

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

**INDEPENDENT AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

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## RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management Board of the Croatia osiguranje d.d., Zagreb, ("the Company") is responsible for ensuring that the consolidated financial statements of the Company for the year 2011 are prepared in accordance with the Accounting Law (National gazette No 109/07) and the International Financial Reporting Standards (National gazette No 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11) issued by the Committee for Financial Reporting Standards, nominated by Government of the Republic of Croatia, to give a true and fair view of the consolidated financial position, the consolidated results of operations, the consolidated changes in equity and the consolidated cash flows of the Company for that period.

After making enquiries, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has adopted the going concern basis in preparing the consolidated financial statements of the Company.

In preparing those consolidated financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable financial reporting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the consolidated financial position and the consolidated results of operations of the Group and their compliance with the Accounting Law (National gazette No 109/07) and the International Financial Reporting Standards (National gazette No 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11) issued by the Committee for Financial Reporting Standards. The Board is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board:



Silvana Ivančić

Member of the Management Board



Zdravko Zrinušić

President of the Management Board

CROATIA OSIGURANJE d.d.

Miramarska 22

10 000 Zagreb

The Republic of Croatia

29 March 2012

## **INDEPENDENT AUDITOR'S REPORT**

*To the shareholders of the company CROATIA osiguranje d.d., Zagreb*

1. We have audited the accompanying annual consolidated financial statements of the company Croatia osiguranje d.d., Zagreb, Miramarska 22 ("the Company") for the year ended 31 December 2011, which comprise of the consolidated Balance sheet/ consolidated Statement of Financial Position as of that date; the consolidated Statement of Income / consolidated Statement of Comprehensive Income; the consolidated Statement of Changes in Equity; the consolidated Cash Flows Statement for the year then ended; and the accompanying Notes to the consolidated Financial Statements which concisely set out the principal accounting policies and other disclosures.

### **Responsibility of the Company's management**

2. The preparation and a fair presentation of the enclosed consolidated Financial Statements according to the International Financial Reporting Standards effective in the Republic of Croatia and also those internal controls which are determined by the Company's management as necessary to enable preparation of the consolidated financial statements free from material misstatements whether due to fraud or error are the responsibility of the Company's management.

### **Responsibility of Auditor**

3. Our responsibility is to express an opinion on the enclosed consolidated Financial Statements based on the audit performed. 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 that the consolidated financial statements are free from material misstatements.

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

We believe that auditing proof and evidence being collected by us are sufficient and suitable as the basis for our opinion.

## Opinion

4. In our opinion, the enclosed consolidated Financial Statements, in all material respects, truly and fairly present the consolidated financial position of the Company CROATIA osiguranje d.d. as of 31 December 2011 and the consolidated results of operations and the consolidated cash flows of the Company for the year 2011 in accordance with International Financial Reporting Standards effective in the Republic of Croatia.

## Emphasis of matter

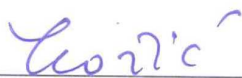
5. Due to economic crisis which will inflow to financial position of majority of economic entities and the expected decrease of share from investments, the Parent company the additional attention has to direct to the structure improvement of investments of assets, strengthening of the loan risk management and to the additional instruments with a goal of assurance of collection of receivables and investments.

## Other legal and regulatory requirements

6. The preparation of the annual consolidated financial statements of the Company for the year ended 31 December 2011 in prescribed on the basis of Regulation on the structure and content of the annual financial statements of insurance and reinsurance companies (National gazette No 132/10) which is on the basis of Insurance law and the Law on accountancy brought by Croatian agency for the supervision of financial services, and is answerable for the information on adjustment with annual financial statements of the Company in accordance with International financial reporting standards shown on pages 4 to 71 which are the subject of our opinion as set out in section Opinion, above. Financial statements of the Company according to Regulation on the structure and content of the annual financial statements of insurance and reinsurance companies and the adjustments are shown on pages 72 to 85.

In Zagreb, 6 April 2012

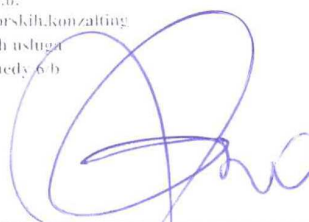
BDO Croatia d.o.o.  
Trg J. F. Kennedy 6b  
10 000 Zagreb



Ines Rožić, certified auditor

**IBDO**

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



Jeni Krstičević, President of the  
Management Board

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011**

POSITION	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>EARNED PREMIUMS (INCOME)</u></b>	5.1.						
Earned gross premiums		387,803,438	2,783,761,145	3,171,564,583	385,704,710	2,859,565,617	3,245,270,327
Reinsurance premiums		(319,731)	(328,188,740)	(328,508,471)	(6,859)	(352,894,530)	(352,901,389)
Coinsurance premiums		0	(3,744,946)	(3,744,946)	0	(5,383,364)	(5,383,364)
Change in gross unearned premium provision		73,219	6,876,012	6,949,231	112,708	74,099,692	74,212,400
Change in unearned premium provision, reinsurance portion		138	(4,609,200)	(4,609,062)	0	4,342,854	4,342,854
Change in unearned premium provision, coinsurance portion		0	0	0	0	1,073,932	1,073,932
<b>Total earned premiums (income)</b>		<b>387,557,064</b>	<b>2,454,094,271</b>	<b>2,841,651,335</b>	<b>385,810,559</b>	<b>2,580,804,201</b>	<b>2,966,614,760</b>
<b><u>INVESTMENT INCOME</u></b>	5.2.						
Income from property investments (land and buildings)	5.2./i/	4,566	35,042,166	35,046,732	4,474	(20,742,588)	(20,738,114)
Interest income	5.2./ii/	108,735,174	160,644,749	269,379,923	120,256,973	173,218,528	293,475,501
Decrease in value of investments	5.2./iii/	(12,043,534)	(58,043,082)	(70,086,616)	(16,717,358)	(20,330,656)	(37,048,014)
Unrealized gains / losses from investments at fair value through profit and loss account		(2,595,080)	877,154	(1,717,926)	3,172,402	6,581,962	9,754,364
Gains / losses from sale of financial investments	5.2./iv/	1,294,343	(14,765,749)	(13,471,406)	(10,283,995)	(31,520,242)	(41,804,237)
Net foreign exchange gains	5.2./v/	19,753,250	16,947,707	36,700,957	11,058,585	12,329,780	23,388,365
Other investment income/expenses	5.2./vi/	(286,202)	(16,644,368)	(16,930,570)	(8,898,803)	(45,179,597)	(54,078,400)
<b>Total investment income</b>		<b>114,862,517</b>	<b>124,058,577</b>	<b>238,921,094</b>	<b>98,592,278</b>	<b>74,357,187</b>	<b>172,949,465</b>
<b><u>OTHER INCOME</u></b>	5.3.						
Income from fees and commissions	5.3./i/	69,101	44,660,305	44,729,406	90,042	45,903,228	45,993,270
Other insurance-technical income, net from reinsurance	5.3./ii/	108,336	20,825,011	20,933,347	728,107	39,647,332	40,375,439
Other income	5.3./iii/	1,361,321	213,761,067	215,122,388	1,832,993	244,744,866	246,577,859
<b>Total other income</b>		<b>1,538,758</b>	<b>279,246,383</b>	<b>280,785,141</b>	<b>2,651,142</b>	<b>330,295,426</b>	<b>332,946,568</b>

CROATIA OSIGURANJE d.d., Zagreb

Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011

POSITION	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>INSURED EVENT EXPENSES, NET</u></b>	6.1.						
Liquidated claims	6.1.	(329,935,998)	(1,470,065,857)	(1,800,001,855)	(230,501,346)	(1,578,904,031)	(1,809,405,377)
Change in claim provision	6.1.	6,167,438	66,370,388	72,537,826	572,342	29,198,177	29,770,519
<b>Total insured event expenses, net</b>		<b>(323,768,560)</b>	<b>(1,403,695,469)</b>	<b>(1,727,464,029)</b>	<b>(229,929,004)</b>	<b>(1,549,705,854)</b>	<b>(1,779,634,858)</b>
<b><u>CHANGE IN OTHER TECHNICAL PROVISION, NET FROM REINSURANCE</u></b>	6.2.						
Change in mathematical insurance provision	6.2.	(64,996,943)	0	(64,996,943)	(136,507,486)	0	(136,507,486)
Change in other technical provision, net from reinsurance	6.2.	0	(10,670,000)	(10,670,000)	0	(13,847,225)	(13,847,225)
<b>Total change in other technical provision, net from reinsurance</b>		<b>(64,996,943)</b>	<b>(10,670,000)</b>	<b>(75,666,943)</b>	<b>(136,507,486)</b>	<b>(13,847,225)</b>	<b>(150,354,711)</b>
<b><u>CHANGES IN SPECIAL LIFE INSURANCE PROVISION WHEN POLICYHOLDER BEARS INVESTMENT RISK, NET FROM REINSURANCE</u></b>	6.3.						
Changes in life insurance technical provision when policyholders bears the risk	6.3.	4,700,768	0	4,700,768	1,918,336	0	1,918,336
<b>Total changes in life insurance technical provision when policyholders bears the risk</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>
<b><u>COSTS FOR PREMIUM RETURN (BONUSES AND DISCOUNTS), NET FROM REINSURANCE</u></b>							
Dependent from the result (bonuses)		0	(104,981)	(104,981)	0	(390,424)	(390,424)
Independent from the result (discounts)		0	(361,232)	(361,232)	0	4,004,526	4,004,526
<b>Total costs for premium returns (bonuses and discounts), net from reinsurance</b>		<b>0</b>	<b>(466,213)</b>	<b>(466,213)</b>	<b>0</b>	<b>3,614,102</b>	<b>3,614,102</b>
<b><u>BUSINESS EXPENSES (OPERATING COSTS), NET</u></b>	6.4.						
Acquisition costs	6.4./i/	(35,290,163)	(296,237,384)	(331,527,547)	(40,406,269)	(303,952,105)	(344,358,374)
Management costs (administrative costs)	6.4./ii/	(73,593,614)	(744,180,013)	(817,773,627)	(73,474,404)	(718,525,098)	(791,999,502)
<b>Total business expenses (operating costs), net</b>		<b>(108,883,777)</b>	<b>(1,040,417,397)</b>	<b>(1,149,301,174)</b>	<b>(113,880,673)</b>	<b>(1,022,477,203)</b>	<b>(1,136,357,876)</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011**

POSITION	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>OTHER COSTS</u></b>							
Other technical costs, net from reinsurance	6.6.	(190,956)	(84,668,049)	(84,859,005)	(305,749)	(82,178,583)	(82,484,332)
Other costs, including value adjustments	6.7.	(1,142,463)	(168,881,499)	(170,023,962)	(60,845)	(210,100,988)	(210,161,833)
<b>Total other costs</b>		<b>(1,333,419)</b>	<b>(253,549,548)</b>	<b>(254,882,967)</b>	<b>(366,594)</b>	<b>(292,279,571)</b>	<b>(292,646,165)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>9,676,408</b>	<b>148,600,604</b>	<b>158,277,012</b>	<b>8,288,558</b>	<b>110,761,063</b>	<b>119,049,621</b>
Corporate income tax	7.	(2,551,474)	(46,033,081)	(48,584,555)	(1,051,195)	(29,699,442)	(30,750,637)
<b>PROFIT FOR THE CURRENT YEAR</b>		<b>7,124,934</b>	<b>102,567,523</b>	<b>109,692,457</b>	<b>7,237,363</b>	<b>81,061,621</b>	<b>88,298,984</b>
<b>Distribution of profit for the accounting period</b>							
To the company's shareholders		<b>6,785,476</b>	<b>100,261,628</b>	<b>107,047,104</b>	<b>6,607,738</b>	<b>78,342,027</b>	<b>84,949,765</b>
Minority interests		<b>339,458</b>	<b>2,305,895</b>	<b>2,645,353</b>	<b>629,625</b>	<b>2,719,594</b>	<b>3,349,219</b>



**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011**

POSITION	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
Gains/losses from revaluation of financial assets available for sale		(24,407,721)	(41,830,581)	(66,238,302)	16,309,458	62,123,524	78,432,982
Gains/losses from revaluation of operational land and buildings		0	2,394,773	2,394,773	0	2,112,091	2,112,091
Gains/losses arisen from recalculation of financial statements of doing foreign operations			64,842	64,842	0	148,199	148,199
<b>Other comprehensive income</b>		<b>(24,407,721)</b>	<b>(39,370,966)</b>	<b>(63,778,687)</b>	<b>16,309,458</b>	<b>64,383,814</b>	<b>80,693,272</b>
<b>Profit for the current year</b>		<b>7,124,934</b>	<b>102,567,523</b>	<b>109,692,457</b>	<b>7,237,363</b>	<b>81,061,621</b>	<b>88,298,984</b>
<b>Total comprehensive income</b>		<b>(17,282,787)</b>	<b>63,196,557</b>	<b>45,913,770</b>	<b>23,546,821</b>	<b>145,445,435</b>	<b>168,992,256</b>
<b>Distribution of profit for the accounting period:</b>							
To the company's shareholder							
Minority interests		(17,622,245)	54,587,152	36,964,907	22,917,196	141,927,305	164,844,501
		339,458	8,609,405	8,948,863	629,625	3,518,130	4,147,755

The notes set out on pages I to V form an integral part of these consolidated financial statements.

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	Note	At 31 Dec 2011			At 31 Dec 2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>INTANGIBLE ASSETS</u></b>							
Goodwill		0	42,263,906	42,263,906	0	43,154,776	43,154,776
Other intangible assets	9.	59,932	21,045,433	21,105,365	35,779	25,417,174	25,452,953
<b>Total intangible assets</b>		<b>59,932</b>	<b>63,309,339</b>	<b>63,369,271</b>	<b>35,779</b>	<b>68,571,950</b>	<b>68,607,729</b>
<b><u>TANGIBLE ASSETS</u></b>							
Land and buildings for operational activities	10.	3,679,148	1,347,814,385	1,351,493,533	4,185,330	1,372,329,198	1,376,514,528
Equipment		491,763	98,488,524	98,980,287	521,068	140,887,166	141,408,234
Other tangible assets		134,553	24,109,339	24,243,892	162,043	24,719,679	24,881,721
<b>Total tangible assets</b>		<b>4,305,464</b>	<b>1,470,412,248</b>	<b>1,474,717,713</b>	<b>4,868,441</b>	<b>1,537,936,043</b>	<b>1,542,804,483</b>
<b><u>INVESTMENTS</u></b>							
Investments in land and buildings (non-operational)	11.1.	437,198	968,976,989	969,414,187	0	816,718,189	816,718,189
Investments in subsidiaries, associates and joint ventures	11.2.	0	17,607,194	17,607,194	0	19,140,022	19,140,022
Other financial investments	11.3.	2,022,797,759	2,747,675,815	4,770,473,574	2,013,905,095	2,861,212,266	4,875,117,361
<b>Total investments</b>		<b>2,023,234,957</b>	<b>3,734,259,998</b>	<b>5,757,494,955</b>	<b>2,013,905,095</b>	<b>3,697,070,477</b>	<b>5,710,975,572</b>
<b><u>INVESTMENTS FOR THE ACCOUNT AND ON THE RISK OF THE LIFE INSURANCE POLICY HOLDERS</u></b>							
Investments for the account and on the risk of the life insurance policy holders	12.	16,320,628	0	16,320,628	22,374,967	0	22,374,967
<b>Total investments for the account and on the risk of the life insurance policy holders</b>		<b>16,320,628</b>	<b>0</b>	<b>16,320,628</b>	<b>22,374,967</b>	<b>0</b>	<b>22,374,967</b>
<b><u>REINSURANCE PORTION IN TECHNICAL PROVISION</u></b>							
Unearned premiums, reinsurance portion	13.	138	19,806,023	19,806,161	0	77,653,096	77,653,096
Mathematical provision, reinsurance portion		164,490	0	164,490	11,607	0	11,607
Claim provision, reinsurance portion		0	215,781,823	215,781,823	0	92,306,696	92,306,696
Provision for premium returns dependent and independent from the result(bonuses and discounts), reinsurance portion		0	519,328	519,328	0	617,871	617,871
<b>Total reinsurance portion in technical provision</b>		<b>164,628</b>	<b>236,107,174</b>	<b>236,271,802</b>	<b>11,607</b>	<b>170,577,663</b>	<b>170,589,270</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010			
	Life	General	Total	Life	General	Total	
	HRK	HRK	HRK	HRK	HRK	HRK	
<b><u>DEFERRED AND CURRENT TAX ASSETS</u></b>	14.						
Deferred and current tax assets		2,451,330	3,588,575	6,039,905	3,365,941	8,089,287	11,455,228
<b>Total deferred and current tax assets</b>		<b>2,451,330</b>	<b>3,588,575</b>	<b>6,039,905</b>	<b>3,365,941</b>	<b>8,089,287</b>	<b>11,455,228</b>
<b><u>RECEIVABLES</u></b>	15.						
Receivables from direct insurance activities	15.1.	162,077	681,383,908	681,545,985	41,306,800	689,902,212	731,209,012
Receivables from coinsurance and reinsurance activities	15.2.	0	61,234,875	61,234,875	0	29,146,633	29,146,633
Total other receivables	15.3.	10,130,650	272,984,041	283,114,691	6,273,128	339,314,011	345,587,139
<b>Total receivables</b>		<b>10,292,727</b>	<b>1,015,602,824</b>	<b>1,025,895,551</b>	<b>47,579,928</b>	<b>1,058,362,856</b>	<b>1,105,942,784</b>
<b><u>OTHER ASSETS</u></b>	16.						
Cash on account and in hand	16.1.	6,052,921	75,750,040	81,802,961	7,387,138	58,049,719	65,436,857
Other	16.2.	83,125,165	225,775,479	308,900,644	70,093,522	168,398,307	238,491,829
<b>Total other assets</b>		<b>89,178,086</b>	<b>301,525,519</b>	<b>390,703,605</b>	<b>77,480,660</b>	<b>226,448,026</b>	<b>303,928,686</b>
<b><u>PREPAYMENTS AND ACCRUED INCOME (UNDUE)</u></b>	17.						
Prepayments and accrued income (undue)		22,259,902	59,037,497	81,297,399	18,055,826	49,340,792	67,396,618
<b>Total prepayments and accrued income (undue)</b>		<b>22,259,902</b>	<b>59,037,497</b>	<b>81,297,399</b>	<b>18,055,826</b>	<b>49,340,792</b>	<b>67,396,618</b>
<b>TOTAL ASSETS</b>		<b>2,168,267,654</b>	<b>6,883,843,174</b>	<b>9,052,110,828</b>	<b>2,187,678,244</b>	<b>6,816,397,094</b>	<b>9,004,075,338</b>
<b>OFF-BALANCE SHEET RECORDS</b>		<b>0</b>	<b>734,133,072</b>	<b>734,133,072</b>	<b>0</b>	<b>704,570,820</b>	<b>704,570,820</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010			
	Life	General	Total	Life	General	Total	
	HRK	HRK	HRK	HRK	HRK	HRK	
<b><u>CAPITAL AND RESERVES</u></b>	18.						
Subscribed capital	18.1.	44,288,720	398,598,480	442,887,200	44,288,720	398,598,480	442,887,200
Revaluation reserves	18.2.	(15,718,730)	512,712,439	496,993,709	8,753,985	552,018,410	560,772,395
Reserves	18.3.	78,314,936	378,151,843	456,466,779	77,013,268	366,917,393	443,930,661
Carried forward (retained) profit or loss	18.4.	7,517,827	448,141,312	455,659,139	5,033,861	397,721,058	402,754,919
Profit for the current year	18.5.	6,785,475	100,261,629	107,047,104	6,607,738	78,342,027	84,949,765
<b>Total capital and reserves</b>		<b>121,188,228</b>	<b>1,837,865,703</b>	<b>1,959,053,931</b>	<b>141,697,572</b>	<b>1,793,597,368</b>	<b>1,935,294,940</b>
<b><u>MINORITY INTEREST</u></b>							
Minority interest		7,791,231	67,654,463	75,445,694	9,606,916	58,991,088	68,598,004
		<b>7,791,231</b>	<b>67,654,463</b>	<b>75,445,694</b>	<b>9,606,916</b>	<b>58,991,088</b>	<b>68,598,004</b>
<b><u>TECHNICAL RESERVES</u></b>	19.						
Unearned gross premiums		3,929,192	1,114,848,550	1,118,777,742	3,986,675	1,173,196,945	1,177,183,620
Gross mathematical insurance provision		1,945,987,781	0	1,945,987,781	1,877,152,130	0	1,877,152,130
Gross claim provision		36,769,501	3,133,643,783	3,170,413,284	42,921,772	3,074,104,217	3,117,025,989
Provision for premium returns dependent and independent from the result(bonuses and discounts), gross amount		0	5,812,976	5,812,976	0	5,977,339	5,977,339
Other gross insurance-technical provision		0	66,427,000	66,427,000	0	55,757,000	55,757,000
<b>Total technical provision</b>		<b>1,986,686,474</b>	<b>4,320,732,309</b>	<b>6,307,418,783</b>	<b>1,924,060,577</b>	<b>4,309,035,501</b>	<b>6,233,096,078</b>
<b><u>TECHNICAL LIFE INSURANCE PROVISION WHEN THE INSURER BEARS THE RISK</u></b>							
Technical life insurance provision when the insurer bears the risk	20.	16,320,627	0	16,320,627	22,374,967	0	22,374,967
<b>Total technical life insurance provision when the insurer bears the risk</b>		<b>16,320,627</b>	<b>0</b>	<b>16,320,627</b>	<b>22,374,967</b>	<b>0</b>	<b>22,374,967</b>
<b><u>OTHER RESERVES</u></b>							
Other reserves	21.	2,557,348	87,913,892	90,471,240	2,647,001	85,216,786	87,863,787
<b>Total other reserves</b>		<b>2,557,348</b>	<b>87,913,892</b>	<b>90,471,240</b>	<b>2,647,001</b>	<b>85,216,786</b>	<b>87,863,787</b>
<b><u>DEFERRED AND CURRENT TAX LIABILITIES</u></b>							
Deferred and current tax liabilities	22.	55,052	134,844,757	134,899,809	0	129,438,670	129,438,670
<b>Total deferred and current tax liabilities</b>		<b>55,052</b>	<b>134,844,757</b>	<b>134,899,809</b>	<b>0</b>	<b>129,438,670</b>	<b>129,438,670</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>FINANCIAL LIABILITIES</u></b>						
23. Financial liabilities	100,067	88,400,064	88,500,131	144,963	161,061,631	161,206,594
<b>Total financial liabilities</b>	<b>100,067</b>	<b>88,400,064</b>	<b>88,500,131</b>	<b>144,963</b>	<b>161,061,631</b>	<b>161,206,594</b>
<b><u>OTHER LIABILITIES</u></b>						
24. Liabilities from direct insurance activities	2,025,459	110,716,980	112,742,439	974,033	109,025,151	109,999,184
Liabilities from coinsurance and reinsurance activities	1,693	67,958,283	67,959,976	1,665	38,334,150	38,335,815
Other liabilities	31,363,056	126,378,871	157,741,927	44,038,033	111,096,931	155,134,964
<b>Total other liabilities</b>	<b>33,390,208</b>	<b>305,054,134</b>	<b>338,444,342</b>	<b>45,013,731</b>	<b>258,456,232</b>	<b>303,469,963</b>
<b><u>ACCRUED EXPENSES AND DEFERRED INCOME</u></b>						
25. Accrued expenses and deferred income	178,417	41,377,854	41,556,271	42,132,517	20,599,818	62,732,335
<b>Total accrued expenses and deferred income</b>	<b>178,417</b>	<b>41,377,854</b>	<b>41,556,271</b>	<b>42,132,517</b>	<b>20,599,818</b>	<b>62,732,335</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>2,168,267,652</b>	<b>6,883,843,176</b>	<b>9,052,110,828</b>	<b>2,187,678,244</b>	<b>6,816,397,094</b>	<b>9,004,075,338</b>
<b>OFF-BALANCE SHEET RECORDS</b>	<b>26. 0</b>	<b>734,133,072</b>	<b>734,133,072</b>	<b>0</b>	<b>704,570,820</b>	<b>704,570,820</b>

The notes set out on pages I to V form an integral part of these consolidated financial statements.

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of changes in equity in 2011**

Description	Distributable to the parent company owners					Total capital and reserve	Distributable to uncontrolled interest	Total capital and reserve
	Paid-in capital	Revaluation reserve	Reserves (legal, statutory, others)	Retained earnings	Profit of the current year			
<b>Balance at 31 December 2009</b>	<b>442,887,200</b>	<b>492,570,679</b>	<b>423,894,650</b>	<b>274,246,101</b>	<b>152,504,002</b>	<b>1,786,102,634</b>	<b>62,855,107</b>	<b>1,848,957,741</b>
Change in accounting policy	0	0	0	906,944	0	906,944	1,746,368	2,653,312
Correction of previous period errors	0	(7,526,061)		(6,134,196)	0	(13,660,257)	835,504	(12,824,753)
<b>Balance at 1 January 2010 (corrected)</b>	<b>442,887,200</b>	<b>485,044,618</b>	<b>423,894,652</b>	<b>269,018,849</b>	<b>152,504,002</b>	<b>1,773,349,321</b>	<b>65,436,979</b>	<b>1,838,786,300</b>
Payment of share in profit / dividends	0	0			(2,898,883)	(2,898,883)	(986,729)	(3,885,612)
Other transactions with owners	0	0	20,036,009	129,569,110	(149,605,119)	0	0	0
Unrealized gains from tangible assets	0	(3,244,589)	0	5,356,680	0	2,112,091	0	2,112,091
Unrealized gains / losses from assets available for sale	0	(7,746,521)	0	0	0	(7,746,521)	245,624	(7,500,897)
Realized gains / losses from assets available for sale	0	85,933,879	0	0	0	85,933,879	0	85,933,879
Other non-ownership changes in capital	0	785,008		(1,189,720)	0	(404,712)	552,911	148,199
Profit for the current period	0	0	0	0	84,949,765	84,949,765	3,349,219	88,298,984
<b>Balance at 31 December 2010</b>	<b>442,887,200</b>	<b>560,772,395</b>	<b>443,930,661</b>	<b>402,754,919</b>	<b>84,949,765</b>	<b>1,935,294,940</b>	<b>68,598,004</b>	<b>2,003,892,944</b>
Correction of previous period errors	0	74,365	0	(39,843)	0	34,523	0	34,523
<b>Balance at 1 January 2011 (corrected)</b>	<b>442,887,200</b>	<b>560,846,760</b>	<b>443,930,661</b>	<b>402,715,076</b>	<b>84,949,765</b>	<b>1,935,329,462</b>	<b>68,598,004</b>	<b>2,003,927,466</b>
Payment of share in profit / dividends	0	0	0	0	(28,663,820)	(28,663,820)	(2,101,173)	(30,764,993)
Other transactions with owners	0	0	12,536,118	43,749,827	(56,285,945)	0	0	0
Unrealized gains from tangible assets	0	2,320,408	0	6,835,588	0	9,155,996	8,144,811	17,300,807
Unrealized gains / losses from assets available for sale	0	(48,173,323)	0	0	0	(48,173,323)	(1,494,807)	(49,668,130)
Realized gains / losses from assets available for sale	0	(18,064,979)	0	0	0	(18,064,979)	0	(18,064,979)
Other non-ownership changes in capital	0	64,843	0	2,358,648	0	2,423,491	(346,494)	2,076,997
Profit for the current period	0	0	0	0	107,047,104	107,047,104	2,645,353	109,692,457
<b>Balance at 31 December 2011</b>	<b>442,887,200</b>	<b>496,993,709</b>	<b>456,466,779</b>	<b>455,659,139</b>	<b>107,047,104</b>	<b>1,959,053,931</b>	<b>75,445,694</b>	<b>2,034,499,625</b>

The notes set out on pages I to V form an integral part of these consolidated financial statements.

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of cash flows for 2011 - indirect method**

POSITION	2011	2010
	HRK	HRK
<b><u>Cash flows from operating activities</u></b>		
Profit/loss before taxation	158,277,012	119,049,621
Depreciation of property and equipment	78,610,696	92,593,942
Depreciation of intangible assets	6,452,213	5,466,381
Impairments and gains/losses from adjustment to fair value	56,114,022	83,072,151
Interest costs	482	0
Interest income	(229,499,066)	7,100,560
losses from sale of tangible assets (including land and buildings)	0	(16,754)
Share in the result of associated companies	(34,558,009)	0
Gains/Losses from sale of tangible assets	10,899,507	0
Other adjustments	<u>(118,291,400)</u>	<u>(23,201,194)</u>
<b>Cash flows before changes in operating assets and liabilities</b>	<b><u>(71,994,543)</u></b>	<b><u>284,064,707</u></b>
Decrease in investments available for sale	180,407,596	50,800,526
Increase in investments at fair value through P&L Account	(126,638,762)	(117,423,599)
Decrease in deposits, loans and receivables	239,387,663	15,148,840
Decrease / increase in investments for the account and on the risk of the life insurance policy holders	6,054,340	(47,302)
Increase in reinsurance portion in technical reserves	(65,682,532)	(19,556,515)
Decrease / increase in tax assets	5,415,323	(5,298,967)
Decrease in receivables	271,894,249	204,840,393
Decrease in other assets	0	3,274,980
Increase in prepayments and accrued income	(13,900,781)	(19,580,536)
Increase in technical provision	74,322,706	52,266,070
Decrease / increase in life insurance technical provision in the case when insurer bears investment risk	(6,054,340)	47,302
Increase / decrease in tax liabilities	5,461,139	(15,770,859)
Decrease in financial liabilities	(72,706,459)	(71,162,828)
Increase / decrease in other liabilities	37,581,832	(50,142,167)
Decrease in accrued expenses and deferred income	<u>(21,176,070)</u>	<u>(44,550,308)</u>
<b>Increase / decrease in operating assets and liabilities</b>	<b><u>514,365,904</u></b>	<b><u>(17,154,970)</u></b>
<b>Paid corporate income tax</b>	<b><u>(45,860,486)</u></b>	<b><u>(54,337,240)</u></b>
<b>Net cash flows from operating activities</b>	<b><u>396,510,875</u></b>	<b><u>212,572,497</u></b>
<b><u>Cash flows from investment activities</u></b>		
Receipts from sale of tangible assets	19,955,263	9,222,035
Expenditures for acquisition of tangible assets	(34,193,150)	(69,267,621)
Receipts for acquisition of intangible assets	0	237,804
Expenditures for acquisition of intangible assets	(2,027,176)	(8,903,911)
Receipts from sale of non-operational land and buildings	0	433,119
Expenditures for acquisition of non-operational land and buildings	(81,376,244)	(11,820,494)
Decrease/increase in investments in subsidiaries, associates and joint ventures	40,116,167	13,688,777
Receipts from investments held to maturity	109,012,553	80,271,090
Expenditures for investments held to maturity	(299,092,603)	(188,366,596)
Receipts from sale of securities and shares	1,314,422	0
Expenditures for investments in securities and shares	(1,288,898)	(8,086,626)
Receipts from dividends and shares in profit	2,787,773	1,982,736
Receipts on the basis of repayments of given short term and long term loans	323,751,179	6,271,979
Expenditures for the given short term and long term loans	<u>(320,824,217)</u>	<u>(3,939,423)</u>
<b>Net cash flows from investment activities</b>	<b><u>(241,864,931)</u></b>	<b><u>(178,277,131)</u></b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of cash flows for 2011 - indirect method**

POSITION	2011	2010
	HRK	HRK
<b><u>Cash flows from financial activities</u></b>		
Receipts from received short term and long term loans	31,596	203,347
Expenditures for the repayment of received short term and long term loans	(1,026,315)	(96,843,597)
Expenditures for payments of shares in profit (dividends)	<u>(33,844,798)</u>	<u>(2,898,883)</u>
<b><i>Net cash flows from financial activities</i></b>	<b><u>(34,839,517)</u></b>	<b><u>(99,539,133)</u></b>
NET CASH FLOWS	119,806,427	(65,243,767)
CASH EFFECTS FROM CHANGES IN FOREIGN EXCHANGE RATES	<u>(33,031,508)</u>	<u>812,500</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>86,774,919</u></b>	<b><u>(64,431,267)</u></b>
Cash and cash equivalents at the beginning of the period	303,928,686	368,359,953
Cash and cash equivalents at the end of the period	<u>390,703,605</u>	<u>303,928,686</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>86,774,919</u></b>	<b><u>(64,431,267)</u></b>

The notes set out on pages I to V form an integral part of these consolidated financial statements.



**CROATIA OSIGURANJE d.d., Zagreb**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2011**

**I GENERAL**

**1.1. Legal framework, activity and employees**

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

The Group's principal activity is life and general insurances.

The Group CROATIA OSIGURANJE includes the Parent company and subsidiaries as follows:

<b>Subsidiary</b>	<b>Activity</b>	<b>State</b>
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia
- Croatia mirovni dom d.o.o., Zagreb	Construction	Croatia
- Plančić d.o.o., Vrbanj	Viticulture	Croatia
Croatia Leasing d.o.o., Zagreb	Leasing	Croatia
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT tests	Croatia
- STP Pitomača, Pitomača	MOT tests	Croatia
Herz d.d., Požega	MOT tests	Croatia
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Pension fund amangement	Croatia
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance	Croatia
- Poliklinika Ars Medica, Pula	Health Services	Croatia
- Poliklinika Croatia zdravstveno osiguranje, Zagreb	Health Services	Croatia
PBZ Croatia osiguranje d.d., Zagreb	Pension fund amangement	Croatia
Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod	MOT tests	Croatia
Croatia Sigurimi sh.a., Prishtinë	Insurance	Kosovë
Milenijum osiguranje a.d., Beograd	Insurance	Serbia
Croatia osiguranje d.d., Ljubuški	Insurance	Bosnia and Herzegovina
- Crotehna d.o.o., Ljubuški	MOT tests	Bosnia and Herzegovina
- Croatia remont d.d., Čapljina	MOT tests	Bosnia and Herzegovina
- Croauto d.o.o., Mostar	MOT tests	Bosnia and Herzegovina
- Croatia Vitez d.o.o., Vitez	MOT tests	Bosnia and Herzegovina
- Hotel Hum d.o.o. , Ljubuški	Hotel and catering services	Bosnia and Herzegovina
- Ponte d.o.o., Mostar	Insurance representation	Bosnia and Herzegovina
Croatia osiguranje a.d., društvo za osiguranje života, Skopje	Insurance	Macedonia
Croatia osiguranje a.d. društvo za osiguranje neživota, Skopje	Insurance	Macedonia

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

<b>Professional qualification</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
Doctor, Master degree	86	51
University degree	1,168	1,136
Higher education	565	506
High school degree	1,888	2,028
Primary school	88	106
<b>Total</b>	<b>3,795</b>	<b>3,827</b>

## **1.2. Stock capital**

The stock capital of the Company amounts to HRK 442,887,200.00, and is divided into 316,348 shares with the individual nominal value of HRK 1,400.00. All shares are initial public offering shares and are marked as follows:

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

Each share, ordinary and preferred, relate to 1 (one) vote at the General Assembly. All shares are entirely paid, issued in non-material form, are free for transfer and are recorded in depository of the Central Depository and Clearing Company d.d.

Since 2004, Company's shares are quoted in first quotation of the Zagreb Stock exchange d.d., and from then started trading with the Company's shares as the first stock company in the Republic of Croatia in majority State ownership.

## **1.3. Company Bodies**

The governing bodies of the Company are General Assembly, Supervisory Board and Management Board.

### *Supervisory Board to 10 February 2011*

Ivan Šuker	President of the Supervisory Board
Prof.D.Sc. Andrija Hebrang	Vice president of the Supervisory Board
Miroslav Hrašćanec	Member of the Supervisory Board
Miljenko Boban	Member of the Supervisory Board
D.Sc. Gzim Redžepi	Member of the Supervisory Board
M. Sc. Stjepan Kožić	Member of the Supervisory Board

### *Supervisory Board from 10 February 2011*

Nikola Mijatović	President of the Supervisory Board
Nataša Duspara	Vice president of the Supervisory Board
Josip Zaher	Member of the Supervisory Board
Ante Obuljen	Member of the Supervisory Board
Dr. Gzim Redžepi	Member of the Supervisory Board
Miroslav Hrašćanec	Member of the Supervisory Board

### *Management Board*

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

The amount of compensation to members of the Management and the Supervisory Board of the Company is stated in Note 27 to the financial statements.

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

### **2.1. Statement of adjustment and basis of presentation**

Consolidated financial statements of the Company for 2011 are prepared in accordance with the Accounting Law (National gazette 109/07) and the International Financial Reporting Standards ("IFRS") (National gazette No 136/09, 8/10, 18/10, 27/10, 65/10, 120/10, 58/11, 140/11) issued by the Committee for Financial Reporting Standards nominated by Government of the Republic of Croatia, and in accordance with the Regulation on the structure and content of the financial statements for insurance and reinsurance companies (National gazette No 132/10).

Consolidated financial statements have been prepared by the application of basic accounting presumption of the business event inception upon which the effects of operations are recognized when arisen and are shown in the consolidated financial statements for the period to which they relate and with the basic accounting assumption that going concern concept is applied.

### **2.2. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the financial statements of enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

All significant intercompany transactions and balances between Group's enterprises are eliminated on consolidation.

### **2.3. Key estimates and uncertainty of estimates**

Certain estimates are used during preparation of the consolidated financial statements which have inflow to the statement of property and liabilities of the Group, income and expenses of the Group and the disclosure of potential liabilities of the Group.

Future events and their inflows could not be predicted with certainty and, following to this, the real results may differ from the estimated. Estimates utilized during preparation of the consolidated financial statements are subject to changes by the occurrence of new events, by gathering of additional experience, obtaining of additional information and comprehensions and by a change of environment in which the Group operates.

Key estimates used by the application of accounting policies during preparation of the consolidated financial statements relate to depreciation count of long-term intangible and tangible property, value decrease of property, value provision of receivables and provisions and the disclosure of potential liabilities.

### **2.4. Reporting currency**

The consolidated financial statements of the Company are prepared in Croatian kuna as a measuring and reporting currency of the Company. The exchange rate applied at 31 December 2011 was EUR 1 = HRK 7.530420 (At 31 December 2010: EUR 1 = HRK 7.385173).

### **III SUMMARY OF ACCOUNTING POLICIES**

Summary of accounting policies applied for preparation of the consolidated financial statements is set below. Policies are consistently applied to all the years presented, unless otherwise indicated.

#### **3.1. Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board that makes strategic decisions. As at 31 December 2011 Management Board consist: Zdravko Zrinušić - president, and Silvana Ivančić - member.

#### **3.2. Foreign currency**

Transactions in foreign currencies are translated into HRK (Croatian Kuna) at the exchange rate ruling at the date of the transaction. Croatian Kuna is the currency of the Company and therefore consolidated financial statements are presented in that currency.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to HRK at the foreign exchange rate ruling at that date. All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Foreign exchange differences arising from translation of net assets at the initial start rate and the results of international activities at the real exchange rate are recognized in other comprehensive profit and accumulated in the foreign exchange reserves.

#### **3.3. Written gross premiums**

/i/ Written gross premiums represent main operating income and consist written general and life insurance premiums.

/ii/ Written gross general insurance premiums include all premium amounts, agreed (written) in current accounting period, on the period of most one year, irrespective if those amount relate in full or partially on the afterward accounting period.

/iii/ Written gross life insurance premiums include all premium amounts collected by the end of the accounting period.

### **3.4. Investment income and expenses**

/i/ Investment income includes income realized from the participating interests (dividends, profit shares, book entries - value increase), income from investments in land and buildings, income from interest, unrealized gains from investments at fair value through the profit and loss account, gains from sale of investment (realization), net foreign exchange gains and other income from investments.

Income from investments in land and buildings consists of income from increase in value of land and buildings, income from sale of land and buildings, rental income and other income related to investments in land and buildings. Income from rent of land and buildings and other operative leases is recognized in the income statement by the linear method during the whole period of lease.

Interest income is recognized in the income statement when accrued, taking into consideration the effective return on adequate assets. Interest on monetary assets at fair value through the profit and loss is calculated at the voucher interest rate and is presented within interest income. Income from dividends is recognized in the income statement at the date when dividends are voted. The accounting policy related to the recognition of financial income is described in Note 3.9 "Financial assets".

/ii/ Investment costs include interest expenses, expenses for adjustment (decrease) of investment value, losses from sale of investments (realization), net foreign exchange losses and other investment expenses.

### **3.5. Insured events costs**

Insured events costs include all liquidated claim amounts in the accounting period, regardless in which period the claims occurred, less reinsurance portion in claims, collected recourse claims, sold and saved parts, increased by claim reserves at the end of the accounting period and decreased by claim reserves at the beginning of the accounting period.

Gross liquidated claim amounts, except net liquidated claims, including expenses related to the claim liquidation (evaluations, lawyer services and similar), repurchases and expenses under recourse claims, and decreased for collected recourse claims, and sold and saved parts.

### **3.6. Operating costs**

Operating expenditures include costs of acquisition of insurance policies and management costs. Acquisition costs include all direct costs resulting from the conclusion of insurance contracts such as costs of agents, commissions and promotion.

Commission costs are recognized as they arise pursuant to the principle of the accounting period.

Management costs include expenses resulting from the collection of insurance premiums, portfolio management, expenses for employees and other tangible and intangible costs.

### **3.7. Intangible and tangible assets and property investments**

Long-term intangible and tangible assets are initially reported under the acquisition costs that include the purchase price, including import fees and non-refundable taxes after deduction of commercial discounts and rebates as well as all other costs that can be directly attributed to the setting of assets in the place and working condition for the intended use.

Long-term intangible and tangible assets are recognized if it is likely that future economic benefits that can be attributed to the assets will inflow to the Group, if the costs can be reliably determined, and if individual purchase value of the assets doesn't exceed HRK 3,500.

After the initial recognition the assets are stated at cost reduced by the accumulated depreciation and accumulated impairment losses.

After the initial recognition land and buildings are stated at revaluated amount consisting of its fair value at the date of revaluation reduced by subsequently accumulated depreciation and accumulated impairment losses. The increase in the value of assets due to the revaluation is credited directly to the capital as revaluation reserve. The revaluation is performed regularly in a way that the carrying amount does not differ significantly from the one that would come out by determination of fair value at the balance sheet date.

Costs of current maintenance and repairs, replacement and investment maintenance in a small scope are recognized as the expenditures of the period in which they occur. In situations where it is clear that the costs resulted in the increase of future expected economic benefits that should be realized through the use of assets, above their originally assessed capabilities, they are capitalized i.e. they are included in the carrying value of that asset. Gains and losses from disposal or sale of assets are stated in the income statement in the period in which they occur.

Depreciation of assets begins when the assets are ready for use i.e. when they are in the place and in a condition necessary for use. Depreciation of assets ends upon its classification as assets available for sale. Depreciation is calculated by deducting purchase value of each individual asset, except land and long-term tangible and intangible assets under construction, on a straight-line basis over the estimated useful life of the assets by the following rates:

Description	Depreciation rate (from - to %)
Concessions, patents, licences, software, etc.	25
Other intangible assets	25
Buildings	2.5
Furniture and equipment	10 - 25
Computer equipment	33.33
Transport vehicles	20

Investments in non-operational properties (land, buildings) owned by the Group or under financial lease are kept in order for the Group to gain income from the lease or/and due to increase of market value of the assets, and they are stated at fair value through profit and loss account or at acquisition cost.

### **3.8. Investments in associated companies**

Associated companies are companies in which the Company has a significant influence but not a control over adoption and execution of financial and business policies.

Investments in associated companies are set out by the cost method.

### **3.9. Financial assets**

#### **/i/ Financial assets at fair value through profit and loss account**

Financial instruments included in this portfolio are financial instruments kept for trade, and they were bought for the purpose of gaining profit from the short-term price fluctuations or broker's commission or the securities are included in the portfolio in which there is a pattern for the realization of short-term profit.

In consistence with the investment policy of the Group each financial instrument may be classified as assets set out at fair value through the profit and loss account, with the exception of investments in equity instruments that do not have a listed price on an active market and whose fair value cannot be reliably measured.

These instruments are initially set out under procurement costs, and later on they are measured again at fair value that is based on listed purchase prices on active market.

All related realized and unrealized profits and losses are included in investment income / costs. Earned interest that accrued while these instruments were kept is set out as interest income.

All purchases and sales of instruments being kept for trade are recognized at the date the trade was made, and that is the date when the Group undertakes to buy or sell assets.

Transactions not being recognized at the date the trade was made are accounted as financial derivatives.

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

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

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

Loans and receivables are set out reduced by provisions for impairment losses. Provisions for the impairment losses are determined if there is an objective evidence that the Group will not be able to collect all receivables upon maturity date. Provisions for identified losses are 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 anymore 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 provisions are diminished through the profit and loss account.

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

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

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

Financial instruments included in the assets available for sale consist of debt and equity securities. These instruments are initially recognized according to the investment expenses, and after the initial recognition they are set out at fair value based on listed prices and amounts derived from the models of cash flows. In cases when listed market prices are not available, fair value of debt securities is estimated by applying current value of future financial flows, and fair value of unlisted equity instruments is estimated by applying 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 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 change in fair value up to the moment of sale of instrument. Foreign exchange rate differences under debt instruments in foreign means of payment classified as available for sale are set out in the profit and loss account.

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

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

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



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

### **3.10. Receivables**

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

Receivables under the general 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 3.3. - "Gross written premiums".

/ii/ Receivables for invoiced but uncollected premium are reported at nominal value, and for doubtful and uncollectable claims 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 impairment can be decreased by those receivables under which a liability for the claim indemnification to the debtor (claim 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 the 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. The established value adjustment may be decreased for those recourse receivables upon which collection is certain.

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

### **3.11. Impairment losses**

At each balance sheet date the Group checks the book values of its assets in order to establish whether there are any indications of the occurrence of losses due to impairment in the value of assets. If such indications are present, the recoverable amount of assets is estimated so that a possible loss due to impairment might 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.

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

For the cash flow reporting purposes, cash cash equivalents flow include implicitly cash at bank and in hand as well as received cheques and bills of exchange. Deposits with the maturity period under 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.

### **3.13. Corporate income tax**

Corporate income 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.

### **3.14. Capital and reserves**

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

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

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

/iii/ Allocations for statutory reserves, legal reserves, other reserves and retained earnings were determined by the decisions of the General Assembly of the Company and subsidiary companies.

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

### **3.15. Technical provisions**

Technical provisions set out in the financial statements refer to the unearned premiums, life insurance mathematical provisions, provisions for claims, provisions for premium returns dependent and independent of the result (bonuses, rebates), and other insurance-technical provisions, and they are formed pursuant to law regulations. All technical provisions were rated favourably by the appointed certified actuary of the Company.

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

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

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

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

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

#### **/iii/ Claims provisions**

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

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

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

#### **/iv/ Provisions for premium returns, dependent and independent of the result (bonuses and discounts)**

Reserves for bonuses and discounts are formed in the amount of the payment for which policyholders are entitled to based on their right to: participate in the profit from their insurance, or other rights under the contract; future partial reduction in premiums, return of part of premium for the unused insurance period due to early insurance termination.

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

The Group forms the other insurance technical provision for anticipated future obligations and risks of large losses resulting from manufacturers' liability for pharmaceutical products and the risk of earthquakes. The Group has also established a provision for unexpired risks arising from credit insurances where it is expected that damage which would probably occur after the financial year, for contracts concluded before that date, would exceed unearned premium.

**3.16. Technical life insurance provisions when the insurer bears the investment risk**

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

**3.17. 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.

**3.18. 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.

**3.19. Provisions**

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

Provisions are 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).

Provisions 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 equaling the interest rate on state bonds.

**3.20. Contingent liabilities and assets**

Contingent liabilities are not recognized in the consolidated financial statements, but are only set out in notes to the financial statements.

Contingent assets are not recognized in the consolidated financial statements, but are recognized at that moment when an inflow of economic benefits becomes probable.

**3.21. Events after the Balance sheet date**

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

**3.22. 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.

### **3.23. Classification of contracts**

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

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

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

### **3.24. Concentration of insurance risk**

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

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

### **3.25. Insurance risk management**

The Group is exposed to the actuarial risk and the sales risk resulting from a wide offer of life and general insurance products: participating traditional life products, policies linked to stakes and all classes of general 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 provisions in relation to the liabilities under insurance and capital stock.

The premium risk is present at the moment 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 provisions risk represents a risk that the absolute level of technical provisions is wrongly assessed or that actual losses will vary around statistical medium value.

General sales risk includes also the disaster risk that arises from extraordinary events that are not covered by the premium risk or provision risk in sufficient degree.

Life insurance sales risk includes biometrical risk (that includes mortality, longevity, ailment risk and disability) and the risk of withdrawal. The risk of withdrawal represents a higher or lower rate of withdrawing from policies, breaks, changes in capitalization (suspension of premium payment) and repurchase.

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

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

#### **/i/ General insurance**

At the balance sheet date provisions 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 provisions are regularly updated with new information.

The assessment of provisions for incurred but not reported (IBNR) losses is generally subject to a higher level of uncertainty than the provisions for reported losses. The IBNR provision is assessed by actuaries of the Group applying statistical and actuarial methods. The method used depends on the year of the accident under consideration, the type of insurance and the historical development of the observed damage. To the extent to which these methods use historical loss development it is assumed that the historical pattern of loss development will repeat itself in the future as well. There are reasons why this might not be the case, which are taken into consideration to the extent to which they can be established and in a way that the methods of estimate are modified.

Such reasons include:

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

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

The assumptions that have the major influence on the measurement of the amount of provisions for the general insurance are as follows:

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- Residual factor of loss development

For the backlog of claims the level of provisions 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 reserves for liability claim insurance that are paid in annuities, general reserves are not discounted.

**/ii/ Life insurance**

Mathematical provisions are calculated by net prospective method using rational actuarial assumptions. The guaranteed technical interest rate in insurance policies ranges from 2.75 - 6% depending on the price list.

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

**3.27. Main sources of uncertainty related to assessments**

**/i/ Loans and receivables impairment losses**

The need for impairment of assets under the amortized costs is evaluated as described in Note 3.9./ii/. The impairment for particular exposures in total losses from the value decrease 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 evaluate 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 establishing provisions**

The most significant estimates related to the consolidated financial statements of the Group refer to establishing provisions. The Group has a conservative approach to forming provisions and it applies regulations of the Croatian Financial Services Supervisory Agency. The Group employs certified actuaries. The Management Board regards the present level of technical provisions 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 provisions is sufficient.

**/v/ Corporate income tax**

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

**/vi/ Regulatory requirements**

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

**/vii/ Mutual liabilities**

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

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

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

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

**/ii/ Classification of products**

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

**/iii/ Classification of properties**

The Group classifies all non-operational properties, kept for renting as investments properties.

**/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 Group's Management Board believes that the applied depreciation rates reflect useful life of tangible and intangible assets.

**3.29. Financial risk management**

The basic goal of the Group while managing financial and insurance risks is to keep the capital level adequate to the scope and insurance classes it transacts and also with reference to the risks to which it is exposed. The Management Board recognizes the significance of existence of an efficacious and effective system of risk management. The Group is currently at the stage of introducing centralized system of risk management.



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Legal bodies control the solvency of the Group in order to ensure the cover for the liabilities deriving from possible economic changes or natural disasters.

The Group actively manages the assets using the approach that creates a balance among the quality, diversification, coordination of assets and liabilities, solvency and return on investments. The Management examine and approve target portfolios on a periodical basis, determine investment directives and limits and supervise the process of managing assets and liabilities. Due attention is also paid to the compliance with the regulations defined by the Insurance Act.

,In the transactions of financial instruments the Group undertakes financial risks. These risks include market risk, loan risk and solvency risk. Each of these risks is described further in the text, together with the summary of the ways the Group manages that risk.

### **Market risk**

Market risk is the risk of fluctuation of fair value of the future cash flows under financial instruments due to changes in market prices.

The market risk includes three types or risk: currency risk, interest risk and other price risks.

- a) Currency risk - fluctuation risk of fair value or cash flows under financial instruments due to changes in the exchange rates of foreign currencies. The Group is exposed to the risk of change in the exchange rate through the transactions in foreign currencies. This is the risk that the value of a financial instrument might change due to the changes in the exchange rates of foreign currencies.

The Group is exposed to the currency risk through loan, deposit and investment activities, as well as through the premium income, calculation of related technical provisions and claims payment 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) Interest risk - fluctuation risk of fair value or cash flows under financial instruments due to changes in the market interest rates.

The exposure of the Group to the market risk of changes in interest rates is concentrated in the investment portfolio. The Group's business is subject to the risk of a change in interest rates in the sense that the interest-bearing assets and liabilities mature or the interest is changed in various periods or in various amounts. The Group is also exposed to the risk of changes in the future cash flows deriving from the changes in the market interest rates. However, this risk is limited since most interest-bearing assets of the Group at the balance sheet date bear fixed interest rates.

Changes in interest rates do not affect the level of provision from the general insurance business, except for the annuity payments for the liability claims which are not significant at the balance sheet date. The rate used in the calculation of the mathematical provision reflects to a certain extent the expected trends in the interest returns over a longer period of time.

The Group monitors this exposure through occasional inspections of the position of its assets and liabilities. A general goal is to limit net changes in the value of assets and liabilities arising from changes in interest rates.

The Group endeavours to adjust future receipts from these assets to the liabilities from insurance through the purchases of state bonds. However, considering a relatively short period of life of such bonds and a longer period of life of liabilities under life insurance and the incapability of the Group to buy the interest “swap” in Croatia, the Group is exposed to the interest rate risk.

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

The portfolio of marketable equity securities that is presented at its fair value in the balance sheet makes the Group subject to the price risk. The price risk is the risk that the value of a financial instrument might change as a result of changes in market prices, no matter whether the changes emerged as a result of factors specific for a certain paper or its issuer or factors affecting all instruments being traded on the market.

The goal of the Group is to earn competitive returns in a way that it invests in a diversified portfolio of securities. The characteristics of the portfolio are regularly analyzed. The portfolio of the Group contains securities of various issuers, and the concentration of any single firm or company is limited through the parameters defined by senior management as well as through legal requirements.

### **Credit risk**

Credit risk is the risk that one agreement party of the financial instrument might cause losses for the other party due to non-fulfilment of obligations.

The portfolio of the Group that includes securities with fixed returns, mortgage loans, and to lower extent short-term and other investments is subject to the loan risk. This risk is defined as a potential decline in market value as a result of unfavourable changes in the capability of a debtor to pay off a debt.

The Management determined the loan policy and they continually monitor the exposure to the loan risk. Evaluations of loan capacity are made for all insurers and the collateral is gathered before payments are made under granted loans or their prolongation. The collateral is in conformity with the valid Insurance Act.

At the balance sheet date the Group had a significant concentration of receivables from the Republic of Croatia in bonds and treasury bills.

### **Liquidity risk**

Liquidity risk is the risk that a sudden and unexpected increase in withdrawal of liabilities might require from the Group disposing of the assets in a short-term at low price.

The liquidity risk arises as a result of financial activities of the Group and management of positions. This risk includes the risk of incapability to finance assets within the appropriate time and interest as well as the risk of incapability to dispose of assets at reasonable price and within the appropriate time period. The Group has a portfolio of liquid assets as a part of liquidity risk management strategy, by which it ensures continued business operations and meets legal requirements.

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The position of the Group's liquidity is good and all legal requirements for the payment of claims in the course of the year were met.

**Strategic risk**

During 2011, the Group realized income from investments in the amount of HRK 443,908,509 in relation to 2010 when the Company realized total income amounted to HRK 348,991,432. The most significant income increase was recorded from property investments for the amount of HRK 62,871,742 and other income from investments in the amount of HRK 53,086,909 mostly due to income from collected loans, value decreased in previous years as well as income from rent of MOT test stations.

Income from subsidiaries, associated companies and joint ventures and the interest income are kept approximately at the same level.

Description	2011	Increase/	2010
	Total	Decrease	Total
	HRK	%	HRK
Income from investments in land and buildings	62,871,742	413.46%	12,244,604
Interest income	269,393,462	(8.36%)	293,968,361
Unrealized gains from investments at fair value through profit and loss account	11,386,939	7.51%	10,591,979
Gains from sale / realization of financial investments	10,468,500	(3.48%)	10,845,506
Net foreign exchange gains	36,700,956	56.92%	23,388,366
Other investment income	53,086,909		(2,047,383)
<b>Total</b>	<b>443,908,509</b>	<b>27.20</b>	<b>348,991,432</b>

As the most important income from investments the Group realizes from investments in properties and investments in deposits and loans (interest income), it is expected that in the conditions of decrease of active banking interest rates, business banks will make additional pressure to the decrease of passive and due to the leading role of business banks, the Group will lose on both sides, through a lower interest realized on deposits and through a lower interest which will realize on loans.

Also, due to finalization of process of longtime value increase of immovables and shares, we believe that in the future accounting period due to changed market conditions the Group will more heavily realize income from investments which were recorded in history. Thus, the Group is in the procedure of changing strategy of investments and finding out the mode that through increased activities on the insurance market in the region to strengthen its influence, volume of activities and profitability of operations. Beside the influence in region, it is indispensable to the Group to increase the portions at domestic insurance market. Creating a profitable growth, the Group, through the new products will change the policy of investments by introduction of pro-active approach to potential clients.

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### 3.30. Consolidation

#### Subsidiaries:

The Group	At 31 December 2011		At 31 December 2010	
	Ownership portion (in %)	Portion in voting rights (in %)	Ownership portion (in %)	Portion in voting rights (in %)
<b>Consolidated subsidiaries in the Republic of Croatia:</b>				
Croatia Lloyd d.d., Zagreb	94.64	94.64	94.64	94.64
- Croatia mirovni dom d.o.o., Zagreb	100.00	100.00	100.00	100.00
- Plančić d.o.o., Vrbanj	51.00	51.00	51.00	51.00
Croatia Leasing d.o.o., Zagreb	100.00	100.00	100.00	100.00
Croatia-Tehnički pregledi d.o.o., Zagreb	100.00	100.00	100.00	100.00
- STP Pitomača, Pitomača	100.00	100.00	100.00	100.00
Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod	76.00	76.00	76.00	76.00
Herz d.d., Požega	100.00	100.00	100.00	100.00
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	100.00	100.00	100.00	100.00
Croatia zdravstveno osiguranje d.d., Zagreb	100.00	100.00	100.00	100.00
- Poliklinika Ars Medica, Pula	74.00	74.00	74.00	74.00
- Poliklinika Croatia zdravstveno osiguranje, Zagreb	100.00	100.00	100.00	100.00
PBZ Croatia osiguranje d.d., Zagreb	50.00	50.00	50.00	50.00
<b>Consolidated subsidiaries abroad:</b>				
Milenijum osiguranje a.d., Belgrade	99.78	99.78	99.78	99.78
Croatia Sigurimi sh.a., Prishtinë	100.00	100.00	100.00	100.00
Croatia osiguranje d.d., Ljubuški	52.05	52.05	52.05	52.05
- Crotehna d.o.o., Ljubuški	100.00	100.00	100.00	100.00
- Croatia remont d.d., Čapljina	69.79	69.79	69.79	69.79
- Croauto d.o.o., Mostar	66.80	66.80	66.80	66.80
- Croatia Vitez d.o.o., Vitez	90.00	90.00	90.00	90.00
Hotel Hum d.o.o., Ljubuški	80.00	80.00	80.00	80.00
- Ponte d.o.o., Mostar	100.00	100.00	0	0
Croatia osiguranje d.d., društvo za osiguranje neživota, Skopje	100.00	100.00	100.00	100.00
Croatia osiguranje d.d., društvo za osiguranje života, Skopje	92.5	92.50	92.5	92.50

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**NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**

**5. TOTAL INCOME**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Earned premiums	387,557,064	2,454,094,271	2,841,651,335	385,810,559	2,580,804,201	2,966,614,760
Investment income	114,862,517	124,058,577	238,921,094	98,592,278	74,357,187	172,949,465
Income from fees and commissions	69,101	44,660,305	44,729,406	90,042	45,903,228	45,993,270
Other insurance-technical income, net from reinsurance	108,336	20,825,011	20,933,347	728,107	39,647,332	40,375,439
Other income	1,361,321	213,761,067	215,122,388	1,832,993	244,744,866	246,577,859
<b>TOTAL</b>	<b>503,958,339</b>	<b>2,857,399,231</b>	<b>3,361,357,570</b>	<b>487,053,979</b>	<b>2,985,456,814</b>	<b>3,472,510,793</b>

Review of total Group's income by segments:

Description	2011	2010
	HRK	HRK
Income from insurance activities	3,181,168,365	3,278,008,362
Income from financial and operating lease	34,076,995	67,966,195
Income from pension fund management	34,918,686	32,021,614
Income from MOT tests	81,749,216	67,872,024
Income from other activities	29,444,308	26,642,598
<b>Total</b>	<b>3,361,357,570</b>	<b>3,472,510,793</b>

**5.1. Earned premiums**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Written gross premium</b>						
Insurance premium - gross	387,803,438	2,851,750,030	3,239,553,468	385,704,710	2,911,414,493	3,297,119,203
Coinsurance premium	0	1,024,374	1,024,374	0	556,583	556,583
Impairment and collected written-off premium	0	(69,013,259)	(69,013,259)	0	(52,405,459)	(52,405,459)
<b>Total</b>	<b>387,803,438</b>	<b>2,783,761,145</b>	<b>3,171,564,583</b>	<b>385,704,710</b>	<b>2,859,565,617</b>	<b>3,245,270,327</b>
<b>Outward reinsurance</b>						
Reinsurance premium abroad	(319,731)	(328,188,741)	(328,508,472)	(6,859)	(352,894,530)	(352,901,389)
<b>Total</b>	<b>(319,731)</b>	<b>(328,188,741)</b>	<b>(328,508,472)</b>	<b>(6,859)</b>	<b>(352,894,530)</b>	<b>(352,901,389)</b>
<b>Outward coinsurance</b>						
Outward coinsurance	0	(3,744,946)	(3,744,946)	0	(5,383,364)	(5,383,364)
<b>Total</b>	<b>0</b>	<b>(3,744,946)</b>	<b>(3,744,946)</b>	<b>0</b>	<b>(5,383,364)</b>	<b>(5,383,364)</b>
<b>Changes in unearned premium reserves</b>						
Unearned premium gross provision	73,219	6,876,013	6,949,232	112,708	74,099,692	74,212,400
Unearned premium provision, reinsurance portion	138	(4,609,200)	(4,609,062)	0	4,342,854	4,342,854
Unearned premium provision, coinsurance portion	0	0	0	0	1,073,932	1,073,932
<b>Total</b>	<b>73,357</b>	<b>2,266,813</b>	<b>2,340,170</b>	<b>112,708</b>	<b>79,516,478</b>	<b>79,629,186</b>
<b>TOTAL</b>	<b>387,557,064</b>	<b>2,454,094,271</b>	<b>2,841,651,335</b>	<b>385,810,559</b>	<b>2,580,804,201</b>	<b>2,966,614,760</b>

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**5.2. Net investment income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from investments in land and buildings	4,566	35,042,166	35,046,732	4,474	(20,742,588)	(20,738,114)
Interest income	108,735,174	160,644,749	269,379,923	120,256,973	173,218,528	293,475,501
Value impairment of investments	(12,043,534)	(58,043,082)	(70,086,616)	(16,717,358)	(20,330,656)	(37,048,014)
Unrealized gains / losses from investments at fair value through profit and loss account	(2,595,080)	877,154	(1,717,926)	3,172,402	6,581,962	9,754,364
Gains / losses from sale (realization) of financial investments	1,294,343	(14,765,749)	(13,471,406)	(10,283,995)	(31,520,242)	(41,804,237)
Net foreign exchange gains	19,753,250	16,947,707	36,700,957	11,058,585	12,329,780	23,388,365
Other investment income/costs	(286,202)	(16,644,368)	(16,930,570)	(8,898,803)	(45,179,597)	(54,078,399)
<b>TOTAL</b>	<b>114,862,517</b>	<b>124,058,577</b>	<b>238,921,094</b>	<b>98,592,278</b>	<b>74,357,187</b>	<b>172,949,466</b>

**/i/ Income/expenses from investments in land and buildings**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income/expenses from value increase/decrease	0	27,926,772	27,926,772	0	(27,845,648)	(27,845,648)
Rental income	4,566	7,096,002	7,100,568	4,474	6,669,941	6,674,415
Income from sale	0	19,392	19,392	0	433,119	433,119
<b>TOTAL</b>	<b>4,566</b>	<b>35,042,166</b>	<b>35,046,732</b>	<b>4,474</b>	<b>(20,742,588)</b>	<b>(20,738,114)</b>

**/ii/ Interest income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Interest on investments held to maturity	75,841,840	43,983,876	119,825,716	86,410,188	50,400,040	136,810,228
Interest on Investments at fair value through P&L account	4,143,590	4,624,383	8,767,973	63,881	276,692	340,573
Interest on given deposits	24,022,340	51,413,889	75,436,229	28,719,013	53,324,822	82,043,835
Interest on given loans and other placements	4,739,591	60,623,953	65,363,544	5,079,942	69,693,782	74,773,724
Others	(12,187)	(1,352)	(13,539)	(16,051)	(476,808)	(492,859)
<b>TOTAL</b>	<b>108,735,174</b>	<b>160,644,749</b>	<b>269,379,923</b>	<b>120,256,973</b>	<b>173,218,528</b>	<b>293,475,501</b>

**/iii/ Impairment of investments**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment available for sale	(12,043,534)	(30,669,460)	(42,712,994)	(16,717,358)	(20,330,656)	(37,048,014)
Deposits	0	(25,890,421)	(25,890,421)	0	0	0
Others	0	(1,483,201)	(1,483,201)	0	0	0
<b>TOTAL</b>	<b>(12,043,534)</b>	<b>(58,043,082)</b>	<b>(70,086,616)</b>	<b>(16,717,358)</b>	<b>(20,330,656)</b>	<b>(37,048,014)</b>

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**/iv/ Net gains/losses from sale (realization) of financial investments**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment available for sale	(2,546,242)	(21,220,316)	(23,766,558)	(13,649,803)	(37,159,082)	(50,808,885)
Investments at fair value through P&L account	3,052,031	4,812,086	7,864,117	3,187,829	5,516,247	8,704,076
Investments held to maturity	0	1,698,556	1,698,556	(4,038)	0	(4,038)
Other investments	788,554	(56,075)	732,479	182,017	122,593	304,610
<b>TOTAL</b>	<b>1,294,343</b>	<b>(14,765,749)</b>	<b>(13,471,406)</b>	<b>(10,283,995)</b>	<b>(31,520,242)</b>	<b>(41,804,237)</b>

**/v/ Net foreign exchange gains**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment held to maturity	17,949,160	7,971,233	25,920,393	10,810,815	4,910,118	15,720,933
Investment available for sale	0	2,109,351	2,109,351	0	4,798,547	4,798,547
Investments at fair value through P&L account	1,437,561	1,094,916	2,532,477	254,018	42,817	296,835
Deposits	211,711	(444,158)	(232,447)	8,534	520,306	528,840
Loans	219,728	3,796,545	4,016,273	3,429	2,057,600	2,061,029
Foreign currency accounts	0	1,413,193	1,413,193	(18,271)	926,958	908,687
Other	(64,910)	1,006,627	941,717	60	(926,566)	(926,506)
<b>TOTAL</b>	<b>19,753,250</b>	<b>16,947,707</b>	<b>36,700,957</b>	<b>11,058,585</b>	<b>12,329,780</b>	<b>23,388,365</b>

**/vi/ Other investment income/expenses**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Dividend income	0	799,423	799,423	1,483,480	3,269,500	4,752,980
Collected impaired and write-off receivables	142,720	42,997,609	43,140,329	0	6,165,940	6,165,940
Decrease in value of given loans	0	(55,375,156)	(55,375,156)	(1,662,266)	(28,291,289)	(29,953,555)
Value impairment of receivables for interest	0	(7,885,875)	(7,885,875)	0	(10,595,694)	(10,595,694)
Payment - traffic costs	(488,589)	(3,236,004)	(3,724,593)	(442,905)	(3,524,954)	(3,967,859)
Other income / costs	59,667	6,055,635	6,115,302	(8,277,112)	(12,203,100)	(20,480,212)
<b>TOTAL</b>	<b>(286,202)</b>	<b>(16,644,368)</b>	<b>(16,930,570)</b>	<b>(8,898,803)</b>	<b>(45,179,597)</b>	<b>(54,078,400)</b>

**5.3. Other income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from fees and commissions	69,101	44,660,305	44,729,406	90,042	45,903,228	45,993,270
Other insurance-technical income, net from reinsurance	108,336	20,825,011	20,933,347	728,107	39,647,332	40,375,439
Other income	1,361,321	213,761,067	215,122,388	1,832,993	244,744,866	246,577,859
<b>Total other income</b>	<b>1,538,758</b>	<b>279,246,383</b>	<b>280,785,141</b>	<b>2,651,142</b>	<b>330,295,426</b>	<b>332,946,568</b>

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/i/ Income from fees and commissions

Income from fees and commissions in the amount of HRK 44,729,406 (2010: in the amount of HRK 45,993,270) relate to commissions from reinsurance companies according to reinsurance agreements.

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

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from Guarantee fund	0	9,099,099	9,099,099	0	25,683,496	25,683,496
Income from international claims	0	5,177,374	5,177,374	0	3,354,637	3,354,637
Income from interest on premium	71,951	3,244,857	3,316,808	0	0	0
Income from border insurance fees	0	437,210	437,210	0	550,111	550,111
Income from recourse receivables	0	(6,505,939)	(6,505,939)	0	(5,077,527)	(5,077,527)
Other income	36,385	9,372,410	9,408,795	728,107	15,136,615	15,864,722
<b>TOTAL</b>	<b>108,336</b>	<b>20,825,011</b>	<b>20,933,347</b>	<b>728,107</b>	<b>39,647,332</b>	<b>40,375,439</b>

/iii/ Other income

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from insurance activities	1,361,321	33,571,861	34,933,182	1,832,993	50,242,435	52,075,428
Income from non-insurance activities	0	180,189,206	180,189,206	0	194,502,431	194,502,431
<b>TOTAL</b>	<b>1,361,321</b>	<b>213,761,067</b>	<b>215,122,388</b>	<b>1,832,993</b>	<b>244,744,866</b>	<b>246,577,859</b>

Income from insurance activities

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from reversal of long-term provisions	1,150,000	9,806,276	10,956,276	861,390	4,510,982	5,372,372
Income from service assessments	0	9,750,538	9,750,538	2,800	11,672,122	11,674,922
Income from collected insurance claims	1,600	2,853,988	2,855,588	0	2,963,296	2,963,296
Collected write-off receivables	0	1,529,742	1,529,742	0	5,289,371	5,289,371
Income from sale of tangible assets	6,073	1,472,109	1,478,182	0	77,585	77,585
Income from previous years	0	1,089,758	1,089,758	0	0	0
Income from subventions and refunds	0	25,728	25,728	0	271,023	271,023
Income from MOT test stations	0	0	0	0	13,436,801	13,436,801
Other income	203,648	7,043,722	7,247,370	968,803	12,021,255	12,990,058
<b>Total</b>	<b>1,361,321</b>	<b>33,571,861</b>	<b>34,933,182</b>	<b>1,832,993</b>	<b>50,242,435</b>	<b>52,075,428</b>



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Income from non-insurance activities

Description	2011	2010
	HRK	HRK
Income from financial and operating lease	34,076,995	67,966,195
Income from pension fund management	34,918,686	32,021,614
Income from MOT tests	81,749,216	67,872,024
Income from other activities	29,444,309	26,642,598
<b>TOTAL</b>	<b>180,189,206</b>	<b>194,502,431</b>

**6. TOTAL EXPENSES**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insured event costs, net	323,768,560	1,403,695,469	1,727,464,029	229,929,004	1,549,705,854	1,779,634,858
Change in other technical provisions, net of reinsurance	64,996,943	10,670,000	75,666,943	136,507,486	13,847,225	150,354,711
Change in life insurance technical provisions when insurer bears risk	(4,700,768)	0	(4,700,768)	(1,918,336)	0	(1,918,336)
Cost for premium returns (bonuses and discounts), net from reinsurance	0	466,213	466,213	0	(3,614,102)	(3,614,102)
Net operating expenses	108,883,777	1,040,417,397	1,149,301,174	113,880,673	1,022,477,203	1,136,357,876
Other technical expenses, net of reinsurance	190,956	84,668,049	84,859,005	305,749	82,178,583	82,484,332
Other expenses, including value adjustments	1,142,463	168,881,499	170,023,962	60,845	210,100,988	210,161,833
<b>TOTAL</b>	<b>494,281,931</b>	<b>2,708,798,627</b>	<b>3,203,080,558</b>	<b>478,765,421</b>	<b>2,874,695,751</b>	<b>3,353,461,172</b>

**6.1. Net costs for insured events**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Liquidated claims</b>						
Gross amount	329,935,998	1,614,599,709	1,944,535,707	230,501,346	1,695,479,590	1,925,980,936
Coinsurance portion	0	(40,489)	(40,489)	0	491,247	491,247
Reinsurance portion	0	(144,493,364)	(144,493,364)	0	(117,066,806)	(117,066,806)
<b>Total</b>	<b>329,935,998</b>	<b>1,470,065,857</b>	<b>1,800,001,855</b>	<b>230,501,346</b>	<b>1,578,904,031</b>	<b>1,809,405,377</b>
<b>Change in claims provision</b>						
Gross amount	(6,163,009)	56,641,838	50,478,829	(572,342)	(29,198,177)	(29,770,519)
Reinsurance portion	(4,429)	(123,012,226)	(123,016,655)	0	0	0
<b>Total</b>	<b>(6,167,438)</b>	<b>(66,370,388)</b>	<b>(72,537,826)</b>	<b>(572,342)</b>	<b>(29,198,177)</b>	<b>(29,770,519)</b>
<b>TOTAL</b>	<b>323,768,560</b>	<b>1,403,695,469</b>	<b>1,727,464,029</b>	<b>229,929,004</b>	<b>1,549,705,854</b>	<b>1,779,634,858</b>

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**6.2. Change in other technical provisions, net from reinsurance**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Change in mathematical insurance provisions</b>						
Gross amount	65,149,825	0	65,149,825	136,505,904	0	136,505,904
Reinsurance portion	(152,882)	0	(152,882)	1,582	0	1,582
Total	64,996,943	0	64,996,943	136,507,486	0	136,507,486
<b>Change in other technical provisions, net from reinsurance</b>						
Gross amount	0	10,670,000	10,670,000	0	13,847,225	13,847,225
Total	0	10,670,000	10,670,000	0	13,847,225	13,847,225
<b>TOTAL</b>	<b>64,996,943</b>	<b>10,670,000</b>	<b>75,666,943</b>	<b>136,507,486</b>	<b>13,847,225</b>	<b>150,354,711</b>

**6.3. Change in life insurance technical provisions when the insurer bears risk**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Change in life insurance technical provisions when the insurer bears 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>

**6.4. Cost for premium returns (bonuses and discounts), net from reinsurance**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Changes in reserves for premium returns dependent from the result (bonuses)	0	104,981	104,981	0	390,424	390,424
Changes in reserves for premium returns independent from the result (discounts)	0	361,232	361,232	0	(4,004,526)	(4,004,526)
<b>TOTAL</b>	<b>0</b>	<b>466,213</b>	<b>466,213</b>	<b>0</b>	<b>(3,614,102)</b>	<b>(3,614,102)</b>

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**6.5. Net operating expenses**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Acquisition costs</b>						
Commission	25,822,347	176,517,443	202,339,790	27,414,311	152,594,619	180,008,930
Other acquisition costs	9,467,816	123,177,081	132,644,897	12,991,958	149,729,940	162,721,898
Changes in prepaid acquisition costs	0	(3,457,139)	(3,457,139)	0	1,627,546	1,627,546
<b>Total</b>	<b>35,290,163</b>	<b>296,237,385</b>	<b>331,527,548</b>	<b>40,406,269</b>	<b>303,952,105</b>	<b>344,358,374</b>
<b>Management expenses (administrative expenses)</b>						
Depreciation of tangible assets	1,944,285	54,451,779	56,396,064	2,069,428	55,150,513	57,219,941
Salaries, taxes and contributions from and on salaries	44,308,600	380,279,989	424,588,589	42,779,247	385,889,195	428,668,442
Other management costs	27,340,729	309,448,244	336,788,973	28,625,729	277,485,390	306,111,119
<b>Total</b>	<b>73,593,614</b>	<b>744,180,012</b>	<b>817,773,626</b>	<b>73,474,404</b>	<b>718,525,098</b>	<b>791,999,502</b>
<b>TOTAL</b>	<b>108,883,777</b>	<b>1,040,417,397</b>	<b>1,149,301,174</b>	<b>113,880,673</b>	<b>1,022,477,203</b>	<b>1,136,357,876</b>

**/i-1/ Commission**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission expenses under credit cards and POS devices	577,683	15,349,393	15,927,076	633,426	10,594,837	11,228,263
Commission expenses for commissioners	2,186,338	13,606,233	15,792,571	2,535,842	11,946,141	14,481,983
Commission expenses for employees	6,310,635	45,623,154	51,933,789	6,076,349	37,810,321	43,886,670
Commission expenses for banks, agencies and dispatchers	10,060,872	69,682,997	79,743,869	13,730,973	64,696,350	78,427,323
Commission expenses for MOT test stations	0	7,243,202	7,243,202	0	6,156,167	6,156,167
Other commission expenses	6,686,819	25,012,464	31,699,283	4,437,721	21,390,803	25,828,524
<b>TOTAL</b>	<b>25,822,347</b>	<b>176,517,443</b>	<b>202,339,790</b>	<b>27,414,311</b>	<b>152,594,619</b>	<b>180,008,930</b>

**/i-2/ Other acquisition costs**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Promotion costs	7,903,351	59,328,672	67,232,023	11,365,107	100,152,867	111,517,974
Costs for issuance of policy	330,459	4,571,805	4,902,264	108,973	2,726,658	2,835,631
Other direct acquisition costs	1,234,006	59,276,604	60,510,610	1,517,878	46,850,415	48,368,293
<b>TOTAL</b>	<b>9,467,816</b>	<b>123,177,081</b>	<b>132,644,897</b>	<b>12,991,958</b>	<b>149,729,940</b>	<b>162,721,898</b>

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**/ii-1/ Depreciation**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Depreciation of intangible assets	25,492	3,692,444	3,717,935	261,869	2,518,018	2,779,887
Depreciation of tangible assets	1,918,793	50,759,335	52,678,129	1,807,559	52,632,495	54,440,054
<b>TOTAL</b>	<b>1,944,285</b>	<b>54,451,779</b>	<b>56,396,064</b>	<b>2,069,428</b>	<b>55,150,513</b>	<b>57,219,941</b>

**/ii-2/ Salaries, taxes and contributions from and on salaries**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Net salaries and wages	25,789,268	220,011,975	245,801,243	24,341,589	214,537,606	238,879,195
Taxes and contributions from salaries	11,691,885	104,813,835	116,505,720	12,172,758	115,615,517	127,788,275
Contributions on salaries	6,827,447	55,454,179	62,281,626	6,264,900	55,736,072	62,000,972
<b>TOTAL</b>	<b>44,308,600</b>	<b>380,279,989</b>	<b>424,588,589</b>	<b>42,779,247</b>	<b>385,889,195</b>	<b>428,668,442</b>

**/ii-3/ Other management costs**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Used material	1,490,930	18,293,916	19,784,846	1,455,900	13,848,477	15,304,377
Energy	1,470,475	15,458,444	16,928,919	1,300,757	13,223,305	14,524,062
Services costs	9,734,470	95,659,767	105,394,237	9,681,856	92,693,429	102,375,285
Promotional representation	178,936	4,347,811	4,526,747	204,779	4,371,372	4,576,151
Long-term cost and risk reserves	0	35,388,362	35,388,362	0	7,839,284	7,839,284
Daily allowances for business trips and travel expenses	476,640	3,902,029	4,378,669	269,913	2,307,582	2,577,495
Commuting costs	1,545,147	12,860,144	14,405,291	1,507,495	12,248,693	13,756,188
Other reimbursement to employees according to Collective agreement	7,886,986	73,585,856	81,472,842	9,063,160	73,362,986	82,426,146
Business fees according to contracts	340,688	5,571,611	5,912,299	291,729	4,437,156	4,728,885
Representation costs	345,386	4,809,456	5,154,842	255,042	3,703,786	3,958,828
Insurance premiums	1,486,082	9,391,096	10,877,178	1,294,218	7,479,681	8,773,899
Contributions and fees	788,434	9,060,081	9,848,515	696,701	12,414,953	13,111,654
Other operating costs	1,596,555	21,119,671	22,716,226	2,604,179	29,554,686	32,158,865
<b>TOTAL</b>	<b>27,340,731</b>	<b>309,448,244</b>	<b>336,788,975</b>	<b>28,625,726</b>	<b>277,485,390</b>	<b>306,111,119</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
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**6.6. Other costs**

**/i/ Other technical insurance costs, net from reinsurance**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cost for preventive activities	0	6,101,039	6,101,039	0	3,271,962	3,271,962
Other technical insurance costs	190,956	78,567,010	78,757,966	305,749	78,906,621	79,212,370
<b>TOTAL</b>	<b>190,956</b>	<b>84,668,049</b>	<b>84,859,005</b>	<b>305,749</b>	<b>82,178,583</b>	<b>82,484,332</b>

**/ii/ Other technical insurance costs**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Contributions for health insurance from the motor TPL premium	0	48,498,968	48,498,968	0	47,913,182	47,913,182
Contribution for Guarantee fund	0	9,990,620	9,990,620	0	11,205,767	11,205,767
Contribution for fire department	0	7,855,120	7,855,120	0	8,679,498	8,679,498
Contribution for Croatian Insurance Bureau	59,140	3,402,321	3,461,461	0	2,479,072	2,479,072
Contribution for Croatian Financial Services Supervisory Agency	105,526	1,736,505	1,842,031	147,081	1,505,271	1,652,352
Other insurance - technical expenses	26,259	7,447,195	7,473,454	153,004	3,956,332	4,109,336
Subsequently determined expenses	0	0	0	0	752,168	752,168
Other costs	31	5,737,320	5,737,351	5,664	5,687,293	5,692,957
<b>TOTAL</b>	<b>190,956</b>	<b>84,668,049</b>	<b>84,859,005</b>	<b>305,749</b>	<b>82,178,583</b>	<b>82,484,332</b>

**6.7. Other costs including value adjustments**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Costs of insurance activities	1,142,463	37,098,076	38,240,539	60,845	42,379,871	42,440,716
Costs of non-insurance activities	0	131,783,423	131,783,423	0	167,721,117	167,721,117
<b>TOTAL</b>	<b>1,142,463</b>	<b>168,881,499</b>	<b>170,023,962</b>	<b>60,845</b>	<b>210,100,988</b>	<b>210,161,833</b>

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**/i/ Costs of non-insurance activities**

Description	2011	2010
	HRK	HRK
Costs of material, raw material and energy	6,330,244	5,486,769
Services costs	17,196,530	23,727,873
Depreciation	26,987,549	38,589,117
Employees' costs	32,083,116	32,680,663
Purchase value of sold assets	3,968,502	4,516,572
Value adjustment	4,788,877	20,405,397
Provisions	37,164	0
Interest costs	11,182,818	20,014,899
Other costs	29,208,623	22,299,827
<b>TOTAL</b>	<b>131,783,423</b>	<b>167,721,117</b>

**7. Corporate income tax**

Corporate income tax is calculated in accordance with the legal regulations of the countries in which subsidiaries of the Group operate.

**8. Earning per share for the Parent company**

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 from ordinary share</b>	<b>77,686,745</b>	<b>42,623,886</b>
Weighted average of ordinary shares, except own shares	307,598	307,598
<b>Earnings per share</b>	<b>252,56</b>	<b>138,58</b>

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**NOTES TO THE BALANCE SHEET**

**9. Intangible assets**

Description	Founding costs	Development costs	Other intangible assets	Intangible assets under construction	Total
	HRK	HRK	HRK	HRK	HRK
<b>Purchase value</b>					
<b>Balance at 1 January 2010</b>	<b>2,223,653</b>	<b>14,296,456</b>	<b>79,493,574</b>	<b>920,558</b>	<b>96,934,241</b>
Correction of opening balance	(109,373)	0	(1,007,667)	302,797	(814,243)
Additions	0	236,994	3,732,439	5,799,216	9,768,649
Sale and disposals	0	(15,775)	(2,255,451)	(651,057)	(2,922,283)
<b>Balance at 31 December 2010</b>	<b>2,114,280</b>	<b>14,517,675</b>	<b>79,962,895</b>	<b>6,371,514</b>	<b>102,966,364</b>
Correction of opening balance	(2,058,997)	0	2,203,788	3,992	148,783
Additions	0	757,909	5,951,440	(4,825,877)	1,883,472
Sale and disposals	0	0	(3,402,130)	(5,409)	(3,407,539)
<b>Balance at 31 December 2011</b>	<b>55,283</b>	<b>15,275,584</b>	<b>84,715,993</b>	<b>1,544,220</b>	<b>101,591,080</b>
<b>Impairment</b>					
<b>Balance at 1 January 2010</b>	<b>264,528</b>	<b>10,671,011</b>	<b>63,884,885</b>	<b>0</b>	<b>74,820,424</b>
Correction of opening balance	(92,706)	0	(1,430,512)	0	(1,523,218)
Depreciation during 2010	61,497	1,308,885	4,424,421	0	5,794,803
Sale and disposals	0	(15,775)	(1,562,823)	0	(1,578,598)
<b>Balance at 31 December 2010</b>	<b>233,319</b>	<b>11,964,121</b>	<b>65,315,971</b>	<b>0</b>	<b>77,513,411</b>
Correction of opening balance	(178,419)	0	230,346	0	51,927
Depreciation during 2011	0	1,394,125	4,738,377	0	6,132,502
Sale and disposals	0	0	(3,212,125)	0	(3,212,125)
<b>Balance at 31 December 2011</b>	<b>54,900</b>	<b>13,358,246</b>	<b>67,072,569</b>	<b>0</b>	<b>80,485,715</b>
<b>Current value</b>					
<b>1 January 2010</b>	<b>1,959,125</b>	<b>3,625,445</b>	<b>15,608,689</b>	<b>920,558</b>	<b>22,113,817</b>
<b>31 December 2010</b>	<b>1,880,961</b>	<b>2,553,554</b>	<b>14,646,924</b>	<b>6,371,514</b>	<b>25,452,953</b>
<b>31 December 2011</b>	<b>383</b>	<b>1,917,338</b>	<b>17,643,424</b>	<b>1,544,220</b>	<b>21,105,365</b>

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**10. Operational land and buildings**

/i/ Immovables

Description	Land	Buildings	Assets under construction	Prepayments	Total
	HRK	HRK	HRK	HRK	HRK
<b>PURCASHE VALUE</b>					
<b>Balance at 1 January 2010</b>	<b>268,690,230</b>	<b>1,332,031,618</b>	<b>25,677,324</b>	<b>3,972,619</b>	<b>1,630,371,791</b>
Correction of opening balance	21,022	(905,504)	4,717	0	(879,765)
Revaluation	0	1,917,591	0	0	1,917,591
Addition	6,161,971	1,075,545	23,165,400	14,111,826	44,514,742
Transfer from assets under construction	0	20,238,542	(31,144,204)	(15,225,181)	(26,130,843)
Transfer from/to	0	(15,689)	0	0	(15,689)
Transfer from non-operational land and buildings	0	6,766,874	0	0	6,766,874
Transfer to non-operational land and buildings	3,120,542	(7,881,944)	0	0	(4,761,402)
Sale and disposals	0	(1,220)	0	0	(1,220)
<b>Balance at 31 December 2010</b>	<b>277,993,765</b>	<b>1,353,225,813</b>	<b>17,703,237</b>	<b>2,859,264</b>	<b>1,651,782,079</b>
Correction of opening balance	38,666	1,228,350	9,017	99,067	1,375,100
Revaluation	855,606	16,147,438	0	0	17,003,044
Addition	595,356	389,352	14,206,160	280,994	15,471,862
Transfer from assets under construction	0	4,291,208	(4,291,208)	0	0
Transfer from/to	(4,066,765)	(2,518,210)	(8,971,744)	(4,157)	(15,560,876)
Transfer from non-operational land and buildings	389,947	2,098,933	0	0	2,488,880
Transfer to non-operational land and buildings	(800,158)	(9,444,529)	0	0	(10,244,687)
Sale and disposals	(3,904,279)	(29,022)	0	0	(3,933,301)
<b>Balance at 31 December 2011</b>	<b>271,102,138</b>	<b>1,365,389,333</b>	<b>18,655,462</b>	<b>3,235,168</b>	<b>1,658,382,101</b>
<b>IMPAIRMENT</b>					
<b>Balance at 1 January 2010</b>	<b>12,595,834</b>	<b>230,616,938</b>	<b>0</b>	<b>0</b>	<b>243,212,772</b>
Correction of opening balance	(12,595,834)	12,564,800	0	0	(31,034)
Depreciation to the revaluation effect	0	6,682,980	0	0	6,682,980
Depreciation during 2010	0	27,249,312	0	0	27,249,312
Transfer from /to	0	(112,900)	0	0	(112,900)
Transfer to non-operational land and buildings	0	(1,732,354)	0	0	(1,732,354)
Disposals	0	(1,222)	0	0	(1,222)
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>275,267,551</b>	<b>0</b>	<b>0</b>	<b>275,267,551</b>
Correction of opening balance	0	155,140	0	0	155,140
Depreciation to the revaluation effect	0	5,787,939	0	0	5,787,939
Depreciation during 2010	0	28,239,368	0	0	28,239,368
Transfer to non-operational land and buildings	0	(2,536,397)	0	0	(2,536,397)
Sale and disposals	0	(25,037)	0	0	(25,037)
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>306,888,568</b>	<b>0</b>	<b>0</b>	<b>306,888,568</b>
<b>CURRENT VALUE</b>					
<b>1 January 2010</b>	<b>256,094,396</b>	<b>1,101,414,680</b>	<b>25,677,324</b>	<b>3,972,619</b>	<b>1,387,159,019</b>
<b>31 December 2010</b>	<b>277,993,765</b>	<b>1,077,958,262</b>	<b>17,703,237</b>	<b>2,859,264</b>	<b>1,376,514,528</b>
<b>31 December 2011</b>	<b>271,102,138</b>	<b>1,058,500,763</b>	<b>18,655,462</b>	<b>3,235,168</b>	<b>1,351,493,533</b>



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**11. Investments**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investment in non-operational land and buildings	437,198	968,976,989	969,414,187	0	816,718,189	816,718,189
Investments in subsidiaries, associates and joint ventures	0	17,607,194	17,607,194	0	19,140,022	19,140,022
Other financial investments	2,022,797,759	2,747,675,815	4,770,473,574	2,013,905,095	2,861,212,266	4,875,117,361
<b>TOTAL</b>	<b>2,023,234,957</b>	<b>3,734,259,998</b>	<b>5,757,494,955</b>	<b>2,013,905,095</b>	<b>3,697,070,477</b>	<b>5,710,975,572</b>

**11.1. Investment in non-operational land and buildings**

*/i/ Investment at acquisition cost*

Description	Land	Buildings	Assets under construction	Total
	HRK	HRK	HRK	HRK
<b>PURCASHE VALUE</b>				
Balance at 1 January 2010	25,430,592	129,628,000	5,198,951	160,257,542
Additions	56,959	(3,454,079)	(5,071,667)	(8,468,787)
Transfer from preparation	0	0	(10,644)	(10,644)
Transfer to operational land and buildings	(4,608,896)	0	0	(4,608,896)
Sale and disposals	0	(150,471)	0	(150,471)
<b>Balance at 31 December 2010</b>	<b>20,878,656</b>	<b>126,023,450</b>	<b>116,640</b>	<b>147,018,746</b>
Additions	1,672,759	1,573,615	4,191,214	7,437,588
Transfer from preparation	0	4,184,783	(4,184,783)	0
Transfer from operational land and buildings	800,158	10,404,741	0	11,204,899
Sale and disposals	0	(821,233)	0	(821,233)
<b>Balance at 31 December 2011</b>	<b>23,351,573</b>	<b>141,365,356</b>	<b>123,071</b>	<b>164,840,000</b>
<b>IMPAIRMENT</b>				
Balance at 1 January 2010	0	13,592,344	0	13,592,344
Depreciation during 2010	0	3,067,251	0	3,067,251
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>16,659,595</b>	<b>0</b>	<b>16,659,595</b>
Depreciation during 2011	0	2,957,643	0	2,957,643
Sale and disposals	0	(268,263)	0	(268,263)
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>19,348,974</b>	<b>0</b>	<b>19,348,974</b>
<b>CURRENT VALUE</b>				
1 January 2010	25,430,593	116,035,655	5,198,951	146,665,200
31 December 2010	20,878,656	109,363,855	116,640	130,359,151
31 December 2011	23,351,573	122,016,381	123,071	145,491,025

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/ii/ at fair value through P&L account

Description	Investments
	HRK
<b>Balance at 1 January 2010</b>	<b>653,700,604</b>
Correction of the opening balance	(3,835,779)
Transfer to operational land and buildings	(2,463,211)
Transfer from operational land and buildings	15,783,020
Increase in fair value recognized in the statement of income	5,137,070
Decrease in fair value debited to the statement of income	(32,676,564)
Additions during the year	55,785,202
Non-operational property in preparation	11,801,447
Sold during the year	(16,872,752)
<b>Balance at 31 December 2010</b>	<b>686,359,037</b>
Correction of opening balance	(20,174)
Transfer to operational land and buildings	(6,165,310)
Transfer from operational land and buildings	6,133,378
Increase in fair value recognized in the statement of comprehensive income	56,199,957
Decrease in fair value debited to the statement of comprehensive income	(27,837,087)
Non-operational property in preparation	4,238,016
Additions during the year	105,600,229
Sold during the year	(584,884)
<b>Balance at 31 December 2011</b>	<b>823,923,162</b>

## 11.2. Investments in subsidiaries, associates and joint ventures

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Shares and stakes in subsidiaries	0	0	0	0	429,012	429,012
Shares and stakes in associates	0	16,294,632	16,294,632	0	17,891,112	17,891,112
Participation in joint ventures	0	1,312,562	1,312,562	0	819,898	819,898
<b>TOTAL</b>	<b>0</b>	<b>17,607,194</b>	<b>17,607,194</b>	<b>0</b>	<b>19,140,022</b>	<b>19,140,022</b>

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**/i/ Shares and stakes in subsidiaries**

Description	Activity	State	At 31 Dec 2011		At 31 Dec 2010	
			Ownership	Investment	Ownership	Investment
				value		value
			%	HRK	%	HRK
Zagos d.o.o. in liquidation, Zabok	Insurance agency	Croatia	0%	0	100%	429,012
<b>TOTAL</b>				<b>0</b>		<b>429,012</b>

**/ii/ Shares and stakes in associates**

Description	Activity	State	At 31 Dec 2011		At 31 Dec 2010	
			Ownership	Investment	Ownership	Investment
				value		value
			%	HRK	%	HRK
Autoprijevoz d.d., Otočac	Transport	Croatia	32.78%	2,966,400	32.78%	4,449,600
Brioni d.d., Pula	Trade	Croatia	25.57%	4,259,700	25.57%	4,259,700
Strmec projekt d.o.o.	Purchase and sale of own properties	Croatia	49.76%	8,513,332	49.76%	8,513,332
STP Agroservis d.o.o.	MOT test station	Croatia	37.00%	555,200	37.00%	555,200
Reumal d.o.o. Fojnica	Center for medical rehabilitation	B&H	0%	0	2.79%	113,280
<b>TOTAL</b>				<b>16,294,632</b>		<b>17,891,112</b>

**/iii/ Participation in joint ventures**

Description	State	At 31 Dec 2011		At 31 Dec 2010	
		Investment	Investment	Investment	Investment
		value	value	value	value
		HRK	HRK	HRK	HRK
Nacionalni biro za osiguranje, Skopje	Macedonia	1,173,369		680,705	
Potraživanja za udružena sredstva H.U.O.	Croatia	139,193		139,193	
<b>TOTAL</b>		<b>1,312,562</b>		<b>819,898</b>	

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**11.3. Other financial investments**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments held to maturity	1,312,794,201	918,652,533	2,231,446,734	1,229,341,654	793,103,148	2,022,444,802
Investments available for sale	60,422,034	198,835,404	259,257,438	115,155,930	324,509,104	439,665,034
Investments at fair value through P&L account	200,501,903	383,929,651	584,431,554	180,044,882	312,855,268	492,900,150
Deposits, loans and receivables	449,079,621	1,246,258,227	1,695,337,848	489,362,629	1,430,744,746	1,920,107,375
<b>TOTAL</b>	<b>2,022,797,759</b>	<b>2,747,675,815</b>	<b>4,770,473,574</b>	<b>2,013,905,095</b>	<b>2,861,212,266</b>	<b>4,875,117,361</b>

**/i/ Investments held to maturity**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Debt and other securities with fixed income						
State bonds	1,154,961,020	609,097,711	1,764,058,731	1,061,216,726	540,497,688	1,601,714,414
Corporate bonds	35,790,852	142,516,621	178,307,473	60,463,734	132,116,208	192,579,942
Local government bonds	4,301,384	0	4,301,384	4,717,611	0	4,717,611
<b>Total</b>	<b>1,195,053,256</b>	<b>751,614,332</b>	<b>1,946,667,588</b>	<b>1,126,398,071</b>	<b>672,613,896</b>	<b>1,799,011,967</b>
Treasury bills	94,282,749	161,413,762	255,696,512	63,336,140	100,224,500	163,560,640
Commercial bills	23,458,196	5,624,438	29,082,634	39,607,443	20,264,752	59,872,195
<b>TOTAL</b>	<b>1,312,794,201</b>	<b>918,652,533</b>	<b>2,231,446,734</b>	<b>1,229,341,654</b>	<b>793,103,148</b>	<b>2,022,444,802</b>

**/ii/ Investment available for sale**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<u>Shares, stakes and other securities with variable income</u>						
- listed shares	24,314,237	80,129,730	104,443,967	54,417,013	162,010,790	216,427,803
- non listed shares	0	39,786,690	39,786,690	0	43,900,559	43,900,559
	24,314,237	119,916,420	144,230,657	54,417,013	205,911,349	260,328,362
<u>Stakes in investment funds</u>	36,107,797	78,918,984	115,026,781	60,738,917	118,597,755	179,336,672
<b>TOTAL</b>	<b>60,422,034</b>	<b>198,835,404</b>	<b>259,257,438</b>	<b>115,155,930</b>	<b>324,509,104</b>	<b>439,665,034</b>

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**/iii/ Investment at fair value through P&L account:**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Shares, stakes and other securities with variable income	0	8,214,287	8,214,287	0	2,280,341	2,280,341
Debt securities and other securities with fixed income	83,590,987	110,355,342	193,946,329	9,879,000	42,510,883	52,389,883
Stakes in investment funds	116,910,916	265,360,022	382,270,938	170,165,882	268,064,044	438,229,926
<b>TOTAL</b>	<b>200,501,903</b>	<b>383,929,651</b>	<b>584,431,554</b>	<b>180,044,882</b>	<b>312,855,268</b>	<b>492,900,150</b>

**/iv/ Deposits, loans and receivables**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deposits	391,748,372	860,039,830	1,251,788,202	418,990,841	1,014,014,058	1,433,004,899
Loans	56,645,349	381,059,384	437,704,733	69,709,704	391,404,689	461,114,393
Other loans and receivables	685,900	5,159,013	5,844,913	662,084	25,325,999	25,988,083
<b>TOTAL</b>	<b>449,079,621</b>	<b>1,246,258,227</b>	<b>1,695,337,848</b>	<b>489,362,629</b>	<b>1,430,744,746</b>	<b>1,920,107,375</b>

**/iv-1/** At the Balance sheet as at 31 December 2011, under the position deposits, it is also recorded hybrid deposit in the amount of HRK 150,000,000 at Hrvatska poštanska banka d.d., Zagreb based on the agreement on investment in the Bank's additional equity.

**/iv-2/ Loans**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Gross amount	59,404,229	570,624,700	630,028,929	71,475,680	534,975,661	606,451,341
Impairment	(2,758,880)	(189,565,316)	(192,324,196)	(1,765,976)	(143,570,972)	(145,336,948)
<b>TOTAL</b>	<b>56,645,349</b>	<b>381,059,384</b>	<b>437,704,733</b>	<b>69,709,704</b>	<b>391,404,689</b>	<b>461,114,393</b>

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Maturities of granted loans are shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Up to 1 year	38,332,658	321,632,893	359,965,551	38,758,271	256,311,525	295,069,796
1 - 5 years	9,990,437	53,673,386	63,663,823	22,317,057	129,381,231	151,698,288
Over 5 years	8,322,254	5,753,105	14,075,359	8,634,376	5,711,933	14,346,309
<b>TOTAL</b>	<b>56,645,349</b>	<b>381,059,384</b>	<b>437,704,733</b>	<b>69,709,704</b>	<b>391,404,689</b>	<b>461,114,393</b>

Loan structure according to collaterals is shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Guarantees from business banks	0	12,421,961	12,421,961	460,708	21,094,448	21,555,156
Life insurance policies with restricted transferability	46,310,556	0	46,310,556	55,647,466	0	55,647,466
Mortgages and property fiduciaries	7,709,840	368,441,985	376,151,825	7,899,297	368,434,719	376,334,016
Other insurance instruments	2,624,953	195,438	2,820,391	5,702,233	1,875,522	7,577,755
<b>TOTAL</b>	<b>56,645,349</b>	<b>381,059,384</b>	<b>437,704,733</b>	<b>69,709,704</b>	<b>391,404,689</b>	<b>461,114,393</b>

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**11.4. Investment term structure**

Review of investment term structure at 31 December 2011:

	LIFE					GENERAL					TOTAL				
	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total
Property investment	0	0	0	437,198	437,198	123,071	0	0	968,853,918	968,976,989	123,071	0	0	969,291,116	969,414,187
Investment in subsidiaries and associates	0	0	0	0	0	9,825,893	0	0	7,7810,300	17,607193	9,825,893	0	0	7,7810,300	17,607,194
Bonds	276,945,026	240,741,125	172,927,733	504,439,372	1,195,053,256	276,871,845	344,493,460	74,828,557	174,178,275	870,372,137	553,816,872	585,234,585	247,756,290	678,617,646	2,065,425,393
Treasury bills	1,708,701	0	0	0	1,708,701	48,280,396	0	0	0	48,280,396	49,989,097	0	0	0	49,989,097
Commercial bills	18,709,804	0	0	0	18,709,804	0	0	0	0	0	18,709,804	0	0	0	18,709,804
Other investments	97,322,440	0	0	0	97,322,440	0	0	0	0	0	97,322,440	0	0	0	97,322,440
Investment held to maturity	<b>394,685,971</b>	<b>240,741,125</b>	<b>172,927,733</b>	<b>504,439,372</b>	<b>1,312,794,201</b>	325,152,241	344,493,460	74,828,557	174,178,275	918,652,533	719,838,212	585,234,585	247,756,290	678,617,647	2,231,446,734
Shares	0	24,314,237	0	0	24,314,237	14,051,514	27,575,298	17,189,190	24,430,074	83,246,076	14,051,514	51,889,535	17,189,190	24,430,074	107,560,313
Stakes in funds	6,806,268	23,733,529	5,568,000	0	36,107,797	15,285,633	19,463,498	42,402,866	1,766,987	78,918,984	22,091,901	43,197,027	47,970,866	1,766,987	115,026,781
Stakes in trade companies	0	0	0	0	0	0	36,670,344	0	0	36,670,344	0	36,670,344	0	0	36,670,344
Investments available for sale	<b>6,806,268</b>	<b>48,047,766</b>	<b>5,568,000</b>	<b>0</b>	<b>60,422,034</b>	29,337,147	83,709,140	59,592,056	26,197,061	198,835,404	36,143,415	131,756,906	65,160,056	26,197,061	259,257,438
Bonds	0	0	14,913,997	68,676,990	83,590,987	0	4,867,500	24,503,997	68,457,344	97,828,841	0	4,867,500	39,417,994	137,134,334	181,419,828
Shares	0	0	0	0	0	5,254,204	2,959,701	0	0	8,213,905	5,254,204	2,959,701	0	0	8,213,905
Treasury bills	0	0	0	0	0	123,620,886	0	0	0	123,620,886	123,620,886	0	0	0	123,620,886
Stakes in funds	116,910,916	0	0	0	116,910,916	153,918,609	0	347,028	0	154,265,637	270,829,525	0	347,028	0	271,176,553
Investment at fair value through P&L account	<b>116,910,916</b>	<b>0</b>	<b>14,913,997</b>	<b>68,676,990</b>	<b>200,501,903</b>	282,793,699	7,827,201	24,851,025	68,457,344	383,929,269	399,704,615	7,827,201	39,765,022	137,134,334	584,431,172
Deposits at banks	223,602,441	148,915,013	11,363,831	7,867,086	391,748,371	588,336,644	271,703,185	0	0	860,039,829	811,939,084	420,618,199	11,363,831	7,867,086	1,251,788,201
Loans	43,040,252	2,815,836	2,467,010	8,322,251	56,645,349	112,525,759	236,651,769	28,026,584	3,855,275	381,059,387	155,566,011	239,467,605	30,493,595	12,177,524	437,704,734
Other loans, receivables	685,901	0	0	0	685,901	4,435,959	723,055	0	0	5,159,014	5,121,860	723,054	0	0	5,844,914
Deposits, loans and receivables	267,328,594	151,730,849	13,830,841	16,189,337	449,079,621	705,298,362	509,078,009	28,026,584	3,855,275	1,246,258,230	972,626,956	660,808,858	41,857,425	20,044,612	1,695,337,851
<b>TOTAL</b>	<b>785,731,749</b>	<b>440,519,740</b>	<b>207,240,571</b>	<b>589,742,897</b>	<b>2,023,234,957</b>	<b>1,352,530,413</b>	<b>945,107,810</b>	<b>187,298,222</b>	<b>1,249,323,553</b>	<b>3,734,259,998</b>	<b>2,138,262,162</b>	<b>1,385,627,550</b>	<b>394,538,793</b>	<b>1,839,066,450</b>	<b>5,757,494,955</b>

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Review of investment term structure at 31 December 2010:

	LIFE					GENERAL					TOTAL				
	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	Total
Property investment	0	0	0	0	0	116,639	0	0	816,601,550	816,718,189	116,639	0	0	816,601,550	816,718,189
Investment in subsidiaries and associates	0	0	0	0	0	680,705	0	139,192	18,320,125	19,140,022	680,705	0	139,192	18,320,125	19,140,022
Bonds	42,630,629	284,278,915	350,295,558	449,192,970	1,126,398,072	157,635,415	247,450,059	163,300,440	87,927,470	656,313,384	200,266,044	531,728,974	513,595,998	537,120,440	1,782,711,456
Treasury bills	63,336,140	0	0	0	63,336,140	100,224,500	0	0	0	100,224,500	163,560,640	0	0	0	163,560,640
Commercial bills	39,607,443	0	0	0	39,607,443	20,264,753	0	0	0	20,264,753	59,872,196	0	0	0	59,872,196
Other investments	0	0	0	0	0	185,853	91,191	1,892,948	14,130,520	16,300,512	185,853	91,191	1,892,948	14,130,520	16,300,512
Investment held to maturity	145,574,212	284,278,915	350,295,558	449,192,970	1,229,341,655	278,310,521	247,541,250	165,193,388	102,057,990	793,103,149	423,884,733	531,820,165	515,488,947	551,250,960	2,022,444,804
Shares	0	54,417,013	0	0	54,417,013	25,131,148	35,286,409	106,819,224	276,500	167,513,281	25,131,148	89,703,422	106,819,224	276,500	221,930,294
Stakes in funds	0	18,383,925	42,354,992	0	60,738,917	1,304,770	32,826,765	38,253,409	46,212,812	118,597,756	1,304,770	51,210,690	80,608,401	46,212,812	179,336,673
Stakes in trade companies	0	0	0	0	0	0	0	38,398,067	0	38,398,067	0	0	38,398,067	0	38,398,067
Investments available for sale	0	72,800,938	42,354,992	0	115,155,930	26,435,918	68,113,174	183,470,700	46,489,312	324,509,104	26,435,918	140,914,112	225,825,692	46,489,312	439,665,034
Bonds	0	0	0	9,879,000	9,879,000	0	1,084,593	0	27,022,884	28,107,477	0	1,084,593	0	36,901,884	37,986,477
Shares	0	0	0	0	0	1,195,364	0	0	0	1,195,364	1,195,364	0	0	0	1,195,364
Treasury bills	0	0	0	0	0	15,488,383	0	0	0	15,488,383	15,488,383	0	0	0	15,488,383
Stakes in funds	170,165,882	0	0	0	170,165,882	196,850,220	71,213,824	0	0	268,064,044	367,016,102	71,213,825	0	0	438,229,926
Investment at fair value through P&L account	170,165,882	0	0	9,879,000	180,044,882	213,533,967	72,298,418	0	27,022,884	312,855,268	383,699,849	72,298,417	0	36,901,884	492,900,150
Deposits at banks	357,461,634	58,009,459	3,519,749	0	418,990,842	808,341,125	55,834,450	100,000,000	50,000,000	1,014,175,575	1,165,802,759	113,843,909	103,519,749	50,000,000	1,433,166,417
Loans	49,490,860	1,650,901	18,567,941	0	69,709,702	285,176,285	105,024,131	969,914	234,361	391,404,691	334,667,145	106,675,032	19,537,855	234,361	461,114,393
Other loans, receivables	662,084	0	0	0	662,084	2,642,270	5,326,301	1,334,438	15,861,470	25,164,479	3,304,354	5,326,301	1,334,438	15,861,470	25,826,563
Deposits, loans and receivables	407,614,578	59,660,360	22,087,690	0	489,362,628	1,096,159,680	166,184,882	102,304,352	66,095,831	1,430,744,745	1,503,774,258	225,845,242	124,392,042	66,095,831	1,920,107,373
<b>TOTAL</b>	<b>723,354,672</b>	<b>416,740,213</b>	<b>414,738,240</b>	<b>459,071,970</b>	<b>2,013,905,095</b>	<b>1,615,237,430</b>	<b>554,137,723</b>	<b>451,107,632</b>	<b>1,076,587,692</b>	<b>3,697,070,477</b>	<b>2,338,592,102</b>	<b>970,877,936</b>	<b>865,845,872</b>	<b>1,519,798,192</b>	<b>5,710,975,572</b>



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**11.5. Investment currency structure**  
**Review of investment currency structure at 31 December 2011:**

Description	LIFE				GENERAL				TOTAL			
	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL (amount in HRK)
	HRK	EUR	OTHER CURRENCIES	HRK	HRK	EUR	OTHER CURRENCIES	HRK	HRK	EUR	OTHER CURRENCIES	HRK
<b>Investments in subsidiaries and associates</b>	0	0	0	0	14,638,872	1,794,953	1,173,369	17,607,194	14,638,872	1,794,953	1,173,369	17,607,194
<b>Property investments</b>	0	0	437,198	437,198	910,209,635	0	58,767,354	968,976,989	910,209,635	0	59,204,552	969,414,187
Bonds	179,059,610	1,015,993,646	0	1,195,053,256	417,222,880	441,988,190	11,161,068	870,372,137	596,282,490	1,457,981,836	11,161,068	2,065,425,393
Treasury bills	92,574,048	0	1,708,701	94,282,749	35,179,258	7,085,703	6,015,434	48,280,395	127,753,306	7,085,704	7,724,135	142,563,145
Commercial bills	11,685,532	11,772,664	0	23,458,196	0	0	0	0	11,685,532	11,772,664	0	23,458,196
Other investments	0	0	0	0	0	0	0	0	0	0	0	0
<b>Investment held to maturity</b>	<b>283,319,190</b>	<b>1,027,766,310</b>	<b>1,708,701</b>	<b>1,312,794,201</b>	<b>452,402,137</b>	<b>449,073,893</b>	<b>17,176,502</b>	<b>918,652,533</b>	<b>735,721,327</b>	<b>1,476,840,204</b>	<b>18,885,203</b>	<b>2,231,446,734</b>
Shares	24,314,237	0	0	24,314,237	81,357,326	83,705	1,805,045	83,246,076	105,671,563	83,705	1,805,045	107,560,313
Stakes in funds	9,242,743	26,865,053	0	36,107,796	61,238,705	17,680,278	0	78,918,983	70,481,448	44,545,331	0	115,026,779
Stakes in trade companies	0	0	0	0	36,670,344	0	0	36,670,344	36,670,344	0	0	36,670,344
<b>Investments available for sale</b>	<b>33,556,980</b>	<b>26,865,053</b>	<b>0</b>	<b>60,422,033</b>	<b>179,266,375</b>	<b>17,763,983</b>	<b>1,805,045</b>	<b>198,835,403</b>	<b>212,823,355</b>	<b>44,629,036</b>	<b>1,805,045</b>	<b>259,257,438</b>
Bonds	14,404,500	69,186,487	0	83,590,987	52,752,500	45,076,341	0	97,828,841	67,157,000	114,262,828	0	181,419,828
Shares	0	0	0	0	8,214,287	0	0	8,214,287	8,214,287	0	0	8,214,287
Treasury bills	0	0	0	0	12,526,501	0	0	12,526,501	12,526,501	0	0	12,526,501
Stakes in funds	104,676,775	12,234,141	0	116,910,916	254,861,231	10,151,763	347,028	265,360,022	359,538,006	22,385,904	347,028	382,270,937
<b>Investment at fair value through P&amp;L account</b>	<b>119,081,275</b>	<b>81,420,628</b>	<b>0</b>	<b>200,501,903</b>	<b>328,354,519</b>	<b>55,228,104</b>	<b>347,028</b>	<b>383,929,651</b>	<b>447,435,793</b>	<b>136,648,732</b>	<b>347,028</b>	<b>584,431,554</b>
Deposits at banks	300,000,000	66,589,633	25,158,739	391,748,372	643,753,112	140,322,368	75,964,350	860,039,830	943,753,112	206,911,901	101,123,089	1,251,788,102
Loans to insured	6,565,373	36,474,879	13,605,097	56,645,349	380,567,222	0	492,163	381,059,385	387,132,595	36,474,879	14,097,259	437,704,733
Other loans and receivables		0	685,901	685,901	629,683	29,909	4,499,422	5,159,014	629,683	29,909	5,185,323	5,844,915
<b>Deposits, loans and receivables</b>	<b>306,565,373</b>	<b>103,064,512</b>	<b>39,449,737</b>	<b>449,079,622</b>	<b>1,024,950,017</b>	<b>140,352,277</b>	<b>80,955,935</b>	<b>1,246,258,229</b>	<b>1,331,515,390</b>	<b>243,416,689</b>	<b>120,405,671</b>	<b>1,695,337,750</b>
<b>TOTAL</b>	<b>742,522,818</b>	<b>1,239,116,503</b>	<b>41,595,636</b>	<b>2,023,234,957</b>	<b>2,909,821,555</b>	<b>664,213,210</b>	<b>160,225,233</b>	<b>3,734,259,998</b>	<b>3,652,344,371</b>	<b>1,903,329,714</b>	<b>201,820,869</b>	<b>5,757,494,955</b>

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Review of investment currency structure at 31 December 2010:

Description	LIFE				GENERAL				TOTAL			
	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL (amount in HRK)	Domestic currency	Foreign currency and curr. clause (amount in HRK)	Foreign currency and curr. clause (amount in HRK)	TOTAL
	HRK	EUR	OTHER CURRENCIES	HRK	HRK	EUR	OTHER CURRENCIES	HRK	HRK	EUR	OTHER CURRENCIES	HRK
<b>Investments in subsidiaries and associates</b>	0	0	0	0	18,346,420	0	793,985	19,140,405	18,346,420	0	793,985	19,140,405
<b>Property investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>769,881,792</b>	<b>0</b>	<b>46,836,398</b>	<b>816,718,190</b>	<b>769,881,792</b>	<b>0</b>	<b>46,836,398</b>	<b>816,718,190</b>
Bonds	203,647,011	875,197,169	47,553,892	1,126,398,071	224,799,686	430,717,064	796,634	656,313,385	428,446,697	1,305,914,234	48,350,526	1,782,711,456
Treasury bills	63,336,140	0	0	63,336,140	82,949,262	0	17,275,238	100,224,500	146,285,402	0	17,275,238	163,560,640
Commercial bills	22,252,443	17,355,000	0	39,607,443	20,264,753	0	0	20,264,753	42,517,196	17,355,000	0	59,872,196
Other investments	0	0	0	0	0	16,300,511	0	16,300,511	0	16,300,511	0	16,300,511
<b>Investment held to maturity</b>	<b>289,235,594</b>	<b>892,552,169</b>	<b>47,553,892</b>	<b>1,229,341,654</b>	<b>328,013,700</b>	<b>447,017,575</b>	<b>18,071,872</b>	<b>793,103,148</b>	<b>617,249,294</b>	<b>1,339,569,745</b>	<b>65,625,764</b>	<b>2,022,444,802</b>
Shares	54,417,013	0	0	54,417,013	141,900,967	481,166	25,131,148	167,513,281	196,317,980	481,166	25,131,148	221,930,294
Stakes in funds	29,155,440	31,583,477	0	60,738,917	47,141,897	71,080,173	375,685	118,597,756	76,297,337	102,663,651	375,685	179,336,673
Stakes in trade companies	0	0	0	0	38,398,067	0	0	38,398,067	38,398,067	0	0	38,398,067
<b>Investments available for sale</b>	<b>83,572,453</b>	<b>31,583,477</b>	<b>0</b>	<b>115,155,931</b>	<b>227,440,930</b>	<b>71,561,340</b>	<b>25,506,834</b>	<b>324,509,104</b>	<b>311,013,384</b>	<b>103,144,817</b>	<b>25,506,834</b>	<b>439,665,034</b>
Bonds	9,879,000	0	0	9,879,000	28,107,093	0	0	28,107,093	37,986,093	0	0	37,986,093
Shares	0	0	0	0	1,195,366	0	0	1,195,366	1,195,366	0	0	1,195,366
Treasury bills	0	0	0	0	15,488,383	0	0	15,488,383	15,488,383	0	0	15,488,383
Stakes in funds	145,184,178	24,981,704	0	170,165,882	238,570,136	29,493,909	0	268,064,044	383,754,314	54,475,613	0	438,229,927
<b>Investment at fair value through P&amp;L account</b>	<b>155,063,178</b>	<b>24,981,704</b>	<b>0</b>	<b>180,044,882</b>	<b>283,360,977</b>	<b>29,493,909</b>	<b>0</b>	<b>312,854,885</b>	<b>438,424,155</b>	<b>54,475,613</b>	<b>0</b>	<b>492,899,768</b>
Deposits at banks	340,000,000	66,181,589	12,809,253	418,990,842	648,097,260	354,473,388	11,604,928	1,014,175,576	988,097,260	420,654,977	24,414,181	1,433,166,418
Loans to insured	16,001,241	37,705,957	16,002,505	69,709,703	290,881,869	99,862,375	660,444	391,404,688	306,883,110	137,568,332	16,662,949	461,114,391
Other loans and receivables	0	0	662,084	662,084	0	21,160,677	4,003,803	25,164,480	0	21,160,677	4,665,887	25,826,564
<b>Deposits, loans and receivables</b>	<b>356,001,241</b>	<b>103,887,546</b>	<b>29,473,842</b>	<b>489,362,629</b>	<b>938,979,129</b>	<b>475,496,440</b>	<b>16,269,175</b>	<b>1,430,744,744</b>	<b>1,294,980,370</b>	<b>579,383,986</b>	<b>45,743,017</b>	<b>1,920,107,373</b>
<b>TOTAL</b>	<b>883,872,466</b>	<b>1,053,004,896</b>	<b>77,027,734</b>	<b>2,013,905,096</b>	<b>2,566,022,948</b>	<b>1,023,569,264</b>	<b>107,478,264</b>	<b>3,697,070,476</b>	<b>3,449,895,415</b>	<b>2,076,574,161</b>	<b>184,505,998</b>	<b>5,710,975,572</b>

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**12. Investments for the account and on risk of the life insurance policyholder**

Investment for the account and on the risk of the life insurance policyholder in the amount of HRK 16,320,628 (At 31 December 2010: HRK 22,374,967) relate 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.

**13. Reinsurance portion in technical provisions**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Unearned premiums, reinsurance portion	138	19,806,023	19,806,161	0	77,653,096	77,653,096
Mathematical reserves, reinsurance portion	164,490	0	164,490	11,607	0	11,607
Claim reserve, reinsurance portion	0	215,781,823	215,781,823	0	92,306,696	92,306,696
Provision for premium returns	0	519,328	519,328	0	617,871	617,871
<b>TOTAL</b>	<b>164,628</b>	<b>236,107,174</b>	<b>236,271,802</b>	<b>11,607</b>	<b>170,577,663</b>	<b>170,589,270</b>

**14. Deferred and current tax assets**

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

**15. Receivables**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables from direct insurance activities	162,077	681,383,908	681,545,985	41,306,800	689,902,212	731,209,012
Receivables from reinsurance activities	0	61,234,875	61,234,875	0	29,146,633	29,146,633
Other receivables	10,130,650	272,984,041	283,114,691	6,273,128	339,314,011	345,587,139
<b>TOTAL</b>	<b>10,292,727</b>	<b>1,015,602,824</b>	<b>1,025,895,551</b>	<b>47,579,928</b>	<b>1,058,362,856</b>	<b>1,105,942,784</b>

**15.1. Receivables from direct insurance activities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables from insurers	118,331	673,981,679	674,100,010	41,239,595	681,607,349	722,846,944
Receivables from insurance agents	43,746	7,402,229	7,445,975	67,205	8,294,863	8,362,068
<b>TOTAL</b>	<b>162,077</b>	<b>681,383,908</b>	<b>681,545,985</b>	<b>41,306,800</b>	<b>689,902,212</b>	<b>731,209,012</b>

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*/i/* Receivables from insurers

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Written non-invoiced premium	0	288,092,253	288,092,253	0	291,876,869	291,876,869
Invoiced uncollected premium	118,331	693,558,866	693,677,197	41,239,595	659,443,407	700,683,002
Gross premium receivables	<b>118,331</b>	<b>981,651,119</b>	<b>981,769,450</b>	41,239,595	951,320,276	992,559,871
Impairment	0	(307,669,440)	(307,669,440)	0	(269,712,927)	(269,712,927)
Net premium receivables	<b>118,331</b>	<b>673,981,679</b>	<b>674,100,010</b>	<b>41,239,595</b>	<b>681,607,349</b>	<b>722,846,944</b>

*/i/* Term structure of insurance premium receivables, as well as the cover of due and uncollected receivables over 180 days, are shown as follows:

Description	At 31 Dec 2011
	HRK
Written non-invoiced premium	288,092,253
Invoiced uncollected premium	693,677,197
Total receivables	981,769,450
Undue and due up to 180 days	651,595,394
Due over 180 days	330,174,056
Total by maturity	981,769,450
Due over 180 days	330,174,056
Impairment	(307,669,440)
Unadjusted receivables	22,504,616
Cover of due receivables over 180 days	
Claim provision for doubtful receivables	22,504,616
Total cover	22,504,616

**15.2. Receivables from coinsurance and reinsurance activities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Commission receivables	0	16,570,268	16,570,268	0	8,033,600	8,033,600
Claim receivables	0	44,656,750	44,656,750	0	21,113,033	21,113,033
Receivables for claims in coinsurance	0	7,857	7,857	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>61,234,875</b>	<b>61,234,875</b>	<b>0</b>	<b>29,146,633</b>	<b>29,146,633</b>

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**15.3. Other receivables**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for other insurance activities	0	29,563,633	29,563,633	0	39,441,426	39,441,426
Receivables for returns on investments	3,943,028	13,160,606	17,103,634	1,774,148	15,395,681	17,169,829
Other receivables	6,187,622	230,259,802	236,447,424	4,498,980	284,476,904	288,975,884
<b>TOTAL</b>	<b>10,130,650</b>	<b>272,984,041</b>	<b>283,114,691</b>	<b>6,273,128</b>	<b>339,314,011</b>	<b>345,587,139</b>

*/i/* Receivables from other insurance activities

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Recourse receivables	0	43,592,661	43,592,661	0	48,285,991	48,285,991
Impairments of recourse receivables	0	(27,609,998)	(27,609,998)	0	(23,956,546)	(23,956,546)
	0	15,982,663	15,982,663	0	24,329,445	24,329,445
Receivables for international claims	0	13,142,825	13,142,825	0	14,970,361	14,970,361
Impairment	0	(520,748)	(520,748)	0	(1,300,025)	(1,300,025)
	0	12,622,077	12,622,077	0	13,670,336	13,670,336
Other receivables	0	958,893	958,893	0	1,441,645	1,441,645
<b>TOTAL</b>	<b>0</b>	<b>29,563,633</b>	<b>29,563,633</b>	<b>0</b>	<b>39,441,426</b>	<b>39,441,426</b>

*/ii/* Receivables for investment returns

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for regular loan interest	1,095,866	31,308,521	32,404,387	763,749	24,521,145	25,284,894
Receivables for regular deposit interest	1,999,714	3,876,002	5,875,716	1,006,051	3,519,734	4,525,785
Receivables for default interest	17,782	18,100,070	18,117,852	4,239	19,494,240	19,498,479
Other interest receivables	829,666	1,235,103	2,064,769	109	846,985	847,094
Impairment	0	(41,359,090)	(41,359,090)	0	(32,986,423)	(32,986,423)
<b>TOTAL</b>	<b>3,943,028</b>	<b>13,160,606</b>	<b>17,103,634</b>	<b>1,774,148</b>	<b>15,395,681</b>	<b>17,169,829</b>

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**/iii/ Other receivables**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Receivables for sold apartments	0	15,350,179	15,350,179	0	17,743,581	17,743,581
Receivables from operating and financial lease	0	3,253,512	3,253,512	0	10,497,749	10,497,749
Prepayment receivables	0	2,565,273	2,565,273	0	3,414,569	3,414,569
Receivables for assets acquired through fiduciaries	0	76,010,374	76,010,374	0	69,546,950	69,546,950
Trade receivables	0	26,161,400	26,161,400	0	13,750,895	13,750,895
Receivables from the State and State institutions	1,459	2,773,489	2,774,948	0	2,760,071	2,760,071
Receivables from card companies	3,797,447	28,086,152	31,883,599	4,250,611	72,703,603	76,954,214
Receivables obtained through cession	0	17,026,131	17,026,131	0	11,552,219	11,552,219
Receivables from court proceedings	0	5,075,981	5,075,981	0	7,038,806	7,038,806
Other receivables	2,388,716	53,957,311	56,346,027	248,369	75,468,461	75,716,830
<b>TOTAL</b>	<b>6,187,622</b>	<b>230,259,802</b>	<b>236,447,424</b>	<b>4,498,980</b>	<b>284,476,904</b>	<b>288,975,884</b>

**16. Other assets**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash at the bank and in hand	6,052,921	75,750,040	81,802,961	7,387,138	58,049,719	65,436,857
Other	83,125,165	225,775,479	308,900,644	70,093,522	168,398,307	238,491,829
<b>TOTAL</b>	<b>89,178,086</b>	<b>301,525,519</b>	<b>390,703,605</b>	<b>77,480,660</b>	<b>226,448,026</b>	<b>303,928,686</b>

**16.1. Cash at the bank and in hand**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash at business account	3,918,390	75,407,245	79,325,635	1,172,350	57,713,155	58,885,505
Cash funds for coverage of mathematical provision	2,127,973	0	2,127,973	6,205,208	0	6,205,208
Cash in hand	6,558	342,795	349,353	9,580	336,564	346,144
<b>TOTAL</b>	<b>6,052,921</b>	<b>75,750,040</b>	<b>81,802,961</b>	<b>7,387,138</b>	<b>58,049,719</b>	<b>65,436,857</b>

**/i/ Cash at business account**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Cash at HRK accounts	2,771,273	45,983,458	48,754,731	964,880	35,708,195	36,673,075
Cash at foreign currency accounts	1,147,117	29,423,787	30,570,904	207,470	22,004,960	22,212,430
<b>TOTAL</b>	<b>3,918,390</b>	<b>75,407,245</b>	<b>79,325,635</b>	<b>1,172,350</b>	<b>57,713,155</b>	<b>58,885,505</b>

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**16.2. Other**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deposit with maturity up to 3 months	83,060,841	212,985,977	296,046,818	70,000,000	148,715,713	218,715,713
Received cheques	64,324	5,543,380	5,607,704	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>83,125,165</b>	<b>225,775,479</b>	<b>308,900,644</b>	<b>70,093,522</b>	<b>168,398,307</b>	<b>238,491,829</b>

**17. Prepayments and accrued income**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Accrued interests and rentals	22,185,161	16,024,052	38,209,213	18,012,109	19,367,412	37,379,521
Prepaid acquisition costs	0	20,454,677	20,454,677	0	13,408,769	13,408,769
Other prepayments	74,741	22,558,768	22,633,509	43,717	16,564,611	16,608,328
<b>TOTAL</b>	<b>22,259,902</b>	<b>59,037,497</b>	<b>81,297,399</b>	<b>18,055,826</b>	<b>49,340,792</b>	<b>67,396,618</b>

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**18. Capital and reserves**

**18.1. Subscribed capital**

Subscribed capital is determined in the nominal amount of HRK 442,887,200 (At 31 December 2010: in the same amount) and consists of 316,348 shares in the nominal value of HRK 1,400, which were entirely paid in cash, and is registered at the Commercial court in Zagreb.

All shares are initial public offering shares and are marked as follows:

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

Each share, ordinary and preferred, relate to 1 (one) vote at the General Assembly of the Company. All shares are entirely paid, issued in non-material form, are free for transfer and are recorded in depository of the Central Depository and Clearing Company d.d.

Ownership structure as at 31 December 2011 and 31 December 2010 is shown as follows:

Shareholder	At 31 Dec 2011			At 31 Dec 2010		
	Number Of shares	Amount in HRK	% of stakes In equity	Number Of shares	Amount in HRK	% of stakes In equity
AUDIO/Republika Hrvatska	253.807	355.329.800	80,23	253.961	355.545.400	80,28
Raiffeisenbank Austria d.d. – custody account	19.692	27.568.800	6,22	19.655	27.517.000	6,21
Hrvatska poštanska banka d.d. - custody account	6.505	9.107.000	2,06	6.904	9.665.600	2,18
Societe Generale - Splitska banka d.d. – custody account	6.441	9.017.400	2,04	6.022	8.430.800	1,90
Privredna banka Zagreb d.d., Zagreb – custody account	2.753	3.854.200	0,87	2.407	3.369.800	0,76
Zvon ena holding d.d. ( former Julius k.d.d., Maribor)	2.122	2.970.800	0,67	2.122	2.970.800	0,67
Hypo Alpe Adria Bank d.d., Zagreb - custody account	1.497	2.095.800	0,47	1.078	1.509.200	0,34
Kraš d.d., Zagreb	1.400	1.960.000	0,44	1.400	1.960.000	0,44
Erste & Steiermärkische Bank d.d., Rijeka – custody account	1.231	1.723.400	0,39	1.295	1.813.000	0,41
Auto Hrvatska d.d., Zagreb	1.004	1.405.600	0,32	1.004	1.405.600	0,32
Zagrebačka banka d.d. – custody account	711	995.400	0,22	729	1.020.600	0,23
Komercijalna banka Zagreb d.d., Zagreb – in bankruptcy	700	980.000	0,22	700	980.000	0,22
Bahovec Srećko	566	792.400	0,18	558	781.200	0,18
Adriacommerce d.o.o., Split	500	700.000	0,16	500	700.000	0,16
Radić Antun	408	571.200	0,13	408	571.200	0,13
Tankerska plovdba 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>UKUPNO</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>



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**18.2. Revaluation reserves**

Revaluation reserves in the amount of HRK 496,993,709 (At 31 December 2010: HRK 560,772,396) are shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Land and buildings	(64,994)	520,883,395	520,818,401	0	518,667,184	518,667,184
Financial investments	(15,653,736)	(15,000,350)	(30,654,086)	8,753,985	26,530,844	35,284,829
Other revaluation reserves	0	6,829,394	6,829,395	0	6,820,382	6,820,382
<b>TOTAL</b>	<b>(15,718,730)</b>	<b>512,712,439</b>	<b>496,993,709</b>	<b>8,753,985</b>	<b>552,018,410</b>	<b>560,772,395</b>

/i/ Revaluation reserves for lands and buildings:

Description	Revaluation of properties
	HRK
<b>Balance at 31 December 2009</b>	<b>524,881,616</b>
Correction of previous period errors	(2,969,843)
Transfer to retained earnings (depreciation revaluation)	(5,356,680)
Other gains/losses recognized directly in equity	2,112,091
<b>Balance at 31 December 2010</b>	<b>518,667,184</b>
Correction of previous period errors	74,365
Transfer to retained earnings (depreciation revaluation)	(6,668,635)
Addition during 2011	7,411,757
Transfer from deferred tax property	1,333,730
<b>Balance at 31 Dec 2011</b>	<b>520,818,401</b>

/ii/ Revaluation reserves of financial investments:

Description	Revaluation of financial investments
	HRK
<b>Balance at 1 January 2011</b>	<b>(43,213,943)</b>
Correction of previous period errors	62,143
Change in fair value of financial assets available for sale	(7,746,521)
Realized losses from financial assets available for sale / net	85,933,879
Other gains / losses recognized directly in equity	249,271
<b>Balance at 31 December 2010</b>	<b>35,284,829</b>
Change in fair value of financial assets available for sale	(48,173,323)
Realized losses from financial assets available for sale / net	(18,064,979)
Other gains / losses recognized directly in equity	299,387
<b>Balance at 31 December 2011</b>	<b>(30,654,086)</b>

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iii/ Other revaluation reserves:

Description	Revaluation of financial investments
	HRK
<b>Balance at 1 January 2010</b>	<b>10,903,006</b>
Correction of previous period errors	(4,620,361)
Other gains / losses recognized directly in equity	537,737
<b>Balance at 31 December 2010</b>	<b>6,820,382</b>
Other gains / losses recognized directly in equity	9,012
<b>Balance at 31 December 2011</b>	<b>6,829,394</b>

### 18.3. Reserves

Reserves in the amount of HRK 456,466,779 (At 31 December 2010: HRK 443,930,661) were determined by the Decisions of the Company's General assembly from previous years' profit, and are shown as follows:

Description	At 31 Dec 2011	At 31 Dec 2010
	HRK	HRK
Legal reserves	19,642,171	17,461,976
Statutory reserves	94,613,780	84,257,858
Other reserves	342,210,828	342,210,827
<b>TOTAL</b>	<b>456,466,779</b>	<b>443,930,661</b>

### 18.4. Retained earnings

Description	Retained earnings
	HRK
<b>At 1 January 2011</b>	<b>402,754,919</b>
Correction of previous period errors	(39,843)
Transfer of part of 2010 profit	43,749,827
Unrealized gains or losses from tangible property	6,835,588
Other non-ownership changes in equity	2,358,648
<b>At 31 December 2011</b>	<b>455,659,139</b>

### 18.5. Profit for the year

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

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**19. Technical provision**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Unearned premiums, gross	3,929,192	1,114,848,550	1,118,777,742	3,986,675	1,173,196,945	1,177,183,620
Mathematical insurance provision, gross	1,945,987,781	0	1,945,987,781	1,877,152,130	0	1,877,152,130
Claim provision, gross	36,769,501	3,133,643,783	3,170,413,284	42,921,772	3,074,104,217	3,117,025,989
Provision for premium return (bonuses or discounts), gross	0	5,812,976	5,812,976	0	5,977,339	5,977,339
Other insurance-technical provision, gross	0	66,427,000	66,427,000	0	55,757,000	55,757,000
<b>TOTAL</b>	<b>1,986,686,474</b>	<b>4,320,732,309</b>	<b>6,307,418,783</b>	<b>1,924,060,577</b>	<b>4,309,035,501</b>	<b>6,233,096,078</b>

**/i/ Claim provision**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Provision for registered, non-liquidated claims	31,738,033	1,816,107,726	1,847,845,759	37,838,195	1,736,519,203	1,774,357,398
Provision for registered claims for unknown motor vehicles	0	(748,124)	(748,124)	0	3,074,307	3,074,307
Provision for claims handling costs	412,985	85,531,511	85,944,496	478,515	82,894,407	83,372,922
Provision for occurred unregistered claims (IBNR)	4,618,483	1,232,752,670	1,237,371,153	4,605,062	1,251,616,300	1,256,221,362
<b>TOTAL</b>	<b>36,769,501</b>	<b>3,133,643,782</b>	<b>3,170,413,284</b>	<b>42,921,772</b>	<b>3,074,104,217</b>	<b>3,117,025,989</b>

**20. Life insurance technical provisions when the insurer bears risk**

Life insurance technical provisions when the insurer bears risk in the amount of HRK 16,320,627 (At 31 December 2010: HRK 22,374,967) were formed for life insurance policies in which the insurer bears investment risk.

**21. Other reserves**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Reserves for pensions and legal court disputes	2,557,348	82,502,608	85,059,956	2,647,001	78,382,881	81,029,882
Other reserves	0	5,411,284	5,411,284	0	6,833,905	6,833,905
<b>TOTAL</b>	<b>2,557,348</b>	<b>87,913,892</b>	<b>90,471,240</b>	<b>2,647,001</b>	<b>85,216,786</b>	<b>87,863,787</b>

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/i/ Movements of reserves for pensions and court disputes during 2011 are shown as follows:

Description	Court dispute costs	Jubilee awards and severance payments	Total
	HRK	HRK	HRK
Balance at 1 January 2011	11,615,719	69,414,163	81,029,882
Correction of the opening balance - foreign exchange difference	0	28,602	28,602
Additional provisions	1,786,000	19,539,662	21,325,662
Elimination of provisions	(3,173,664)	(13,599,690)	(16,773,354)
Utilization of provisions	(15,806)	(535,030)	(550,836)
<b>Balance at 31 December 2011</b>	<b>10,212,249</b>	<b>74,847,707</b>	<b>85,059,956</b>

/ii/ Other reserves

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Other reserves - Residential fund	0	0	0	0	2,836,300	2,836,300
Other reserves	0	5,411,284	5,411,284	0	3,997,605	3,997,605
<b>TOTAL</b>	<b>0</b>	<b>5,411,284</b>	<b>5,411,284</b>	<b>0</b>	<b>6,833,905</b>	<b>6,833,905</b>

## 22. Deferred and current tax liability

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Deferred tax liability	0	122,317,430	122,317,430	0	123,685,469	123,685,469
Current tax liability	55,052	12,527,327	12,582,379	0	5,753,201	5,753,201
<b>TOTAL</b>	<b>55,052</b>	<b>134,844,757</b>	<b>134,899,809</b>	<b>0</b>	<b>129,438,670</b>	<b>129,438,670</b>

Deferred tax liability is recognized under the adjustment to the fair value of operational land and buildings and a part of non-operational land and buildings.

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**23. Financial liabilities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Loan liabilities	0	84,079,870	84,079,870	0	146,314,015	146,314,015
Other financial liabilities	100,067	4,320,194	4,420,261	144,963	14,747,616	14,892,578
<b>TOTAL</b>	<b>100,067</b>	<b>88,400,064</b>	<b>88,500,131</b>	<b>144,963</b>	<b>161,061,631</b>	<b>161,206,593</b>

*/i/* Loan liabilities

Review of loan liabilities at 31 December 2011:

Creditor	Interest rate	Maturity		
		1 year or less	2-5 years	Over 5 years
		HRK	HRK	HRK
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	16,237,467	0	16,237,467
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	7,353,454	0	7,353,454
Privredna banka Zagreb d.d., Zagreb	3MEUR+5,5	16,472,794	0	16,472,794
Erste & Steiermärkische Bank d.d., Rijeka	7%fix	7,290,745	1,552,528	5,738,217
Hrvatska poštanska banka d.d., Zagreb	8,5%variable	10,651,160	0	10,651,160
Hrvatska poštanska banka d.d., Zagreb	9,95% variable	24,052,244	24,052,244	0
Zagrebačka banka d.d., Zagreb		1,916,813	1,916,813	0
Unicreditleasing d.o.o., Zagreb	10%	105,193	105,193	0
<b>Total</b>		<b>84,079,870</b>	<b>27,626,778</b>	<b>56,453,092</b>

Review of loan liabilities at 31 December 2010:

Creditor	Interest rate	Maturity			Creditor	HRK
		1 year or less	2-5 years	Over 5 years		
		HRK	HRK	HRK		
Privredna banka Zagreb d.d., Zagreb	3MEUR+5.5	21,232,371	5,308,093	15,924,278	0	
Privredna banka Zagreb d.d., Zagreb	3MEUR+5.5	21,540,089	5,385,022	16,155,067	0	
Privredna banka Zagreb d.d., Zagreb	3MEUR+5.5	9,615,494	2,403,874	7,211,620	0	
Erste & Steiermarkische Bank d.d., Rijeka	7%fix	17,722,800	17,722,800	0	0	
Hypo Alpe-Adria bank d.d., Zagreb	1MEUR+2.2	3,022,873	3,022,873	0	0	
Hrvatska poštanska banka d.d., Zagreb	8.5%variable	21,216,026	9,717,323	11,498,703	0	
Hrvatska poštanska banka d.d., Zagreb	9.95%variable	40,470,748	40,470,748	0	0	
Erste & Steiermärkische Bank d.d., Rijeka	6%	8,584,250	1,434,129	7,150,121	0	
Zagrebačka banka d.d., zagreb	7%	537,141	48,829	0	488,312	
VB Leasing d.o.o., Zagreb	8%	1,758,614	103,254	1,655,360	0	
Hypo Leasing Kroatien d.o.o., Zagreb	9%	154,702	5,981	148,721	0	
Unicreditleasing d.o.o., Zagreb	10%	130,753	1,760	128,993	0	
HypoAlpeAdria Bank, Mostar	0.1042	294,032	0	294,032	0	
UniCredit leasing d.o.o. Sarajevo	variable	34,122	0	34,122	0	
<b>Total</b>		<b>146,314,015</b>	<b>85,624,686</b>	<b>60,201,017</b>	<b>488,312</b>	

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**24. Other liabilities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities from direct insurance activities	2,025,459	110,716,980	112,742,439	974,033	109,025,151	109,999,184
Liabilities from coinsurance and reinsurance activities	1,693	67,958,283	67,959,976	1,665	38,334,150	38,335,815
Other liabilities	31,363,056	126,378,871	157,741,927	44,038,033	111,096,931	155,134,964
<b>TOTAL</b>	<b>33,390,208</b>	<b>305,054,134</b>	<b>338,444,342</b>	<b>45,013,731</b>	<b>258,456,232</b>	<b>303,469,963</b>

*/i/* **Liabilities from direct insurance activities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	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 toward HUU	0	52,820,284	52,820,284	0	163,863	163,863
Liabilities under liquidated claims	(228)	13,901,456	13,901,228	242,474	41,382,771	41,625,245
Liabilities for health insurance contribution out of motor TPL ins.	0	3,814,506	3,814,506	0	3,862,350	3,862,350
Liabilities for fire depar. contributions	0	1,654,889	1,654,889	0	1,911,098	1,911,098
Liabilities for the fee to regulator	0	111,421	111,421	0	0	0
Other liabilities	1,641,204	7,588,017	9,229,221	731,559	749,594	1,481,153
<b>TOTAL</b>	<b>2,025,459</b>	<b>110,716,980</b>	<b>112,742,439</b>	<b>974,033</b>	<b>109,025,151</b>	<b>109,999,184</b>

*/ii/* **Liabilities from coinsurance and reinsurance activities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Liabilities for reinsurance premium abroad	0	67,417,854	67,417,854	0	37,587,867	37,587,867
Liabilities for reinsurance premium in the country	1,693	404,972	406,665	1,665	746,283	747,948
Liabilities for coinsurance premium in the country	0	135,457	135,457	0	0	0
<b>TOTAL</b>	<b>1,693</b>	<b>67,958,283</b>	<b>67,959,976</b>	<b>1,665</b>	<b>38,334,150</b>	<b>38,335,815</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2011**

**/iii/ Other liabilities**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Trade payables	350,268	33,340,925	33,691,193	162,772	30,813,917	30,976,689
Liabilities to employees	440,521	1,569,042	2,009,563	6,665	2,203,823	2,210,488
Contributions, memberships and similar	39,760	22,605,748	22,645,508	227	366,556	366,782
Contributions from salaries	18,438	8,436,967	8,455,406	21,682	7,003,275	7,024,956
Corporate income tax	2,976	5,722,889	5,725,864	0	826,608	826,608
Contributions on salaries	6,249	6,588,142	6,594,391	7,344	6,126,444	6,133,788
Prepayment liabilities	1,132	7,635,511	7,636,643	198,888	634,519	833,406
Liabilities to the State for sold apartments	0	472,606	472,606	0	6,817,152	6,817,152
Liabilities under motor TPL and motor-full insurance tax	0	1,923,972	1,923,972	0	10,821,571	10,821,571
Liabilities for net salaries	0	5,996,868	5,996,868	45,303	21,946,668	21,991,971
Deductions from salaries and wages	0	443,071	443,071	0	2,462,622	2,462,622
Taxes and surtaxes from salaries	508	201,735	202,243	3,183	4,502,991	4,506,174
Liabilities for dividends	0	10,466,917	10,466,917	0	1,259,137	1,259,137
Other liabilities	30,503,205	20,974,477	51,477,682	43,591,964	15,311,647	58,903,611
<b>TOTAL</b>	<b>31,363,057</b>	<b>126,378,871</b>	<b>157,741,927</b>	<b>44,038,027</b>	<b>111,096,929</b>	<b>155,134,956</b>

**25. Accrued expenses and deferred income**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Total accrued expenses	0	25,674,754	25,674,754	3,773	383,612	387,385
<i>Deferred income</i>						
Accrued premium	118,329	2,983,686	3,102,015	42,085,204	0	42,085,204
Deferred income due to collection uncertainty	0	6,672,391	6,672,391	0	10,872,595	10,872,595
Other deferred income	60,088	6,047,023	6,107,111	43,540	9,343,611	9,387,151
Total deferred income	178,417	15,703,100	15,881,517	42,128,744	20,216,206	62,344,950
<b>TOTAL</b>	<b>178,417</b>	<b>41,377,854</b>	<b>41,556,271</b>	<b>42,132,517</b>	<b>20,599,818</b>	<b>62,732,335</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2011**

**26. Off-balance sheet records**

Description	31 Dec 2010	Increase	Decrease	At 31 Dec 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 of companies in bankruptcy	14,251,620	0	0	14,251,620
Placements and interest from companies in bankruptcy	74,509,957	0	834,650	73,675,307
Default interest on placements	8,750,411	40,941	37,941	8,753,411
Other	0	37,500,000	10,000,000	27,500,000
Receivables from companies in bankruptcy	216,681,561	60,091,652	18,807,364	257,965,849
Recourse receivables	487,889,259	16,881,506	28,603,541	476,167,223
<b>TOTAL</b>	<b>704,570,820</b>	<b>76,973,158</b>	<b>47,410,905</b>	<b>734,133,072</b>

**27. Reimbursement to the Management Board**

Description	At 31 Dec 2011	At 31 Dec 2010
	HRK'000	HRK'000
Gross salaries of Management Board	1,233,992	1,508,790
Fees to Management Board	197,408	128,158
<b>TOTAL</b>	<b>1,431,400</b>	<b>1,636,948</b>

**IV COURT DISPUTES AND CONTIGENT LIABILITIES**

According to information received from the legal department, other than litigation initiated against the Group for damages, against the Group are initiated also court disputes of other nature. Assessing the outcome of disputes initiated against the Group, it is determined the potential outflow of funds based on loss of disputes, and on that basis the Group stated provision in the amount of HRK 10,212,249.



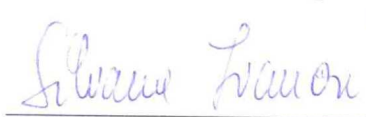
**CROATIA OSIGURANJE d.d., Zagreb**  
**Notes to the consolidated financial statements**  
**for the year ended 31 December 2011**

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**V APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were adopted and approved for issuance by the Management Board on 29 March 2012.

On behalf of the Management Board:



Silvana Ivančić  
Member of the Management Board



Zdravko Zrinušić  
President of the Management Board

CROATIA OSIGURANJE d.d.  
Miramarska 22  
10 000 Zagreb  
The Republic of Croatia  
29 March 2012

## **FINANCIAL STATEMENTS FOR THE COMPANY ACCORDING TO REGULATION ON THE STRUCTURE AND CONTENT OF FINANCIAL STATEMENTS**

On the basis of Regulation on the structure and content of the financial statements for insurance and coinsurance companies (National gazette No 132/10) which on the basis of Insurance law and the Accounting law has been brought by the Croatian agency for the control of financial services, in addition we give the consolidated financial statements for the Company CROATIA osiguranje d.d., Zagreb in the form according to the Regulation stated.

Adjustment between the financial statements shown in addition on pages 72 to 82 which are prescribed by Regulation on the structure and content of financial statements of insurance and coinsurance companies and also the annual financial statements prepared in accordance with the reporting framework of IFRS ,is shown on pages 83 to 85 under name „Adjustment of consolidated financial statements“.

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011**

POSITION	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>EARNED PREMIUMS (INCOME)</u></b>						
Earned gross premiums	387,803,438	2,851,750,030	3,239,553,468	385,704,710	2,911,414,493	3,297,119,203
Coinsurance premiums		1,024,374	1,024,374	0	556,583	556,583
Impairment and collected impairment of insurance premium		(69,013,259)	(69,013,259)	0	(52,405,459)	(52,405,459)
Outwards reinsurance	(319,731)	(328,188,741)	(328,508,471)	(6,859)	(352,894,530)	(352,901,389)
Outwards coinsurance	0	(3,744,946)	(3,744,946)	0	(5,383,364)	(5,383,364)
Change in gross unearned premium provision	73,219	6,876,011	6,949,231	112,708	74,099,692	74,212,400
Change in unearned premium provision, reinsurance portion	138	(4,609,200)	(4,609,062)	0	4,342,854	4,342,854
Change in unearned premium provision, coinsurance portion	0	0	0	0	1,073,932	1,073,932
<b>Total earned premiums</b>	<b>387,557,064</b>	<b>2,454,094,271</b>	<b>2,841,651,335</b>	<b>385,810,559</b>	<b>2,580,804,201</b>	<b>2,966,614,760</b>
<b><u>INVESTMENT INCOME</u></b>						
Income from investment in land and buildings	4,566	62,867,176	62,871,742	4,474	12,240,130	12,244,604
Interest income	108,747,360	160,646,103	269,393,462	120,273,024	173,695,336	293,968,360
Unrealized gains at fair value through profit and loss account	2,494,897	8,892,042	11,386,939	3,898,786	6,693,193	10,591,979
Gains from sale of financial investments	3,870,283	6,598,217	10,468,500	3,455,091	7,390,415	10,845,506
Net foreign exchange gains	19,753,250	16,947,707	36,700,956	11,058,585	12,329,780	23,388,365
Other investment income	225,763	52,861,146	53,086,909	(6,287,538)	4,240,155	(2,047,383)
<b>Total investment income</b>	<b>135,096,118</b>	<b>308,812,391</b>	<b>443,908,509</b>	<b>132,402,422</b>	<b>216,589,009</b>	<b>348,991,431</b>
<b><u>OTHER INCOME</u></b>						
Income from fees and commissions	69,101	44,660,305	44,729,407	90,042	45,903,228	45,993,270
Other insurance-technical income, net from reinsurance	108,336	20,825,011	20,933,348	728,107	39,647,332	40,375,439
Other income	1,361,321	213,761,067	215,122,388	1,832,993	244,744,866	246,577,859
<b>Total other income</b>	<b>1,538,758</b>	<b>279,246,383</b>	<b>280,785,143</b>	<b>2,651,142</b>	<b>330,295,426</b>	<b>332,946,568</b>

CROATIA OSIGURANJE d.d., Zagreb

Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011

POSITION	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>INSURED EVENT EXPENSES, NET</u></b>						
Liquidated claims	(329,935,998)	(1,470,065,857)	(1,800,001,855)	(230,501,346)	(1,578,904,031)	(1,809,405,377)
Change in claim provision	6,167,438	66,370,388	72,537,826	572,342	29,198,177	29,770,519
<b>Total insured event expenses, net</b>	<b>(323,768,560)</b>	<b>(1,403,695,469)</b>	<b>(1,727,464,029)</b>	<b>(229,929,004)</b>	<b>(1,549,705,854)</b>	<b>(1,779,634,858)</b>
<b>CHANGE IN OTHER TECHNICAL PROVISION, NET FROM REINSURANCE</b>						
Change in mathematical insurance provision	(64,996,943)	0	(64,996,943)	(136,507,486)	0	(136,507,486)
Change in other technical provision, net from reinsurance	0	(10,670,000)	(10,670,000)	0	(13,847,225)	(13,847,225)
<b>Total change in other technical provision, net from reinsurance</b>	<b>(64,996,943)</b>	<b>(10,670,000)</b>	<b>(75,666,943)</b>	<b>(136,507,486)</b>	<b>(13,847,225)</b>	<b>(150,354,711)</b>
<b><u>CHANGES IN SPECIAL LIFE INSURANCE PROVISION WHEN POLICYHOLDER BEARS INVESTMENT RISK, NET FROM REINSURANCE</u></b>						
Changes in life insurance technical provision when policyholders bears the risk	4,700,768	0	4,700,768	1,918,336	0	1,918,336
<b>Total changes in life insurance technical provision when policyholders bears the risk</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>
<b><u>COSTS FOR PREMIUM RETURN (BONUSES AND DISCOUNTS), NET FROM REINSURANCE</u></b>						
Dependent from the result (bonuses)	0	(104,981)	(104,981)	0	(390,424)	(390,424)
Independent from the result (discounts)	0	(361,232)	(361,232)	0	4,004,526	4,004,526
<b>Total costs for premium return (bonuses and discounts), net from reinsurance</b>	<b>0</b>	<b>(466,213)</b>	<b>(466,213)</b>	<b>0</b>	<b>3,614,102</b>	<b>3,614,102</b>
<b><u>OPERATING COSTS, NET</u></b>						
Acquisition costs	(35,290,163)	(296,237,384)	(331,527,547)	(40,406,269)	(303,952,105)	(344,358,374)
Management costs (administrative costs)	(73,593,614)	(744,180,013)	(817,773,627)	(73,474,404)	(718,525,098)	(791,999,502)
<b>Total operating costs, net</b>	<b>(108,883,777)</b>	<b>(1,040,417,397)</b>	<b>(1,149,301,174)</b>	<b>(113,880,673)</b>	<b>(1,022,477,203)</b>	<b>(1,136,357,876)</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of income / Consolidated statement of comprehensive income for the year 2011**

POSITION	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>INVESTMENT COSTS</u></b>						
Depreciation (non-operational buildings)	0	0	0	0	(1,271,102)	(1,271,102)
Interest	(12,186)	(1,354)	(13,539)	(16,051)	(476,808)	(92,859)
Investment impairment	(12,043,534)	(32,152,661)	(44,196,195)	(16,717,359)	(20,330,656)	(37,048,015)
Loss from sale (realization) of investment	(2,575,940)	(21,363,966)	(23,939,906)	(13,739,085)	(38,910,657)	(52,649,742)
Reconciliation of financial assets at fair value through P&L account	(5,089,978)	(8,014,888)	(13,104,866)	(726,384)	(111,231)	(837,615)
Other investment costs	(511,965)	(123,220,944)	(123,732,909)	(2,611,264)	(81,131,368)	(83,742,632)
<b>Total investment costs</b>	<b>(20,233,603)</b>	<b>(184,753,813)</b>	<b>(204,987,415)</b>	<b>(33,810,143)</b>	<b>(142,231,822)</b>	<b>(176,041,965)</b>
<b><u>OTHER COSTS</u></b>						
Other technical costs, net from reinsurance	(190,956)	(84,668,049)	(84,859,006)	(305,749)	(82,178,583)	(82,484,332)
Other costs, including value adjustments	(1,142,463)	(168,881,499)	(170,023,962)	(60,845)	(210,100,989)	(210,161,834)
<b>Total other costs</b>	<b>(1,333,419)</b>	<b>(253,549,548)</b>	<b>(254,882,967)</b>	<b>(366,594)</b>	<b>(292,279,572)</b>	<b>(292,646,166)</b>
<b>TOTAL INCOME</b>	<b>524,191,941</b>	<b>3,042,153,045</b>	<b>3,566,344,986</b>	<b>520,864,123</b>	<b>3,127,688,636</b>	<b>3,648,552,759</b>
<b>TOTAL EXPENSES</b>	<b>(514,515,534)</b>	<b>(2,893,552,439)</b>	<b>(3,408,067,973)</b>	<b>(513,626,758)</b>	<b>(3,046,627,015)</b>	<b>(3,560,253,773)</b>
<b>PROFIT BEFORE TAXATION</b>	<b>9,676,407</b>	<b>148,600,606</b>	<b>158,277,012</b>	<b>8,288,559</b>	<b>110,761,062</b>	<b>119,049,621</b>
Corporate income tax	(2,551,474)	(46,033,081)	(48,584,554)	(1,051,195)	(29,699,442)	(30,750,637)
<b>PROFIT FOR THE CURRENT YEAR</b>	<b>7,124,933</b>	<b>102,567,525</b>	<b>109,692,459</b>	<b>7,237,363</b>	<b>81,061,621</b>	<b>88,298,984</b>
Other comprehensive income	(24,407,721)	(39,370,966)	(63,778,687)	16,309,458	64,383,814	80,693,272
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(17,282,788)</b>	<b>63,196,559</b>	<b>45,913,771</b>	<b>23,546,823</b>	<b>145,445,435</b>	<b>168,992,258</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>INTANGIBLE ASSETS</u></b>						
Goodwill	0	42,263,906	42,263,906	0	43,154,776	43,154,776
Other intangible assets	59,932	21,045,433	21,105,365	35,779	25,417,174	25,452,953
<b>Total intangible assets</b>	<b>59,932</b>	<b>63,309,339</b>	<b>63,369,271</b>	<b>35,779</b>	<b>68,571,950</b>	<b>68,607,729</b>
<b><u>TANGIBLE ASSETS</u></b>						
Land and buildings for operational activities	3,679,148	1,347,814,385	1,351,493,534	4,185,330	1,372,329,198	1,376,514,528
Equipment	491,763	98,488,524	98,980,287	521,068	140,887,166	141,408,234
Other tangible assets	134,553	38,558,497	38,693,050	162,043	38,483,099	38,645,142
<b>Total tangible assets</b>	<b>4,305,464</b>	<b>1,484,861,406</b>	<b>1,489,166,871</b>	<b>4,868,441</b>	<b>1,551,699,463</b>	<b>1,556,567,904</b>
<b><u>INVESTMENTS</u></b>						
Investments in land and buildings (non-operational)	437,198	968,976,989	969,414,187		816,718,189	816,718,189
Investments in branch offices, associates and joint ventures	0	17,607,576	17,607,576	0	19,140,405	19,140,405
Other financial investments	2,105,858,599	2,960,661,409	5,066,520,008	2,083,905,096	3,009,927,595	5,093,832,691
<b>Total investments</b>	<b>2,106,295,797</b>	<b>3,947,245,974</b>	<b>6,053,541,771</b>	<b>2,083,905,096</b>	<b>3,845,786,189</b>	<b>5,929,691,285</b>
<b><u>INVESTMENTS FOR THE ACCOUNT AND ON THE RISK OF THE LIFE INSURANCE POLICY HOLDERS</u></b>						
Investments for the account and on the risk of the life insurance policy holders	16,320,627	0	16,320,627	22,374,967	0	22,374,967
<b>Total investments for the account and on the risk of the life insurance policy holders</b>	<b>16,320,627</b>	<b>0</b>	<b>16,320,627</b>	<b>22,374,967</b>	<b>0</b>	<b>22,374,967</b>
<b><u>REINSURANCE PORTION IN TECHNICAL PROVISION</u></b>						
Unearned premiums, reinsurance portion	138	19,806,023	19,806,161	0	77,653,096	77,653,096
Mathematical provision, reinsurance portion	164,490	0	164,490	11,607	0	11,607
Claim provision, reinsurance portion	0	215,781,823	215,781,823	0	92,306,696	92,306,696
Provision for premium returns dependent and independent from the result(bonuses and discounts), reinsurance portion	0	519,328	519,328	0	617,871	617,871
<b>Total reinsurance portion in technical provision</b>	<b>164,628</b>	<b>236,107,174</b>	<b>236,271,802</b>	<b>11,607</b>	<b>170,577,663</b>	<b>170,589,270</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010			
	Life	General	Total	Life	General	Total	Life
	HRK	HRK	HRK		HRK	HRK	HRK
<b><u>DEFERRED AND CURRENT TAX ASSETS</u></b>							
Deferred and current tax assets	2,451,330	3,588,575	6,039,905		3,365,941	8,089,287	11,455,228
<b>Total deferred and current tax assets</b>	<b>2,451,330</b>	<b>3,588,575</b>	<b>6,039,905</b>		<b>3,365,941</b>	<b>8,089,287</b>	<b>11,455,228</b>
<b><u>RECEIVABLES</u></b>							
Receivables from direct insurance activities	162,077	681,383,908	681,545,985		41,306,800	689,902,212	731,209,012
Receivables from coinsurance and reinsurance activities	0	61,234,875	61,234,875		0	29,146,633	29,146,633
Total other receivables	10,130,650	258,534,884	268,665,533		6,273,128	325,550,592	331,823,720
<b>Total receivables</b>	<b>10,292,727</b>	<b>1,001,153,667</b>	<b>1,011,446,393</b>		<b>47,579,928</b>	<b>1,044,599,437</b>	<b>1,092,179,365</b>
<b><u>OTHER ASSETS</u></b>							
Cash on account and in hand	6,052,921	75,750,040	81,802,961		7,387,138	58,049,720	65,436,858
Other	64,325	12,789,502	12,853,826		93,522	19,682,594	19,776,116
<b>Total other assets</b>	<b>6,117,246</b>	<b>88,539,542</b>	<b>94,656,787</b>		<b>7,480,660</b>	<b>77,732,314</b>	<b>85,212,974</b>
<b><u>PREPAYMENTS AND ACCRUED INCOME</u></b>							
Prepayments and accrued income	22,259,902	59,037,498	81,297,400		18,055,825	49,340,791	67,396,616
<b>Total prepayments and accrued income</b>	<b>22,259,902</b>	<b>59,037,498</b>	<b>81,297,400</b>		<b>18,055,825</b>	<b>49,340,791</b>	<b>67,396,616</b>
<b>TOTAL ASSETS</b>	<b>2,168,267,651</b>	<b>6,883,843,174</b>	<b>9,052,110,826</b>		<b>2,187,678,244</b>	<b>6,816,397,094</b>	<b>9,004,075,338</b>
<b>OFF-BALANCE SHEET RECORDS</b>	<b>0</b>	<b>734,133,072</b>	<b>734,133,072</b>		<b>0</b>	<b>704,570,820</b>	<b>704,570,820</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010			
	Life	General	Total	Life	General	Total	Life
	HRK	HRK	HRK		HRK	HRK	HRK
<b><u>CAPITAL AND RESERVES</u></b>							
Subscribed capital	44,288,720	398,598,480	442,887,200		44,288,720	398,598,480	442,887,200
Revaluation reserves	(15,718,730)	512,712,440	496,993,709		8,753,985	552,018,411	560,772,396
Reserves	78,314,936	378,151,843	456,466,779		77,013,268	366,917,393	443,930,661
Carried forward (retained) profit or loss	7,517,828	448,141,312	455,659,139		5,033,861	397,721,058	402,754,919
Profit for the current year	6,785,475	100,261,630	107,047,104		6,607,738	78,342,027	84,949,765
<b>Total capital and reserves</b>	<b>121,188,228</b>	<b>1,837,865,704</b>	<b>1,959,053,931</b>		<b>141,697,572</b>	<b>1,793,597,368</b>	<b>1,935,294,940</b>
Minority interest	7,791,231	67,654,463	75,445,694		9,606,916	58,991,088	68,598,004
<b>Minority interest</b>	<b>7,791,231</b>	<b>67,654,463</b>	<b>75,445,694</b>		<b>9,606,916</b>	<b>58,991,088</b>	<b>68,598,004</b>
<b><u>TECHNICAL PROVISION</u></b>							
Unearned gross premiums	3,929,192	1,114,848,550	1,118,777,742		3,986,675	1,173,196,945	1,177,183,620
Gross mathematical insurance provision	1,945,987,781	0	1,945,987,781		1,877,152,130	0	1,877,152,130
Gross claim provision	36,769,501	3,133,643,782	3,170,413,284		42,921,772	3,074,104,217	3,117,025,989
Other gross insurance-technical provision	0	5,812,976	5,812,976		0	5,977,339	5,977,339
Other gross technical provision	0	66,427,000	66,427,000		0	55,757,000	55,757,000
<b>Total technical provision</b>	<b>1,986,686,474</b>	<b>4,320,732,309</b>	<b>6,307,418,783</b>		<b>1,924,060,577</b>	<b>4,309,035,501</b>	<b>6,233,096,078</b>
<b><u>TECHNICAL LIFE INSURANCE PROVISION WHEN THE INSURER BEARS THE RISK</u></b>							
Technical life insurance provision when the insurer bears the risk	16,320,627	0	16,320,627		22,374,967	0	22,374,967
<b>Total technical life insurance provision when the insurer bears the risk</b>	<b>16,320,627</b>	<b>0</b>	<b>16,320,627</b>		<b>22,374,967</b>	<b>0</b>	<b>22,374,967</b>



**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated balance sheet / Consolidated statement of financial position as at 31 December 2011**

POSITION	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b><u>OTHER RESERVES</u></b>						
Other reserves	2,557,348	87,913,892	90,471,240	2,647,001	85,216,786	87,863,787
<b>Total other reserves</b>	<b>2,557,348</b>	<b>87,913,892</b>	<b>90,471,240</b>	<b>2,647,001</b>	<b>85,216,786</b>	<b>87,863,787</b>
<b><u>DEFERRED AND CURRENT TAX LIABILITIES</u></b>						
Deferred and current tax liabilities	55,052	134,844,757	134,899,809	0	129,438,670	129,438,670
<b>Total deferred and current tax liabilities</b>	<b>55,052</b>	<b>134,844,757</b>	<b>134,899,809</b>	<b>0</b>	<b>129,438,670</b>	<b>129,438,670</b>
<b><u>FINANCIAL LIABILITIES</u></b>						
Financial liabilities	100,067	88,400,064	88,500,131	144,963	161,061,626	161,206,589
<b>Total financial liabilities</b>	<b>100,067</b>	<b>88,400,064</b>	<b>88,500,131</b>	<b>144,963</b>	<b>161,061,626</b>	<b>161,206,589</b>
<b><u>OTHER LIABILITIES</u></b>						
Liabilities from direct insurance activities	2,025,459	110,716,980	112,742,439	974,033	109,025,151	109,999,184
Liabilities from coinsurance and reinsurance activities	1,693	67,958,283	67,959,976	1,665	38,334,150	38,335,815
Other liabilities	31,363,056	126,378,871	157,741,927	44,038,033	111,096,931	155,134,964
<b>Total other liabilities</b>	<b>33,390,208</b>	<b>305,054,134</b>	<b>338,444,342</b>	<b>45,013,731</b>	<b>258,456,232</b>	<b>303,469,963</b>
<b><u>ACCRUED EXPENSES AND DEFERRED INCOME</u></b>						
Accrued expenses and deferred income	178,417	41,377,850	41,556,267	42,132,517	20,599,823	62,732,340
<b>Total accrued expenses and deferred income</b>	<b>178,417</b>	<b>41,377,850</b>	<b>41,556,267</b>	<b>42,132,517</b>	<b>20,599,823</b>	<b>62,732,340</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>2,168,267,652</b>	<b>6,883,843,174</b>	<b>9,052,110,825</b>	<b>2,187,678,244</b>	<b>6,816,397,094</b>	<b>9,004,075,338</b>
<b>OFF-BALANCE SHEET RECORDS</b>	<b>0</b>	<b>734,133,072</b>	<b>734,133,072</b>	<b>0</b>	<b>704,570,820</b>	<b>704,570,820</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of changes in equity in 2011**

Description	Attributable to the owners of the parent company						Attributable to non-controlling interests	Total capital and reserves
	Paid-in capital	Revaluation reserve	Reserves (legal, statutory, other)	Retained earnings	Profit of the current year	Total capital and reserves		
<b>Balance at 1 December 2009</b>	<b>442,887,200</b>	<b>492,570,679</b>	<b>423,894,650</b>	<b>274,246,101</b>	<b>152,504,002</b>	<b>1,786,102,634</b>	<b>62,855,107</b>	<b>1,848,957,741</b>
Change in accounting policy	0	0	0	906,944	0	906,944	1,746,368	2,653,312
Correction of previous period errors	0	(7,526,061)		(6,134,196)	0	(13,660,257)	835,504	(12,824,753)
<b>Balance at 1 January 2010 (corrected)</b>	<b>442,887,200</b>	<b>485,044,618</b>	<b>423,894,652</b>	<b>269,018,849</b>	<b>152,504,002</b>	<b>1,773,349,321</b>	<b>65,436,979</b>	<b>1,838,786,300</b>
Payment of shares in profit /dividends	0	0			(2,898,883)	(2,898,883)	(986,729)	(3,885,612)
Other distributions to the owners	0	0	20,036,009	129,569,110	(149,605,119)	0	0	0
Unrealized gains / losses from tangible assets	0	(3,244,589)	0	5,356,680	0	2,112,091	0	2,112,091
Unrealized gains / losses from assets available for sale	0	(7,746,521)	0	0	0	(7,746,521)	245,624	(7,500,897)
Realized gains / losses from assets available for sale	0	85,933,879	0	0	0	85,933,879	0	85,933,879
Other non-ownership changes in capital	0	785,008		(1,189,721)	0	(404,713)	552,911	148,198
Profit for the period	0	0	0	0	84,949,765	84,949,765	3,349,219	88,298,984
<b>Balance at 31 December 2010</b>	<b>442,887,200</b>	<b>560,772,395</b>	<b>443,930,661</b>	<b>402,754,919</b>	<b>84,949,765</b>	<b>1,935,294,939</b>	<b>68,598,004</b>	<b>2,003,892,943</b>
Correction of previous period errors	0	74,365	0	(39,842)	0	34,523	0	34,523
<b>Balance at 1 January 2011 (corrected)</b>	<b>442,887,200</b>	<b>560,846,760</b>	<b>443,930,661</b>	<b>402,715,077</b>	<b>84,949,765</b>	<b>1,935,329,462</b>	<b>68,598,004</b>	<b>2,003,927,466</b>
Payment of shares in profit /dividends	0	0	0	0	(28,663,820)	(28,663,820)	(2,101,173)	(30,764,993)
Other distributions to the owners	0	0	12,536,118	43,749,827	(56,285,945)	0	0	0
Unrealized gains / losses from tangible assets	0	2,320,408	0	6,835,588	0	9,155,996	8,144,812	17,300,807
Unrealized gains / losses from assets available for sale	0	(48,173,323)	0	0	0	(48,173,323)	(1,494,807)	(49,668,130)
Realized gains / losses from assets available for sale	0	(18,064,979)	0	0	0	(18,064,979)	0	(18,064,979)
Other non-ownership changes in capital	0	64,843	0	2,358,648	0	2,423,491	(346,494)	2,076,997
Profit for the period	0	0	0	0	107,047,104	107,047,104	2,645,353	109,692,457
<b>Balance at 31 December 2011</b>	<b>442,887,200</b>	<b>496,993,709</b>	<b>456,466,779</b>	<b>455,659,139</b>	<b>107,047,104</b>	<b>1,959,053,931</b>	<b>75,445,694</b>	<b>2,034,499,624</b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of cash flows for 2011 - indirect method**


POSITION	2011	2010
	HRK	HRK
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	158,277,013	119,049,621
Depreciation of property and equipment	78,610,696	92,593,942
Depreciation of intangible assets	6,452,213	5,466,381
Impairments and gains/losses from adjustment to fair value	56,114,022	83,072,151
Interest costs	482	0
Interest income	(229,499,066)	7,100,560
Losses from sale of tangible assets (including land and buildings)	0	(16,754)
Portions in profit of associated companies	(34,558,009)	0
Gains/losses from sale of tangible assets	10,899,507	0
Other adjustments	(118,291,401)	(23,201,194)
<b>Cash flows before changes in operating assets and liabilities</b>	<b>(71,994,543)</b>	<b>284,064,707</b>
Decrease in investments available for sale	180,407,596	50,800,526
Increase in investments at fair value through P&L account	(126,638,762)	(117,423,599)
Decrease in deposits, loans and receivables	162,056,557	76,305,127
Increase / decrease in investments for the account and on the risk of the life insurance policy holders	6,054,340	(47,302)
Increase in reinsurance portion in technical provisions	(65,682,532)	(19,556,515)
Decrease / increase in tax assets	5,415,323	(5,298,967)
Decrease in receivables	271,894,249	204,840,393
Decrease in other assets	0	3,274,980
Increase in prepayments and accrued income	(13,900,781)	(19,580,536)
Increase in technical provision	74,322,706	52,266,070
Decrease / increase in life insurance technical provision in the case when insurer bears investment risk	(6,054,340)	47,302
Increase / decrease in tax liabilities	5,461,139	(15,770,859)
Decrease in financial liabilities	(72,706,459)	(71,162,828)
Increase / decrease in other liabilities	37,581,832	(50,142,167)
Decrease in accrued expenses and deferred income	(21,176,070)	(44,550,308)
<b>Increase / decrease in operating assets and liabilities</b>	<b>437,034,800</b>	<b>44,001,317</b>
<b>Paid corporate income tax</b>	<b>(45,860,486)</b>	<b>(54,337,240)</b>
<b><i>Net cash flows from operating activities</i></b>	<b><i>319,179,770</i></b>	<b><i>273,728,784</i></b>
<b><u>Cash flows from investment activities</u></b>		
Receipts from sale of tangible assets	19,955,263	9,222,035
Expenditures for acquisition of tangible assets	(34,193,150)	(69,267,621)
Receipts from sale of intangible assets	0	237,804
Expenditures for acquisition of intangible assets	(2,027,176)	(8,903,911)
Receipts from sale of non-operational land and buildings	0	433,119
Expenditures for acquisition of non-operational land and buildings	(81,376,244)	(11,820,494)
Decrease/increase in investments in branch offices, associates and joint ventures	40,116,167	13,688,777
Receipts from investments held to maturity	109,012,553	80,271,090
Expenditures for investments held to maturity	(299,092,603)	(188,366,596)
Receipts from sale of securities and shares	1,314,422	0
Expenditures for investments in securities and shares	(1,288,898)	(8,086,626)
Receipts from dividends and shares in profit	2,787,773	1,982,736
Receipts from repayment of short-term and long-term loans	323,751,179	6,271,979
Expenditures for given short-term and long-term loans	(320,824,217)	(3,939,423)
<b><i>Net cash flows from investment activities</i></b>	<b><i>(241,864,931)</i></b>	<b><i>(178,277,131)</i></b>

**CROATIA OSIGURANJE d.d., Zagreb**  
**Consolidated statement of cash flows for 2011 - indirect method**

POSITION	2011	2010
	HRK	HRK
<b><u>Cash flows from financial activities</u></b>		
Receipts from received short-term and long-term loans	31,596	203,347
Expenditures for repayment of short-term and long-term loans	(1,026,315)	(96,843,597)
Expenditures for payment of dividend and shares in profit	(33,844,798)	(2,898,883)
<b><i>Net cash flows from financial activities</i></b>	<b><u>(34,839,517)</u></b>	<b><u>(99,539,133)</u></b>
NET CASH FLOWS	42,475,322	(4,087,480)
CASH EFFECTS FROM CHANGES IN FOREIGN EXCHANGE RATES	(33,031,508)	812,500
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>9,443,814</u></b>	<b><u>(3,274,980)</u></b>
Cash and cash equivalents at the beginning of the period	9,443,814	88,487,953
Cash and cash equivalents at the end of the period	85,212,974	85,212,973
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b><u>94,656,788</u></b>	<b><u>(3,274,980)</u></b>

On behalf of the Management Board:

Silvana Ivančić  
  
 Member of the Management Board

Zdravko Zrinušić  
  
 President of the Management Board

**CROATIA OSIGURANJE d.d., Zagreb**  
**Adjustment of financial statements in 2011**

**ADJUSTMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

1. The position - Other tangible assets does not include small inventory and stocks in the amount of HRK 14,449,158 (2010: in the amount of HRK 13,763,420) which is in the financial statements for the purpose of HANFA shown as „Other tangible assets and stocks“, and in the basic financial statements the position of small inventory and stocks is shown within the figure of „Other receivables“.

	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Other tangible assets	24,243,892	38,693,050	(14,449,158)
Other receivables	283,114,691	268,665,533	14,449,158
<u>2010</u>			
Other tangible assets	24,881,721	38,645,141	(13,763,420)
Other receivables	345,587,139	331,823,719	13,763,420

2. Deposits with maturities of up to 3 months in the amount of HRK 296,046,817 (2010: in the amount of HRK 218,715,713) in the basic financial statements are shown within the group of Other assets (sub-group other) while in the financial statements for the purposes of HANFA are stated within the figure „Other investments“.

in HRK	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Other investment - Deposits, loans and receivables	4,770,473,574	5,066,520,008	(296,046,434)
Other assets - other	308,900,644	12,853,826	296,046,818
<u>2010</u>			
Other investment - Deposits, loans and receivables	4,875,117,361	5,093,832,691	(218,715,330)
Other assets - other	238,491,829	19,776,116	218,715,713

**3. Earned gross premiums**

The Group has for the purpose of reporting of HANFA stated separately Net value provision of insurance premium and also the coinsurance premium, while in the basic financial statements the stated provision and the coinsurance premium is shown within the figure of earned gross premiums.

	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Earned gross premiums (including coinsurance premiums)	3,171,564,583	3,240,577,842	(69,013,259)
<u>2010</u>			
Earned gross premiums (including coinsurance premiums)	3,245,270,327	3,297,675,786	(52,405,459)

**CROATIA OSIGURANJE d.d., Zagreb**  
**Adjustment of financial statements in 2011**

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4. Income /expenses from investments

In the basic financial statements investment costs are stated under category of net investment income (as net amount where it was practicable, while in the statements for the purpose of HANFA are stated separately).

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	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Income from investments	238,921,094	443,908,509	
Expenses from investments		(204,987,415)	0
<u>2010</u>			
Income from investments	172,949,465	348,991,430	
Expenses from investments		(176.041.965)	0

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**CROATIA OSIGURANJE d.d., Zagreb**  
**Adjustment of financial statements in 2011**

Description	At 31 Dec 2011					At 31 Dec 2010				
	Financial statements	Life	Regulation		Difference	Financial statements	Life	Regulation		Difference
			General	Total				General	Total	
HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	
<b><u>Income from investments</u></b>										
Income from property investments (land and buildings)	35,046,732	4,566	62,867,176	62,871,742	(27,825,010)	(20,738,114)	4,474	12,240,130	12,244,604	(32,982,718)
Interest income	269,379,923	108,747,360	160,646,103	269,393,462	(13,539)	293,475,501	120,273,024	173,695,336	293,968,360	(492,859)
Unrealized gains from investments at fair value through profit and loss account	(70,086,616)	2,494,897	8,892,042	11,386,939	(81,473,555)	(37,048,014)	3,898,786	6,693,193	10,591,979	(47,639,993)
Gains from sale (realization) of financial investments	(1,717,926)	3,870,283	6,598,217	10,468,500	(12,186,426)	9,754,364	3,455,091	7,390,415	10,845,506	(1,091,142)
Decrease in value of investments	(13,471,406)	0	0	0	(13,471,406)	(41,804,237)	0	0	0	(41,804,237)
Net foreign exchange gains	36,700,957	19,753,250	16,947,707	36,700,956	1	23,388,365	11,058,585	12,329,780	23,388,365	0
Other investment income	(16,930,570)	225,763	52,861,146	53,086,909	(70,017,479)	(54,078,400)	(6,287,538)	4,240,155	(2,047,383)	(52,031,017)
<b>TOTAL</b>	<b>238,921,094</b>	<b>135,096,118</b>	<b>308,812,391</b>	<b>443,908,509</b>	<b>(204,987,415)</b>	<b>172,949,465</b>	<b>132,402,422</b>	<b>216,589,009</b>	<b>348,991,431</b>	<b>(176,041,966)</b>
<b><u>Investment expenses</u></b>										
Depreciation (non-operational buildings)	0	0	0	0	0	0	0	1,271,103	1,271,103	(1,271,103)
Interest	0	12,186	1,354	13,539	(13,539)	0	16,051	476,808	492,859	(492,859)
Decrease in value of investments	0	12,043,534	32,152,661	44,196,195	(44,196,195)	0	16,717,359	20,330,656	37,048,015	(37,048,015)
Losses from sale (realization) of investments	0	2,575,940	21,363,966	23,939,906	(23,939,906)	0	13,739,085	38,910,657	52,649,742	(52,649,742)
Adjustment of financial property at fair value through profit and loss account	0	5,089,978	8,014,888	13,104,866	(13,104,866)	0	726,384	111,231	837,615	(837,615)
Other investment income	0	511,965	123,220,944	123,732,909	(123,732,909)	0	2,611,264	81,131,368	83,742,632	(83,742,632)
<b>TOTAL</b>	<b>0</b>	<b>20,233,603</b>	<b>184,753,812</b>	<b>204,987,415</b>	<b>(204,987,415)</b>	<b>0</b>	<b>33810143</b>	<b>142,231,823</b>	<b>176,041,966</b>	<b>(176,041,966)</b>