

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

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

## CONTENTS

	<u>Page</u>
Responsibility for the financial statements	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Statement of income/Statement of comprehensive income for the year ended 31 December 2011	4 - 6
Balance sheet / Statement of financial position as at 31 December 2011	7 - 10
Statement of changes in equity for the year	11
Statements of cash flows for 2011 - indirect method	12 - 13
NOTES TO THE FINANCIAL STATEMENTS	14 - 70
ADDITIONAL NOTES FOR REGULATOR	71 - 78
FINANCIAL STATEMENTS ACCORDING TO REGULATION ON THE STRUCTURE AND CONTENT OF F.ST.	79 - 90
ADJUSTMENT OF FINANCIAL STATEMENTS	91 - 93

## RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management Board of the Company **CROATIA osiguranja d.d.**, Zagreb, ("the Company") is responsible for ensuring that the annual 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 financial position, the results of operations, the changes in equity and the 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 financial statements of the Company.

In preparing those 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 financial statements; and
- the 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 financial position and the results of operations of the Company 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

CROATIA OSIGURANJE d.d.

Miramarska 22

10 000 Zagreb

The Republic of Croatia

29 March 2012



Zdravko Zrинуšić

President of the Management Board

## **INDEPENDENT AUDITOR'S REPORT**

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

1. We have audited the accompanying annual financial statements of the company Croatia osiguranje d.d., Miramarska 22, Zagreb (hereinafter "the Company") for the year ended 31 December 2011, which comprise of the Balance sheet/ Statement of Financial Position as of 31 December 2011; the Statement of Income / Statement of Comprehensive Income; the Statement of Changes in Equity; the Cash Flows Statement for the year then ended; and the accompanying Notes to the 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 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 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 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 financial statements are free from material misstatements.

An audit includes performing of procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the 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 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 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 Financial Statements, in all material respects, truly and fairly present the financial position of the Company CROATIA osiguranje d.d., Zagreb as of 31 December 2011 and the results of operations and the 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 the majority of economic entities and the expected decrease of share from investments, the Company the additional attention has to direct to the investments' structure improvement of assets, strengthening the loan risk management and to the additional instruments with a goal for the assurance of collection of receivables and investments.

## Other legal and regulatory requirements

6. The preparation of the annual 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 78 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 financial statements of insurance and reinsurance companies and the adjustments are shown on pages 79 to 93.

In Zagreb, 2 April 2012

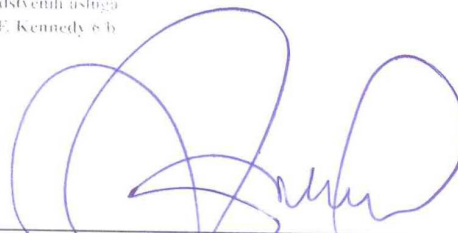
BDO Croatia d.o.o.  
Trg J. F. Kennedy 6b  
10 000 Zagreb



Ines Rožić, certified auditor

**BDO**

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



Jeni Krstičević, President of the  
Management Board

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 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		341,732,078	2,385,000,008	2,726,732,086	345.214.596	2.504.486.623	2.849.701.219
Reinsurance premiums		(282,572)	(406,688,732)	(406,971,304)	(6.859)	(454.681.019)	(454.687.878)
Coinsurance premiums		0	(4,304,247)	(4,304,247)	0	(5.094.469)	(5.094.469)
Change in gross unearned premium reserve		253,630	21,425,919	21,679,549	86.896	81.020.103	81.106.999
Change in unearned premium reserve, reinsurance portion		138	(7,428,329)	(7,428,191)	0	(3.730.225)	(3.730.225)
<b>Total earned premiums (income)</b>		<b>341,703,274</b>	<b>1,988,004,619</b>	<b>2,329,707,893</b>	<b>345.294.633</b>	<b>2.122.001.013</b>	<b>2.467.295.646</b>
<b><u>INVESTMENT INCOME</u></b>	5.2.						
Income from affiliates, associates and joint ventures	5.2./i/	0	34,558,009	34,558,009	1.483.480	30.239.640	31.723.120
Income from property investments (land and buildings)	5.2./ii/	0	34,758,062	34,758,062	0	(21.036.916)	(21.036.916)
Interest income	5.2./iii/	100,482,773	127,224,864	227,707,637	112.179.502	134.017.398	246.196.900
Decrease in value of investments		(12,043,534)	(64,362,687)	(76,406,221)	(16.717.358)	(30.842.643)	(47.560.001)
Unrealized gains from investments at fair value through profit and loss account	5.2./iv/	(2,629,253)	(3,982,463)	(6,611,716)	3.172.402	2.674.440	5.846.842
Gains / losses from sale of financial investments	5.2./v/	505,789	(11,438,956)	(10,933,167)	(10.466.012)	(32.813.465)	(43.279.477)
Net foreign exchange gains		19,867,052	13,086,273	32,953,325	10.844.322	8.420.408	19.264.730
Other investment income/expenses	5.2./vi/	(437,190)	(9,006,461)	(9,443,651)	(8.725.572)	(46.810.822)	(55.536.394)
<b>Total investment income</b>		<b>105,745,637</b>	<b>120,836,641</b>	<b>226,582,278</b>	<b>91.770.764</b>	<b>43.848.040</b>	<b>135.618.804</b>
<b><u>OTHER INCOME</u></b>	5.3.						
Income from fees and commissions	5.3./i/	69,101	24,166,257	24,235,358	90.042	26.977.757	27.067.799
Other insurance-technical income, net from reinsurance	5.3/ii/	108,336	15,831,248	15,939,584	726.683	35.587.581	36.314.264
Other income	5.3/iii/	1,346,297	27,522,063	28,868,360	1.783.815	40.157.931	41.941.746
<b>Total other income</b>		<b>1,523,734</b>	<b>67,519,568</b>	<b>69,043,302</b>	<b>2.600.540</b>	<b>102.723.269</b>	<b>105.323.809</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 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.	(313,225,334)	(1,197,308,597)	(1,510,533,931)	(199,840,892)	(1,304,187,561)	(1,504,028,453)
Change in claim provision	6.1.	6,354,306	57,318,744	63,673,050	643,385	19,269,518	19,912,903
<b>Total insured event expenses, net</b>		<b>(306,871,028)</b>	<b>(1,139,989,853)</b>	<b>(1,446,860,881)</b>	<b>(199,197,507)</b>	<b>(1,284,918,043)</b>	<b>(1,484,115,550)</b>
<b><u>CHANGE IN OTHER TECHNICAL PROVISION, NET FROM REINSURANCE</u></b>	6.2.						
Change in mathematical insurance provision	6.2.	(45,550,833)	0	(45,550,833)	(134,687,632)	0	(134,687,632)
Change in other technical provision, net from reinsurance	6.2.	0	(8,670,000)	(8,670,000)	0	(357,000)	(357,000)
<b>Total change in other technical provision, net from reinsurance</b>		<b>(45,550,833)</b>	<b>(8,670,000)</b>	<b>(54,220,833)</b>	<b>(134,687,632)</b>	<b>(357,000)</b>	<b>(135,044,632)</b>
<b><u>CHANGES IN LI TECHNICAL PROVISION WHEN INSURER BEARS THE RISK</u></b>	6.3.						
Changes in life insurance technical provision when insurer bears the risk	6.3.	4,700,768	0	4,700,768	1,918,336	0	1,918,336
<b>Total changes in LI technical provision when insurer 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>BUSINESS EXPENSES (OPERATING COSTS), NET</u></b>	6.4.						
Acquisition costs	6.4. /i/	(26,252,743)	(220,127,546)	(246,380,289)	(34,098,603)	(238,888,013)	(272,986,616)
Management costs (administrative costs)	6.4. /ii/	(67,722,154)	(637,722,933)	(705,445,087)	(67,759,357)	(619,255,634)	(687,014,991)
<b>Total business expenses (operating costs), net</b>		<b>(93,974,897)</b>	<b>(857,850,479)</b>	<b>(951,825,376)</b>	<b>(101,857,960)</b>	<b>(858,143,647)</b>	<b>(960,001,607)</b>
<b><u>OTHER COSTS</u></b>							
Other technical costs, net from reinsurance	6.5.	(131,816)	(71,469,884)	(71,601,700)	(305,749)	(73,616,433)	(73,922,182)
Other costs, including value adjustments		0	(825,855)	(825,855)	0	(301,638)	(301,638)
<b>Total other costs</b>		<b>(131,816)</b>	<b>(72,295,739)</b>	<b>(72,427,555)</b>	<b>(305,749)</b>	<b>(73,918,071)</b>	<b>(74,223,820)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 2011**

POSITION	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b>TOTAL INCOME</b>		<b>448,972,645</b>	<b>2,176,360,828</b>	<b>2,625,333,473</b>	<b>439,665,937</b>	<b>2,268,572,322</b>	<b>2,708,238,259</b>
<b>TOTAL EXPENSES</b>		<b>(441,827,806)</b>	<b>(2,078,806,071)</b>	<b>(2,520,633,877)</b>	<b>(434,130,512)</b>	<b>(2,217,336,761)</b>	<b>(2,651,467,273)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>7,144,839</b>	<b>97,554,756</b>	<b>104,699,595</b>	<b>5,535,425</b>	<b>51,235,561</b>	<b>56,770,986</b>
Corporate income tax	7.	(2,497,347)	(23,535,504)	(26,032,851)	(1,007,882)	(12,159,217)	(13,167,099)
<b>PROFIT FOR THE CURRENT YEAR</b>		<b>4,647,492</b>	<b>74,019,253</b>	<b>78,666,745</b>	<b>4,527,543</b>	<b>39,076,343</b>	<b>43,603,886</b>
Other comprehensive income		(24,407,721)	(37,744,687)	(62,152,408)	16,309,458	58,812,786	75,122,244
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(19,760,229)</b>	<b>36,274,566</b>	<b>16,514,337</b>	<b>20,837,001</b>	<b>97,889,129</b>	<b>118,726,130</b>

The notes set out on pages 14 to 70 form an integral part of these financial statements.



**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/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>							
Other intangible assets	9.	0	7,116,440	7,116,440	0	11,455,283	11,455,283
<b>Total intangible assets</b>		<b>0</b>	<b>7,116,440</b>	<b>7,116,440</b>	<b>0</b>	<b>11,455,283</b>	<b>11,455,283</b>
<b><u>TANGIBLE ASSETS</u></b>							
Land and buildings for operational activities	10.	0	1,175,813,525	1,175,813,525	0	1,208,990,704	1,208,990,704
Equipment		0	33,736,317	33,736,317	0	37,965,176	37,965,176
Other tangible assets		0	3,030,699	3,030,699	0	3,035,890	3,035,890
<b>Total tangible assets</b>		<b>0</b>	<b>1,212,580,541</b>	<b>1,212,580,541</b>	<b>0</b>	<b>1,249,991,770</b>	<b>1,249,991,770</b>
<b><u>INVESTMENTS</u></b>							
Investments in land and buildings (non-operational)	11.1.	0	814,142,982	814,142,982	0	677,014,955	677,014,955
Investments in subsidiaries, associates and joint ventures	11.2.	0	431,372,755	431,372,755	0	436,930,913	436,930,913
Other financial investments	11.3.	1,857,721,275	2,045,093,794	3,902,815,069	1,870,695,774	2,135,109,441	4,005,805,215
<b>Total investments</b>		<b>1,857,721,275</b>	<b>3,290,609,531</b>	<b>5,148,330,806</b>	<b>1,870,695,774</b>	<b>3,249,055,309</b>	<b>5,119,751,083</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.	16,320,627	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	13.	138	46,703,405	46,703,543	0	54,131,734	54,131,734
Mathematical provision, reinsurance portion		164,490	0	164,490	11,607	0	11,607
Claim provision, reinsurance portion		0	365,066,309	365,066,309	0	251,939,713	251,939,713
<b>Total reinsurance portion in technical reserves</b>		<b>164,628</b>	<b>411,769,714</b>	<b>411,934,342</b>	<b>11,607</b>	<b>306,071,447</b>	<b>306,083,054</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/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	2,408,707	2,756,393	5,165,100	3,343,472	6,844,913	10,188,385
<b>Total deferred and current tax assets</b>	<b>2,408,707</b>	<b>2,756,393</b>	<b>5,165,100</b>	<b>3,343,472</b>	<b>6,844,913</b>	<b>10,188,385</b>
<b><u>RECEIVABLES</u></b>	15.					
Receivables from direct insurance activities	15.1.					
		585,059,115	585,059,115	41,126,015	605,928,668	647,054,683
Receivables from insurance agents, insurance brokers	43,746	3,218,587	3,262,333	67,205	3,633,682	3,700,887
Receivables from coinsurance and reinsurance activities	0	16,129,222	16,129,222	0	0	0
Total other receivables	15.2.					
	7,772,865	111,631,848	119,404,713	5,537,504	177,219,780	182,757,284
<b>Total receivables</b>	<b>7,816,611</b>	<b>716,038,772</b>	<b>723,855,383</b>	<b>46,730,724</b>	<b>786,782,130</b>	<b>833,512,854</b>
<b><u>OTHER ASSETS</u></b>	16.					
Cash on account and in hand	16.1.					
	1,824,734	24,128,164	25,952,898	6,184,384	12,856,713	19,041,097
Other	16.2.					
	83,125,164	112,345,261	195,470,425	70,093,522	74,682,594	144,776,116
<b>Total other assets</b>	<b>84,949,898</b>	<b>136,473,425</b>	<b>221,423,323</b>	<b>76,277,906</b>	<b>87,539,307</b>	<b>163,817,213</b>
<b><u>PREPAYMENTS AND ACCRUED INCOME (UNDUE)</u></b>	17.					
Prepayments and accrued income (undue)	22,229,797	30,797,002	53,026,799	18,055,825	25,259,445	43,315,270
<b>Total prepayments and accrued income (undue)</b>	<b>22,229,797</b>	<b>30,797,002</b>	<b>53,026,799</b>	<b>18,055,825</b>	<b>25,259,445</b>	<b>43,315,270</b>
<b>TOTAL ASSETS</b>	<b>1,991,611,543</b>	<b>5,808,141,817</b>	<b>7,799,753,360</b>	<b>2,037,490,275</b>	<b>5,722,999,604</b>	<b>7,760,489,879</b>
<b>OFF-BALANCE SHEET RECORDS</b>	<b>0</b>	<b>670,302,250</b>	<b>670,302,250</b>	<b>0</b>	<b>646,551,949</b>	<b>646,551,949</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/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.	(15,653,736)	475,745,295	460,091,559	8,753,985	521,944,423	530,698,408
Reserves	18.3.	78,314,936	378,151,842	456,466,778	77,013,268	366,917,394	443,930,662
Carried forward (retained) profit or loss	18.4.	3,990,667	198,983,187	202,973,854	3,750,272	188,322,692	192,072,964
Profit for the current year	18.5.	4,647,492	74,019,253	78,666,745	4,527,543	39,076,343	43,603,886
<b>Total capital and reserves</b>		<b>115,588,079</b>	<b>1,525,498,057</b>	<b>1,641,086,136</b>	<b>138,333,788</b>	<b>1,514,859,332</b>	<b>1,653,193,120</b>
<b><u>TECHNICAL PROVISION</u></b>		19.					
Unearned gross premiums		3,360,431	946,409,517	949,769,948	3,614,061	967,835,435	971,449,496
Gross mathematical insurance provision		1,816,581,911	0	1,816,581,911	1,770,878,195	0	1,770,878,195
Gross claim provision		36,037,101	2,880,421,665	2,916,458,766	42,391,407	2,824,613,813	2,867,005,220
Other gross insurance-technical provision		0	23,427,000	23,427,000	0	14,757,000	14,757,000
<b>Total technical provision</b>		<b>1,855,979,443</b>	<b>3,850,258,182</b>	<b>5,706,237,625</b>	<b>1,816,883,663</b>	<b>3,807,206,248</b>	<b>5,624,089,911</b>
<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.	2,443,980	80,050,105	82,494,085	2,537,568	78,007,964	80,545,532
<b>Total other reserves</b>		<b>2,443,980</b>	<b>80,050,105</b>	<b>82,494,085</b>	<b>2,537,568</b>	<b>78,007,964</b>	<b>80,545,532</b>
<b><u>DEFERRED AND CURRENT TAX LIABILITIES</u></b>							
Deferred and current tax liabilities	22.	0	128,204,750	128,204,750	0	125,399,231	125,399,231
<b>Total deferred and current tax liabilities</b>		<b>0</b>	<b>128,204,750</b>	<b>128,204,750</b>	<b>0</b>	<b>125,399,231</b>	<b>125,399,231</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/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>						
Financial liabilities	0	105,193	105,193	0	149,704	149,704
<b>Total financial liabilities</b>	<b>0</b>	<b>105,193</b>	<b>105,193</b>	<b>0</b>	<b>149,704</b>	<b>149,704</b>
<b><u>OTHER LIABILITIES</u></b>						
	23.					
Liabilities from direct insurance activities		1,223,389	96,882,454	98,105,843	248,556	98,448,933
Liabilities from coinsurance and reinsurance activities		1,693	5,602,704	5,604,397	1,665	8,805,514
Other liabilities		33,403	86,958,902	86,992,305	15,129,531	78,380,197
<b>Total other liabilities</b>		<b>1,258,485</b>	<b>189,444,060</b>	<b>190,702,545</b>	<b>15,379,752</b>	<b>185,634,644</b>
<b><u>ACCRUED EXPENSES AND DEFERRED INCOME</u></b>						
Accrued expenses and deferred income	24.	20,929	34,581,471	34,602,400	41,980,537	11,742,481
<b>Total accrued expenses and deferred income</b>		<b>20,929</b>	<b>34,581,471</b>	<b>34,602,400</b>	<b>41,980,537</b>	<b>11,742,481</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>1,991,611,543</b>	<b>5,808,141,817</b>	<b>7,799,753,360</b>	<b>2,037,490,275</b>	<b>5,722,999,604</b>
<b>OFF-BALANCE SHEET RECORDS</b>	25.	<b>0</b>	<b>670,302,250</b>	<b>670,302,250</b>	<b>0</b>	<b>646,551,949</b>

The notes set out on pages 14 to 70 form an integral part of these financial statements.

**CROATIA osiguranje d.d., Zagreb**  
**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>462,272,015</b>	<b>423,894,652</b>	<b>136,702,656</b>	<b>69,690,466</b>	<b>1,535,446,989</b>	<b>0</b>	<b>1,535,446,989</b>
Change in accounting policy	0	0	0	0	0	0	0	0
Correction of previous period errors	0	0	0	0	0	0	0	0
<b>Balance at 1 January 2010 (corrected)</b>	<b>442,887,200</b>	<b>462,272,015</b>	<b>423,894,652</b>	<b>136,702,656</b>	<b>69,690,466</b>	<b>1,535,446,989</b>	<b>0</b>	<b>1,535,446,989</b>
Payment of share in profit /dividends	0	0	0	0	(980,000)	(980,000)	0	(980,000)
Other transactions with owners	0	0	20,036,009	48,674,457	(68,710,466)	0	0	0
Unrealized gains / losses from tangible assets	0	(5,356,680)	0	5,356,680	0	0	0	0
Unrealized gains / losses from assets available for sale	0	(12,150,805)	0	0	0	(12,150,805)	0	(12,150,805)
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	0	0	1,339,170	0	1,339,170	0	1,339,170
Profit for the period	0	0	0	0	43,603,886	43,603,886	0	43,603,886
<b>Balance at 31 December 2010</b>	<b>442,887,200</b>	<b>530,698,409</b>	<b>443,930,661</b>	<b>192,072,963</b>	<b>43,603,886</b>	<b>1,653,193,119</b>	<b>0</b>	<b>1,653,193,119</b>
Correction of previous period errors	0	(783,466)	0	825,966	0	42,500	0	42,500
<b>Balance at 1 January 2011 (corrected)</b>	<b>442,887,200</b>	<b>529,914,943</b>	<b>443,930,661</b>	<b>192,898,929</b>	<b>43,603,886</b>	<b>1,653,235,619</b>	<b>0</b>	<b>1,653,235,619</b>
Payment of shares in profit /dividends	0	0	0	0	(28,663,820)	(28,663,820)	0	(28,663,820)
Other transactions with owners	0	0	12,536,117	2,403,949	(14,940,066)	0	0	0
Unrealized gains / losses from tangible assets	0	(6,118,371)	0	6,780,054	0	661,683	0	661,683
Unrealized gains / losses from assets available for sale	0	(45,640,033)	0	0	0	(45,640,033)	0	(45,640,033)
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	0	0	890,921	0	890,921	0	890,921
Profit for the period	0	0	0	0	78,666,745	78,666,745	0	78,666,745
<b>Balance at 31 December 2011</b>	<b>442,887,200</b>	<b>460,091,560</b>	<b>456,466,779</b>	<b>202,973,853</b>	<b>78,666,745</b>	<b>1,641,086,136</b>	<b>0</b>	<b>1,641,086,136</b>

The notes set out on pages 14 to 70 form an integral part of these financial statements.

**CROATIA osiguranje d.d., Zagreb**  
**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	104,699,595	56,770,986
Depreciation of property and equipment	44,284,222	46,337,562
Depreciation of intangible assets	2,710,415	2,325,921
Impairments and gains/losses from adjustment to fair value	57,127,515	75,521,546
Interest income	(227,707,637)	0
Portions in income of associated companies	(34,558,009)	0
Gains/Losses from sale of tangible assets (including land and buildings)	10,933,168	0
Other adjustments	(120,492,660)	(18,640,592)
<b>Cash flows before changes in operating assets and liabilities</b>	<b>(163,003,390)</b>	<b>162,315,423</b>
Increase / decrease in investments available for sale	155,643,263	853,939
Increase / decrease in investments at fair value through P&L account	(126,951,308)	(40,529,619)
Increase / decrease in deposits, loans and receivables	190,352,330	51,945,499
Increase / decrease in investments for the account and on the risk of the life insurance policy holders	6,054,340	(47,302)
Increase / decrease in reinsurance portion in technical provision	(105,851,287)	7,761,336
Increase / decrease in tax assets	5,023,285	(9,594,756)
Increase / decrease in receivables	300,555,118	140,213,293
Increase / decrease in prepayments and accrued income	(9,711,530)	(22,271,637)
Increase / decrease in technical provision	82,147,713	31,667,220
Increase / decrease in life insurance technical provision in the case when insurer bears investment risk	(6,054,340)	47,302
Increase / decrease in tax liabilities	2,805,519	(18,731,831)
Increase / decrease in financial liabilities	0	(41,792)
Increase / decrease in other liabilities	(1,843,048)	1,808,993
Increase / decrease in accrued expenses and deferred income	(19,120,617)	(7,108,522)
<b>Increase / decrease in operating assets and liabilities</b>	<b>473,049,438</b>	<b>32,081,125</b>
<b>Paid corporate income tax</b>	<b>(26,032,851)</b>	<b>(40,748,145)</b>
<b>Net cash flows from operating activities</b>	<b>284,013,196</b>	<b>153,648,403</b>
<b><u>Cash flows from investment activities</u></b>		
Receipts from sale of tangible assets	0	77,585
Expenditures for acquisition of tangible assets	(6,609,362)	(50,305,297)
Expenditures for acquisition of intangible assets	1,628,428	(6,681,199)
Receipts from sale of non-operational land and buildings	0	433,119
Expenditures for acquisition of non-operational land and buildings	(81,376,244)	(11,888,003)
Increase/decrease in investments in subsidiaries, associates and joint ventures	40,116,167	14,203,919
Receipts from investments held to maturity	0	8,763,659
Expenditures for investments held to maturity	(136,543,365)	(252,874,335)
Receipts from dividends and shares in profit	36,546,359	28,931,652
Receipts on the basis of repayments of given short term and long term loans	313,725,823	0
Expenditures for the given short term and long term loans	(328,343,958)	0
<b>Net cash flows from investment activities</b>	<b>(160,856,152)</b>	<b>(269,338,900)</b>
<b><u>Cash flows from financial activities</u></b>		
Receipts from received short term and long term loans	6,568	0
Expenditures for the repayment of received short term and long term loans	(51,079)	0
Expenditures for payments of shares in profit (dividends)	(32,553,100)	(988,427)
<b>Net cash flows from financial activities</b>	<b>(32,597,611)</b>	<b>(988,427)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of cash flows for 2011 - indirect method**

Continued:

POSITION	2011	2010
	HRK	HRK
NET CASH FLOWS	90,559,434	(116,678,924)
CASH EFFECTS FROM CHANGES IN FOREIGN EXCHANGE RATES	(32,953,324)	624,137
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>57,606,110</b>	<b>(116,054,787)</b>
Cash and cash equivalents at the beginning of the period	163,817,213	279,872,000
Cash and cash equivalents at the end of the period	221,423,323	163,817,213
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>57,606,110</b>	<b>(116,054,787)</b>

The notes set out on pages 14 to 70 form an integral part of these financial statements.

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

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**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.

Representing the Parent company, the Company also prepares consolidated financial statements, presented and audited separately. These financial statements represent financial statements of the Company as individual entity.

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

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.

As at 31 December 2011, the Company employed 2,705 employees (At 31 December 2010: 2,850 employees).

Professional qualification	At 31 Dec 2011	At 31 Dec 2010
Doctor, Master degree	56	27
University degree	831	837
Higher education	398	391
High school education	1,344	1,539
Lower qualification	76	56
<b>Total</b>	<b>2,705</b>	<b>2,850</b>

**1.2. Organization**

The Company's organization is determined by the Articles of Association, the Decision of the Supervisory Board and the Decision of the Management Board on organization of business.

The Company's organizational structure consists of the Head office and Branch offices. The organization of the Head office is determined by the Decision on coordination of business activities as well as the Decision on job classification (systematization), defining organization forms and management hierarchy. Business functions in the Head office are defined by groups of business activities coordinated by individual members of the Management Board in charge of a particular activity.



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

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Due to rationalization of costs and more efficient and faster work of the Head office, progressively was started optimization of the organizational structure and are formed three Head offices: Head office for management of business support processes, Head office for management of insurance business processes and Head office for management of finance and accounting processes.

Branch offices (23) are covering area of the Republic of Croatia.

Based on the Decision on coordination of regional managers dated June 1, 2009, Branch offices of Croatia osiguranje d.d. are grouped in 5 (five) regions and are coordinated by regional managers appointed by the Company's Management Board.

REGION 1: Dubrovnik, Split, Šibenik and Zadar

REGION 2: Gospić, Karlovac, Pula and Rijeka

REGION 3: Čakovec, Koprivnica, Varaždin and Zabok

REGION 4: Bjelovar, Kutina, Sisak and the Zone of Zagreb - Velika Gorica

REGION 5: Osijek, Požega, Slavonski Brod, Vinkovci and Virovitica

Zagreb and PIK Zagreb coordinate work directly with Management Board.

### **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.dr.sc. Andrija Hebrang	Vice president of the Supervisory Board

Miroslav Hrašćanec	Member of the Supervisory Board
Miljenko Boban	Member of the Supervisory Board
Dr. Gzim Redžepi	Member of the Supervisory Board
Mr. 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 Zrинуšić	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 26 to the financial statements.

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

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

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, "Regulation").

### **2.2. Basis for preparation**

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 financial statements for the period to which they relate and with the basic accounting assumption that going concern concept is applied.

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

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

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 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 Company operates.

Key estimates used by the application of accounting policies during preparation of the 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 financial statements of the Company are prepared in Croatian kuna as a measuring and reporting currency of the Company.

## **III SUMMARY OF ACCOUNTING POLICIES**

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

### **3.1. 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.

### **3.2. 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 account 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 3.7 "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.

### **3.3. 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.

### **3.4. 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.

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

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**3.5. 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 Company, 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 Company or under financial lease are kept in order for the Company 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.

### **3.6. Investments in subsidiaries and associated companies**

Subsidiaries are companies in which the Company has a control over adoption and execution of financial and business policies.

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 subsidiaries and associated companies are set out by the cost method.

### **3.7. 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 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 Company 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 Company 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 Company grants financial means without the intention of trading with these receivables, and they include loans to the insured and deposits at banks.

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

Loans and receivables are set out reduced by provisions for impairment losses. Provisions for the impairment losses are determined if there is an objective evidence that the Company will not be able to collect all receivables upon maturity date. 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.

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

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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 Company charges debtors for default interest that is computed on the accounting basis and set out as income from interest.

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

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

Financial instruments included in the assets available for sale consist of debt and equity securities. These instruments are initially recognized according to the investment expenses, and after the initial recognition they are set out at fair value based on listed prices and amounts derived from the models of cash flows. In cases when listed market prices are not available, fair value of debt securities is estimated by applying current value of future financial flows, and fair value of unlisted equity instruments is estimated by applying 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 Company intends and is able to keep till maturity. Treasury bills and debt securities are included in them, too. Investments held to maturity are set out at amortized costs by applying the method of effective interest rate decreased by a potential impairment loss.

The Company checks regularly if there are objective evidences pointing to an impairment of investments held to maturity. The value of a financial means is diminished if its book amount exceeds the estimated recoverable amount that equals the current value of expected future cash flows discounted by the application of the original effective interest rate for that instrument.

The amount of impairment loss of certain means, set out at 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 Company recognizes impairment loss by debiting profit and loss account.

### **3.8. 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 3.1. - "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.

### **3.9. Impairment losses**

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

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

For the cash flow reporting purposes, cash and 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.

### **3.11. 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.

### **3.12. Capital and reserves**

In its business ledgers the Company 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 Company paid in full.

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

/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.

### **3.13. Technical provisions**

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



**/i/ Unearned premiums**

The Company accounts unearned premiums for those insurance classes where the insurance cover is continued after the end of the accounting period since the insurance year and the accounting year do not overlap. The basis for the calculation of gross general insurance unearned premiums is 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 temporise method, except for the types of loan insurance where the decrease of insurance cover during the validity period of a contract is taken into consideration.

**/ii/ Mathematical life insurance provision**

Mathematical life insurance provision is accounted individually under each insurance contract, and in a way described in the report of the appointed certified actuary of the Company on the calculation of mathematical provision.

**/iii/ Claims 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/ Other insurance-technical provisions**

Other insurance-technical provisions are determined for the earthquake risk and for risks which have not expired.

Provision for risk is formed having into regard unpredictable future liabilities and risks of huge claims which arise from insurance against earthquake.

Provision for risks which did not expire is formed for the products of general insurance there where the expected value of claims and costs, relating to non-expired periods of policies into effect at the reporting date, surpasses claim of unearned premiums related for these policies. Provisions for risks which did not expire are calculated separately for each type of insurance.

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

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

**3.15. 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, received liabilities for commissions and other.

### **3.16. 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.

### **3.17. Provisions**

Provisions are recognized if and only if the Company has a current liability as a result of a past event and if the liability settlement is likely to require the outflow of resources with economic benefits and if the amount of liability can be determined with a reliable estimate. 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.

### **3.18. Contingent liabilities and assets**

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

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

### **3.19. Events after the Balance sheet date**

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

### **3.20. 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.

### **3.21. Classification of contracts**

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

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

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

### **3.22. Concentration of insurance risk**

The key aspect of the insurance risk to which the Company is exposed is the level of insurance risk concentration that defines the level up to which a certain event or a series of events may influence the liabilities of the Company. Such concentration may arise from a single insurance contract or from a fairly 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 Company is exposed to unexpected changes in trends, for example, unexpected change in human mortality or in the conduct of the insured; or when significant judicial or regulatory risks may cause big individual losses or have a significant impact on a large number of contracts. Risks underwritten by the Company are primarily located in the Republic of Croatia. The Management Board believes that in general insurance activities the Company 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 Company for the calculation of these risks include:

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

### **3.23. Insurance risk management**

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

**3.24. 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 Company applying statistical and actuarial methods such as the chain-ladder method and the Bornhuetter-Ferguson method.

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

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

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

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

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

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:

- 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 the annuity claims, the general provisions are not discounted. Provisions for liability insurance claims that are paid as annuities were determined as the current value of future liabilities on the basis of the annual discount rate of 2% and the Table of mortality in the Republic of Croatia from 2000 to 2002.

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

Mathematical provisions are calculated by net prospective method using rational actuarial assumptions in accordance with the directives issued by the Croatian Financial Services Supervisory Agency. The guaranteed technical interest rate in insurance policies ranges from 2.75 - 6%, depending on price-list.

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

### **3.25. 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 3.12./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 financial statements of the Company refer to establishing provisions. The Company has a conservative approach to forming provisions and it applies regulations of the Croatian Financial Services Supervisory Agency. The Company 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 Company establishes tax liability in accordance with tax regulations of the Republic of Croatia. Tax reports are subject to control on the part of the tax authorities who have the right to subsequently inspect the taxpayer's books of accounts.

**/vi/ Regulatory requirements**

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

**/vii/ Mutual liabilities**

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

**3.26. Key accounting estimates in the application of the Company's accounting policies**

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

The accounting policies of the Company make possible a classification of assets and liabilities at the beginning, under certain circumstances, in different accounting categories. When classifying financial assets and liabilities as those "intended for trade", the Company establishes that they meet the definition of assets and liabilities as set out in Note 3.7.

**/ii/ Classification of products**

For the accounting policy on the classification of contracts as insurance contracts or investment contracts see Note 3.21.

**/iii/ Classification of properties**

The Company 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 Company's Management Board believes that the applied depreciation rates reflect useful life of tangible and intangible assets.

### **3.27. Financial risk management**

The basic goal of the Company 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 Company is currently at the stage of introducing centralized system of risk management.

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

The Company actively manages the assets using the approach that creates a balance among the quality, diversification, coordination of assets and liabilities, solvency and return on investments. The Management 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 Company 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 Company 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 Company 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 Company 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 Company to the market risk of changes in interest rates is concentrated in the investment portfolio. The Company'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 Company 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 Company 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. 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 Company 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 Company 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 Company to buy the interest “swap” in Croatia, the Company 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 Company 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 Company 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 Company 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-fulfillment of obligations.

The portfolio of the company that includes securities with fixed returns, mortgage loans, and to a 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 Company 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 Company disposing of the assets in a short-term at low price.



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

The liquidity risk arises as a result of financial activities of the Company 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 Company 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.

The position of the Company'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 Company realized income from investments in the amount of HRK 430,740,418 in relation to 2010 when the Company realized total income amounted to HRK 315,900,236. The most significant income increase was recorded from property investments for the amount of HRK 50,637,270 and other income from investments for HRK 67,989,476 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 retained at approximately the same level.

Description	2011	Increase/	2010
	Total	Decrease	Total
	HRK	%	HRK
Income from subsidiaries, associated companies and joint ventures	34,558,009	8.94%	31,723,120
Income from investments in land and buildings	62,583,072	423.89%	11,945,802
Interest income	227,707,637	(7.51%)	246,196,995
Unrealized gains from investments at fair value through profit and loss account	5,230,317	(21.75%)	6,684,457
Gains from sale / realization of financial investments	9,003,716	(3.91%)	9,370,265
Net foreign exchange gains	32,953,324	71.06%	19,264,730
Other investment income	58,704,343	632.24%	(9,285,133)
<b>Total</b>	<b>430,740,418</b>	<b>36.35%</b>	<b>315,900,236</b>

Its strategy and investment policy the Company adjusts with movements on market and due to volatility of financial market and the market of real estate which contributes to production of uncertainty in respect of expected future shares, the Company will for the reason of realization of additional income, i.e. higher profitability increase the activities at insurance market through strengthening of influence and the growth of a volume of activities, as well as at domestic market and also in the region.

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

**4. Operating segment reporting**

Description	Causality insurance	All-risk insurance	Property insurance	Liability insurance	Transport and credit insurance	Other insurances	Total general	Life insurance	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Earned premiums	172,202,525	346,152,983	500,477,290	854,513,348	54,385,833	60,272,640	1,988,004,619	341,703,274	2,329,707,893
Investment income	5,908,912	10,428,202	11,588,234	88,077,827	3,552,597	1,280,868	120,836,640	105,745,638	226,582,278
Income from fees and commissions	6,632	3,363,134	13,665,033	6,053,185	1,078,273	0	24,166,257	69,101	24,235,358
Other insurance-technical income, net from reinsurance	187,111	3,229,954	4,597,866	116,770,036	(3,933,311)	72,592	15,831,248	108,336	15,939,584
Other income	1,393,915	4,422,348	5,613,155	15,043,888	614,207	434,550	27,522,063	1,346,297	28,868,360
Insured event costs, net	(51,301,381)	(257,203,978)	(359,425,121)	(384,184,624)	(57,573,663)	(30,301,086)	(1,139,989,853)	(306,871,028)	(1,446,860,881)
Changes in other technical reserves, net from reinsurance (+/-)	0	0	(670,000)	0	(7,700,000)	(300,000)	(8,670,000)	(45,550,833)	(54,220,833)
Changes in technical life insurance provisions when the insurer bears investment risk, net from reinsurance (+/-)	0	0	0	0	0	0	0	4,700,768	4,700,768
Operating expenses , net	(71,126,280)	(167,074,460)	(247,957,420)	(328,821,477)	(22,937,889)	(19,932,953)	(857,850,479)	(93,974,897)	(951,825,376)
Other technical costs, net from reinsurance	(492,817)	(3,851,077)	(6,813,633)	(60,231,496)	(38,850)	(42,010)	(71,469,883)	(131,817)	(71,601,700)
Other costs, including value adjustments	0	0	0	(825,855)	0	0	(825,855)	0	(825,855)
Profit or loss for the accounting period before taxes (+/-)	56,778,617	(60,532,894)	(78,924,596)	201,301,832	(32,552,803)	11,484,602	97,554,757	7,144,839	104,699,595
Corporate income tax / loss	(4,544,706)	(237,709)	0	(17,011,462)	(562,498)	(1,179,129)	(23,535,504)	(2,497,347)	(26,032,851)
<b>Profit or loss for the accounting period, after tax</b>	<b>52,233,911</b>	<b>(60,770,603)</b>	<b>(78,924,596)</b>	<b>184,290,370</b>	<b>(33,115,301)</b>	<b>10,305,473</b>	<b>74,019,253</b>	<b>4,647,492</b>	<b>78,666,745</b>
<b>Other comprehensive income</b>	<b>(1,845,715)</b>	<b>(3,257,366)</b>	<b>(3,619,715)</b>	<b>(27,512,102)</b>	<b>(1,109,694)</b>	<b>(400,095)</b>	<b>(37,744,686)</b>	<b>(24,407,721)</b>	<b>(62,152,408)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>50,388,196</b>	<b>(64,027,968)</b>	<b>(82,544,311)</b>	<b>156,778,268</b>	<b>(34,244,996)</b>	<b>9,905,378</b>	<b>36,274,567</b>	<b>(19,760,229)</b>	<b>16,514,337</b>

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

**NOTES TO THE STATEMENT OF INCOME/STATEMENT OF COMPREHENSIVE INCOME**

**5. TOTAL INCOME**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Earned premiums	341,703,274	1,988,004,619	2,329,707,893	345,294,633	2,122,001,013	2,467,295,646
Investment income	105,745,637	120,836,641	226,582,278	91,770,764	43,848,040	135,618,804
Income from fees and commissions	69,101	24,166,257	24,235,358	90,042	26,977,757	27,067,799
Other insurance-technical income, net from reinsurance	108,336	15,831,248	15,939,584	726,683	35,587,581	36,314,264
Other income	1,346,297	27,522,063	28,868,360	1,783,815	40,157,931	41,941,746
<b>TOTAL</b>	<b>448,972,645</b>	<b>2,176,360,828</b>	<b>2,625,333,473</b>	<b>439,665,937</b>	<b>2,268,572,322</b>	<b>2,708,238,259</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	341,732,078	2,447,128,712	2,788,860,790	345,214,596	2,550,202,298	2,895,416,894
Coinsurance premium	0	3,920,226	3,920,226	0	4,574,802	4,574,802
Impairment and collected written-off premium	0	(66,048,930)	(66,048,930)	0	(50,290,477)	(50,290,477)
<b>Total</b>	<b>341,732,078</b>	<b>2,385,000,008</b>	<b>2,726,732,086</b>	<b>345,214,596</b>	<b>2,504,486,623</b>	<b>2,849,701,219</b>
<b>Outward reinsurance</b>						
Domestic reinsurance premium	(282,572)	(394,409,088)	(394,691,660)	(6,859)	(440,897,581)	(440,904,440)
Reinsurance premium abroad	0	(12,279,644)	(12,279,644)	0	(13,783,438)	(13,783,438)
<b>Total</b>	<b>(282,572)</b>	<b>(406,688,732)</b>	<b>(406,971,304)</b>	<b>(6,859)</b>	<b>(454,681,019)</b>	<b>(454,687,878)</b>
<b>Outward coinsurance</b>						
Outward coinsurance	0	(4,304,247)	(4,304,247)	0	(5,094,469)	(5,094,469)
<b>Total</b>	<b>0</b>	<b>(4,304,247)</b>	<b>(4,304,247)</b>	<b>0</b>	<b>(5,094,469)</b>	<b>(5,094,469)</b>
<b>Changes in unearned premium reserves</b>						
Unearned premium gross reserves	253,630	21,425,919	21,679,549	86,896	81,020,103	81,106,999
Unearned premium reserves, reinsurance portion	138	(7,428,329)	(7,428,191)	0	(3,730,225)	(3,730,225)
<b>Total</b>	<b>253,768</b>	<b>13,997,590</b>	<b>14,251,358</b>	<b>86,896</b>	<b>77,289,878</b>	<b>77,376,774</b>
<b>TOTAL</b>	<b>341,703,274</b>	<b>1,988,004,619</b>	<b>2,329,707,893</b>	<b>345,294,633</b>	<b>2,122,001,013</b>	<b>2,467,295,646</b>

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

**5.2. Net investment income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from subsidiaries, associated companies and joint ventures	0	34,558,009	34,558,009	1,483,480	30,239,640	31,723,120
Income from investments in land and buildings	0	34,758,062	34,758,062	0	(21,036,916)	(21,036,916)
Interest income	100,482,773	127,224,864	227,707,637	112,179,502	134,017,398	246,196,900
Value impairment of investments	(12,043,534)	(64,362,687)	(76,406,221)	(16,717,358)	(30,842,643)	(47,560,001)
Unrealized gains / losses from investments at fair value through profit and loss account	(2,629,253)	(3,982,463)	(6,611,716)	3,172,402	2,674,440	5,846,842
Gains from sale / losses from sale (realization) of financial investments	505,789	(11,438,956)	(10,933,167)	(10,466,012)	(32,813,465)	(43,279,477)
Net foreign exchange gains	19,867,052	13,086,273	32,953,325	10,844,322	8,420,408	19,264,730
Other investment income/costs	(437,190)	(9,006,461)	(9,443,651)	(8,725,572)	(46,810,822)	(55,536,394)
<b>TOTAL</b>	<b>105,745,637</b>	<b>120,836,641</b>	<b>226,582,278</b>	<b>91,770,764</b>	<b>43,848,040</b>	<b>135,618,804</b>

/i/ Income from subsidiaries, associated companies and joint ventures relate to received dividends and share in profit, respectively.

/ii/ Income from investment in land and buildings

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income / losses from change in fair value	0	27,926,772	27,926,772	0	(27,845,648)	(27,845,648)
Rental income	0	6,831,290	6,831,290	0	6,375,613	6,375,613
Sales income	0	0	0	0	433,119	433,119
<b>TOTAL</b>	<b>0</b>	<b>34,758,062</b>	<b>34,758,062</b>	<b>0</b>	<b>(21,036,916)</b>	<b>(21,036,916)</b>

The Company in its ownership has 15 immovables-MOT test stations, which on the basis of Contract on business- technical co-operation are given for utilization to „the daughter company“ CROATIA TEHNIČKI PREGLEDI d.o.o., and by this to the stated company are transferred all the rights and liabilities from all the contracts in relation to MOT test stations with third parties and also all the technical, organizational and legal operations in relation to MOT test station as a technically-technological unit, and the company CROATIA TEHNIČKI PREGLEDI d.o.o. has obliged itself to pay to the Company annual fee in the amount of HRK 15,000,000 increased for VAT.

In consideration of the fact that it is dealt with immovables which by doing its operations realize income and which the profit is expected to produce for, by assessment of the subject immovables in 2011, authorized appraisers have utilized the income method.

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

**/iii/ Interest income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Interest on investments held to maturity	76,868,658	45,334,762	126,203,420	83,784,877	47,543,421	131,328,298
Interest on given deposits	19,797,501	30,693,051	50,490,552	28,394,625	28,414,853	56,809,478
Interest on given loans and other placements	3,816,614	51,197,051	55,013,665	0	58,059,124	58,059,124
<b>TOTAL</b>	<b>100,482,773</b>	<b>127,224,864</b>	<b>227,707,637</b>	<b>112,179,502</b>	<b>134,017,398</b>	<b>246,196,900</b>

**/v/ 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)	(15,518,737)	(18,064,979)	(13,649,803)	(37,159,082)	(50,808,885)
Investments at fair value through P&L account	3,052,031	4,135,855	7,187,886	3,187,829	4,345,617	7,533,446
Investments held to maturity	0	0	0	(4,038)	0	(4,038)
Other investments	0	(56,074)	(56,074)	0	0	0
	<b>505,789</b>	<b>(11,438,956)</b>	<b>(10,933,167)</b>	<b>(10,466,012)</b>	<b>(32,813,465)</b>	<b>(43,279,477)</b>

**/vi/ Other investment income**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from collected loans, value adjusted in previous years	0	42,997,609	42,997,609	0	6,142,815	6,142,815
Income from MOT test stations	0	13,336,949	13,336,949	0	0	0
Interests on demand deposits	11,962	40,183	52,145	15,509	57,195	72,704
Decrease in value of given loans	0	(55,375,156)	(55,375,156)	0	(28,291,289)	(28,291,289)
Value impairment of receivables for interest and given loans	0	(7,885,875)	(7,885,875)	0	(10,595,694)	(10,595,694)
Fees for payment traffic costs	(488,589)	(3,236,004)	(3,724,593)	(442,905)	(3,498,915)	(3,941,820)
Foreign exchange differences on the basis of receivables and liabilities	(44)	(458,725)	(458,769)	(862)	(587,616)	(588,478)
Net book value of sold, disposed or written-off property	0	0	0	0	(3,881)	(3,881)
Costs of foundation of new affiliates	0	0	0	0	(850,993)	(850,993)
Other income / costs	39,481	1,574,558	1,614,039	(8,297,314)	(9,182,444)	(17,479,758)
	<b>(437,190)</b>	<b>(9,006,461)</b>	<b>(9,443,651)</b>	<b>(8,725,572)</b>	<b>(46,810,822)</b>	<b>(55,536,394)</b>

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

**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	24,166,257	24,235,358	90,042	26,977,757	27,067,799
Other insurance-technical income, net from reinsurance	108,336	15,831,248	15,939,584	726,683	35,587,581	36,314,264
Other income	1,346,297	27,522,063	28,868,360	1,783,815	40,157,931	41,941,746
<b>Total other income</b>	<b>1,523,734</b>	<b>67,519,568</b>	<b>69,043,302</b>	<b>2,600,540</b>	<b>102,723,269</b>	<b>105,323,809</b>

*/i/* Income from fees and commissions

Income from fees and commissions in the amount of HRK 24,235,358 (2010: in the amount of HRK 27,067,799) 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		9,099,099	9,099,099	0	25,683,496	25,683,496
Income from international claims		4,551,906	4,551,906	0	3,354,637	3,354,637
Income from interest on premium	71,951	3,158,873	3,230,824	55,962	3,068,740	3,124,702
Income from border insurance fees		437,210	437,210	0	550,111	550,111
Income from recourse receivables		(6,505,938)	(6,505,938)	0	(5,077,527)	(5,077,527)
Other income	36,385	5,090,098	5,126,483	670,721	8,008,124	8,678,845
<b>TOTAL</b>	<b>108,336</b>	<b>15,831,248</b>	<b>15,939,584</b>	<b>726,683</b>	<b>35,587,581</b>	<b>36,314,264</b>

*/iii/* Other income

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Income from service assessments		9,386,575	9,386,575	2,800	10,438,579	10,441,379
Income from MOT test stations	0	0	0	0	13,436,801	13,436,801
Income from collected insurance claims	1,600	2,490,391	2,491,991	0	2,944,539	2,944,539
Income from provisions' cancellation	1,150,000	9,086,276	10,236,276	861,390	4,510,982	5,372,372
Income from subventions and refunds		25,728	25,728	0	96,817	96,817
Income from sale of tangible assets		1,191,062	1,191,062	0	77,585	77,585
Other income	194,697	5,342,031	5,536,728	919,625	8,652,628	9,572,253
<b>TOTAL</b>	<b>1,346,297</b>	<b>27,522,063</b>	<b>28,868,360</b>	<b>1,783,815</b>	<b>40,157,931</b>	<b>41,941,746</b>

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

**6. TOTAL EXPENSES**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Insured event costs, net	306,871,028	1,139,989,853	1,446,860,881	199,197,507	1,284,918,043	1,484,115,550
Change in other technical provision, net of reinsurance	45,550,833	8,670,000	54,220,833	134,687,632	357,000	135,044,632
Change in life insurance technical provision when insurer bears risk	(4,700,768)	0	(4,700,768)	(1,918,336)	0	(1,918,336)
Net operating expenses, net	93,974,897	857,850,479	951,825,376	101,857,960	858,143,647	960,001,607
Other technical expenses, net of reinsurance	131,816	71,469,884	71,601,700	305,749	73,616,433	73,922,182
Other expenses, including value adjustments		825,855	825,855	0	301,638	301,638
<b>TOTAL</b>	<b>441,827,806</b>	<b>2,078,806,071</b>	<b>2,520,633,877</b>	<b>434,130,512</b>	<b>2,217,336,761</b>	<b>2,651,467,273</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	313,225,334	1,427,832,183	1,741,057,517	199,840,892	1,520,388,419	1,720,229,311
Coinsurance portion		60,093	60,093	0	1,219,114	1,219,114
Reinsurance portion		(230,583,679)	(230,583,679)	0	(217,419,972)	(217,419,972)
<b>Total</b>	<b>313,225,334</b>	<b>1,197,308,597</b>	<b>1,510,533,931</b>	<b>199,840,892</b>	<b>1,304,187,561</b>	<b>1,504,028,453</b>
<b>Change in claims' provision</b>						
Gross amount	(6,354,306)	55,807,852	49,453,546	(643,385)	(23,299,047)	(23,942,432)
Reinsurance portion	0	(113,126,596)	(113,126,596)	0	4,029,529	4,029,529
<b>Total</b>	<b>(6,354,306)</b>	<b>(57,318,744)</b>	<b>(63,673,050)</b>	<b>(643,385)</b>	<b>(19,269,518)</b>	<b>(19,912,903)</b>
<b>TOTAL</b>	<b>306,871,028</b>	<b>1,139,989,853</b>	<b>1,446,860,881</b>	<b>199,197,507</b>	<b>1,284,918,043</b>	<b>1,484,115,550</b>

**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	45,703,716	0	45,703,716	134,686,050	0	134,686,050
Reinsurance portion	(152,883)	0	(152,883)	1,582	0	1,582
<b>Total</b>	<b>45,550,833</b>		<b>45,550,833</b>	<b>134,687,632</b>	<b>0</b>	<b>134,687,632</b>
<b>Change in other technical provisions, net from reinsurance</b>						
Gross amount		8,670,000	8,670,000	0	357,000	357,000
<b>Total</b>		<b>8,670,000</b>	<b>8,670,000</b>	<b>0</b>	<b>357,000</b>	<b>357,000</b>
<b>TOTAL</b>	<b>45,550,833</b>	<b>8,670,000</b>	<b>54,220,833</b>	<b>134,687,632</b>	<b>357,000</b>	<b>135,044,632</b>

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

By the change of Other technical provisions, change in provision for non-expired risks amounts to HRK 8,000,000 (2010: amounts to HRK 0) and the change of provision against earthquake risk amounts to HRK 670,000 (2010: HRK 357,000).

**6.3. Change in life insurance technical provision 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 provision 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. Net operating expenses**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Acquisition costs</b>						
Commission	18,379,139	156,605,808	174,984,947	22,252,469	135,772,794	158,025,263
Other acquisition costs	7,873,604	63,521,738	71,395,342	11,846,134	103,115,219	114,961,353
<b>Total</b>	<b>26,252,743</b>	<b>220,127,546</b>	<b>246,380,289</b>	<b>34,098,603</b>	<b>238,888,013</b>	<b>272,986,616</b>
<b>Management expenses (administrative expenses)</b>						
Depreciation of tangible assets	1,629,043	45,365,594	46,994,637	1,820,948	46,842,535	48,663,483
Salaries, taxes and contributions from and on salaries	41,165,922	323,690,899	364,856,821	40,086,374	331,205,132	371,291,506
Other management costs	24,927,189	268,666,440	293,593,629	25,852,035	241,207,967	267,060,002
<b>Total</b>	<b>67,722,154</b>	<b>637,722,933</b>	<b>705,445,087</b>	<b>67,759,357</b>	<b>619,255,634</b>	<b>687,014,991</b>
<b>TOTAL</b>	<b>93,974,897</b>	<b>857,850,479</b>	<b>951,825,376</b>	<b>101,857,960</b>	<b>858,143,647</b>	<b>960,001,607</b>

**/i-1/ Commission**

Description	2011			2010		
	Life	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	2,184,338	10,269,949	12,454,287	2,519,761	9,942,183	12,461,944
Commission expenses for employees	5,505,961	44,476,340	49,982,301	6,076,349	37,039,745	43,116,094
Commission expenses for banks, agencies and dispatchers	10,060,872	69,393,170	79,454,042	12,917,181	61,894,680	74,811,861
Commission expenses for MOT test stations	0	6,231,061	6,231,061	0	5,289,102	5,289,102
Other commission expenses	50,285	10,885,895	10,936,180	105,752	11,012,247	11,117,999
<b>TOTAL</b>	<b>18,379,139</b>	<b>156,605,808</b>	<b>174,984,947</b>	<b>22,252,469</b>	<b>135,772,794</b>	<b>158,025,263</b>



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

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

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Promotion costs	6,576,485	54,137,191	60,713,676	10,793,680	94,068,966	104,862,646
Costs for issuance of policy	183,547	3,793,397	3,976,944	108,973	2,230,755	2,339,728
Other direct acquisition costs	1,113,572	5,591,150	6,704,722	943,481	6,815,498	7,758,979
<b>TOTAL</b>	<b>7,873,604</b>	<b>63,521,738</b>	<b>71,395,342</b>	<b>11,846,134</b>	<b>103,115,219</b>	<b>114,961,353</b>

**/ii-1/ Depreciation**

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Depreciation of intangible assets	0	2,710,416	2,710,416	249,571	2,076,350	2,325,921
Depreciation of tangible assets	1,629,043	42,655,178	44,284,221	1,571,377	44,766,185	46,337,562
<b>TOTAL</b>	<b>1,629,043</b>	<b>45,365,594</b>	<b>46,994,637</b>	<b>1,820,948</b>	<b>46,842,535</b>	<b>48,663,483</b>

**/ii-2/ 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	23,872,877	188,737,797	212,610,674	22,486,407	186,322,135	208,808,542
Taxes and contributions from salaries	11,272,171	87,583,417	98,855,588	11,798,720	96,648,130	108,446,850
Contributions on salaries	6,020,874	47,369,685	53,390,559	5,801,247	48,234,867	54,036,114
<b>TOTAL</b>	<b>41,165,922</b>	<b>323,690,899</b>	<b>364,856,821</b>	<b>40,086,374</b>	<b>331,205,132</b>	<b>371,291,506</b>

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

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Used material	1,391,865	12,993,475	14,385,340	1,235,279	11,602,864	12,838,143
Energy	1,430,410	12,027,846	13,458,256	1,261,253	11,020,012	12,281,265
Transportation, post and telecommunication services	2,704,182	21,818,892	24,523,074	2,774,324	22,947,837	25,722,161
Maintenance services	2,004,829	19,517,643	21,522,472	2,265,010	19,397,614	21,662,624
Rental services	1,916,391	18,011,490	19,927,881	1,831,400	20,330,298	22,161,698
Utility services	926,941	7,367,298	8,294,239	353,188	2,385,476	2,738,664
Intellectual services	498,914	5,689,501	6,188,415	1,036,369	9,770,471	10,806,840
Other services	769,749	6,514,366	7,284,115	1,170,207	10,218,085	11,388,292
Provisions for severance payments and jubilee awards	0	31,146,603	31,146,603	0	4,752,414	4,752,414
Provisions for court disputes	0	2,868,420	2,868,420	0	1,949,119	1,949,119
Daily allowances for business trips and travel expenses	1,976,485	16,039,986	18,016,471	229,262	1,754,898	1,984,160
Reimbursements to employees, gifts and supports	191,120	2,626,458	2,817,578	1,580,845	12,684,818	14,265,663

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

Continued: Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Representation costs	505,970	5,648,964	6,154,934	458,537	4,920,653	5,379,190
Insurance premiums	1,434,278	12,379,983	13,814,261	1,255,768	11,665,587	12,921,355
Bank services and other fees	115,090	1,499,594	1,614,684	137,961	1,517,391	1,655,352
Contributions, memberships and similar	730,050	6,954,724	7,684,774	647,265	9,226,547	9,873,812
Taxes independent from the result and charges	7,783	249,683	257,466	14,816	407,914	422,730
Non-depreciated value of disposed tangible assets	0	380,602	380,602	835	109,773	110,608
Inventory and small inventory write-offs	57,375	1,800,161	1,857,536	49,976	1,295,269	1,345,245
Other employees' material rights (vacation bonuses, severance payments and jubilee awards)	7,564,550	67,365,255	74,929,805	8,839,851	68,709,275	77,549,126
Professional education and literature	701,207	10,183,122	10,884,329	267,895	3,279,711	3,547,606
Costs for service claim settlement	0	4,804,290	4,804,290	0	4,823,384	4,823,384
Other operating costs	0	778,084	778,084	441,994	6,438,557	6,880,551
<b>TOTAL</b>	<b>24,927,189</b>	<b>268,666,440</b>	<b>293,593,629</b>	<b>25,852,035</b>	<b>241,207,967</b>	<b>267,060,002</b>

### 6.5. Other technical insurance costs, net from reinsurance

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

Description	2011			2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Contributions for health insurance out of motor TPL premium	0	47,936,238	47,936,238	0	47,913,182	47,913,182
Contribution for Guarantee fund	0	6,372,315	6,372,315	0	8,723,755	8,723,755
Contribution for fire department	0	7,481,110	7,481,110	0	8,320,098	8,320,098
Contribution for Croatian Insurance Bureau	0	3,068,981	3,068,981	0	2,087,606	2,087,606
Contribution for Croatian Financial Services Supervisory Agency	105,526	530,375	635,901	147,081	1,270,412	1,417,493
Other insurance - technical expenses	26,259	5,401,438	5,427,697	153,004	3,647,161	3,800,165
Other costs	31	679,427	679,458	5,664	1,654,219	1,659,883
<b>TOTAL</b>	<b>131,816</b>	<b>71,469,884</b>	<b>71,601,700</b>	<b>305,749</b>	<b>73,616,433</b>	<b>73,922,182</b>

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

**7. Corporate income tax**

Corporate income tax is calculated at the rate of 20% (2010: 20%) in accordance with the legal regulations on the tax base representing difference between realized income over expenses for the accounting period for which the tax base was determined.

Description	TAX BALANCE SHEET	TAX BALANCE SHEET
	2011	2010
TOTAL INCOME	2,829,491,613	2,888,519,691
TOTAL EXPENSE	2,724,792,017	2,831,748,705
PROFIT	104,699,595	56,770,986
Depreciation	0	14,407
70% of representation costs	4,308,454	3,765,433
30% of personal transportation costs	2,839,917	2,640,753
Penalty costs	20,414	2,490
Expenses for gifts and donations over prescribed rates	5,000	0
Costs for unrealized losses	18,432,769	16,104,297
Value adjustment and receivables' write-offs	11,335,119	15,485,909
Value adjustment of financial assets	65,133,165	50,919,570
Costs of provisions	10,509,113	0
Increase in tax base for all other expenses and other increases	2,045,770	2,673,932
Increase in profit for other income, and tax loss with remaining utilization period	7,606,006	7,413,324
TOTAL PROFIT INCREASE	122,235,727	99,020,115
Income from dividends and share in profit	34,558,009	31,723,120
Income from collected written-off receivables	13,816,622	0
Other expenses from previous periods	31,455,704	20,416,048
Profit decrease for other income	21,022,707	4,540,010
Government grants for education	1,548,233	1,820,723
TOTAL PROFIT DECREASE	102,401,275	58,499,901
Profit after increase and decrease	124,534,047	97,291,200
Tax base	124,534,047	97,291,200
Tax rate	20%	20,00%
Tax liability	24,906,810	19,458,240
Prepayments	20,112,899	23,355,484
Difference for return	0	3,897,244

Difference in the amount of HRK 1,126,041 occurred between tax liability stated in C&T form in the amount of HRK 24,906,810 and tax liability shown in the Statement of comprehensive income in the amount of HRK 26,032,851 is explained in the Note 14 to the financial statements.

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

**8. Earnings per share**

Description	2011	2010
	HRK	HRK
Net profit for the period	78,666,745	43,603,887
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>42,623,887</b>
Weighted average of ordinary shares, except own shares	307,598	307,598
<b>Earnings per share</b>	<b>252.56</b>	<b>138.57</b>

**NOTES TO THE BALANCE SHEET/STATEMENT OF FINANCIAL POSITION**

**9. Intangible assets**

Description	Research and development costs	Other intangible assets	Intangible assets under construction	Total
	HRK	HRK	HRK	HRK
<b>Purchase value</b>				
Balance at 1 January 2010	14,296,456	56,516,064	920,558	71,733,078
Additions	236,995	1,061,124	5,383,082	6,681,201
Disposals	(15,775)	(1,318,004)	(24,095)	(1,357,874)
Balance at 31 December 2010	14,517,676	56,259,184	6,279,545	77,056,405
Additions	757,909	2,917,252	(5,298,180)	(1,623,019)
Disposals	0	(3,005,768)	(5,409)	(3,011,177)
Balance at 31 December 2011	15,275,585	56,170,668	975,956	72,422,209
<b>Impairment</b>				
Balance at 1 January 2010	10,671,011	53,937,968	0	64,608,979
Depreciation during 2010	1,308,885	1,017,037	0	2,325,922
Disposals	(15,775)	(1,318,004)	0	(1,333,779)
Balance at 31 December 2010	11,964,121	53,637,001	0	65,601,122
Depreciation during 2011	1,393,743	1,316,672	0	2,710,415
Disposals	0	(3,005,768)	0	(3,005,768)
Balance at 31 December 2011	13,357,864	51,947,905	0	65,305,769
<b>Current value</b>				
1 January 2010	3,625,445	2,578,096	920,558	7,124,099
31 December 2010	2,553,555	2,622,183	6,279,545	11,455,283
31 December 2011	1,917,721	4,222,763	975,956	7,116,440

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

**10. Tangible assets**

**/i/ Operational land and buildings**

Description	Land	Buildings	Assets under construction	Prepayments	Total
	HRK	HRK	HRK	HRK	HRK
<b>PURCASHE VALUE</b>					
Balance at 1 January 2010	231,393,302	1,195,606,004	16,798,600	3,972,619	1,447,770,525
Additions	0	0	19,582,186	12,329,975	31,912,161
Transfer from preparation	0	16,305,885	(26,702,651)	(15,225,181)	(25,621,947)
Transfer from / to	0	(255,297)	0	0	(255,297)
Transfer from technical provisions	0	6,766,874	0	0	(6,766,874)
Transfer to technical provisions	(1,488,353)	(7,881,944)	0	0	(9,370,297)
Expense	0	(1,220)	0	0	(1,220)
<b>Balance at 31 December 2010</b>	<b>229,904,949</b>	<b>1,210,540,302</b>	<b>9,678,135</b>	<b>1,077,413</b>	<b>1,451,200,799</b>
Additions	0	0	7,705,954	4,157	7,710,111
Transfer from preparation	0	2,181,832	(2,181,832)	0	0
Transfer from / to	0	(39,753)	(8,723,954)	(4,157)	(8,767,864)
Transfer from technical provisions	0	1,859,855	0	0	1,859,855
Transfer to technical provisions	(3,445,775)	0	0	0	(3,445,775)
Transfer to capital	(498,105)	(2,726,247)	0	0	(3,224,352)
Transfer from capital	389,947	3,915,508	0	0	4,305,455
Correction of opening balance		(964,540)	0	0	(964,540)
Expense	0	(29,022)	0	0	(29,022)
<b>Balance at 31 December 2011</b>	<b>226,351,016</b>	<b>1,214,737,935</b>	<b>6,478,303</b>	<b>1,077,413</b>	<b>1,448,644,667</b>
<b>IMPAIRMENT</b>					
Balance at 1 January 2010	0	212,688,111	0	0	212,688,111
Depreciation from revaluation	0	6,682,980	0	0	6,682,980
Depreciation during 2010	0	24,685,479	0	0	24,685,479
Transfer from / to	0	(112,900)	0	0	(112,900)
Transfer to technical provisions	0	(1,732,355)	0	0	(1,732,355)
Expense	0	(1,220)	0	0	(1,220)
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>242,210,095</b>	<b>0</b>	<b>0</b>	<b>242,210,095</b>
Depreciation from revaluation	0	6,668,648	0	0	6,668,648
Depreciation during 2011	0	24,514,185	0	0	24,514,185
Transfer to capital	0	(489,987)	0	0	(489,987)
Transfer to capital from revaluation	0	(46,762)	0	0	(46,762)
Expense	0	(25,037)	0	0	(25,037)
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>272,831,142</b>	<b>0</b>	<b>0</b>	<b>272,831,142</b>
<b>CURRENT VALUE</b>					
<b>1 January 2010</b>	<b>231,393,302</b>	<b>982,917,893</b>	<b>16,798,600</b>	<b>3,972,619</b>	<b>1,235,082,414</b>
<b>31 December 2010</b>	<b>229,904,949</b>	<b>968,330,207</b>	<b>9,678,135</b>	<b>1,077,413</b>	<b>1,208,990,704</b>
<b>31 December 2011</b>	<b>226,351,016</b>	<b>941,906,793</b>	<b>6,478,303</b>	<b>1,077,413</b>	<b>1,175,813,525</b>

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

**/ii/ Equipment**

Description	Equipment	Transport	Instruments	Assets under	Total
	and furniture	vehicles		construction	
	HRK	HRK	HRK	HRK	HRK
<b>PURCASHE VALUE</b>					
Balance at 1 January 2010	146,534,368	21,627,915	23,102,677	1,654,663	192,919,623
Additions	6,540,161	1,109,949	1,310,670	4,158,819	13,119,599
Transfer from / to	0	0	0	(4,293,897)	(4,293,897)
Disposals	(9,298,440)	(410,196)	(43,940)	0	(9,752,576)
Balance at 31 December 2010	143,776,089	22,327,668	24,369,407	1,519,585	191,992,749
Additions	4,592,612	0	0	4,608,694	9,201,306
Transfer from / to	3,300,997	2,137,856	322,767	(5,761,620)	0
Disposals	(6,592,745)	(6,110,383)	0	0	(12,703,128)
Balance at 31 December 2011	145,076,953	18,355,141	24,692,174	366,659	188,490,927
<b>IMPAIRMENT</b>					
Balance at 1 January 2010	122,929,498	14,453,631	10,590,438	0	147,973,567
Depreciation during 2010	11,475,341	2,304,930	1,879,390	0	15,659,661
Disposals	(9,288,125)	(309,894)	(7,636)	0	(9,605,655)
Balance at 31 December 2010	125,116,714	16,448,667	12,462,192	0	154,027,573
Depreciation during 2011	8,701,521	2,532,448	1,816,016	0	13,049,985
Disposals	(6,578,217)	(5,744,731)	0	0	(12,322,948)
Balance at 31 December 2011	127,240,018	13,236,384	14,278,208	0	154,754,610
<b>CURRENT VALUE</b>					
1 January 2010	23,604,870	7,174,284	12,512,239	1,654,663	44,946,056
31 December 2010	18,659,375	5,879,001	11,907,215	1,519,585	37,965,176
31 December 2011	17,837,935	5,118,757	10,413,966	366,659	33,736,317

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

**/iii/ Other tangible assets**

Description	Other tangible assets	Total
	HRK	HRK
<b>PURCHASE VALUE</b>		
Balance at 1 January 2010	2,866,516	2,866,516
Additions	393,016	393,016
Balance at 31 December 2010	3,259,532	3,259,532
Additions	46,213	46,213
Balance at 31 December 2011	3,305,745	3,305,745
<b>IMPAIRMENT</b>		
Balance at 1 January 2010	175,193	175,193
Depreciation during 2010	48,449	48,449
Balance at 31 December 2010	223,642	223,642
Depreciation during 2011	51,404	51,404
Value provision - small inventory	0	0
Balance at 31 December 2011	275,046	275,046
<b>CURRENT VALUE</b>		
1 January 2010	2,691,323	2,691,323
31 December 2010	3,035,890	3,035,890
31 December 2011	3,030,699	3,030,699

**11. Investments**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Investment in non-operational land and buildings	0	814,142,982	814,142,982	0	677,014,955	677,014,955
Investments in subsidiaries, associates and joint ventures	0	431,372,755	431,372,755	0	436,930,913	436,930,913
Other financial investments	1,857,721,275	2,045,093,794	3,902,815,069	1,870,695,774	2,135,109,441	4,005,805,215
<b>TOTAL</b>	<b>1,857,721,275</b>	<b>3,290,609,531</b>	<b>5,148,330,806</b>	<b>1,870,695,774</b>	<b>3,249,055,309</b>	<b>5,119,751,083</b>

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

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

Description	Investment
	HRK
<b>Balance at 1 January 2010</b>	<b>653,700,604</b>
Correction of the opening balance	(3,835,780)
Transfer to operational land and buildings	(2,463,211)
Transfer from operational land and buildings	5,922,473
Increase in fair value credited to the statement of comprehensive income	5,137,070
Decrease in fair value debited to the statement of comprehensive income	(32,160,098)
Additions during year	55,785,202
Non-operational assets under construction	11,801,447
Sold during the year	(16,872,752)
<b>Balance at 31 December 2010</b>	<b>677,014,955</b>
Correction of the opening balance	(20,172)
Transfer to operational land and buildings	(6,165,310)
Transfer from operational land and buildings	6,133,378
Increase in fair value credited to the statement of comprehensive income	55,751,782
Decrease in fair value debited to the statement of comprehensive income	(27,825,010)
Additions during year	105,600,228
Non-operational assets under construction	4,238,015
Sold during the year	(584,884)
<b>Balance at 31 December 2011</b>	<b>814,142,982</b>

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

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Shares and stakes in subsidiaries	0	424,146,655	424,146,655	0	428,221,613	428,221,613
Shares and stakes in associates	0	7,226,100	7,226,100	0	8,709,300	8,709,300
<b>TOTAL</b>	<b>0</b>	<b>431,372,755</b>	<b>431,372,755</b>	<b>0</b>	<b>436,930,913</b>	<b>436,930,913</b>



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

/i/ Shares and stakes in subsidiaries

Description	At 31 Dec 2011					At 31 Dec 2010				
	Activity	State	Ownership	Gross amount of investment	Net amount of investment	Ownership	Gross amount of investment	Net amount of investment		
				HRK	HRK		HRK	HRK		
	%	HRK	HRK	HRK	%	HRK	HRK	HRK		
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia	94.64	109,839,200	0	109,839,200	94.64	109,839,200	0	109,839,200
Croatia Leasing d.o.o., Zagreb	Leasing	Croatia	100.00	90,000,000	(74,814,597)	15,185,403	100.00	90,000,000	(68,494,991)	21,505,009
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT tests	Croatia	100.00	71,767,400	0	71,767,400	100.00	71,767,400	0	71,767,400
Herz d.d., Požega	MOT tests	Croatia	100.00	30,000,165	0	30,000,165	100.00	30,000,165	0	30,000,165
Croatia osiguranje, mirovinsko društvo d.o.o., Zageb	Pension fund manag.	Croatia	100.00	30,000,000	(19,202,972)	10,797,028	100.00	30,000,000	(19,202,972)	10,797,028
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance Pension fund manag.	Croatia	66.19	29,363,000	0	29,363,000	66.19	29,363,000	0	29,363,000
PBZ Croatia osiguranje d.d., Zagreb	Insurance	Croatia	50.00	28,000,000	0	28,000,000	50.00	28,000,000	0	28,000,000
Milenijum osiguranje a.d., Belgrade, Serbia	Insurance	Serbia	99.78	43,606,012	0	43,606,012	99.78	42,582,893	0	42,582,893
Croatia Sigurimi sh.a., Prishtinë, Kosovë	Insurance	Kosovë	100.00	22,591,260	0	22,591,260	100.00	22,155,519	0	22,155,519
Croatia osiguranje d.d., Ljubuški, Bosnia and Herzegovina	Insurance	B&H	52.05	16,069,389	0	16,069,389	52.05	15,759,442	0	15,759,442
Croatia osiguranje - život a.d, društvo za osiguranje života, Skopje, Macedonia	Insurance	Macedonia	92.50	22,438,732	0	22,438,732	92.50	22,005,933	0	22,005,933
Croatia osiguranje - neživot a.d., društvo za osiguranje života, Skopje, Macedonia	Insurance agency	Macedonia	100.00	24,473,866	0	24,473,866	100.00	24,001,812	0	24,001,812
Zagos d.o.o. in bankruptcy, Zabok Slavonijatrans-Tehn. pregledi d.o.o., Slavonski Brod	MOT tests	Croatia	100.00	0	0	0	100.00	429,012	0	429,012
			76.00	15,200	0	15,200	76.00	15,200	0	15,200
<b>TOTAL</b>				<b>518,164,224</b>	<b>(94,017,569)</b>	<b>424,146,655</b>		<b>515,919,576</b>	<b>(87,697,963)</b>	<b>428,221,613</b>

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

/ii/ Shares and stakes in associates

Description	At 31 Dec 2011				At 31 Dec 2010	
	Activity	State	Ownership %	Investment	Description %	Activity HRK
				value 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
<b>TOTAL</b>			-	<b>7,226,100</b>	-	<b>8,709,300</b>

**11.3. Other financial investments**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Investments held to maturity	1,253,893,760	755,313,902	2,009,207,662	1,181,787,762	690,876,535	1,872,664,297
Investments available for sale	60,422,034	192,541,118	252,963,152	115,155,931	293,450,483	408,606,414
Investments at fair value through P&L account	200,501,903	211,571,393	412,073,296	180,044,883	140,184,464	320,229,347
Deposits, loans and receivables	342,903,578	885,667,381	1,228,570,959	393,707,198	1,010,597,959	1,404,305,157
<b>TOTAL</b>	<b>1,857,721,275</b>	<b>2,045,093,794</b>	<b>3,902,815,069</b>	<b>1,870,695,774</b>	<b>2,135,109,441</b>	<b>4,005,805,215</b>

/i/ Investments held to maturity

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Debt and other securities with fixed income						
State bonds	1,097,769,280	510,038,676	1,607,807,956	1,013,662,835	485,732,660	1,499,395,495
Corporate bonds	35,790,852	142,516,621	178,307,473	60,463,734	131,319,574	191,783,308
Local government bonds	4,301,384	0	4,301,384	4,717,610	0	4,717,610
<b>Total</b>	<b>1,137,861,516</b>	<b>652,555,297</b>	<b>1,790,416,813</b>	<b>1,078,844,179</b>	<b>617,052,234</b>	<b>1,695,896,413</b>
Treasury bills	92,574,048	97,134,167	189,708,215	63,336,140	53,559,549	116,895,689
Commercial bills	23,458,196	5,624,438	29,082,634	39,607,443	20,264,752	59,872,195
<b>TOTAL</b>	<b>1,253,893,760</b>	<b>755,313,902</b>	<b>2,009,207,662</b>	<b>1,181,787,762</b>	<b>690,876,535</b>	<b>1,872,664,297</b>

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

Issuer	Mark	Interest rate	Maturity	At 31 Dec 2011			Total in foreign curr.	At 31 Dec 2010			Total in foreign curr.
				Life	General	Total		Life	General	Total	
				HRK	HRK	HRK		HRK	HRK	HRK	
<u>Bonds denominated in HRK</u>											
Atlantic grupa d.d., Zagreb	ATGR-0-169A	6.90%	20.9.2016	0	9,940,949	9,940,949	0	0	9,965,932	9,965,932	0
H1 TELEKOM d.d.	H1TE-0-139A	9.50%	2.9.2013	0	24,362,639	24,362,639	0	0	24,362,639	24,362,639	0
HEP d.d., Zagreb	HEP-0-13BA	5.00%	29.11.2013.	0	39,133,841	39,133,841	0	0	39,099,340	39,099,340	0
Ingra d.d., Zagreb	INGR-0-11CA	6.13%	6.12.2016.	0	14,991,691	14,991,691	0	0	14,963,108	14,963,108	0
Jadranka d.d., Mali Lošinj	JDRA-0-129A	6.28%	13.9.2012.	0	7,497,737	7,497,737	0	0	7,494,524	7,494,524	0
Croatian Ministry of Finance	RHMF-0-203A	6.75%	5.3.2020	46,753,900	0	46,753,900	0	46,852,199	0	46,852,199	0
Croatian Ministry of Finance	RHMF-0-17BA	6.25%	25.11.2017	24,788,700	84,853,640	109,642,340	0	24,753,105	69,419,416	94,172,521	0
Croatian Ministry of Finance	RHMF-0-103A	6.75%	8.03.2010	0	0	0	0	0	0	0	0
Croatian Ministry of Finance	RHMF-0-137A	4.50%	11.7.2013.	0	32,424,288	32,424,288	0	0	1,889,684	1,889,684	0
Croatian Ministry of Finance	RHMF-0-15CA	5.25%	15.12.2015.	44,000,000	0	44,000,000	0	44,000,000	0	44,000,000	0
Nexe grupa, Našice	NEXE-0-13CA	7.83%	10.12.2013.	0	26,853,397	26,853,397	0	0	19,990,907	19,990,907	0
Odašiljači i veze d.o.o., Zagreb	OIV-0-14B	7.25%	20.11.2014.	9,954,260	0	9,954,260	0	9,938,484	0	9,938,484	0
Jadran Galenski laboratorij d.d.	JDGL-0-166A1	5.76%	10.6.2016.	0	4,000,000	4,000,000	0	0	0	0	0
Plodine d.d., Rijeka	PLOR-0-133A	9.00%	4.3.2013.	9,987,853	0	9,987,853	0	9,977,530	0	9,977,530	0
Podravka d.d., Koprivnica	PODR-0-115A	5.13%	17.5.2011	0	0	0	0	24,936,272	0	24,936,272	0
Croatian Ministry of Finance	RHMF-0-172A	4.75%	8.2.2017.	43,574,897	0	43,574,897	0	43,189,420	0	43,189,420	0
Bonds of the Republic of Croatia, Brodogradilište Split		7.00%	31.08.2011	0	0	0	0	0	155,756	155,756	0
<b>Total</b>				<b>179,059,610</b>	<b>244,058,182</b>	<b>423,117,792</b>	<b>0</b>	<b>203,647,010</b>	<b>187,341,306</b>	<b>390,988,316</b>	<b>0</b>

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

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

Issuer	Mark	Interest rate	Maturity	At 31 Dec 2011			Total in foreign curr.	At 31 Dec 2010			Total in foreign curr.
				Life	General	Total		Life	General	Total	
<u>Bonds denominated in foreign currency</u>											
City of Rijeka	GDR1-0-167A	4.13%	18.7.2016.	4,301,384	0	4,301,384		4,717,610	0	4,717,610	638,795
HBOR d.d., Zagreb	XSO305384124	5.00%	14.6.2017.	57,648,078	0	57,648,078		54,884,422	0	54,884,422	7,431,704
Hrvatska pošta d.d.	HP00-O-127A4	9.00%	1.7.2012	15,848,739	0	15,848,739		15,611,448	0	15,611,448	2,113,891
Metronet telekomunik. d.d.	MTEL-O-137A	12.00%	17.7.2013.	0	15,736,367	15,736,367		0	15,443,125	15,443,125	2,091,099
Croatian Ministry of Finance	RHMF-0-203EO	6.50%	5.3.2020.	107,150,753	15,054,437	122,205,190		104,930,746	14,763,293	119,694,040	16,207,344
Croatian Ministry of Finance	XS0645940288	5.88%	9.7.2018.	3,439,985	0	3,439,985					
Croatian Ministry of Finance	XS0431967230	6.50%	5.1.2015.	27,401,974	31,424,894	58,826,868		7,717,977	0	7,717,977	1,045,064
Croatian Ministry of Finance	XS0126121507	6.75%	14.3.2011	0	0	0		15,350,683	111,763,078	127,113,761	17,212,022
Croatian Ministry of Finance	RHMF-0-125A	6.88%	23.5.2012.	260,962,364	126,041,875	387,004,239		256,659,794	124,440,992	381,100,785	51,603,501
Croatian Ministry of Finance	RHMF-0-142A	5.50%	10.2.2014.	215,783,047	155,490,931	371,273,978		211,812,716	152,942,061	364,754,777	49,390,147
Croatian Ministry of Finance	RHMF-0-157A	4.25%	14.7.2015.	67,309,467	10,574,375	77,883,842		65,790,160	10,358,379	76,148,539	10,311,003
Croatian Ministry of Finance	RHMF-0-227E9	6.50%	22.7.2022.	58,566,741	54,174,236	112,740,977		0	0	0	0
Croatian Ministry of Finance	RHMF-0-19BA	5.38%	29.11.2019.	140,389,374	0	140,389,374		137,721,613	0	137,721,613	18,648,393
<b>Total</b>				<b>958,801,906</b>	<b>408,497,115</b>	<b>1,367,299,021</b>		<b>875,197,169</b>	<b>429,710,928</b>	<b>1,304,908,097</b>	<b>176,692,963</b>
<b>TOTAL</b>				<b>1,137,861,516</b>	<b>652,555,297</b>	<b>1,790,416,813</b>		<b>1,078,844,179</b>	<b>617,052,234</b>	<b>1,695,896,413</b>	<b>176,692,963</b>

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

/i-2/ Structure of investment in treasury bills is shown as follows:

Issuer	Maturity	Interest rate	Acquisition cost	At 31 Dec 2011		
				Life	General	Total
			HRK	HRK	HRK	HRK
Croatian Ministry of Finance	30.8.2012	3.96	30,000,000	0	29,235,041	29,235,041
Croatian Ministry of Finance	6.9.2012	4.01	50,000,000	29,203,790	19,469,193	48,672,983
Croatian Ministry of Finance	4.10.2012	5.01	10,000,000	4,817,344	4,817,344	9,634,688
Croatian Ministry of Finance	18.10.2012	5.01	25,000,000	4,808,446	19,233,785	24,042,231
Croatian Ministry of Finance	3.5.2012	4.91	15,000,000	4,918,851	9,837,702	14,756,553
Croatian Ministry of Finance	31.5.2012	5.21	15,000,000	4,894,766	9,789,532	14,684,298
Croatian Ministry of Finance	13.12.2012	5.51	5,000,000	0	4,751,570	4,751,570
Croatian Ministry of Finance	7.6.2012	5.26	5,000,000	4,888,935	0	4,888,935
Croatian Ministry of Finance	6.12.2012	5.46	5,000,000	4,758,465	0	4,758,465
Croatian Ministry of Finance	13.9.2012	4.01	25,000,000	24,318,313	0	24,318,313
Croatian Ministry of Finance	2.2.2012	4.00	10,000,000	9,965,138	0	9,965,138
<b>TOTAL</b>			<b>195,000,000</b>	<b>92,574,048</b>	<b>97,134,167</b>	<b>189,708,215</b>

/i-3/ Structure of investment in commercial bills is shown as follows:

Issuer	Maturity	Interest rate	Acquisition cost	Life	At 31 Dec 2011		
					General	Total	Total
					HRK	HRK	HRK
Magma d.d., Zagreb	18.1.2012	9.75	7,500,000	HRK	0	0	0
INSTITUT IGH, d.d., Zagreb	8.6.2012	9.01	400,000	EUR	0	2,898,686	2,898,686
ZAGREB-MONTAŽA d.d., Zagreb	3.12.2012	10.93	3,000,000	HRK	0	2,725,752	2,725,752
Dalekovod d.d.	27.8.2012	8.11	2,500,000	HRK	2,374,196	0	2,374,196
Žito d.o.o. Osijek	9.1.2012	7.80	1,200,000	EUR	9,021,119	0	9,021,119
INGRA	24.1.2012	9.40	367,550	EUR	2,751,545	0	2,751,545
Dalekovod d.d.	27.8.2012	8.11	5,000,000	HRK	4,748,392	0	4,748,392
INGRA	8.5.2012	9.56	4,715,517	HRK	4,562,943	0	4,562,943
<b>TOTAL</b>			<b>24,683,067</b>		<b>23,458,196</b>	<b>5,624,439</b>	<b>29,082,634</b>

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

/i-4/ Maturities of debt and other securities with fixed income 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
<b>Bonds</b>						
Up to 1 year	276,811,103	133,539,612	410,350,715	15,350,683	181,775,054	197,125,737
1 - 5 years	378,737,985	364,933,371	743,671,356	621,508,108	376,030,743	997,538,851
Over 5 years	482,312,428	154,082,314	636,394,742	412,331,505	88,900,320	501,231,825
<b>Total</b>	<b>1,137,861,516</b>	<b>652,555,297</b>	<b>1,790,416,813</b>	<b>1,049,190,296</b>	<b>646,706,117</b>	<b>1,695,896,413</b>
<b>Treasury bills</b>						
Up to 1 year	92,574,048	97,134,167	189,708,215	63,336,140	53,559,549	116,895,689
<b>Total</b>	<b>92,574,048</b>	<b>97,134,167</b>	<b>189,708,215</b>	<b>63,336,140</b>	<b>53,559,549</b>	<b>116,895,689</b>
<b>Commercial bills</b>						
Up to 1 year	23,458,196	5,624,438	29,082,634	39,607,443	20,264,752	59,872,195
<b>Total</b>	<b>23,458,196</b>	<b>5,624,438</b>	<b>29,082,634</b>	<b>39,607,443</b>	<b>20,264,752</b>	<b>59,872,195</b>
<b>TOTAL</b>	<b>1,253,893,760</b>	<b>755,313,902</b>	<b>2,009,207,662</b>	<b>1,152,133,879</b>	<b>720,530,419</b>	<b>1,872,664,297</b>

/ii/ Investments available for sale

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Shares, stakes and other securities with variable income</b>						
-listed	24,314,237	74,398,763	98,713,000	54,417,013	136,118,392	190,535,405
-non-listed	0	39,223,371	39,223,371	0	40,414,791	40,414,791
<b>Total</b>	<b>24,314,237</b>	<b>113,622,134</b>	<b>137,936,371</b>	<b>54,417,013</b>	<b>176,533,183</b>	<b>230,950,196</b>
Stakes in investment funds	36,107,797	78,918,984	115,026,781	60,738,918	116,917,300	177,656,218
<b>TOTAL</b>	<b>60,422,034</b>	<b>192,541,118</b>	<b>252,963,152</b>	<b>115,155,931</b>	<b>293,450,483</b>	<b>408,606,414</b>

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

Description	At 31 Dec 2011					At 31 Dec 2010				
	Gross amount		Impairment	Net		Gross amount		Impairment	Net	
	Life	General		amount	Ownership	Life	General		amount	Ownership
	HRK	HRK	HRK	HRK	%	HRK	HRK	HRK	HRK	%
<b>Listed shares</b>										
Atlantska plovidba d.d., Dubrovnik	24,314,237	24,314,565	0	48,628,802	10.64%	54,417,013	54,417,747	0	108,834,760	10.08%
Luka Rijeka d.d., Rijeka	0	17,189,190	0	17,189,190	2.79%	0	30,316,666	0	30,316,666	2.79%
Jadranska banka d.d., Šibenik	0	13,175,000	0	13,175,000	6.48%	0	22,707,888	0	22,707,888	6.48%
Varaždinska banka d.d., Varaždin	0	2,271,150	0	2,271,150	2.86%	0	3,179,610	0	3,179,610	2.86%
Linijaska nacionalna plovidba d.d., Split	0	2,906,694	0	2,906,694	0.74%	0	3,672,000	0	3,672,000	9.61%
Liburnia Riviera hoteli d.d., Rijeka	0	2,820,283	0	2,820,283	0.55%	0	3,484,978	0	3,484,978	0.53%
HT-Hrvatske komunikacije	0	4,831,200	0	4,831,200	0.02%	0	5,787,600	0	5,787,600	0.02%
Podravka d.d., Koprivnica	0	3,072,770	0	3,072,770	0.25%	0	4,072,418	0	4,072,418	0.29%
Atlantic grupa d.d., Zagreb	0	3,208,564	0	3,208,564	0.19%	0	5,165,685	0	5,165,685	0.26%
SPIN VALIS d.d., Požega	0	0	0	0	0.00%	0	1,321,483	0	1,321,483	4.29%
Istraturist d.d., Umag	0	178,642	0	178,642	0.02%	0	1,025,168	0	1,025,168	0.60%
Karlovačka banka d.d., Karlovac	0	147,000	0	147,000	0.22%	0	244,000	0	244,000	0.30%
Zvečevo d.d., Požega	0	200,000	0	200,000	0.81%	0	244,075	0	244,075	0.81%
Sarajevo osiguranje d.d., Sarajevo	0	83,705	0	83,705	0.08%	0	89,724	0	89,724	0.08%
<b>Total</b>	<b>24,314,237</b>	<b>74,398,763</b>	<b>0</b>	<b>98,713,000</b>		<b>54,417,013</b>	<b>136,118,392</b>	<b>0</b>	<b>190,535,405</b>	

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

/ii-1/ Structure of investments in shares, stakes and other securities with variable income is shown as follows:

Description	At 31 Dec 2011					At 31 Dec 2010				
	Gross amount			Net		Gross amount			Net	
	Life	General	Impairment	amount	Ownership	Life	General	Impairment	amount	Ownership
	HRK	HRK	HRK	HRK	%	HRK	HRK	HRK	HRK	%
<b>Non-listed shares and portions</b>										
Adriatica.net d.o.o.	0	36,670,344	0	36,670,344	14.62%	0	38,398,067	0	38,398,067	14.62%
Baotić d.d., Zagreb	0	2,400,000	(332,940)	2,067,060	13.71%	0	2,400,000	(510,480)	1,889,520	13.71%
Agroservis d.o.o., Virovitica	0	1,983,600	(1,983,600)	0	18.00%	0	1,983,600	(1,983,600)	0	18.00%
Drvoplast d.d., Buzet	0	104,897	0	104,897	5.41%	0	79,950	0	79,950	0.08%
Split tours d.d., Split	0	287,572	0	287,572	11.24%	0	309,400	0	309,400	11.24%
IMOTA d.d., Imotski	0	1,202,400	(1,202,400)	0	0.07%	0	1,202,400	(1,202,400)	0	0.07%
Tržište novca d.d., Zagreb	0	312,000	(218,502)	93,498	5.21%	0	312,000	(184,796)	127,204	5.21%
Trimot d.d., Imotski	0	115,200	(115,200)	0	0.66%	0	115,200	(115,200)	0	0.66%
Adria Diesel d.d., Karlovac	0	50,800	(50,800)	0	0.01%	0	50,800	(50,800)	0	0.01%
Maslina d.d., Punat	0	37,798	(37,798)	0	7.18%	0	37,798	(37,798)	0	7.18%
Đuro Đaković Aparati d.d., Slavonski Brod	0	15,600	(15,600)	0	0.28%	0	15,600	(15,600)	0	0.28%
<b>Total</b>	<b>0</b>	<b>43,180,211</b>	<b>(3,956,840)</b>	<b>39,223,371</b>		<b>0</b>	<b>44,515,465</b>	<b>(4,100,674)</b>	<b>40,414,791</b>	
<b>TOTAL</b>	<b>24,314,237</b>	<b>117,578,974</b>	<b>(3,956,840)</b>	<b>137,936,371</b>		<b>54,417,013</b>	<b>180,633,857</b>	<b>(4,100,674)</b>	<b>230,950,196</b>	



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

Description	At 31 Dec 2011			At 31 Dec 2010			Movement of revaluation reserves in 2011					
	Life	General	Total	Life	General	Total	At 31.12.2010	Realized	Unrealized	Impairment	31.12.2011	
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	
<b>Portions in investments funds</b>												
Erste Balanced	6,806,268	0	6,806,268	7,511,127	0	7,511,127	(1,488,873)	0	(704,859)	0	(2,193,732)	
Erste Adriatic Equity	12,956,467	0	12,956,467	15,455,223	0	15,455,223	(9,544,777)	0	(2,498,757)	12,043,534	0	
Ilirika Jugoistočna Europa	0	0	0	0	12,913,753	12,913,753	(9,396,247)	11,954,229	(2,557,982)	0	0	
Nexus	0	1,783,219	1,783,219	0	0	0	0	0	(123,372)	0	(123,372)	
OTP Indexni fond	2,043,860	0	2,043,860	2,438,573	0	2,438,573	(61,427)	0	(394,713)	0	(456,140)	
PBZ I-STOCK	1,630,883	15,285,633	16,916,516	1,980,226	20,385,990	22,366,216	(11,117,784)	1,241,045	(3,949,700)	12,573,323	(1,253,116)	
PBZ -Equity	0	0	0	18,282,641	0	18,282,641	0	0	0	0	0	
PROSPERGUS FGS	0	174,597	174,597	0	0	0	0	0	(125,403)	0	(125,403)	
Raiffeisen Balanced	7,102,319	17,680,278	24,782,597	8,617,128	21,451,193	30,068,321	(11,931,680)	0	(5,513,119)	0	(17,444,799)	
Raiffeisen Central Europe	0	0	0	0	16,329,238	16,329,238	319,761	(319,761)		0	0	
ZB PRIVATE EAST	5,568,000	0	5,568,000	6,454,000	0	6,454,000	(3,546,000)	0	(886,000)	0	(4,432,000)	
Questus Private Equity Kapital I	0	42,228,270	42,228,270	0	45,837,126	45,837,126	20,536,275	0	(4,249,920)	0	16,286,355	
Questus Private Equity Kapital II	0	1,766,987	1,766,987	0	0	0	0	0	(193,965)	0	(193,965)	
<b>TOTAL</b>	<b>36,107,797</b>	<b>78,918,984</b>	<b>115,026,781</b>	<b>60,738,918</b>	<b>116,917,300</b>	<b>177,656,218</b>	<b>(26,230,752)</b>	<b>12,875,513</b>	<b>(21,197,790)</b>	<b>24,616,857</b>	<b>(9,936,172)</b>	

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

/iii/ Structure of investment at fair value through P&L account is shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
<b>Investment funds</b>						
Allianz Cash	0	0	0	2,006,558	3,009,837	5,016,395
Erste Bonds	0	3,028,155	3,028,155	11,078,883	0	11,078,883
Erste Money	15,434,178	13,448,732	28,882,910	30,364,708	20,843,052	51,207,760
HI cash	5,014,469	5,269,913	10,284,382	0	5,128,600	5,128,600
HI cash - KP	0	0	0	10,250,162	0	10,250,162
HPB novčani fond		6,680,419	6,680,419	2,156,140	9,362,873	11,519,013
HPB novčani - KP	11,706,485	0	11,706,485	10,389,760	0	10,389,760
OTP novčani fond	0	2,083,514	2,083,514	0	0	0
PBZ Bond	6,123,935	7,123,608	13,247,543	2,997,470	6,994,097	9,991,567
PBZ Novčani	16,030,087	9,840,135	25,870,222	25,491,502	6,364,364	31,855,866
PBZ Novčani - KP	2,375,456	0	2,375,456	10,279,792	0	10,279,792
Raiffeisen BONDS	6,110,207	0	6,110,207	10,905,351	10,016,603	20,921,954
Raiffeisen Cash	28,557,170	25,686,284	54,243,454	40,350,190	38,788,997	79,139,187
ST Cash	0	0	0	2,713,172	1,015,509	3,728,681
VB Cash	3,093,098	4,017,150	7,110,248	5,041,120	5,195,958	10,237,078
ZB Plus	22,465,831	33,916,474	56,382,305	6,141,075	5,246,710	11,387,785
<b>Total</b>	<b>116,910,916</b>	<b>111,094,384</b>	<b>228,005,300</b>	<b>170,165,883</b>	<b>111,966,600</b>	<b>282,132,483</b>
<b>Bonds</b>						
RHMF-O-17BA	14,404,500	24,007,500	38,412,000	9,879,000	14,818,500	9,879,000
RHMF - XS0431962730	14,913,997	14,913,997	29,827,994	0	0	0
RHMF-XS0645940288	28,891,962	13,758,077	42,650,039	0	0	0
RHMF-O-167A5	0	9,590,000	9,590,000	0	0	0
RHMF-O-203E0	14,609,015	14,609,015	28,896,515	0	0	0
RHMF-O-227E9	10,771,513	1,795,252	12,566,765	0	0	0
RHMF-O-203A	0	14,287,500	14,609,015	0	12,204,000	12,204,000
<b>Total</b>	<b>83,590,987</b>	<b>92,961,341</b>	<b>176,552,328</b>	<b>9,879,000</b>	<b>27,022,500</b>	<b>36,901,500</b>
<b>Shares</b>						
Adris Grupa d.d.	0	1,487,092	1,487,092	0	337,823	337,823
Končar grupa d.d.	0	425,009	425,009	0	183,380	183,380
Podravka d.d.	0	897,663	897,663	0	674,161	674,161
Luke ploče d.d.	0	815,339	815,339	0	0	0
HT-Hrvatske telekomunikacije d.d.	0	2,053,260	2,053,260	0	0	0
Ericsson Nikola Tesla d.d.	0	1,047,600	1,047,600	0	0	0
Končar - distributivni i specijalni transformatori d.d.	0	789,705	789,705	0	0	0
<b>Total</b>	<b>0</b>	<b>7,515,668</b>	<b>7,515,668</b>	<b>0</b>	<b>1,195,364</b>	<b>1,195,364</b>
<b>TOTAL</b>	<b>200,501,903</b>	<b>211,571,393</b>	<b>412,073,296</b>	<b>180,044,883</b>	<b>140,184,464</b>	<b>320,229,347</b>

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

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

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Deposits at credit institutions	300,000,000	563,365,040	863,365,040	340,000,000	713,717,372	1,053,717,372
Loans	42,903,578	322,302,341	365,205,919	53,707,198	296,880,587	350,587,785
<b>TOTAL</b>	<b>342,903,578</b>	<b>885,667,381</b>	<b>1,228,570,959</b>	<b>393,707,198</b>	<b>1,010,597,959</b>	<b>1,404,305,157</b>

**/iv-1/ Structure of investments in deposits at credit institutions is shown as follows:**

	At 31 Dec 2011				At 31 Dec 2010		
	Life	General	Total	Interest rate	Life	General	Total
	HRK	HRK	HRK	%	HRK	HRK	HRK
Centar banka d.d., Zagreb	10,000,000	10,000,000	20,000,000	5.8%-6.00%	10,000,000	30,000,000	40,000,000
Credo banka d.d., Split	0	0	0	N/A	20,000,000	20,000,000	40,000,000
Croatia banka d.d., Zagreb	0	40,000,000	40,000,000	5.50%	0	15,500,000	15,500,000
Erste&Steiermärkische Bank d.d., Rijeka	50,000,000	80,000,000	130,000,000	3.6%-6.05%	0	120,000,000	120,000,000
Hrvatska poštanska banka d.d., Zagreb*	42,000,000	70,000,000	112,000,000	4.50%-5.60%	25,000,000	70,000,000	95,000,000
Hypo-Alpe-Adria Bank d.d., Zagreb	73,000,000	60,000,000	133,000,000	1.00%-5.90%	65,000,000	105,000,000	170,000,000
Imex banka d.d., Split	20,000,000	30,000,000	50,000,000	5.30-5.60%	10,000,000	30,000,000	40,000,000
Jadranska banka d.d., Šibenik	0	10,000,000	10,000,000	6.30%	0	17,500,000	17,500,000
Karlovačka banka d.d., Karlovac	0	0	0	N/A	20,000,000	10,000,000	30,000,000
Nava banka d.d., Zagreb	0	0	0	N/A	0	5,000,000	5,000,000
Partner banka d.d., Zagreb	0	13,000,000	13,000,000	5.50%	5,000,000	13,000,000	18,000,000
Podravska banka d.d., Koprivnica	35,000,000	10,000,000	45,000,000	6%-6.15%	35,000,000	0	35,000,000
Privredna banka Zagreb d.d., Zagreb	30,000,000	160,365,040	190,365,040	1.25%-5.4%	80,000,000	177,717,372	257,717,372
Raiffeisenbank Austria d.d., Zagreb	30,000,000	70,000,000	100,000,000	3.3%-5.40%	50,000,000	50,000,000	100,000,000
Slatinska banka d.d., Slatina	10,000,000	10,000,000	20,000,000	5.00%	10,000,000	10,000,000	20,000,000
Štedbanka d.d., Zagreb	0	0	0	4.60%	10,000,000	10,000,000	20,000,000
VABA d.d., Varaždin	0	0	0	4.50%	0	30,000,000	30,000,000
Zagrebačka banka d.d., Zagreb	0	0	0	3.9%-4.70%	0	0	0
<b>TOTAL</b>	<b>300,000,000</b>	<b>563,365,040</b>	<b>863,365,040</b>		<b>340,000,000</b>	<b>713,717,372</b>	<b>1,053,717,372</b>

\* At the Balance sheet as at 31 December 2011, under the position deposits, it is also recorded hybrid deposit in the amount of HRK 50,000,000 at Hrvatska poštanska banka d.d., Zagreb based on the agreement on investment in the Bank's additional equity.

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

**/iv-2/ Loans**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Gross amount	42,903,578	451,153,439	494,057,017	53,707,198	406,885,086	460,592,284
Impairment	0	(128,851,098)	(128,851,098)	0	(110,004,499)	(110,004,499)
<b>TOTAL</b>	<b>42,903,578</b>	<b>322,302,341</b>	<b>365,205,919</b>	<b>53,707,198</b>	<b>296,880,587</b>	<b>350,587,785</b>

At the Balance sheet as at 31 December 2011, loans to related companies are granted in the amount of HRK 47,469,978(2010: in the amount of HRK 45,992,054).

Maturities of granted loans are shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Up to 1 year	19,426,553	36,225,038	55,651,591	35,573,758	166,699,436	202,273,194
1 - 5 years	23,289,409	277,776,446	301,065,855	18,133,440	114,004,593	132,138,033
Over 5 years	187,616	8,300,857	8,488,473	0	16,176,558	16,176,558
<b>TOTAL</b>	<b>42,903,578</b>	<b>322,302,341</b>	<b>365,205,919</b>	<b>53,707,198</b>	<b>296,880,587</b>	<b>350,587,785</b>

Loan structure according to collaterals is shown as follows:

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Description	Life	General	Description
	HRK	HRK	HRK	HRK	HRK	HRK
Guarantees from business banks	0	12,034,868	12,034,868	0	20,893,692	20,893,692
Life insurance policies with restricted transferability	42,903,578	0	42,903,578	53,707,198	0	53,707,198
Mortgages and property fiduciaries	0	310,267,473	310,267,473	0	275,986,895	275,536,895
<b>TOTAL</b>	<b>42,903,578</b>	<b>322,302,341</b>	<b>365,205,919</b>	<b>53,707,198</b>	<b>296,880,587</b>	<b>350,137,785</b>

**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 16,320,627 (At 31 December 2010: in the amount of 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.

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

**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	46,703,405	46,703,543	0	54,131,734	54,131,734
Mathematical provision, reinsurance portion	164,490	0	164,490	11,607	0	11,607
Claim provision, reinsurance portion	0	365,066,309	365,066,309	0	251,939,713	251,939,713
<b>TOTAL</b>	<b>164,628</b>	<b>411,769,714</b>	<b>411,934,342</b>	<b>11,607</b>	<b>306,071,447</b>	<b>306,083,054</b>

**14. Deferred and current tax assets**

Deferred and current tax assets are stated in the amount of HRK 5,165,100 (At 31 December 2010: in the amount of HRK 6,291,141, and the overpaid corporate income tax in the amount of HRK 3,897,244).

**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	0	585,059,115	585,059,115	41,126,015	605,928,668	647,054,683
Receivables from agents or insurance brokers	43.746	3,218,587	3,262,333	67,205	3,633,682	3,700,887
Receivables from coinsurance and reinsurance activities	0	16,129,222	16,129,222	0	0	0
Other receivables	7.772.865	111,631,848	119,404,713	5,537,504	177,219,780	182,757,284
<b>TOTAL</b>	<b>7.816.611</b>	<b>716,038,772</b>	<b>723,855,383</b>	<b>46,730,724</b>	<b>786,782,130</b>	<b>833,512,854</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
Inland premium receivables	0	846,743,753	846,743,753	41,126,015	834,508,001	875,634,016
Premium receivables abroad	0	28,436,808	28,436,808	0	24,974,389	24,974,389
Premium impairment	0	(290,121,446)	(290,121,446)	0	(253,553,722)	(253,553,722)
<b>TOTAL</b>	<b>0</b>	<b>585,059,115</b>	<b>585,059,115</b>	<b>41,126,015</b>	<b>605,928,668</b>	<b>647,054,683</b>

In the year 2010 in the figure of life insurance premium receivables are stated receivables on the basis of invoiced premium, while in 2011 receivables are stated at the level of collected premium.

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

/i/ Term structure of inland 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	At 31 Dec 2010
	HRK	HRK
Written non-invoiced premium in the country	246,253,298	254,480,962
Invoiced uncollected inland premium	600,490,456	620,922,566
Invoiced uncollected premium abroad	28,436,808	24,974,389
Receivables from coinsurance premium	0	230,488
<b>Total receivables</b>	<b>875,180,561</b>	<b>900,608,405</b>
Undue and due up to 180 days	565,945,617	634,749,495
Due over 180 days	309,234,944	265,858,910
<b>Total by maturity</b>	<b>875,180,561</b>	<b>900,608,405</b>
Due over 180 days	309,234,944	265,858,910
Impairment	290,121,446	253,553,722
Unadjusted receivables	19,113,498	12,305,188
<u>Cover of due receivables over 180 days</u>		
Claim reserves for disputable receivables	19,113,498	12,305,188
<b>Total cover</b>	<b>19.113.498</b>	<b>12.305.188</b>

Movement on impairments during 2011 is shown as follows:

Description	2011	2010
	HRK	HRK
Balance at 31 December of the previous year	(253,553,722)	(226,114,678)
Increase in impairment	(250,913,932)	(243,409,147)
Collection of previously decreased amounts	184,865,002	192,391,883
Impairment losses	(66,048,930)	(51,017,264)
Write-offs	29,481,206	23,578,220
<b>Balance at 31 December of the current year</b>	<b>(290,121,446)</b>	<b>(253,553,722)</b>

## 15.2. 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	26,964,094	26,964,094	0	34,058,441	34,058,441
Receivables for returns on investments	1,935,304	5,862,135	7,797,439	1,485,845	6,363,575	7,849,420
Other receivables	5,837,561	78,805,619	84,643,180	4,051,659	136,797,764	140,849,423
<b>TOTAL</b>	<b>7,772,865</b>	<b>111,631,848</b>	<b>119,404,713</b>	<b>5,537,504</b>	<b>177,219,780</b>	<b>182,757,284</b>

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

**/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	41,544,907	41,544,907	0	43,434,799	43,434,799
Impairment of recourse receivables	0	(26,130,949)	(26,130,949)	0	(23,046,694)	(23,046,694)
<b>Total</b>	<b>0</b>	<b>15,413,958</b>	<b>15,413,958</b>	<b>0</b>	<b>20,388,105</b>	<b>20,388,105</b>
Receivables for international claims	0	12,070,884	12,070,884	0	14,970,361	14,970,361
Impairment	0	(520,748)	(520,748)	0	(1,300,025)	(1,300,025)
<b>Total</b>	<b>0</b>	<b>11,550,136</b>	<b>11,550,136</b>	<b>0</b>	<b>13,670,336</b>	<b>13,670,336</b>
<b>TOTAL</b>	<b>0</b>	<b>26,964,094</b>	<b>26,964,094</b>	<b>0</b>	<b>34,058,441</b>	<b>34,058,441</b>

**/ii/ Receivables for investment returns**

Description	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	543,164	13,072,136	13,615,300	763,749	10,800,285	11,564,034
Receivables for regular deposit interest	1,374,017	2,328,180	3,702,197	717,748	1,775,107	2,492,855
Receivables for default interest	17,782	18,100,070	18,117,852	4,239	19,428,376	19,432,615
Other interest receivables	341	67,318	67,659	109	29,792	29,901
Impairment	0	(27,705,569)	(27,705,569)	0	(25,669,985)	(25,669,985)
<b>TOTAL</b>	<b>1,935,304</b>	<b>5,862,135</b>	<b>7,797,439</b>	<b>1,485,845</b>	<b>6,363,575</b>	<b>7,849,420</b>

**/iii/ Other receivables**

Description	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
Prepayment receivables	0	1,442,193	1,442,193	0	(707,858)	(707,858)
Receivables obtained through cession	0	16,576,634	16,576,634	0	11,552,219	11,552,219
Receivables from card companies	3,797,447	27,167,257	30,964,704	4,250,611	71,784,481	76,035,092
Receivables from the State and State institutions	0	1,558,212	1,558,212	0	2,385,422	2,385,422
Trade receivables	0	6,227,162	6,227,162	0	5,662,354	5,662,354
Receivables from employees	0	849,255	849,255	0	593,221	593,221
Receivables from court proceedings	0	5,075,981	5,075,981	0	7,038,806	7,038,806
Receivables for property acquired by fiduciaries	0	0	0	0	1,914,856	1,914,856
Other receivables	2,040,114	4,558,746	6,598,860	(198,951)	18,830,682	18,631,731
<b>TOTAL</b>	<b>5,837,561</b>	<b>78,805,619</b>	<b>84,643,180</b>	<b>4,051,660</b>	<b>136,797,764</b>	<b>140,849,424</b>

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

**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	1,824,734	24,128,164	25,952,898	6,184,384	12,856,713	19,041,097
Other	83,125,164	112,345,261	195,470,425	70,093,522	74,682,594	144,776,116
<b>TOTAL</b>	<b>84,949,898</b>	<b>136,473,425</b>	<b>221,423,323</b>	<b>76,277,906</b>	<b>87,539,307</b>	<b>163,817,213</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 HRK accounts	0	12,607,515	12,607,515	0	125,985	125,985
Cash at foreign curr. accounts	0	11,344,351	11,344,351	0	12,525,131	12,525,131
Cash in hand	5,403	176,298	181,701	2,465	205,597	208,062
Cash funds for coverage of mathematical provision	1,819,331	0	1,819,331	6,181,919	0	6,181,919
<b>TOTAL</b>	<b>1,824,734</b>	<b>24,128,164</b>	<b>25,952,898</b>	<b>6,184,384</b>	<b>12,856,713</b>	<b>19,041,097</b>

**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	83,060,840	99,558,589	182,619,429	70,000,000	55,000,000	125,000,000
Received cheques	64,324	5,540,550	5,604,874	93,522	8,751,111	8,844,633
Received bills of exchange	0	7,246,122	7,246,122	0	10,931,483	10,931,483
<b>TOTAL</b>	<b>83,125,164</b>	<b>112,345,261</b>	<b>195,470,425</b>	<b>70,093,522</b>	<b>74,682,594</b>	<b>144,776,116</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 interest and rentals	22,185,161	14,966,325	37,151,486	18,012,109	14,350,145	32,362,254
Other prepayments	44,636	15,830,677	15,875,313	43,716	10,909,300	10,953,016
<b>TOTAL</b>	<b>22,229,797</b>	<b>30,797,002</b>	<b>53,026,799</b>	<b>18,055,825</b>	<b>25,259,445</b>	<b>43,315,270</b>



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

**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. 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 plovidba d.d., Zadar	400	560.000	0,13	400	560.000	0,13
Škaro Miroslav	380	532.000	0,12	380	532.000	0,12
Fran Mihaljević - klinika za infektivne bolesti	330	462.000	0,1	330	462.000	0,10
Cemex Hrvatska d.d.	249	348.600	0,08	249	348.600	0,08
Končar-elektroindustrija d.d.	230	322.000	0,07	230	322.000	0,07
Other small shareholders	15.422	21.590.800	4,88	16.016	22.422.400	5,06
<b>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>

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

**18.2. Revaluation reserves**

Revaluation reserves in the amount of HRK 460,091,556 (At 31 December 2010: HRK 530,698,408) 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
Revaluation reserves of tangible assets	0	486,476,755	486,476,755	0	492,595,123	492,595,123
Revaluation reserves for inv. available for sale - shares	(2,421,067)	(14,027,957)	(16,449,024)	27,681,709	36,652,329	64,334,038
Reval. reser. for inv. available for sale - investment funds	(13,232,669)	3,296,497	(9,936,172)	(18,927,724)	(7,303,029)	(26,230,753)
<b>TOTAL</b>	<b>(15,653,736)</b>	<b>475,745,295</b>	<b>460,091,559</b>	<b>8,753,985</b>	<b>521,944,423</b>	<b>530,698,408</b>

*/i/* Revaluation reserves for land and buildings:

Description	Revaluation of properties
	HRK
<i>Balance at 1 Jan 2010</i>	<b>497,951,803</b>
Transfer to retained earnings (depreciation of revaluation)	(5,356,680)
<b>Balance at 31 Dec 2010</b>	<b>492,595,123</b>
Correction of previous period errors	(783,463)
Transfer to retained earnings (depreciation revaluation)	(6,668,635)
Transfer from deferred tax property	1,333,730
<b>Balance at 31 Dec 2011</b>	<b>486,476,755</b>

*/ii/* Revaluation reserves for financial assets available for sale

Description	Investment in funds	Investment in shares and stakes	Total
	HRK	HRK	HRK
At 1 January 2010	(125,070,628)	89,390,840	(35,679,788)
Change in fair value of financial assets available for sale	16,575,288	(25,056,802)	(8,481,514)
Impairment of financial assets	31,455,702	0	31,455,702
Realized losses from financial assets available for sale / net	50,808,885	0	50,808,885
<b>At 31 December 2010</b>	<b>(26,230,753)</b>	<b>64,334,038</b>	<b>38,103,285</b>
Change in fair value of financial assets available for sale	(21,197,790)	(90,967,661)	(117,800,281)
Impairment of financial assets	24,616,858	10,629,963	35,246,821
Realized losses from financial assets available for sale / net	12,875,513	(445,364)	18,064,979
<b>At 31 December 2011</b>	<b>(9,936,172)</b>	<b>(16,449,024)</b>	<b>(26,385,196)</b>

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

### 18.3. Reserves

Reserves in the amount of HRK 456,466,778 (At 31 December 2010: HRK 443,930,662) 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	19,642,170	17,461,976
Statutory reserves	94,613,780	84,257,858
Other reserves	342,210,828	342,210,828
<b>TOTAL</b>	<b>456,466,778</b>	<b>443,930,662</b>

### 18.4. Retained earnings

Description	Retained earnings
	HRK
<b>At 31 December 2010</b>	<b>192,072,963</b>
Correction of previous period errors	825,966
Transfer of profit	2,403,949
Unrealized gains or losses from tangible property (land and buildings)	6,668,635
Other non-ownership changes in equity	1,002,341
<b>At 31 December 2011</b>	<b>202,973,854</b>

### 18.5. Profit for the year

Profit for the current year was realized in the amount of HRK 78,666,745 (At 31 December 2010: HRK 43,603,886).

Operating profit of the Company realized during 2010 in the amount of HRK 43,603,886 was allocated in accordance with the Company's General assembly Decision.

### 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	3,360,431	946,409,517	949,769,948	3,614,061	967,835,435	971,449,496
Mathematical insurance provision, gross	1,816,581,911	0	1,816,581,911	1,770,878,195	0	1,770,878,195
Claim provision, gross	36,037,101	2,880,421,665	2,916,458,766	42,391,407	2,824,613,813	2,867,005,220
Other insurance technical provision, gross	0	23,427,000	23,427,000	0	14,757,000	14,757,000
<b>TOTAL</b>	<b>1,855,979,443</b>	<b>3,850,258,182</b>	<b>5,706,237,625</b>	<b>1,816,883,663</b>	<b>3,807,206,248</b>	<b>5,624,089,911</b>

With gross amount of Other insurance-technical provision, the balance of provision for non-expired risks amounts to HRK 8,000,000 (At 31 December 2010: HRK 0), and the balance for provision against earthquake risk amounts to HRK 15,427,000 (At 31 December 2010: HRK 14,757,000).

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

**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 when the insurer bears investment risk.

**21. Other provisions**

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Provision for pensions and legal court disputes	2,443,980	78,169,724	80,613,704	2,537,568	75,679,832	78,217,400
Other provisions	0	1,880,381	1,880,381	0	2,328,132	2,328,132
<b>TOTAL</b>	<b>2,443,980</b>	<b>80,050,105</b>	<b>82,494,085</b>	<b>2,537,568</b>	<b>78,007,964</b>	<b>80,545,532</b>

Movements of provisions for pensions and court disputes during 2011 are shown as follows:

Description	Court dispute costs	Jubilee awards and severance payments	Other	Total
	HRK	HRK	HRK	HRK
	<i>Balance at 31 December 2010</i>	10,025,768	68,191,632	0
Additional provisions	1,786,000	16,476,103	0	18,262,103
Transfer from / to	0		0	0
Elimination of provisions	(3,173,664)	(12,692,135)	0	(15,865,799)
Utilization of provisions	0	0	0	0
<b>Balance at 31 December 2011</b>	<b>8,638,104</b>	<b>71,975,600</b>	<b>0</b>	<b>80,613,704</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	121,789,319	121,789,319	0	123,123,052	123,123,052
Current tax liability	0	6,415,431	6,415,431	0	2,276,179	2,276,179
<b>Total</b>	<b>0</b>	<b>128,204,750</b>	<b>128,204,750</b>	<b>0</b>	<b>125,399,231</b>	<b>125,399,231</b>

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

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

**23. 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	1,223,389	96,882,454	98,105,843	248,556	98,448,933	98,697,489
Liabilities from coinsurance and reinsurance activities	1,693	5,602,704	5,604,397	1,665	8,805,514	8,807,179
Other liabilities	33,403	86,958,902	86,992,305	15,129,531	78,380,197	93,509,728
<b>TOTAL</b>	<b>1,258,485</b>	<b>189,444,060</b>	<b>190,702,545</b>	<b>15,379,752</b>	<b>185,634,644</b>	<b>201,014,396</b>

*/i/* Liabilities 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 under liquidated claims	0	66,929	66,929	242,474	31,100,725	31,343,199
Liabilities for fire depar. contributions	0	1,654,889	1,654,889	0	1,620,460	1,620,460
Liabilities towards Croatian Insurance Bureau for insurance premiums	0	52,820,284	52,820,284	0	163,863	163,863
Liabilities for CFSSA contribution	0	111,421	111,421	0	0	0
Liabilities for health insurance contribution from the motor TPL ins. premium	0	3,814,506	3,814,506	0	3,862,350	3,862,350
Other liabilities	838,906	7,588,018	8,426,924	6,082	746,060	752,142
<b>TOTAL</b>	<b>1,223,389</b>	<b>96,882,454</b>	<b>98,105,843</b>	<b>248,556</b>	<b>98,448,933</b>	<b>98,697,489</b>

*/ii/* Other liabilities

Description	At 31 Dec 2011			At 31 Dec 2010		
	Life	General	Total	Life	General	Total
	HRK	HRK	HRK	HRK	HRK	HRK
Trade payables	423	25,427,510	25,427,933	5,432	24,358,402	24,363,834
Prepayment liabilities	32,980	1,248,616	1,281,596	9,674	65,146	74,820
Liabilities for dividends	0	420,336	420,336	0	1,185,816	1,185,816
Liabilities for net salaries	0	18,074,595	18,074,595	0	18,059,661	18,059,661
Contributions from salaries	0	6,518,053	6,518,053	0	5,902,716	5,902,716
Taxes and surtaxes from salaries	0	4,754,457	4,754,457	0	3,643,918	3,643,918
Contributions on salaries	0	5,598,859	5,598,859	0	5,051,390	5,051,390
Deductions from salaries and wages	0	7,355,584	7,355,584	0	2,399,747	2,399,747
Liabilities under motor TPL and motor-full insurance tax	0	10,120,011	10,120,011	0	10,457,230	10,457,230
Liabilities to the State for sold apartments	0	5,996,868	5,996,868	0	6,817,152	6,817,152
Other liabilities		1,444,013	1,444,013	15,114,425	439,019	15,553,444
<b>TOTAL</b>	<b>33,403</b>	<b>86,958,902</b>	<b>86,992,305</b>	<b>15,129,531</b>	<b>78,380,197</b>	<b>93,509,728</b>

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

**24. 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	1,152	24,584,215	24,585,367	3,773	124,433	128,206
<i>Deferred income</i>						
Accrued premium	0	0	0	41,971,627	0	41,971,627
Depreciation of discount/premium on treasury and commercial bills	0	180,140	180,140	0	422,603	422,603
Deferred income due to collection to uncertainty of collection	0	6,580,035	6,580,035	0	7,517,604	7,517,604
Other deferred income	19,777	3,237,081	3,256,858	5,137	3,677,841	3,682,978
Total deferred income	19,777	9,997,256	10,017,033	41,976,764	11,618,048	53,594,812
<b>TOTAL</b>	<b>20,929</b>	<b>34,581,471</b>	<b>34,602,400</b>	<b>41,980,537</b>	<b>11,742,481</b>	<b>53,723,018</b>

**25. Off-balance sheet records**

Description	At 31 Dec 2010	Increase	Decrease	At 31 Dec 2011
	HRK	HRK	HRK	HRK
Premiums from companies in bankruptcy	119,169,573	22,550,711	7,934,772	133,785,512
Shares and stakes from companies in bankruptcy	14,251,620	0	0	14,251,620
Placements and interests from companies in bankruptcy	49,996,240	0	834,650	49,161,590
Others	0	37,500,000	10,000,000	27,500,000
Default interest on placements	8,753,410	37,941	37,941	8,753,410
Receivables from companies in bankruptcy	192,170,843	60,088,652	18,807,363	233,452,132
Recourse receivables	454,381,106	10,863,092	28,394,080	436,850,118
<b>TOTAL</b>	<b>646,551,949</b>	<b>70,951,744</b>	<b>47,201,443</b>	<b>670,302,250</b>

**26. 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>

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

**27. Related party transactions**

**/i/ Statement of income**

Description	2011 HRK	2010 HRK
<u>Earned premiums</u>		
Written gross premiums	2,913,227	1,567,637
Coinsurance premiums	3,920,226	4,574,802
Outward reinsurance	(406,971,304)	(454,687,878)
Changes in unearned premiums - reinsurance portion	(7,428,191)	(3,730,225)
<b>Total</b>	<b>(407,556,181)</b>	<b>(452,275,664)</b>
<u>Investment income</u>		
Income from subsidiaries and associates	33,922,949	27,200,057
Rental income	1,547,365	3,948,645
<b>Total</b>	<b>35,470,314</b>	<b>31,148,702</b>
<u>Income from fees and provisions</u>	24,255,694	26,977,757
<u>Other income</u>	11,708	40,234
<u>Insured event costs, net</u>		
Liquidated claims - gross	(261,703)	(568,685)
Liquidated claims - coinsurance portion	60,093	1,219,114
Liquidated claims - reinsurance portion	230,583,679	217,419,972
Change in claims' provisions- reinsurance portion	113,126,596	(4,029,529)
<b>Total</b>	<b>343,508,665</b>	<b>214,040,872</b>
<u>Change in other technical provisions, net from reinsurance</u>		
Reinsurance portion	152,883	(1,582)
<u>Management costs</u>	(5,707,326)	(2,963,471)

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

**/ii/ Balance sheet**

Description	2011	2010
	HRK	HRK
<b>Investments</b>		
Investment in subsidiaries, associates and joint ventures	431,372,755	451,134,832
Loans and receivables	47,440,145	29,043,401
<b>Total</b>	<b>478,812,900</b>	<b>480,178,233</b>
<b>Reinsurance portion in technical provisions</b>		
Unearned premiums, reinsurance portion	46,703,543	57,861,959
Mathematical insurance provision, reinsurance portion	164,490	13,189
Claim provision, reinsurance portion	365,066,310	255,969,243
<b>Total</b>	<b>411,934,343</b>	<b>313,844,391</b>
<b>Receivables</b>		
Receivables from direct insurance activities	94,051	196,410
Receivables from reinsurance activities	0	13,833,681
Other receivables	5,513,109	353,049
<b>Total</b>	<b>5,607,160</b>	<b>14,383,140</b>
<b>Other liabilities</b>		
Liabilities from coinsurance and reinsurance activities	5,604,397	697,058
Other liabilities	579,183	243,987
<b>Total</b>	<b>6,183,580</b>	<b>941,045</b>

**IV COURT DISPUTES AND CONTIGENT LIABILITIES**

According to information received from the legal department of the Company, other than litigation initiated against the Company for damages, against the Company are initiated also court disputes of other nature. Assessing the outcome of disputes initiated against the Company, it is determined the potential outflow of funds based on loss of disputes, and on that basis the Company stated provisions in the amount of HRK 8,638,104.

**V SUBSEQUENT EVENTS**

After the balance sheet date, there were no events which could inflow materially to the annual financial statements of the Company for 2011 and which consequently should have been disclosed.

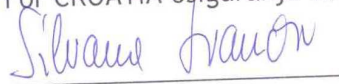
**VI AUDIT OF THE FINANCIAL STATEMENTS**

The financial statements of the Company for 2011 were audited by audit firm BDO Croatia d.o.o., Zagreb, for an agreed fee in the amount of HRK 480,000 plus VAT.

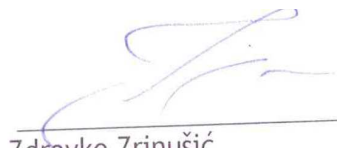
**VII APPROVAL OF THE FINANCIAL STATEMENTS**

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

For CROATIA osiguranje d.d. Zagreb,



Silvana Ivančić  
Member of the Management Board



Zdravko Zrinušić  
President of the Management Board



**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**VIII ADDITIONAL NOTES FOR THE REGULATOR**

**1. Movements of annual returns on the mathematical provision**

In accordance with the Regulation on minimum standards, methods of calculation and criteria for the calculation of technical provisions (Official Gazette No 97/09 135/09, 150/09) the highest interest rate for the calculation of mathematical provision amounts to 3.3% for insurance contracts concluded before 2010, 3% for insurance contracts concluded in 2010, 2.75% for insurance contracts concluded after 2010, while the interest rate must not be higher than the average return achieved by the Company by investing mathematical provision in the previous three years.

The average return is calculated as a weighted average return on the mathematical provision in the last three years, where the weights represent the average value of mathematical provision during the year.

The average return is obtained as the sum of the returns multiplied by the average value of mathematical provision for the last three full financial years (in annual financial statements, including the year for which it was made calculation of mathematical provision) and divided by the sum of the average value of mathematical provision.

The following table shows the movement of annual returns earned from the investment of assets covering mathematical provisions for 2010 and 2011:

Description	2008	2009	2010	2011
	HRK	HRK	HRK	HRK
Average balance of the mathematical provision	1,438,244,753	1,566,800,121	1,703,535,170	1,793,730,053
Return on investment from mathematical provision	32,255,639	88,968,479	89,803,131	103,025,952
Annual return rate on mathematical provision	2.24%	5.68%	5.27%	5.74%
<b>Weighted average annual return on mathematical provision</b>			<b>4.48%</b>	<b>5.56%</b>

**2. Claims ratio, expense ratio and combined ratio**

In accordance with the Regulation on the structure and content of financial statements of insurance companies and reinsurance companies, respectively (Official Gazette No. 132/10) claims ratio, expense ratio and combined ratios by type of life insurance are calculated by the following formula:

Claims ratio = (Gross amount of liquidated claims + change in gross claims' provision) / (gross written premium + change in gross provision for unearned premiums)

Expense ratio = (management costs - income from fees and commissions + acquisition costs - change in deferred acquisition costs) / Gross written premiums

Combined ratio = claims ratio + expense ratio

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**Review of claims ratio, expense ratio and combined ratio for 2011 and 2010:**

Types of general insurances	Claims ratio		Expense ratio		Combined ratio	
	2011	2010	2011	2010	2011	2010
Personal accident insurance	29.40%	34.50%	38.80%	35.50%	68.20%	70.00%
Health insurance	83.70%	79.10%	33.30%	29.20%	117.00%	108.30%
Road motor vehicle insurance	74.60%	77.10%	41.00%	40.50%	115.60%	117.60%
Rolling stock insurance	21.30%	27.50%	34.10%	15.40%	55.40%	42.90%
Aircraft insurance	7.60%	41.30%	41.30%	19.50%	48.90%	60.80%
Vessel insurance,	30.10%	35.40%	28.40%	22.80%	58.50%	58.20%
Goods in transit insurance	22.60%	91.70%	25.20%	25.20%	47.80%	116.90%
Fire and natural disaster	85.40%	35.30%	31.60%	32.30%	117.00%	67.60%
Other property insurance	74.20%	74.30%	33.10%	31.90%	107.30%	106.20%
Third party motor liability insurance	42.70%	46.70%	34.90%	35.10%	77.60%	81.80%
Aircraft liability insurance	2.40%	0.80%	20.40%	25.60%	22.80%	26.40%
Vessel liability insurance	16.90%	29.40%	34.70%	20.50%	51.60%	49.90%
Other liability insurance	64.60%	86.80%	28.00%	24.70%	92.60%	111.50%
Credit insurance	176.70%	130.90%	30.00%	20.30%	206.70%	151.20%
Guaranty insurance	(74.70%)	(572.70%)	25.20%	24.60%	(49.50%)	(548.10%)
Miscellaneous financial loss insurance	128.20%	17.10%	22.10%	19.20%	150.30%	36.30%
Legal protection insurance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Travel insurance	25.20%	24.20%	34.40%	28.80%	59.60%	53.00%

### **3. Capital management:**

The main objectives of the Company in managing its capital are as follows:

- Compliance with laws and regulations and the regulations and guidance issued by regulators on capital management
- Ensuring continuity of operations of the Company
- Enabling realization of profit for further investment in the development of the Company

The Company is compliant with laws and regulations governing capital, guarantee capital, capital adequacy and solvency margins.

At 31 December 2011 and 31 December 2010, the capital position of the Company in respect of capital adequacy and solvency margin was as follows:

Description	At 31 Dec 2011		At 31 Dec 2010	
	Life	General	Life	General
	HRK	HRK	HRK	HRK
Basic capital	126,594,323	956,367,069	125,052,259	930,133,282
Additional capital	(3,408,482)	1,518,540	13,781,499	12,250,000
Guarantee capital	123,185,841	957,885,609	138,833,758	942,383,282
Deductible	0	(412,158,381)	0	(418,891,071)
Capital	123,185,841	545,727,228	138,833,758	523,492,211
Solvency margin	87,315,690	364,125,109	86,313,020	370,362,625
Surplus/deficit of capital	35,870,151	181,602,117	52,520,738	153,129,586

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**4. Structure of assets covering technical and mathematical provision**

The Company invests assets for covering technical and mathematical provision in accordance with the ratios prescribed by law and regulations.

Structure of assets covering mathematical provision as at 31 December 2011 is presented as follows:

Financial instruments	Balance at 31 Dec 2011	Realized percentage of mathematical provision
	HRK	%
Securities - issuers Republic of Croatia and HBOR	1,273,934,315	69.1
Bonds and other securities - issuer local and regional self-governance of the Republic of Croatia	4,301,384	0.2
Bonds and other debt securities traded on the securities' market of the Republic of Croatia	40,539,244	2.2
Shares traded on the securities market of the Republic of Croatia	6,078,396	0.3
Stakes and shares of investment funds registered in the Republic of Croatia	138,936,770	7.5
Prepayments and loans in the amount of the amount of surrender value of insurance under a contract of life insurance	42,903,578	2.3
Deposits at the banks in the Republic of Croatia	383,060,840	20.8
Funds on the business accounts of the insurance company	1,819,332	0.1
<b>Total assets covering mathematical provision</b>	<b>1,891,573,859</b>	<b>102.6</b>
<b>Required cover of mathematical provision</b>	<b>1,843,943,525</b>	
<b>Difference</b>	<b>47,630,334</b>	

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

Structure of assets covering technical provision as at 31 December 2011 is presented as follows:

Financial instruments	Balance at 31 Dec 2011	Realized percentage of technical provision
	HRK	%
Securities - issuers Republic of Croatia and HBOR	700,134,184	20.3
Bonds and other debt securities traded on the securities market of the Republic of Croatia	96,925,023	2.8
Bonds and other debt securities which are not traded on the securities' market if their issuer is legal entity with residence in the Republic of Croatia	26,853,397	0.8
Shares traded on the securities' market of the Republic of Croatia	78,924,031	2.3
Shares not traded on the securities' market, if their issuer is legal entity with residence in the Republic of Croatia	15,748,717	0.5
Stakes of trade companies with residence in the Republic of Croatia	24,823,256	0.7
Stakes and shares of investment funds registered in the Republic of Croatia	190,013,369	5.5
Loans secured by a lien on the property or transfer of ownership	275,122,221	8.0
Deposits at the banks in the Republic of Croatia	612,923,629	17.8
Loans secured by guarantee of a bank with residence in the Republic of Croatia	12,034,868	0.3
Property ownership and other real rights on properties	605,757,227	17.6
Funds on the business accounts of the insurance company	15,088,386	0.4
Investments with the consent of the supervisory body	327,557,561	9.5
<b>Total assets covering technical provision</b>	<b>2,981,905,868</b>	<b>86.4</b>
<b>Required cover of technical provision</b>	<b>3,450,359,758</b>	
<b>Difference</b>	<b>(468,453,889)</b>	

The difference between total technical provision and the total invested assets are located in written undue insurance premium and in receivables for due premium up to 365 days.

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**5. Investment income and expenses covering technical and mathematical provisions**

Description	2011		
	Life	General	Total
	HRK	HRK	HRK
Income from subsidiaries, associates and joint ventures	0	34,558,009	34,558,009
Income from investments in land and buildings	0	6,831,290	6,831,290
Income from increase in value of land and buildings	0	55,751,782	55,751,782
Interest income	99,034,451	124,912,510	223,946,961
Unrealized gains from investments at fair value through P&L account	2,193,905	2,769,591	4,963,496
Gains from sale (realization) of financial investments	2,610,473	5,843,887	8,454,360
Net foreign exchange gains	19,653,409	13,086,273	32,739,682
Other investment income	62,905	58,641,438	58,704,343
<b>TOTAL INCOME</b>	<b>123,555,143</b>	<b>302,394,780</b>	<b>425,949,923</b>

Description	2011		
	Life	General	Total
	HRK	HRK	HRK
Financial assets' impairment losses	12,043,534	30,356,168	42,399,702
Realized losses from sale of financial assets	2,575,940	17,360,944	19,936,884
Adjustment of financial assets at fair value through P&L account	5,089,978	6,752,055	11,842,033
Impairment of interest and placements	0	63,261,031	63,261,031
Value adjustment of non-operational properties	0	27,825,010	27,825,010
Other investment costs	443,979	30,277,289	30,721,268
<b>TOTAL COSTS</b>	<b>20,153,431</b>	<b>175,832,497</b>	<b>195,985,928</b>

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**6. Term adjustment of assets covering mathematical provision with liabilities from mathematical provision as at 31 December 2011**

	Description	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years and over <sup>1)</sup>	Total
		HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>A</b>	<b>Assets covering mathematical provision (1+2+3+4+5)</b>	<b>803,075,510</b>	<b>371,471,619</b>	<b>165,849,695</b>	<b>481,838,781</b>	<b>69,338,254</b>	<b>0</b>	<b>0</b>	<b>1,891,573,859</b>
1	Investments held to maturity								
1.1.	<i>Bonds</i>	276,811,103	235,725,160	143,012,824	423,745,688	58,566,741	0	0	1,137,861,516
1.2.	<i>Other securities</i>	97,322,440	0	0	0	0	0	0	97,322,440
2	Financial assets available for sale								
2.1.	<i>Shares</i>	0	6,078,395	0	0	0	0	0	6,078,395
2.2.	<i>Stakes in funds</i>	6,806,268	23,733,529	5,568,000	0	0	0	0	36,107,797
3	Financial assets at fair value through P&L account								
3.1.	<i>Bonds</i>	0	0	14,913,997	57,905,477	10,771,513	0	0	83,590,987
3.2.	<i>Shares</i>	0	0	0	0	0	0	0	
3.3.	<i>Stakes in funds</i>	102,828,974	0	0	0	0	0	0	102,828,974
4	Loans and deposits								
4.1.	<i>Bank deposits</i>	298,060,840	85,000,000	0	0	0	0	0	383,060,840
4.2.	<i>Loans to insurers</i>	19,426,553	20,934,535	2,354,874	187,616	0	0	0	42,903,578
5	Cash and cash equivalents	1,819,332	0	0	0	0	0	0	1,819,332
<b>B</b>	<b>Required cover of mathematical provision, net from reinsurance (6+7)</b>	<b>199,440,805</b>	<b>336,784,347</b>	<b>296,414,598</b>	<b>567,495,587</b>	<b>237,363,315</b>	<b>101,140,480</b>	<b>105,304,393</b>	<b>1,843,943,525</b>
6	Mathematical provision	171,914,702	336,784,347	296,414,598	567,495,587	237,363,315	101,140,480	105,304,393	1,816,417,422
7	Claim provision with required mathematical provision	27,526,103	0	0	0	0	0	0	27,526,103
<b>C</b>	<b>Difference (B-A)</b>	<b>603,634,705</b>	<b>34,687,272</b>	<b>(130,564,902)</b>	<b>(85,656,806)</b>	<b>(168,025,061)</b>	<b>(101,140,480)</b>	<b>(105,304,393)</b>	<b>47,630,334</b>

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**7. Term adjustment of assets covering technical provision with liabilities from technical provision as at 31 December 2011**

Description	Up to 1 year	1-3 years	3-5 years	5-10 years	10-15 years	15-20 years	20 years and over <sup>1)</sup>	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>A Assets covering technical provision (1+2+3+4+5+6+7)</b>	<b>1,224,696,708</b>	<b>690,841,305</b>	<b>187,939,847</b>	<b>216,701,294</b>	<b>55,969,488</b>	<b>0</b>	<b>605,757,227</b>	<b>2,981,905,868</b>
1 Investments held to maturity								
1.1 Bonds	236,298,217	269,638,824	70,931,909	99,908,077	54,174,236	0	0	730,951,263
1.2 Other securities								
2 Financial assets available for sale								
2.1 Shares	5,617,075	24,287,534	17,189,190	24,314,565	0	0	0	71,408,364
2.2 Stakes in funds	15,285,633	19,463,498	42,402,866	1,766,987	0	0	0	78,918,984
2.3 Stakes in trade companies	0	24,823,256	0	0	0	0	0	24,823,256
3 Financial assets at fair value through P&L account								
3.1 Bonds	0	0	24,503,997	66,662,092	1,795,252	0	0	92,961,341
3.2 Shares	4,555,967	2,959,701	0	0	0	0	0	7,515,667
3.3 Stakes in funds	111,094,385	0	0	0	0	0	0	111,094,385
4 Loans and deposits								
4.1 Bank deposits	502,923,629	110,000,000	0	0	0	0	0	612,923,629
4.2 Other loans	6,275,855	239,668,493	32,911,884	8,300,856	0	0	0	287,157,089
5 Properties	0	0	0	0	0	0	605,757,227	605,757,227
6 Cash and cash equivalents	15,088,387	0	0	0	0	0	0	15,088,387
7 Investments with the consent of the supervisory body	327,557,560	0	0	15,748,717	0	0	0	343,306,277
<b>Required cover of technical provision, except mathematical provision, net from reinsurance (8+9+10)</b>	<b>1,554,637,348</b>	<b>537,879,372</b>	<b>303,535,669</b>	<b>486,455,670</b>	<b>227,723,133</b>	<b>177,076,390</b>	<b>163,052,175</b>	<b>3,450,359,758</b>
8 Unearned premium provision	855,541,904	29,692,991	8,446,095	5,364,681	1,994,501	1,089,809	936,421	903,066,405
9 Claim provision	696,118,573	505,339,040	294,065,067	480,431,582	225,483,346	175,852,314	146,576,433	2,523,866,353
10 Other insurance technical provision	2,976,871	2,847,341	1,024,507	659,407	245,286	134,267	15,539,321	23,427,000
<b>C Difference B-A</b>	<b>(329,940,640)</b>	<b>152,961,933</b>	<b>(115,595,823)</b>	<b>(269,754,377)</b>	<b>(171,753,646)</b>	<b>(177,076,390)</b>	<b>442,705,052</b>	<b>(468,453,889)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Additional notes to the financial statement**  
**for the year ended 31 December 2011**

**8. Currency compliance**

Description	LIFE			GENERAL					TOTAL				
	HRK	EUR	TOTAL	HRK	EUR	CHF	Other (USD)	TOTAL	HRK	EUR	CHF	Other	TOTAL
	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK
<b>Total assets</b>	<b>833,970,892</b>	<b>1,157,640,651</b>	<b>1,991,611,543</b>	<b>5,015,088,055</b>	<b>695,393,859</b>	<b>26,794</b>	<b>97,633,108</b>	<b>5,808,141,817</b>	<b>5,849,058,947</b>	<b>1,853,034,510</b>	<b>26,794</b>	<b>97,633,108</b>	<b>7,799,753,360</b>
Intangible assets	0	0	0	7,116,440	0	0	0	7,116,440	7,116,440	0	0	0	7,116,440
Tangible assets	0	0	0	1,215,012,430	0	0	0	1,215,012,430	1,215,012,430	0	0	0	1,215,012,430
Investments	810,522,818	1,130,259,297	1,940,782,115	2,663,560,314	660,047,026	0	66,560,779	3,390,168,120	3,474,083,132	1,790,306,324	0	66,560,779	5,330,950,235
Investments for the account and on risk of the life insurance policyholder	9,219,562	7,101,065	16,320,627	0	0	0	0	0	9,219,562	7,101,065	0	0	16,320,627
Reinsurance portion in technical provision	0	164,628	164,628	384,215,014	6,949,261	5,583	20,599,856	411,769,714	384,215,014	7,113,889	5,583	20,599,856	411,934,342
Deferred and current tax assets	2,408,707	0	2,408,707	2,756,393	0	0	0	2,756,393	5,165,100	0	0	0	5,165,100
Receivables	7,268,422	548,189	7,816,611	697,266,603	16,340,280	0	0	713,606,883	704,535,024	16,888,470	0	0	721,423,494
Other assets	1,889,058	0	1,889,058	25,439,815	981,802	21,211	10,472,008	36,914,836	27,328,874	981,801	21,211	10,472,008	38,803,894
Prepayment and accrued income	2,662,325	19,567,472	22,229,797	19,721,046	11,075,490	0	466	30,797,002	22,383,371	30,642,962	0	466	53,026,799
<b>Total liabilities</b>	<b>152,237,287</b>	<b>1,839,374,256</b>	<b>1,991,611,543</b>	<b>5,543,296,816</b>	<b>68,646,296</b>	<b>52,208</b>	<b>196,146,498</b>	<b>5,808,141,817</b>	<b>5,695,534,103</b>	<b>1,908,020,552</b>	<b>52,208</b>	<b>196,146,498</b>	<b>7,799,753,360</b>
Capital and reserves	115,588,079		115,588,079	1,525,498,057				1,525,498,057	1,641,086,136	0	0	0	1,641,086,136
Technical provision	23,706,252	1,832,273,191	1,855,979,443	3,592,607,595	64,979,157	52,208	192,619,223	3,850,258,183	3,616,313,846	1,897,252,348	52,208	192,619,223	5,706,237,625
Life insurance technical provision when insurer bears investment risk, gross amount	9,219,562	7,101,065	16,320,627	0	0	0	0	0	9,219,562	7,101,065	0	0	16,320,627
Other reserves	2,443,980	0	2,443,980	80,050,105	0	0	0	80,050,105	82,494,085	0	0	0	82,494,085
Deferred and current tax liability	0	0	0	128,204,750	0	0	0	128,204,750	128,204,750	0	0	0	128,204,750
Financial liabilities	0	0	0	105,193	0	0	0	105,193	105,193	0	0	0	105,193
Other liabilities	1,258,486	0	1,258,486	182,249,645	3,667,139	0	3,527,275	189,444,059	183,508,131	3,667,139	0	3,527,275	190,702,545
Accrued expenses and deferred income	20,928	0	20,928	34,581,471	0	0	0	34,581,471	34,602,400	0	0	0	34,602,400
<b>Unadjustment of currency structure</b>	<b>718,071,810</b>	<b>(718,071,810)</b>	<b>0</b>	<b>(398,945,797)</b>	<b>557,243,706</b>	<b>(25,414)</b>	<b>(158,272,495)</b>	<b>0</b>	<b>319,126,013</b>	<b>(160,828,104)</b>	<b>(25,414)</b>	<b>(158,272,495)</b>	<b>0</b>



## **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 (HANFA), in addition we give the 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 79 to 89 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 90 to 92 under name „Adjustment of financial statements“.

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 2011**

Description	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		341,732,078	2,447,128,712	2,788,860,790	345,214,596	2,550,202,297	2,895,416,893
Coinsurance premiums		0	3,920,226	3,920,226	0	4,574,802	4,574,802
Impairment and collected impairment of insurance premium		0	(66,048,930)	(66,048,930)	0	(50,290,476)	(50,290,476)
Outwards reinsurance		(282,572)	(406,688,732)	(406,971,304)	(6,859)	(454,681,019)	(454,687,878)
Outwards coinsurance		0	(4,304,247)	(4,304,247)	0	(5,094,469)	(5,094,469)
Change in gross unearned premium reserve		253,630	21,425,919	21,679,549	86,896	81,020,103	81,106,999
Change in unearned premium reserve, reinsurance portion		138	(7,428,329)	(7,428,191)	0	(3,730,225)	(3,730,225)
<b>Total earned premiums</b>		<b>341,703,274</b>	<b>1,988,004,619</b>	<b>2,329,707,893</b>	<b>345,294,633</b>	<b>2,122,001,013</b>	<b>2,467,295,646</b>
<b><u>INVESTMENT INCOME</u></b>	5.2.						
Income from affiliates, associates and joint ventures	5.2./i/	0	34,558,009	34,558,009	1,483,480	30,239,640	31,723,120
Income from property investments (land and buildings)	5.2./ii/	0	62,583,072	62,583,072	0	11,945,802	11,945,802
Interest income	5.2./iii/	100,482,773	127,224,864	227,707,637	112,179,502	134,017,493	246,196,995
Unrealized gains at fair value through profit and loss account		2,460,725	2,769,591	5,230,316	3,898,786	2,785,671	6,684,457
Gains from sale of financial investments	5.2./iv/	3,081,729	5,921,987	9,003,716	3,273,073	6,097,192	9,370,265
Net foreign exchange gains		19,867,052	13,086,273	32,953,325	10,844,322	8,420,408	19,264,730
Other investment income	5.2./v/	62,905	58,641,438	58,704,343	(7,789,622)	(1,495,511)	(9,285,133)
<b>Total investment income</b>		<b>125,955,184</b>	<b>304,785,234</b>	<b>430,740,418</b>	<b>123,889,541</b>	<b>192,010,695</b>	<b>315,900,236</b>
<b><u>OTHER INCOME</u></b>	5.3.						
Income from fees and commissions	5.3./i/	69,101	24,166,257	24,235,358	90,042	26,977,757	27,067,799
Other insurance-technical income, net from reinsurance	5.3/ii/	108,336	15,831,248	15,939,584	726,683	35,587,581	36,314,264
Other income	5.3/iii/	1,346,297	27,522,063	28,868,360	1,783,815	40,157,931	41,941,746
<b>Total other income</b>		<b>1,523,734</b>	<b>67,519,568</b>	<b>69,043,302</b>	<b>2,600,540</b>	<b>102,723,269</b>	<b>105,323,809</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 2011**

Description	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b>INSURED EVENT EXPENSES, NET</b>	6.1.						
Liquidated claims	6.1.	(313,225,334)	(1,197,308,597)	(1,510,533,931)	(199,840,892)	(1,304,187,561)	(1,504,028,453)
Change in claim provision	6.1.	6,354,306	57,318,744	63,673,050	643,385	19,269,518	19,912,903
<b>Total insured event expenses, net</b>		<b>(306,871,028)</b>	<b>(1,139,989,853)</b>	<b>(1,446,860,881)</b>	<b>(199,197,507)</b>	<b>(1,284,918,043)</b>	<b>(1,484,115,550)</b>
<b>CHANGE IN OTHER TECHNICAL PROVISION, NET FROM REINSURANCE</b>	6.2.						
Change in mathematical insurance provision	6.2.	(45,550,833)	0	(45,550,833)	(134,687,632)	0	(134,687,632)
Change in other technical provision, net from reinsurance	6.2.	0	(8,670,000)	(357,000)	0	(357,000)	(357,000)
<b>Total change in other technical provision, net from reinsurance</b>		<b>(45,550,833)</b>	<b>(8,670,000)</b>	<b>(54,220,833)</b>	<b>(134,687,632)</b>	<b>(357,000)</b>	<b>(135,044,632)</b>
<b>CHANGE IN TECHNICAL PROVISION WHEN INSURER BEARS THE RISK</b>	6.3.						
Changes in life insurance technical provision when insurer bears the risk	6.3.	4,700,768	0	4,700,768	1,918,336	0	1,918,336
<b>Total change in technical provision when insurer 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>OPERATING COSTS, NET</b>	6.4.						
Acquisition costs	6.4./i/	(26,252,743)	(220,127,546)	(246,380,289)	(34,098,603)	(238,888,013)	(272,986,616)
Management costs (administrative costs)	6.4./ii/	(67,722,154)	(637,722,933)	(705,445,087)	(67,759,357)	(619,255,634)	(687,014,991)
<b>Total operating costs, net</b>		<b>(93,974,897)</b>	<b>(857,850,479)</b>	<b>(951,825,376)</b>	<b>(101,857,960)</b>	<b>(858,143,647)</b>	<b>(960,001,607)</b>
<b>INVESTMENT COSTS</b>	6.5.						
Interests		0	0	0	0	(95)	(95)
Decrease in value of investments	6.5./i/	(12,043,534)	(38,472,266)	(50,515,800)	(16,717,358)	(30,842,643)	(47,560,001)
Loss from sale (realization) of investment	6.5./ii/	(2,575,940)	(17,360,943)	(19,936,883)	(13,739,085)	(38,910,657)	(52,649,742)
Reconciliation of financial assets at fair value through P&L account		(5,089,978)	(6,752,054)	(11,842,032)	(726,384)	(111,231)	(837,615)
Net foreign exchange losses		0	0	0	0	0	0
Other investment costs	6.5./iii/	(500,095)	(121,363,330)	(121,863,425)	(935,950)	(78,298,029)	(79,233,979)
<b>Total investment costs</b>		<b>(20,209,547)</b>	<b>(183,948,593)</b>	<b>(204,158,140)</b>	<b>(32,118,777)</b>	<b>(148,162,655)</b>	<b>(180,281,432)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 2011**

Description	Note	2011			2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>OTHER COSTS</u></b>	6.6.						
Other technical costs, net from reinsurance		(131,816)	(71,469,884)	(71,601,700)	(305,749)	(73,616,433)	(73,922,182)
Other costs, including value adjustments		0	(825,855)	(825,855)	0	(301,638)	(301,638)
<b>Total other costs</b>		<b>(131,816)</b>	<b>(72,295,739)</b>	<b>(72,427,555)</b>	<b>(305,749)</b>	<b>(73,918,071)</b>	<b>(74,223,820)</b>
<b>TOTAL INCOME</b>		<b>469,182,192</b>	<b>2,360,309,421</b>	<b>2,829,491,613</b>	<b>471,784,714</b>	<b>2,416,734,977</b>	<b>2,888,519,691</b>
<b>TOTAL EXPENSES</b>		<b>(462,037,353)</b>	<b>(2,262,754,664)</b>	<b>(2,724,792,017)</b>	<b>(466,249,289)</b>	<b>(2,365,499,416)</b>	<b>(2,831,748,705)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>7,144,839</b>	<b>97,554,757</b>	<b>104,699,596</b>	<b>5,535,425</b>	<b>51,235,561</b>	<b>56,770,986</b>
Corporate income tax	7.	(2,497,347)	(23,535,504)	(26,032,851)	(1,007,882)	(12,159,217)	(13,167,099)
<b>PROFIT FOR THE CURRENT YEAR</b>		<b>4,647,492</b>	<b>74,019,253</b>	<b>78,666,745</b>	<b>4,527,543</b>	<b>39,076,344</b>	<b>43,603,887</b>
Other comprehensive income		(24,407,721)	(37,744,686)	(62,152,407)	16,309,458	58,812,786	75,122,234
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(19,760,229)</b>	<b>36,274,566</b>	<b>16,514,338</b>	<b>20,837,001</b>	<b>97,889,129</b>	<b>118,726,130</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of income/Statement of comprehensive income for the year ended 31 December 2011**

Investment income and expenses per fund sources 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
Income from capital investment	2,702,690	10,468,337	13,171,027	2,882,070	767,256	3,649,326
Income from mathematical provision investment	123,167,877	0	123,167,877	120,985,959	0	120,985,959
Income from investment of other technical provision	84,617	294,316,897	294,401,514	21,512	191,243,439	191,264,951
<b>Total investment income</b>	<b>125,955,184</b>	<b>304,785,234</b>	<b>430,740,418</b>	<b>123,889,541</b>	<b>192,010,695</b>	<b>315,900,236</b>
Expenses from capital investments	(56,116)	(8,116,099)	(8,172,215)	(242,793)	0	(242,793)
Expenses from mathematical provision investments	(20,141,924)	0	(20,141,924)	(31,182,828)	0	(31,182,828)
Expenses from investment of other technical provision	(11,506)	(175,832,496)	(175,844,002)	(693,157)	(148,162,655)	(149,291,232)
<b>Total investment costs</b>	<b>(20,209,546)</b>	<b>(183,948,595)</b>	<b>(204,158,141)</b>	<b>(32,118,777)</b>	<b>(148,162,655)</b>	<b>(180,281,433)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/Statement of financial position as at 31 December 2011**

Description	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>							
Other intangible assets	9.	0	7,116,440	7,116,440	0	11,455,283	11,455,283
<b>Total intangible assets</b>		<b>0</b>	<b>7,116,440</b>	<b>7,116,440</b>	<b>0</b>	<b>11,455,283</b>	<b>11,455,283</b>
<b><u>TANGIBLE ASSETS</u></b>							
Lands and buildings for operational activities	10.	0	1,175,813,525	1,175,813,525	0	1,208,990,704	1,208,990,704
Equipment		0	33,736,317	33,736,317	0	37,965,176	37,965,176
Other tangible assets		0	5,462,588	5,462,588	0	5,731,409	5,731,409
<b>Total tangible assets</b>		<b>0</b>	<b>1,215,012,430</b>	<b>1,215,012,430</b>	<b>0</b>	<b>1,252,687,289</b>	<b>1,252,687,289</b>
<b><u>INVESTMENTS</u></b>							
Investments in land and buildings (non-operational)	11.1.	0	814,142,982	814,142,982	0	677,014,955	677,014,955
Investments in subsidiaries, associates and joint ventures	11.2.	0	431,372,755	431,372,755	0	436,930,913	436,930,913
Other financial investments	11.3.	1,940,782,115	2,144,652,383	4,085,434,498	1,940,695,774	2,190,109,441	4,130,805,215
<b>Total investments</b>		<b>1,940,782,115</b>	<b>3,390,168,120</b>	<b>5,330,950,235</b>	<b>1,940,695,774</b>	<b>3,304,055,309</b>	<b>5,244,751,083</b>
<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.	16,320,627	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	13.	138	46,703,405	46,703,543	0	54,131,734	54,131,734
Mathematical provision, reinsurance portion		164,490	0	164,490	11,607	0	11,607
Claim provision, reinsurance portion		0	365,066,309	365,066,309	0	251,939,713	251,939,713
<b>Total reinsurance portion in technical provision</b>		<b>164,628</b>	<b>411,769,714</b>	<b>411,934,342</b>	<b>11,607</b>	<b>306,071,447</b>	<b>306,083,054</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/Statement of financial position as at 31 December 2011**

Description	Note	31 Dec 2011			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		2,408,707	2,756,393	5,165,100	3,343,472	6,844,913	10,188,385
<b>Total deferred and current tax assets</b>		<b>2,408,707</b>	<b>2,756,393</b>	<b>5,165,100</b>	<b>3,343,472</b>	<b>6,844,913</b>	<b>10,188,385</b>
<b><u>RECEIVABLES</u></b>	15.						
Receivables from direct insurance activities	15.1.		585,059,115	585,059,115	41,126,015	605,928,668	647,054,683
Receivables from insurance agent, insurance broker		43,746	3,218,587	3,262,333	67,205	3,633,682	3,700,887
Receivables from coinsurance and reinsurance activities		0	16,129,222	16,129,222	0	0	0
Total other receivables	15.2.	7,772,865	109,199,959	116,972,824	5,537,504	174,524,261	180,061,765
<b>Total receivables</b>		<b>7,816,611</b>	<b>713,606,883</b>	<b>721,423,494</b>	<b>46,730,724</b>	<b>784,086,611</b>	<b>830,817,335</b>
<b><u>OTHER ASSETS</u></b>	16.						
Cash on account and in hand	16.1.	1,824,734	24,128,164	25,952,898	6,184,384	12,856,713	19,041,097
Other	16.2.	64,325	12,786,672	12,850,997	93,522	19,682,594	19,776,116
<b>Total other assets</b>		<b>1,889,059</b>	<b>36,914,836</b>	<b>38,803,895</b>	<b>6,277,906</b>	<b>32,539,307</b>	<b>38,817,213</b>
<b><u>PREPAYMENTS AND ACCRUED INCOME</u></b>							
Prepayments and accrued income	17.	22,229,796	30,797,001	53,026,797	18,055,825	25,259,445	43,315,270
<b>Total prepayments and accrued income</b>		<b>22,229,796</b>	<b>30,797,001</b>	<b>53,026,797</b>	<b>18,055,825</b>	<b>25,259,445</b>	<b>43,315,270</b>
<b>TOTAL ASSETS</b>		<b>1,991,611,543</b>	<b>5,808,141,817</b>	<b>7,799,753,360</b>	<b>2,037,490,275</b>	<b>5,722,999,604</b>	<b>7,760,489,879</b>
<b>OFF-BALANCE SHEET RECORDS</b>		<b>0</b>	<b>670,302,250</b>	<b>670,302,250</b>	<b>0</b>	<b>646,551,949</b>	<b>646,551,949</b>

**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/Statement of financial position as at 31 December 2011**

Description	Note	31 Dec 2011			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.	(15,653,736)	475,745,295	460,091,559	8,753,985	521,944,423	530,698,408
Reserves	18.3.	78,314,936	378,151,842	456,466,778	77,013,268	366,917,394	443,930,662
Carried forward (retained) profit or loss	18.4.	3,990,667	198,983,187	202,973,854	3,750,272	188,322,692	192,072,964
Profit for the year	18.5.	4,647,492	74,019,253	78,666,745	4,527,543	39,076,343	43,603,886
<b>Total capital and reserves</b>		<b>115,588,079</b>	<b>1,525,498,057</b>	<b>1,641,086,136</b>	<b>138,333,788</b>	<b>1,514,859,332</b>	<b>1,653,193,120</b>
<b><u>TECHNICAL PROVISION</u></b>	19.						
Unearned gross premium		3,360,431	946,409,517	949,769,948	3,614,061	967,835,435	971,449,496
Gross mathematical insurance provision		1,816,581,911	0	1,816,581,911	1,770,878,195	0	1,770,878,195
Gross claim provision		36,037,101	2,880,421,665	2,916,458,766	42,391,407	2,824,613,813	2,867,005,220
Other gross insurance-technical provision		0	23,427,000	23,427,000	0	14,757,000	14,757,000
<b>Total technical reserves</b>		<b>1,855,979,443</b>	<b>3,850,258,182</b>	<b>5,706,237,625</b>	<b>1,816,883,663</b>	<b>3,807,206,248</b>	<b>5,624,089,911</b>
<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.	2,443,980	80,050,105	82,494,085	2,537,568	78,007,964	80,545,532
<b>Total other reserves</b>		<b>2,443,980</b>	<b>80,050,105</b>	<b>82,494,085</b>	<b>2,537,568</b>	<b>78,007,964</b>	<b>80,545,532</b>
<b><u>DEFERRED AND CURRENT TAX LIABILITIES</u></b>							
Deferred and current tax liabilities	22.	0	128,204,750	128,204,750	0	125,399,231	125,399,231
<b>Total deferred and current tax liabilities</b>		<b>0</b>	<b>128,204,750</b>	<b>128,204,750</b>	<b>0</b>	<b>125,399,231</b>	<b>125,399,231</b>



**CROATIA osiguranje d.d., Zagreb**  
**Balance sheet/Statement of financial position as at 31 December 2011**

Description	Note	31 Dec 2011			31 Dec 2010		
		Life	General	Total	Life	General	Total
		HRK	HRK	HRK	HRK	HRK	HRK
<b><u>FINANCIAL LIABILITIES</u></b>							
Financial liabilities		0	105,193	105,193	0	149,704	149,704
<b>Total financial liabilities</b>		<b>0</b>	<b>105,193</b>	<b>105,193</b>	<b>0</b>	<b>149,704</b>	<b>149,704</b>
<b><u>OTHER LIABILITIES</u></b>							
Liabilities from direct insurance activities	23.	1,223,389	96,882,454	98,105,843	248,556	98,448,933	98,697,489
Liabilities from coinsurance and reinsurance activities		1,693	5,602,704	5,604,397	1,665	8,805,514	8,807,179
Other liabilities		33,403	86,958,902	86,992,305	15,129,531	78,380,197	93,509,728
<b>Total other liabilities</b>		<b>1,258,485</b>	<b>189,444,060</b>	<b>190,702,545</b>	<b>15,379,752</b>	<b>185,634,644</b>	<b>201,014,396</b>
<b><u>ACCRUED EXPENSES AND DEFERRED INCOME</u></b>							
Accrued expenses and deferred income	24.	20,929	34,581,470	34,602,399	41,980,537	11,742,481	53,723,018
<b>Total accrued expenses and deferred income</b>		<b>20,929</b>	<b>34,581,470</b>	<b>34,602,399</b>	<b>41,980,537</b>	<b>11,742,481</b>	<b>53,723,018</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>1,991,611,543</b>	<b>5,808,141,817</b>	<b>7,799,753,360</b>	<b>2,037,490,275</b>	<b>5,722,999,604</b>	<b>7,760,489,879</b>
<b>OFF-BALANCE SHEET RECORDS</b>		<b>0</b>	<b>670,302,250</b>	<b>670,302,250</b>	<b>0</b>	<b>646,551,949</b>	<b>646,551,949</b>

**CROATIA osiguranje d.d., Zagreb**  
**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, other)	Retained earnings	Profit of the current year			
<b>Balance at 31 December 2009</b>	<b>442,887,200</b>	<b>462,272,015</b>	<b>423,894,652</b>	<b>136,702,656</b>	<b>69,690,466</b>	<b>1,535,446,989</b>	<b>0</b>	<b>1,535,446,989</b>
Change in accounting policy	0	0	0	0	0	0	0	0
Correction of previous period errors	0	0	0	0	0	0	0	0
<b>Balance at 1 January 2010 (corrected)</b>	<b>442,887,200</b>	<b>462,272,015</b>	<b>423,894,652</b>	<b>136,702,656</b>	<b>69,690,466</b>	<b>1,535,446,989</b>	<b>0</b>	<b>1,535,446,989</b>
Payment of shares in profit /dividends	0	0			(980,000)	(980,000)	0	(980,000)
Other transactions with owners	0	0	20,036,009	48,674,457	(68,710,466)	0	0	0
Unrealized gains / losses from tangible assets	0	(5,356,680)	0	5,356,680	0	0	0	0
Unrealized gains / losses from assets available for sale	0	(12,150,805)	0	0	0	(12,150,805)	0	(12,150,805)
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	0	0	1,339,170	0	1,339,170	0	1,339,170
Profit for the period	0	0	0	0	43,603,886	43,603,886	0	43,603,886
<b>Balance at 31 December 2010</b>	<b>442,887,200</b>	<b>530,698,409</b>	<b>443,930,661</b>	<b>192,072,963</b>	<b>43,603,886</b>	<b>1,653,193,119</b>	<b>0</b>	<b>1,653,193,119</b>
Correction of previous period errors	0	(783,466)	0	825,966	0	42,500	0	42,500
<b>Balance at 1 January 2011 (corrected)</b>	<b>442,887,200</b>	<b>529,914,943</b>	<b>443,930,661</b>	<b>192,898,929</b>	<b>43,603,886</b>	<b>1,653,235,619</b>	<b>0</b>	<b>1,653,235,619</b>
Payment of shares in profit /dividends	0	0	0	0	(28,663,820)	(28,663,820)	0	(28,663,820)
Other transactions with owners	0	0	12,536,117	2,403,949	(14,940,066)	0	0	0
Unrealized gains / losses from tangible assets	0	(6,118,371)	0	6,780,054	0	661,683	0	661,683
Unrealized gains / losses from assets available for sale	0	(45,640,033)	0	0	0	(45,640,033)	0	(45,640,033)
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	0	0	890,921	0	890,921	0	890,921
Profit for the period	0	0	0	0	78,666,745	78,666,745	0	78,666,745
<b>Balance at 31 December 2011</b>	<b>442,887,200</b>	<b>460,091,560</b>	<b>456,466,779</b>	<b>202,973,853</b>	<b>78,666,745</b>	<b>1,641,086,136</b>	<b>0</b>	<b>1,641,086,136</b>

**CROATIA osiguranje d.d., Zagreb**  
**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	104,699,595	56,770,986
Depreciation of property and equipment	44,284,222	46,337,562
Depreciation of intangible assets	2,710,415	2,325,921
Impairments and gains/losses from adjustment to fair value	57,127,515	75,521,546
Interest income	(227,707,637)	0
Portions in income of associated companies	(34,558,009)	0
Gains/Losses from sale of tangible assets (including land and buildings)	10,933,168	0
Other adjustments	(120,492,660)	(18,640,592)
<b>Cash flows before changes in operating assets and liabilities</b>	<b>(163,003,389)</b>	<b>162,315,423</b>
Increase / decrease in investments available for sale	155,643,263	853,939
Increase / decrease in investments at fair value through P&L account	(126,951,308)	(40,529,619)
Increase / decrease in deposits, loans and receivables	132,732,901	61,374,444
Increase / decrease in investments for the account and on the risk of the life insurance policy holders	6,054,340	(47,302)
Increase / decrease in reinsurance portion in technical provision	(105,851,287)	7,761,336
Increase / decrease in tax assets	5,023,285	(9,594,756)
Increase / decrease in receivables	300,555,118	140,213,293
Increase / decrease in prepayments and accrued income	(9,711,530)	(22,271,637)
Increase / decrease in technical provision	82,147,713	31,667,220
Increase / decrease in life insurance technical provision in the case when insurer bears investment risk	(6,054,340)	47,302
Increase / decrease in tax liabilities	2,805,519	(18,731,831)
Increase / decrease in financial liabilities	0	(41,792)
Increase / decrease in other liabilities	(1,843,048)	1,808,993
Increase / decrease in accrued expenses and deferred income	(19,120,617)	(7,108,522)
<b>Increase / decrease in operating assets and liabilities</b>	<b>415,430,008</b>	<b>145,401,068</b>
<b>Paid corporate income tax</b>	<b>(26,032,851)</b>	<b>(40,748,145)</b>
<b>Net cash flows from operating activities</b>	<b>226,393,768</b>	<b>266,968,346</b>
<b><u>Cash flows from investment activities</u></b>		
Receipts from sale of tangible assets	0	77,585
Expenditures for acquisition of tangible assets	(6,609,362)	(50,305,297)
Expenditures for acquisition of intangible assets	1,628,428	(6,681,199)
Receipts from sale of non-operational land and buildings	0	433,119
Expenditures for acquisition of non-operational land and buildings	(81,376,244)	(11,888,003)
Increase/decrease in investments in subsidiaries, associates and joint ventures	40,116,167	14,203,919
Receipts from investments held to maturity	0	8,763,659
Expenditures for investments held to maturity	(136,543,365)	(252,874,335)
Receipts from dividends and share in profit	36,546,359	28,931,652
Receipts on the basis of repayments of given short term and long term loans	313,725,823	0
Expenditures for the given short term and long term loans	(328,343,958)	0
<b>Net cash flows from investment activities</b>	<b>(160,856,152)</b>	<b>(269,338,900)</b>
<b><u>Cash flows from financial activities</u></b>		
Receipts from received short term and long term loans	6,569	0
Expenditures for the repayment of received short term and long term loans	(51,079)	0
Expenditures for payments of share in profit (dividends)	(32,553,100)	(988,427)
<b>Net cash flows from financial activities</b>	<b>(32,597,611)</b>	<b>(988,427)</b>

**CROATIA osiguranje d.d., Zagreb**  
**Statement of cash flows for 2011 - indirect method**

Continued:

POSITION	2011	2010
	HRK	HRK
NET CASH FLOWS	32,940,005	(3,358,981)
CASH EFFECTS FROM CHANGES IN FOREIGN EXCHANGE RATES	<u>(32,953,324)</u>	<u>624,137</u>
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	<u><u>(13,319)</u></u>	<u><u>(2,734,844)</u></u>
Cash and cash equivalents at the beginning of the period	38,817,213	41,552,057
Cash and cash equivalents at the end of the period	<u>38,803,894</u>	<u>38,817,213</u>
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	<u><u>(13,319)</u></u>	<u><u>(2,734,844)</u></u>

Signed in the name of 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**

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**ADJUSTMENT OF FINANCIAL STATEMENTS**

1. The position - Other tangible assets does not include small inventory and stocks in the amount of HRK 2,431,889 (2010: in the amount of HRK 2,695,519) 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	3,030,699	5,462,588	(2,431,889)
Other receivables	119,404,713	116,972,824	2,431,889
<u>2010</u>			
Other tangible assets	3,035,890	5,731,409	(2,695,519)
Other receivables	182,757,284	180,061,765	2,695,519

2. Deposits with maturities of up to 3 months in the amount of HRK 182,619,429 (2010: in the amount of HRK 125,000,000) 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 investments - Deposits, loans and receivables	863,365,040	1,045,984,469	(182,619,429)
Other assets - other	195,470,425	12,850,996	182,619,429
<u>2010</u>			
Other investments - Deposits, loans and receivables	1,053,717,372	1,178,717,372	(125,000,000)
Other assets - other	144,776,116	19,776,116	125,000,000

3. Earned gross premiums

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

	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Earned gross premiums	2,726,732,086	2,788,860,790	(62,128,704)
<u>2010</u>			
Earned gross premiums	2,849,701,219	2,895,416,893	(45,715,674)

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

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4. Investment income/expenses

In the basic financial statements investment income are stated in net amount where it was practicable.

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	Basic financial statements	According to Regulation	Difference
<u>2011</u>			
Investment income		430,740,418	
Investment expenses	226,582,278	(204,158,140)	0
<u>2010</u>			
Investment income		315,900,236	
Investment expenses	135,618,804	(180,281,432)	0

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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).

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

Description	At 31 Dec 2011					At 31 Dec 2010				
	Financial statements	Regulation			Difference	Financial statements	Regulation			Difference
		Life	General	Total			Life	General	Total	
HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	
Income from affiliates, associates and joint ventures	34,558,009	0	34,558,009	34,558,009	0	31,723,120	1,483,480	30,239,640	31,723,120	0
Income from property investments (land and buildings)	34,758,062	0	62,583,072	62,583,072	27,825,010	(21,036,916)	0	11,945,802	11,945,802	32,982,718
Interest income	227,707,637	100,482,773	127,224,864	227,707,637	0	246,196,900	112,179,502	134,017,493	246,196,995	95
Unrealized gains from investments at fair value through profit and loss account	(6,611,716)	2,460,725	2,769,591	5,230,316	11,842,032	5,846,842	3,898,786	2,785,671	6,684,457	837,615
Gains / losses from sale of financial investments	(10,933,167)	3,081,729	5,921,987	9,003,716	19,936,883	(43,279,477)	3,273,073	6,097,192	9,370,265	52,649,742
Decrease in value of adjustments	(76,406,221)	0	0	0	76,406,221	(47,560,001)	0	0	0	47,560,001
Net foreign exchange gains	32,953,325	19,867,052	13,086,273	32,953,325	0	19,264,730	10,844,322	8,420,408	19,264,730	0
Other investment income/expenses	(9,443,651)	62,905	58,641,438	58,704,343	68,147,994	(55,536,394)	(7,789,622)	(1,495,511)	(9,285,133)	46,251,261
<b>TOTAL</b>	<b>226,582,278</b>	<b>125,955,184</b>	<b>304,785,234</b>	<b>430,740,418</b>	<b>204,158,140</b>	<b>135,618,804</b>	<b>123,889,541</b>	<b>192,010,695</b>	<b>315,900,236</b>	<b>180,281,432</b>
<b><u>Investment expenses</u></b>										
Interest	0	0	0	0	0	0	0	95	95	(95)
Decrease in value of adjustments	0	12,043,534	38,472,266	50,515,800	(50,515,800)	0	16,717,358	30,842,643	47,560,001	(47,560,001)
Losses from sale of financial investments	0	2,575,940	17,360,943	19,936,883	(19,936,883)	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	6,752,054	11,842,032	(11,842,032)	0	726,384	111,231	837,615	(837,615)
Other investment expenses	0	500,095	121,363,330	121,863,425	(121,863,425)	0	935,950	78,298,029	79,233,979	(79,233,979)
<b>TOTAL</b>	<b>0</b>	<b>20,209,547</b>	<b>183,948,593</b>	<b>204,158,140</b>	<b>(204,158,140)</b>	<b>0</b>	<b>32,118,777</b>	<b>148,162,655</b>	<b>180,281,432</b>	<b>(180,281,432)</b>