko Zrinušić