

# 7. Notes to the Income Statement

## 7.1 Premium income

Premium income	in EUR	
	2011	2010
<b>NON-LIFE INSURANCE</b>		
Gross written premium	693,333,593	718,043,703
Assumed co-insurance written premium	1,851,270	1,694,680
Ceded co-insurance written premium	-896,740	-936,805
Reinsurance written premium	-79,176,929	-73,419,132
Changes in gross provisions for unearned premiums	3,964,286	5,005,698
Changes in reinsurers' share of unearned premiums	3,149,273	1,618,261
<b>NET PREMIUM INCOME ON NON-LIFE INSURANCE</b>	<b>622,224,753</b>	<b>652,006,405</b>
<b>LIFE INSURANCE</b>		
Gross written premium	214,024,239	221,373,955
Reinsurance written premium	-14,195	-15,800
Changes in gross provisions for unearned premiums	-61,623	383,426
Changes in reinsurers' share of unearned premiums	3,273	143
<b>NET PREMIUM INCOME ON LIFE INSURANCE</b>	<b>213,951,694</b>	<b>221,741,724</b>
<b>HEALTH INSURANCE</b>		
Gross written premium	80,189,702	72,447,887
Changes in gross provisions for unearned premiums	-87,253	-25,792
<b>NET PREMIUM INCOME ON HEALTH INSURANCE</b>	<b>80,102,449</b>	<b>72,422,095</b>
<b>TOTAL NET PREMIUM INCOME</b>	<b>916,278,896</b>	<b>946,170,224</b>

Overview of premium income by insurance class	in EUR		
2011	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	55,507,992	-1,851,434	53,656,558
Health insurance	81,264,464	-20,561	81,243,903
Land motor vehicle insurance	157,849,294	-19,241,948	138,607,346
Railway insurance	2,789,593	-1,257,378	1,532,215
Aircraft insurance	4,941,295	-4,504,309	436,986
Marine Insurance	2,780,481	-166,703	2,613,778
Cargo insurance	10,318,366	-3,091,744	7,226,622
Fire and natural forces insurance	110,155,368	-50,940,483	59,214,885
Other damage to property insurance	132,592,098	-44,278,672	88,313,426
Motor TPL insurance	215,630,841	-13,998,881	201,631,960
Aircraft liability insurance	2,685,519	-2,647,645	37,874
Marine liability insurance	787,029	-203,459	583,570
General liability insurance	38,078,758	-9,172,477	28,906,281
Credit insurance	23,167,332	-3,943,254	19,224,078
Suretyship insurance	2,574,483	-926,205	1,648,278
Miscellaneous financial loss insurance	6,512,262	-4,518,722	1,993,540
Legal expenses insurance	1,106,230	-51,189	1,055,041
Travel assistance insurance	8,975,453	-748,219	8,227,234
<b>TOTAL NON-LIFE INSURANCE</b>	<b>857,716,858</b>	<b>-161,563,283</b>	<b>696,153,575</b>
Life insurance	96,600,427	-349,081	96,251,346
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	98,001,240	0	98,001,240
Capital redemption insurance	19,690,306	0	19,690,306
Loss of income due	50,611	-559	50,052
<b>TOTAL LIFE INSURANCE</b>	<b>214,342,584</b>	<b>-349,640</b>	<b>213,992,944</b>
<b>TOTAL</b>	<b>1,072,059,442</b>	<b>-161,912,923</b>	<b>910,146,519</b>
Consolidation adjustments	-82,660,636	81,825,054	-835,582
<b>TOTAL</b>	<b>989,398,804</b>	<b>-80,087,864</b>	<b>909,310,940</b>

## Overview of premium income by insurance class

in EUR

2010	Gross written premium	Reinsurers' share	Net written premium
Accident insurance	58,922,838	-1,899,758	57,023,080
Health insurance	73,840,629	-45,778	73,794,851
Land motor vehicle insurance	162,922,107	-20,812,594	142,109,513
Railway insurance	1,246,070	-1,423,802	-177,732
Aircraft insurance	4,884,125	-3,887,860	996,264
Marine Insurance	2,648,410	-182,454	2,465,955
Cargo insurance	10,306,700	-2,479,070	7,827,630
Fire and natural forces insurance	111,046,881	-50,686,159	60,360,722
Other damage to property insurance	124,389,738	-34,974,038	89,415,700
Motor TPL insurance	236,853,171	-16,659,225	220,193,946
Aircraft liability insurance	2,870,087	-2,582,833	287,254
Marine liability insurance	942,143	-295,177	646,966
General liability insurance	36,869,957	-7,091,113	29,778,844
Credit insurance	24,770,010	-3,406,374	21,363,637
Suretyship insurance	1,841,312	-761,664	1,079,648
Miscellaneous financial loss insurance	6,142,339	-3,441,799	2,700,540
Legal expenses insurance	1,197,971	-55,060	1,142,911
Travel assistance insurance	7,864,967	-513,492	7,351,475
<b>TOTAL NON-LIFE INSURANCE</b>	<b>869,559,455</b>	<b>-151,198,251</b>	<b>718,361,205</b>
Life insurance	100,481,438	-479,326	100,002,112
Wedding insurance or birth insurance	0	0	0
Unit-linked life insurance	99,782,278	0	99,782,278
Capital redemption insurance	21,280,476	0	21,280,476
Loss of income due	69,153	-169	68,984
<b>TOTAL LIFE INSURANCE</b>	<b>221,613,345</b>	<b>-479,495</b>	<b>221,133,850</b>
<b>TOTAL</b>	<b>1,091,172,800</b>	<b>-151,677,746</b>	<b>939,495,055</b>
Consolidation adjustments	-77,612,575	77,306,009	-306,567
<b>TOTAL</b>	<b>1,013,560,225</b>	<b>-74,371,737</b>	<b>939,188,488</b>

## 7.2 Income from financial assets

## Income from financial assets

in EUR

	2011	2010
Interest income from financial assets		
- available for sale	42,938,852	39,643,569
- loans and deposits	17,522,886	18,537,874
- held to maturity	12,749,710	13,116,278
- at fair value through profit and loss	3,074,134	3,411,683
- derivate financial instruments	1,873,321	3,111,858
- cash or cash equivalents	167,716	44,019
- interest on late payments of insurance receivables	1,484,388	1,500,980
- interest income from subrogated receivables	5,538,261	5,850,886
- other interest income from insurance operations	398,274	0
<b>TOTAL INTEREST INCOME</b>	<b>85,747,542</b>	<b>85,217,148</b>
Dividends from:		
- available-for-sale financial assets	4,099,373	2,718,343
- financial assets at fair value through profit and loss	267,368	391,885
<b>TOTAL DIVIDENDS</b>	<b>4,366,741</b>	<b>3,110,228</b>
<b>FAIR VALUE GAINS</b>	<b>32,326,804</b>	<b>55,540,526</b>
<b>REALISED GAINS ON DISPOSALS</b>	<b>16,145,883</b>	<b>27,627,968</b>
<b>PROFIT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>	<b>4,265,615</b>	<b>3,525,434</b>
<b>OTHER FINANCIAL INCOME</b>	<b>6,129,348</b>	<b>6,512,057</b>
<b>TOTAL INVESTMENT INCOME</b>	<b>148,981,933</b>	<b>181,533,361</b>

Fair value gains are described in detail in Section 7.4 and realised gains on disposals in Section 7.5.

## 7.3 Expenses from financial assets and liabilities

### Expenses from financial assets and liabilities

	in EUR	
	2011	2010
Interest expense from derivative financial instruments held for trading	1,961,257	2,877,972
Interest expense from current debt:	881,704	1,304,127
- on bank loans	737,344	1,010,650
- other loans	742	0
- other interest expense	143,618	293,477
Interest expense from noncurrent debt:	678,052	591,865
- on bank loans	312	0
- other loans	0	334,119
- other interest expense	677,740	257,746
Interest expense from bonds issued	2,328,793	2,346,817
<b>TOTAL INTEREST EXPENSE</b>	<b>5,849,806</b>	<b>7,120,781</b>
FAIR VALUE LOSSES	88,422,449	40,987,067
REALISED LOSS ON DISPOSALS	17,368,136	9,414,307
LOSS ON EQUITY INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD	16,977,661	1,504,027
LOSS ON IMPAIRMENT OF FINANCIAL ASSETS	63,188,577	51,052,283
OTHER FINANCE COSTS	10,203,797	11,475,789
<b>TOTAL EXPENSES FROM FINANCIAL ASSETS AND LIABILITIES</b>	<b>202,010,426</b>	<b>121,554,254</b>

Fair value losses are described in detail in Section 7.4 and realised loss on disposals of financial assets in Section 7.5.

Loss on equity investments in associates, accounted for by using the equity method in the amount of EUR 14.5 million refer to Abanka Vipa d.d. which at 31 December 2010 was recognized as an associate and in 2011 was carried as investment available for sale (as explained in Section 1.6). The loss amount refers to profits from previous years recognised under the equity method.

The largest impairment loss of financial assets in the amount of EUR 59.8 million refers to impairment of investments available for sale. As much as 81.5% of the impairment loss of financial assets refers to the impairment of shares of Abanka Vipa d.d. and NLB d.d., and of Greek bonds.

## 7.4 Fair value gains and losses

### Fair value gains and losses

	in EUR	
	2011	2010
Derivative financial instruments	-1,951,260	-450,832
- gains	2,359,554	5,631,387
- losses	-4,310,814	-6,082,219
Financial assets recognised at fair value through profit/loss	-54,144,385	15,004,292
- gains	29,967,250	49,909,139
- losses	-84,111,635	-34,904,848
<b>NET GAINS FROM CHANGES IN FAIR VALUE</b>	<b>-56,095,645</b>	<b>14,553,460</b>

## 7.5 Realised gains and losses

### Realised gains and losses

in EUR

	2011	2010
Financial assets recognised at fair value through profit/loss	-4,113,369	2,133,715
- realised gains on disposals	198,270	2,538,743
- realised losses on disposals	-4,311,639	-405,028
Available-for-sale financial assets	1,694,091	20,393,211
- realised gains on disposals	14,680,146	23,950,082
- realised losses on disposals	-12,986,055	-3,556,870
Loans and deposits	329,232	246,305
- realised gains on disposals	376,356	366,077
- realised losses on disposals	-47,124	-119,772
Derivative financial instruments	867,793	-4,574,369
- realised gains on disposals	891,111	758,268
- realised losses on disposals	-23,318	-5,332,637
Held-to-maturity financial assets	0	14,799
- realised gains on disposals	0	14,799
- realised losses on disposals	0	0
<b>TOTAL REALISED GAINS AND LOSSES</b>	<b>-1,222,253</b>	<b>18,213,661</b>

## 7.6 Other insurance income

### Other insurance income

in EUR

	2011	2010
<b>FEES AND COMMISSION INCOME</b>		
- investment management services	13,608,621	12,593,865
- reinsurance commission income	2,538,894	-1,893,168
- policyholder administration	645,574	3,651,338
- other fees and commission income	0	281,199
- surrender charges and other contract fees	609,779	0
<b>TOTAL FEES AND COMMISSION INCOME</b>	<b>17,402,868</b>	<b>14,633,234</b>
<b>OTHER INCOME FROM INSURANCE OPERATIONS</b>		
- income from sale of green cards for motor vehicles	2,780,282	2,498,765
- income from claims settled for other insurance companies	704,462	1,058,111
- income from assistance services	57,553	56,358
- other income from insurance operations	5,496,343	4,186,557
<b>TOTAL OTHER INCOME FROM INSURANCE OPERATIONS</b>	<b>9,038,640</b>	<b>7,799,790</b>
<b>OTHER INSURANCE INCOME</b>	<b>26,441,508</b>	<b>22,433,024</b>

Other insurance income refers mostly to the reimbursement of costs arising from subrogations and the settlement of claims.

## 7.7 Other income

### Other income

in EUR

	2011	2010
Income from investment property	7,397,964	7,098,314
Rental income	507,813	557,512
Income from other services	1,913,913	5,546,982
Claims refund	73,110	157,515
Fair value gains	175,617	341,999
Income from noninsurance companies in the Group	47,088,480	47,859,172
<b>TOTAL OTHER INCOME</b>	<b>57,156,897</b>	<b>61,561,494</b>

Income from non-insurance group entities mostly refers to the business operations of Slovenijales, totalling EUR 34.6 million.

## 7.8 Claims

### Claims

	in EUR	
	2011	2010
NON-LIFE INSURANCE		
Gross claims settled	413,518,015	448,483,223
Income from gross subrogated receivables	-22,604,920	-24,743,559
Reinsurers' share of gross claims settled	-23,200,038	-30,576,036
Co-insurers' share of gross claims settled	749,462	427,720
Change in gross claims provisions	-4,377,568	-3,761,779
Change in gross claims provisions for re/co-insurer's share	2,851,930	-2,723,529
NET CLAIMS INCURRED ON NON-LIFE INSURANCE	366,936,881	387,106,040
LIFE INSURANCE		
Gross claims settled	140,482,689	107,291,185
Change in gross claims provisions	-827,641	-285,576
NET CLAIMS INCURRED ON LIFE INSURANCE	139,655,048	107,005,609
HEALTH INSURANCE		
Gross claims settled	62,541,802	57,361,376
Subrogation income	-65,371	-66,766
Change in gross claims provisions	391,436	436,755
Equalisation scheme expenses	6,657,237	5,861,892
TOTAL NET CLAIMS INCURRED ON HEALTH INSURANCE	69,525,104	63,593,257
NET CLAIMS INCURRED TOTAL	576,117,033	557,704,906

### Overview of net claims incurred by insurance class in 2011

	in EUR		
Insurance class	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	27,727,094	-578,751	27,148,343
Health insurance	63,365,805	-29,982	63,335,823
Land motor vehicle insurance	114,822,402	-9,195,630	105,626,772
Railway insurance	1,177,697	0	1,177,697
Aircraft insurance	350,279	-66,025	284,254
Marine Insurance	1,520,554	-62,240	1,458,314
Cargo insurance	3,821,103	-1,067,552	2,753,551
Fire and natural forces insurance	42,904,406	-13,375,604	29,528,802
Other damage to property insurance	70,704,964	-12,812,500	57,892,464
Motor TPL insurance	130,239,045	-8,959,297	121,279,748
Aircraft liability insurance	615,551	-549,405	66,146
Marine liability insurance	176,412	-3,891	172,521
General liability insurance	21,412,649	-2,614,576	18,798,073
Credit insurance	17,869,802	-1,970,851	15,898,951
Suretyship insurance	1,850,439	-822,920	1,027,519
Miscellaneous financial loss insurance	4,286,905	-2,852,797	1,434,108
Legal expenses insurance	4,785	82	4,867
Travel assistance insurance	5,765,623	-318,885	5,446,738
TOTAL NON-LIFE INSURANCE	508,615,515	-55,280,824	453,334,691
Life insurance	88,162,604	-116,749	88,045,855
Unit-linked life insurance	27,976,054	0	27,976,054
Capital redemption insurance	24,344,033	0	24,344,033
TOTAL LIFE INSURANCE	140,482,691	-116,749	140,365,942
TOTAL	649,098,206	-55,397,573	593,700,633
Consolidation adjustments	-32,555,697	32,197,532	-358,165
TOTAL	616,542,506	-23,200,038	593,342,468

Gross claims include gross claims settled and assessment costs divided by function, not reduced by subrogation receivables (see Section 7.11).

## Overview of net claims incurred by insurance class in 2010

in EUR

Insurance class	Gross claims	Reinsurers' share	Net claims incurred
Accident insurance	29,576,277	-637,420	28,938,857
Health insurance	58,114,256	-55,973	58,058,283
Land motor vehicle insurance	132,501,504	-13,829,866	118,671,639
Railway insurance	913,146	0	913,146
Aircraft insurance	1,984,709	-1,461,466	523,243
Marine Insurance	1,400,095	-75,272	1,324,823
Cargo insurance	1,982,977	-643	1,982,334
Fire and natural forces insurance	49,888,653	-18,751,744	31,136,909
Other damage to property insurance	80,655,804	-21,829,083	58,826,721
Motor TPL insurance	137,711,219	-7,742,182	129,969,038
Aircraft liability insurance	1,394,606	-1,336,399	58,207
Marine liability insurance	245,677	-14,782	230,895
General liability insurance	19,983,543	-965,760	19,017,783
Credit insurance	18,521,752	-993,797	17,527,955
Suretyship insurance	649,854	-187,466	462,388
Miscellaneous financial loss insurance	6,581,790	-4,328,569	2,253,221
Legal expenses insurance	6,400	-120	6,280
Travel assistance insurance	5,810,710	-316,885	5,493,825
<b>TOTAL NON-LIFE INSURANCE</b>	<b>547,922,973</b>	<b>-72,527,425</b>	<b>475,395,548</b>
Life insurance	84,898,580	-162,101	84,736,478
Unit-linked life insurance	18,568,703	0	18,568,703
Capital redemption insurance	3,904,953	0	3,904,953
<b>TOTAL LIFE INSURANCE</b>	<b>107,372,236</b>	<b>-162,101</b>	<b>107,210,134</b>
<b>TOTAL</b>	<b>655,295,209</b>	<b>-72,689,527</b>	<b>582,605,682</b>
Consolidation adjustments	-42,159,425	42,113,491	-45,934
<b>TOTAL</b>	<b>613,135,784</b>	<b>-30,576,036</b>	<b>582,559,748</b>

## Reinsurance result

in EUR

	2011	2010
Reinsurance premiums	-79,191,128	-74,371,737
Changes in reinsurers' share of unearned premiums	3,152,548	1,618,404
Reinsurers' share of claims	23,200,041	30,148,316
Changes in claims provisions for reinsurers' shares	2,851,927	2,723,529
<b>NET RESULT FROM REINSURANCE OPERATIONS</b>	<b>-49,986,612</b>	<b>-39,881,488</b>
Reinsurance commission	2,450,904	-1,893,168
<b>GROSS REINSURANCE RESULT</b>	<b>-47,535,708</b>	<b>-41,774,656</b>

## 7.9 Change in other insurance-technical provisions

### Change in other insurance-technical provisions

in EUR

	2011	2010
Change in other insurance technical provisions	-2,909,572	62,450,614
Change in insurance technical provisions for unit-linked insurance contracts	-11,402,162	66,351,880
<b>TOTAL</b>	<b>-14,311,734</b>	<b>128,802,494</b>

Change in other insurance technical provisions refers entirely to changes in mathematical provisions for unit-linked life insurance, provisions for cancellation and unexpired risk provisions.

## 7.10 Expenses for bonuses and discounts

### Expenses for bonuses and discounts

in EUR

	2011	2010
Settled bonuses and discounts	5,222,249	7,263,534
Changes in gross provisions for bonuses and discounts	-1,236,746	-1,528,306
<b>TOTAL EXPENSES FOR BONUSES AND DISCOUNTS</b>	<b>6,458,995</b>	<b>5,735,228</b>

## 7.11 Acquisition costs and other operating expenses

### Acquisition costs and other operating expenses

in EUR

	2011	2010
Acquisition costs	130,633,388	132,463,862
Other operating costs	72,674,935	75,672,113
Claim handling costs*	27,051,459	27,293,056
Costs of asset management**	4,457,480	4,468,219
Operating expenses from non-insurance operations***	51,580,768	53,241,072
<b>TOTAL</b>	<b>286,398,030</b>	<b>293,138,322</b>

\* Claim handling costs are disclosed as a part of gross claims incurred.

\*\* Costs of asset management are disclosed as financial expenses.

\*\*\* Operating expenses from non-insurance operations are disclosed as other expenses.

## Gross operating expenses by nature and business segment in 2011

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	22,398,579	7,427,193	1,100,645	30,926,417	0	30,926,417
2. Cost of goods sold	0	0	0	0	24,487,665	24,487,665
3. Depreciation of operating assets	8,250,860	1,417,868	410,098	10,078,826	1,519,769	11,598,595
4. Labour costs	101,866,040	17,537,707	3,082,402	122,486,149	13,709,451	136,195,600
- wages and salaries	71,964,627	12,651,387	2,199,129	86,815,143	9,337,651	96,152,794
- social security and pension insurance costs	17,503,908	2,502,390	384,435	20,390,733	2,261,332	22,652,065
- other labour costs	12,397,505	2,383,930	498,838	15,280,273	2,110,468	17,390,741
5. Costs of services provided by natural persons other than SPs, including related taxes	2,631,096	326,048	86,014	3,043,158	0	3,043,158
6. Other operating costs	57,611,957	12,793,024	3,469,465	73,874,446	15,363,047	89,237,493
- costs of entertainment, advertising, trade shows	14,073,868	3,006,432	402,636	17,482,936	0	17,482,936
- costs of material and energy	6,264,219	1,102,880	176,540	7,543,639	2,386,304	9,929,943
- maintenance costs	5,439,806	2,166,404	920,901	8,527,111	0	8,527,111
- reimbursement of labour-related costs	4,190,265	604,740	90,479	4,885,484	0	4,885,484
- costs of intellectual and personal services	3,061,473	646,495	109,676	3,817,644	0	3,817,644
- membership fees and charges	1,961,434	560,636	101,451	2,623,521	0	2,623,521
- costs of services - transport and communications	3,585,162	1,059,765	451,258	5,096,185	0	5,096,185
- costs for insurance premiums	1,728,705	248,623	24,920	2,002,248	0	2,002,248
- payment transaction costs and banking services	2,444,701	1,248,696	287,235	3,980,632	0	3,980,632
- rents	6,448,076	932,602	312,305	7,692,983	0	7,692,983
- costs of professional training services	801,460	186,551	52,189	1,040,200	0	1,040,200
- other costs of services	7,612,788	1,029,200	539,875	9,181,863	12,976,743	22,158,606
<b>TOTAL OPERATING EXPENSES</b>	<b>192,758,532</b>	<b>39,501,840</b>	<b>8,148,624</b>	<b>240,408,996</b>	<b>55,079,932</b>	<b>295,488,928</b>
Consolidation adjustments	-1,973,618	-2,343,447	-1,274,669	-5,591,734	-3,499,164	-9,090,898
<b>TOTAL OPERATING EXPENSES</b>	<b>190,784,914</b>	<b>37,158,393</b>	<b>6,873,955</b>	<b>234,817,262</b>	<b>51,580,768</b>	<b>286,398,030</b>

## Operating expenses by nature and function in 2011

in EUR

	TOTAL	Cost of contract acquisition	Claim handling costs*	Costs of asset management**	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	30,926,417	28,759,749	10,185	3	2,156,480	0
2. Cost of goods sold	24,487,665	0	0	0	0	24,487,665
3. Depreciation of operating assets	11,598,595	3,768,743	1,360,918	286,235	4,662,930	1,519,769
4. Labour costs	136,195,600	64,153,649	19,097,691	2,820,239	36,414,570	13,709,451
- wages and salaries	96,152,794	45,195,525	13,471,487	2,131,586	26,016,545	9,337,651
- social security and pension insurance costs	22,652,065	10,932,949	3,018,003	365,695	6,074,086	2,261,332
- other labour costs	17,390,741	8,025,175	2,608,201	322,958	4,323,939	2,110,468
5. Costs of services provided by natural persons other than SPs, including related taxes	3,043,158	1,461,815	838,708	4,211	738,424	0
6. Other operating expenses	89,237,493	36,406,714	5,743,957	1,346,792	30,376,983	15,363,047
- costs of entertainment, advertising, trade shows	17,482,936	15,068,714	78,198	28,374	2,307,650	0
- costs of material and energy	9,929,943	3,544,580	1,246,610	121,069	2,631,380	2,386,304
- maintenance costs	8,527,111	1,911,380	792,786	262,825	5,560,120	0
- reimbursement of labour-related costs	4,885,484	3,750,931	193,939	119,439	821,175	0
- costs of intellectual and personal services	3,817,644	744,662	560,597	418,871	2,093,514	0
- membership fees and charges	2,623,521	994,542	156,884	139,312	1,332,783	0
- costs of services - transport and communications	5,096,185	2,492,008	616,672	75,392	1,912,113	0
- costs for insurance premiums	2,002,248	640,942	426,507	23,760	911,039	0
- payment transaction costs and banking services	3,980,632	1,280,203	46,645	42,812	2,610,972	0
- rents	7,692,983	4,172,865	571,118	26,661	2,922,339	0
- costs of professional training services	1,040,200	368,291	139,822	25,735	506,352	0
- other costs of services	22,158,606	1,437,596	914,179	62,542	6,767,546	12,976,743
<b>TOTAL OPERATING EXPENSES</b>	<b>295,488,928</b>	<b>134,550,670</b>	<b>27,051,459</b>	<b>4,457,480</b>	<b>74,349,387</b>	<b>55,079,932</b>
Consolidation adjustments	-9,090,898	-3,917,282			-1,674,452	-3,499,164
<b>TOTAL OPERATING EXPENSES</b>	<b>286,398,030</b>	<b>130,633,388</b>	<b>27,051,459</b>	<b>4,457,480</b>	<b>72,674,935</b>	<b>51,580,768</b>

## Gross operating expenses by nature and business segment in 2010

in EUR

	Non-life insurance	Life insurance	Health insurance	Total costs of insurance operations	Costs of non-insurance operations	TOTAL
1. Acquisition costs (fees and charges)	19,969,054	7,454,637	1,449,267	28,872,958	0	28,872,958
2. Cost of goods sold	0	0	0	0	27,122,451	27,122,451
3. Depreciation of operating assets	7,818,809	1,731,276	497,996	10,048,081	1,183,681	11,231,762
4. Labour costs	107,462,541	18,245,297	3,370,341	129,078,178	12,827,767	141,905,945
- wages and salaries	75,042,487	13,019,567	2,624,233	90,686,287	9,237,829	99,924,116
- social security and pension insurance costs	18,172,376	2,669,039	422,891	21,264,306	1,508,220	22,772,526
- other labour costs	14,247,677	2,556,690	323,217	17,127,585	2,081,718	19,209,303
5. Costs of services provided by natural persons other than SPs, including related taxes	3,252,646	399,646	131,030	3,783,322	0	3,783,322
6. Other operating costs	57,374,623	12,271,206	4,660,532	74,306,361	14,947,452	89,253,813
- costs of entertainment, advertising, trade shows	14,553,931	2,765,657	545,084	17,864,671	0	17,864,671
- costs of material and energy	6,251,450	1,262,284	188,734	7,702,468	1,971,015	9,673,483
- maintenance costs	5,593,884	1,926,923	1,259,920	8,780,727	0	8,780,727
- reimbursement of labour-related costs	4,954,104	721,951	120,013	5,796,068	0	5,796,068
- costs of intellectual and personal services	1,947,079	519,655	301,918	2,768,653	0	2,768,653
- membership fees and charges	3,077,208	562,432	114,931	3,754,571	0	3,754,571
- costs of services - transport and communications	3,936,276	928,616	475,393	5,340,285	0	5,340,285
- costs for insurance premiums	1,570,868	266,370	13,092	1,850,330	0	1,850,330
- payment transaction costs and banking services	2,525,540	1,302,811	268,006	4,096,357	0	4,096,357
- rents	4,730,447	906,691	895,444	6,532,582	0	6,532,582
- costs of professional training services	810,401	202,545	57,104	1,070,049	0	1,070,049
- other costs of services	7,423,437	905,271	420,892	8,749,600	12,976,437	21,726,037
<b>TOTAL OPERATING EXPENSES</b>	<b>195,877,673</b>	<b>40,102,061</b>	<b>10,109,166</b>	<b>246,088,900</b>	<b>56,081,351</b>	<b>302,170,251</b>
Consolidation adjustments	-1,596,277	-2,569,594	-2,025,778	-6,191,649	-2,840,279	-9,031,929
<b>TOTAL OPERATING EXPENSES</b>	<b>194,281,396</b>	<b>37,532,467</b>	<b>8,083,388</b>	<b>239,897,251</b>	<b>53,241,072</b>	<b>293,138,322</b>

## Operating expenses by nature and function in 2010

in EUR

	TOTAL	Cost of contract acquisition	Claim handling costs*	Costs of asset management**	Other operating expenses	Costs of non-insurance operations
1. Acquisition costs (fees and charges)	28,872,958	26,363,631	99,602	5,296	2,404,431	0
2. Cost of goods sold	27,122,451	0	0	0	0	27,122,451
3. Depreciation of operating assets	11,231,762	3,163,976	1,466,026	305,243	5,112,835	1,183,681
4. Labour costs	141,905,945	68,081,745	19,181,717	3,215,115	38,599,601	12,827,767
- wages and salaries	99,924,116	48,221,952	13,369,190	2,344,098	26,751,048	9,237,829
- social security and pension insurance costs	22,772,526	10,988,343	3,036,740	391,846	6,847,376	1,508,220
- other labour costs	19,209,303	8,871,450	2,775,787	479,170	5,001,177	2,081,718
5. Costs of services provided by natural persons other than SPs, including related taxes	3,783,322	1,688,529	1,129,727	27,572	937,494	0
6. Other operating expenses	89,253,813	37,097,020	5,415,985	1,079,936	30,713,420	14,947,452
- costs of entertainment, advertising, trade shows	17,864,671	15,754,857	142,444	50,160	1,917,211	0
- costs of material and energy	9,673,483	3,671,401	1,136,892	100,004	2,794,171	1,971,015
- maintenance costs	8,780,727	2,029,935	837,091	210,908	5,702,792	0
- reimbursement of labour-related costs	5,796,068	4,403,453	267,568	111,597	1,013,451	0
- costs of intellectual and personal services	2,768,653	660,900	243,063	323,018	1,541,672	0
- membership fees and charges	3,754,571	1,662,549	225,255	46,126	1,820,640	0
- costs of services - transport and communications	5,340,285	2,513,379	733,572	73,512	2,019,822	0
- costs for insurance premiums	1,850,330	593,209	308,274	38,748	910,099	0
- payment transaction costs and banking services	4,096,357	869,038	80,384	18,209	3,128,725	0
- rents	6,532,582	3,015,738	315,220	23,261	3,178,362	0
- costs of professional training services	1,070,049	441,445	147,892	40,023	440,689	0
- other costs of services	21,726,037	1,481,116	978,329	44,371	6,245,785	12,976,437
<b>TOTAL OPERATING EXPENSES</b>	<b>302,170,251</b>	<b>136,394,901</b>	<b>27,293,056</b>	<b>4,633,162</b>	<b>77,767,781</b>	<b>56,081,351</b>
Consolidation adjustments	-9,031,929	-3,931,039	0	-164,942	-2,095,668	-2,840,279
<b>TOTAL OPERATING EXPENSES</b>	<b>293,138,322</b>	<b>132,463,862</b>	<b>27,293,056</b>	<b>4,468,220</b>	<b>75,672,113</b>	<b>53,241,072</b>

## 7.12 Other expenses from insurance operations

### Other expenses from insurance operations

in EUR

	2011	2010
Expenses of preventive activity	2,917,957	3,780,553
Contributions for claims from uninsured or unidentified vehicles	2,659,920	4,360,225
Commission expenses	15,094,442	17,170,162
Fire tax	4,387,933	4,924,894
Expenses from impairment of insurance receivables and write-offs	21,981,546	22,113,681
Other net insurance expenses	8,911,232	9,090,483
<b>OTHER EXPENSES FROM INSURANCE OPERATIONS</b>	<b>55,953,030</b>	<b>61,439,998</b>

## 7.13 Other expenses

### Other expenses

in EUR

	2011	2010
Depreciation of investment property	1,597,034	1,368,670
Other investment property expenses	1,190,752	1,754,540
Other expenses	58,535,760	81,951,771
- operating expenses of non-insurance companies	51,788,944	54,853,948
- impairment charge	1,312,388	16,135,882
- other expenses	5,434,428	10,961,941
<b>TOTAL</b>	<b>61,323,544</b>	<b>85,074,981</b>

Impairment charge relates to the impairment of goodwill in the amount of EUR 1,312,384 (in 2010: EUR 4,337,295 impairment of goodwill and EUR 11,798,587 impairment of contractual rights and the value of acquired operations).

## 7.14 Income tax expense

### Tax expense in the income statement

in EUR

	2011	2010
Current tax expense	-22,513,769	-23,998,866
Deferred tax expense/income	12,011,395	7,398,408
<b>TOTAL TAX EXPENSE IN THE INCOME STATEMENT</b>	<b>-10,502,374</b>	<b>-16,600,458</b>

### Tax expense in other comprehensive income

in EUR

	2011			2010		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Profit from increase in fair value of available for sale financial assets	-70,141,510	21,060,913	-49,080,597	-20,471,532	4,234,017	-16,237,515
Liabilities from insurance contracts with a discretionary participating feature (shadow accounting)	9,274,697	-1,854,939	7,419,758	9,349,361	-1,869,872	7,479,489
Gains/losses recognised in fair value reserve and net profit/loss brought forward arising from equity in associates and jointly controlled entities recognised using the equity method	-2,164,189	521,519	-1,642,670	-483,129	96,626	-386,503
Translation differences	-566,861	0	-566,861	-538,760	0	-538,760
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>-63,597,863</b>	<b>19,727,492</b>	<b>-43,870,371</b>	<b>-12,144,060</b>	<b>2,460,771</b>	<b>-9,683,289</b>

## Reconciliation between tax expense and accounting profit

in EUR

	2011	2010
<b>ACCOUNTING PROFIT</b>	<b>59,999,615</b>	<b>43,250,267</b>
Income tax rate tax rate average of several countries	19.50%	19.80%
<b>ACCOUNTING PROFIT MULTIPLIED BY TAX RATE</b>	<b>-11,700,496</b>	<b>-8,563,307</b>
Tax effect of income deductible for tax purposes	3,512,035	3,200,784
Tax effect of expenses not deductible for tax purposes	-14,006,957	-17,543,534
Tax effect of income added for tax purposes	-76,706	425,830
Revenues or expenses concerning tax relief	943,858	-1,322,239
Changes in temporary differences	10,825,892	7,202,008
<b>TOTAL TAX EXPENSE</b>	<b>-10,502,374</b>	<b>-16,600,458</b>
Effective tax rate	17.50%	38.38%

In accordance with the Corporate Income Tax Act (hereinafter CITA-2), the Company applied a 20% tax rate to the taxable profit for 2011 (the same as in 2010). For subsidiaries operating outside the Republic of Slovenia, the Group applied the tax rate of the country of operation in compliance with the local legislation. See Section 1.6. for details on tax rates by company.

As at 31 December 2011, unused tax losses of the Group amounted to EUR 25.9 million (EUR 44 million as at 31 December 2010).