

**CROATIA osiguranje d.d.**

**Annual report  
and financial statements  
for 2016**

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**Annual Report of the Company and the Group for 2016**

## **The insurance market of the Republic of Croatia in 2016**

During 2016 the insurance market has been very active and has recorded a total premium growth of 1%, or HRK 72m, which represents a continuation of last year's positive trends in premium market growth. Analytical look into the structure of the premium speaks volumes about turbulent markets and significantly different trends between different types of insurance. So we can say that the past year was a year of growth in health insurance with an increase of 26%, or HRK 80m, while non-life insurance products declined by HRK 14m.

In life insurance, the trend of switching from classical life products to those in which the policyholder is exposed to investment risk is noticeable. Thanks to the strong activities of insurers in the sale of new types of products, the market showed a slight increase of HRK 7 million.

Total non-life insurance premiums amounted to HRK 5.85 billion, wherein dominate insurance related to motor vehicles – insurance for motor vehicles with a 33% share of the total premium and motor hull insurance with a 14% share. The main cause of the previously mentioned decline of premium is in MTPL, where total premiums fell by 3%, or HRK 58m, which is less than in 2014 when the drop was 15%. At the same time the number of policies sold increased by 3.8% which shows an upward trend in the number policies (the increase in 2015 was 2.7%). The reason for the fall of the total premium is the price drop as a result of liberalization of the MTPL market. The majority of other types of insurance premiums have increased, the biggest changes are observed in casco insurance with 13% growth (HRK 91m), while property insurance fell 2% (HRK 30m).

CROATIA osiguranje d.d., Jagićeva 33, Zagreb (hereinafter: the Company), still holds the largest share of the Croatian insurance market, with a share in the total written premium of 25.8%. Together with its subsidiary Croatia zdravstveno osiguranje, the Group in Croatia, after many years of experiencing a decline in market share, managed to reverse the negative trend for the second consecutive year and for the second year recorded a growth in its share - in 2016 the growth was 0.1 percentage points and at the end of 2016 the total share was 29.1%.

## Operating results and financial position of the Company and the Group

### Company

Croatia osiguranje has been going through a transformation process since 2014. At the beginning, a financial restructuring was performed with capitalization amounting to HRK 840m, thus reaching a strong capital adequacy of 235%. Organizational restructuring began in a situation where only about 23 percent of employees were in sales. By the end of 2016, this amount increased to 62 percent. The process continues, so that in the coming years there will be at least seventy percent of those who work in sales services and are directly oriented to the client. The third phase is mental restructuring, which is about changing the organizational culture and turning to values that create a positive atmosphere for creativity, innovation and ultimately business excellence in every business segment.

The restructuring results are visible in the financial results. In 2016, Croatia osiguranje d.d. reported profit before tax in the amount of HRK 93.7m (profit after tax of HRK 51.5m).

Earned premiums amounted to HRK 1,986 million. That is a decrease of 3%. The total gross written premium (before adjustments by the net increase in the provision for premium receivables and related write-offs) decreased by 1% and amounted to HRK 2,269m. Written premium in non-life insurance amounted to HRK 1,735m, which is a decrease of 3% compared to the same period last year.

The largest decline is recorded in MTPL as a result of a price drop due to market liberalization and transportation insurance due to stowage effect. Written premium in life insurance amounted to HRK 533m and has increased by 4% as a result of the rapid development of the sales network in bank channel.

In the non-life and life insurance investment business, revenues were realised in the amount of HRK 369m which is 4% more than in 2015. Finance costs in 2016 have decreased to HRK 99m.

Gross paid claims amounted to HRK 1,318 million representing a decrease of 1% compared to the same period in 2015.

Administrative costs amounted to a total of HRK 409m recording a decrease of 6% as a result of restructuring. Acquisition costs amounted to a total HRK 404 million recording an increase of 6% as a result of investments in sales.

The following is a summary of key performance indicators in 2016:

Key performance indicators	31 Dec. 2015	31 Dec. 2016	Change in p.p.
Claims ratio (non-life)*	58.3%	54.3%	-4.1
Cost ratio (non-life)**	45.4%	48.9%	+3.5
Combined ratio (non-life)	103.8%	103.2%	-0.6

\* *Claims ratio = (Income from commissions and fees + Other insurance-technical income + Net Claims incurred + Cost for premium returns + Other technical expenses) / Net Earned premiums*

\*\* *Cost ratio = Acquisition costs and administrative expenses / Net Earned premiums*

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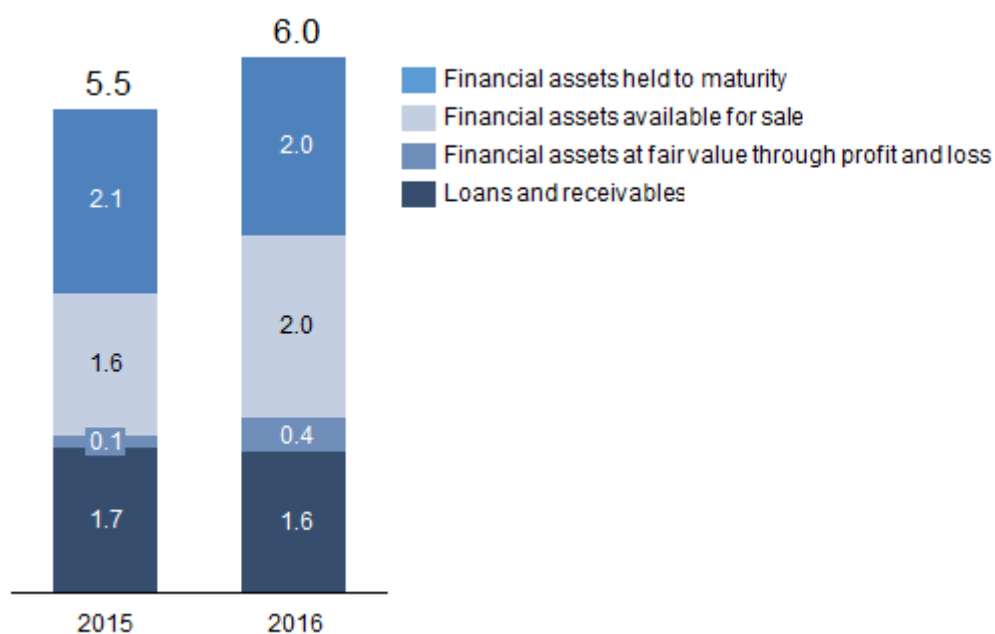
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The combined ratio, as the indicator of success in non-life insurance in 2016, amounted to 103.2%, which is 0.6 percentage points better than in the same period of 2015. The claims ratio is better by 4.1 percentage points and amounted to 54.3%. The cost ratio amounted to 48.9% which is 3.5 percentage points higher than in 2015, primarily because of the investment in strengthening sales.

Total assets of the Company as at 31 December 2016 amount to HRK 8.7 billion, which represents an increase of 3.3% compared to 31 Dec 2015.

Technical reserves amounted to HRK 5.9 billion and are 2.3% higher than the technical provisions as of 31 December 2015.

*The structure of investments (HRK billion)*



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*Group*

In 2016, the CROATIA osiguranje d.d. Group (hereinafter: the Group) achieved consolidated profit after tax and non-controlling interest in the amount of HRK 176m.

The total gross written premium (before adjustments by the net increase in the provision for premium receivables and related write-offs) on the Group level in 2016 amounted to HRK 3,021m which represents an increase by 2%. The gross written premium of non-life insurance amounted to HRK 2,391m which represents an increase by 1%, while gross written premium of life insurance amounted to HRK 630m which represents an increase by 5%.

Earned premiums in the reporting period amounted to HRK 2,651.7 million which represents a decrease by 1.3% compared to the same period of last year.

In the non-life and life insurance investment business, the Group generated income from investments in the amount of HRK 391m which represents a decrease of 11%, with an investment cost of HRK 98m which represents a decrease of 35%.

Gross claims in 2016 amounted to HRK 1,667m which is an increase of 1% compared to the same period of last year.

Acquisition costs and administrative expenses amounted to a total of HRK 1,171m and represents decrease by 0.2% in which administrative expenses decreases while acquisition cost increases. The increase in acquisition costs and administrative expenses is the result of, among other things, business reorganization.

Total assets of the Group as at 31 December 2016 amount to HRK 10.2 billion which represents an increase by 4.1% in comparison to 31 December 2015.

Technical provisions amounted to HRK 6.8 billion which represents an increase by 1.6% in comparison to the technical provisions as at 31 December 2015.

## **Significant business events in the reporting period**

In May 2016, the Company sold its 100% share in Croatia Sigurimi Sh.a. The sales decision is part of the process of business rationalization with the aim of maintaining and strengthening Croatia's leading position in international competition, not only in Croatia but also in the region.

On 23 December 2016, the Company signed a merger agreement with the company Croatia Lloyd d.d..

The Croatian Financial Services Supervisory Agency, at the session of the Administrative Council held on March 3, 2017, issued a Decision based on which the merger of Croatia Lloyd d.d. to the Company was approved.

## **Significant events after the end of the financial year**

Significant business events after the end of the year are described in Note 34. Events after the balance sheet date of the Consolidated and separate financial statements for 2016.



## **Expected development in the future**

In the long run, there is a high growth potential of the Croatian market. The per capita premium in developed European countries is about seven times higher than the average premium in Croatia. Neighbouring Slovenia has about three and a half times higher premium per capita compared to us. This measure does not take into account the development of the country and therefore is a good indicator of the share of premium in the GDP. For example, the Croatian market has earned a premium in 2015 at 2.6 percent of the GDP. The Slovenian market is twice as large, and the European is three times larger than the Croatian insurance market. In addition to the relative size of the market, there is also a difference in the structure. In Europe, the premium structure is dominated by personal insurance, life and health, comprising between one-half and two-thirds of the premium.

In the coming period, we expect a continuation in the reversal of negative economic trends that in previous periods affected the potential development of the insurance market and its movement as a whole. This will create a positive business environment and conditions for the convergence of markets towards more developed markets of other EU countries.

The Company continues with continuous improvement in all business segments with the aim of strengthening the leading position on the Croatian market. Key activities include:

- Continuous improvement of the cost pricing model
- Introduction of new customized products
- Stronger sales force to grow in a more profitable retail segment and segment of small and medium-sized entrepreneurs
- Further improvement in the damage management process with the aim of increasing client satisfaction and loyalty and reducing costs

In the forthcoming period, the goal is to convey the best practice of operational excellence to subsidiaries in the region. With organic growth, new acquisitions are also possible.

## **Research and development activities**

Customer focus and continuous innovations are the values of the Group that underlie research activities and new product development.

We conduct market research activities regularly with the goal of better understanding the existing market needs and creating products that will adequately respond to them. At the same time, we are monitoring trends and developments in highly developed insurance markets with a focus on the EU. In this way, we connect the relevant worldwide insurance products with the needs of clients in Croatia.

During product development, our focus is put on creating products with quality insurance coverage and on the service that we provide as a whole. Special emphasis is placed on quality and available service which will adequately cover risks with which our clients are faced. We monitor trends and continuously implement the latest technology solutions as well as numerous innovations to ensure customer satisfaction.

## Company subsidiaries

<b>Subsidiary name</b>	<b>Registered office /address</b>
Croatia osiguranje d.d. OSIJEK branch office	Trg Lj.Gaja 1, Osijek
Croatia osiguranje d.d. PULA branch office	Marulićeva ulica 1, Pula
Croatia osiguranje d.d. RIJEKA branch office	Korzo 39, Rijeka
Croatia osiguranje d.d. SLAVONSKI BROD branch office	Ivana Mažuranića 14, Slavonski Brod
Croatia osiguranje d.d. SPLIT branch office	Trg Hrvatske bratske zajednice 8, Split
Croatia osiguranje d.d. VARAŽDIN branch office	Kapucinski Trg 14, Varaždin
Croatia osiguranje d.d. ZABOK branch office	Matije Gupca 13, Zabok
Croatia osiguranje d.d. ZADAR branch office	Obala Kneza Branimira 20, Zadar
Croatia osiguranje d.d. ZAGREB branch office	Trg Bana Josipa Jelačića 13, Zagreb
Croatia osiguranje d.d. DUBROVNIK branch office	Dr.Ante Starčevića 9, Dubrovnik
Croatia osiguranje d.d. ZAGREBAČKI PRSTEN branch office	Trg Kralja Tomislava 16, Velika Gorica
Croatia osiguranje d.d. ZAGREB II branch office	Trg Bana Josipa Jelačića 13, Zagreb
Croatia osiguranje d.d. VINKOVCI branch office	Vladimira Nazora 4, Vinkovci
Croatia osiguranje d.d. ŠIBENIK branch office	Stjepana Radića 9, Šibenik
Croatia osiguranje d.d. branch office for corporate clients	Miramarska 22, 10000 Zagreb
Croatia osiguranje d.d. podružnica LJUBLJANA, Slovenija	Komenskega ulica 36, 1000 Ljubljana

Based on the Management Board's decision on 9 December 2016, the Company's branches, with the exception of Ljubljana, Slovenia, have ceased to work. Branch office Croatia osiguranje d.d. LJUBLJANA, Republic of Slovenia, has formally started working on 21 April 2016 and has resumed its work.

## Financial risk management

Financial risk management is described in Note 2.37. of the Consolidated and separate financial statements for 2016.

## Corporate Governance Statement

CROATIA osiguranje d.d., Vatroslava Jagića 33, Zagreb (hereinafter: the Company) The Company applies the Code of Corporate Governance, which was jointly adopted by the Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange and is available on their web sites.

By applying the provisions of the Corporate Governance Code, Rules of the Zagreb Stock Exchange (which are available on its website), the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15) and the Capital Market Act (Official Gazette 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15), the Company makes its operations and operating results transparent and accessible to the public. All explanations and possible deviations from the above rules are published by the Company in the Corporate Governance Code Annual Questionnaire which will be publicly available, for year 2016, on the website of the Company ([www.crosig.hr](http://www.crosig.hr)) and on the Internet website of the Zagreb Stock Exchange, after its consideration by the Supervisory Board.

The system of internal controls in financial reporting ensures reasonable accuracy of financial statements in their presentation of financial results and the financial position of the Company, and their compliance with International Financial Reporting Standards.

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The accounting policies of the Company represent the principles, rules and practices that the Company applies in preparing and presenting financial statements. The accounting policies of the Company are defined by a special Rulebook. A summary of significant accounting policies is disclosed in the Company's financial statements.

The internal accounting control procedures include the control of formal, substantive and computational accuracy of an accounting document:

- Control of formal accuracy of an accounting document determines whether the document has been prepared in accordance with applicable regulations,
- Substantive control of an accounting document determines whether the business changes actually occurred and in the range as indicated,
- Control of computational accuracy of an accounting document means the control of mathematical operations (division, multiplication, addition and subtraction), based on which the results are obtained in the document.

The control of accounting documents is carried out in accordance with the Company's organizational structure and internal regulations by a person holding authorisation to do so as defined in the internal documents of the Company. The organizational chart is located on the internal network and is available to all employees. The control of formal, substantive and computational accuracy is confirmed by a physical and/or electronic signature of the person who has signed it.

In accordance with the provisions of the Insurance Act, the Company has formed an internal audit function at the highest organizational level which structurally answers directly to the Management Board and functionally to the Audit Committee and the Supervisory Board. Activities of the internal audit function are based on the work plans adopted by the Supervisory Board following a positive opinion of the Management Board. The internal audit function analyses and evaluates the activities of the Company and provides expert advice, recommendations and advice on controls that should enable, among other things, the preparation of financial and other reports in accordance with applicable regulations and internal documents of the Company.

The Company has established a risk management function in the form of an independent organizational unit directly answerable to the Management Board. This function established a risk management system consisting of a set of internal acts, procedures and methodologies to identify, estimate or measure, control and report risks. The risk management system is regularly being improved in accordance with best market practices and the requirements of external regulations. More detailed information on risk management can be found in the Notes to the financial statements.

In accordance with the Insurance Act, the Company has formed an effective compliance function which includes advising and reporting to the Management Board and Supervisory Board on Company compliance with the Insurance Act and other regulations governing the operation of an insurance company, carrying out an assessment of the possible impact of changes in the legal environment on Company operations, and determining and assessing compliance risk.

The Company has established an effective actuarial function that according to the Insurance Act coordinates calculation of technical reserves, ensures the appropriateness of methodologies and models, evaluates the adequacy and quality of data needed to evaluate technical reserves, compares the assumptions and experience, and gives its opinion to the Management Board and Supervisory Board about calculating insurance risk takeovers, underwriting policy, the appropriateness of the reinsurance program and participation of actuarial function in the implementation of risk management systems.

In accordance with the Insurance Act, the Company has appointed a certified actuary who verifies data, methods and underlying documents for the calculation of technical provisions according to accounting regulations, and whether the technical provisions and premiums are designed to enable a permanent fulfilment of all Company obligations under the insurance or reinsurance contract regarding which the actuary provides an Opinion and Report to the Management Board and Supervisory Board.

During 2016, the Company actively implemented measures to promote gender equality at the Company's overall level. The focus was placed on equal terms in terms of sex and age in conducting tenders for new employment as well as internal redeployment of workers. Equal criteria were also applied when employing employees in the management positions of the Company, where continuous progress is being made. There are also no differences in wages for the same work or work of equal value. At all levels we note the equal representation of experts regardless of sex and age parameters. With respect to the professional criteria, the Company applies a strategy for recruiting and developing the management functions of the appropriate profession and level of education in view of the nature of the function and its requirements. The Company also continuously holds and organises education and training events for employees for further development and improvement of their competencies.

Significant direct holders of shares in the Company are:

- Adris grupa d.d. with a share of 66.1% and
- Restructuring and Sales Center of the Republic of Croatia, with a share of 30.6%.

On the Internet site of the Central Depository and Clearing Company there data are available on the 10 largest shareholders.

According to the current Articles of Association, the limitation of voting rights of shareholders or partial restriction of voting rights does not exist.

The Company's Management Board, according to the Articles of Association, consists of at least three (3) and a maximum of seven (7) members, one of whom is the President of the Management Board. The Supervisory Board determines in a decision the number of members; therefore, in a decision of the Supervisory Board from October 2016, the Company increased the number of Management Board members from four (4) to six (6) members. The Supervisory Board may appoint a member of the Management Board only after obtaining prior consent of the Croatian Financial Services Supervisory Agency in a procedure prescribed by the Insurance Act.

The right to appoint certain members of the Supervisory Board are set out in Article 24 of the Articles of Association in favour of the Republic of Croatia and employees of the Company. In accordance with the provisions of the Articles of Association, and in connection with the provision of Article 256, paragraph 3 of the Companies Act, the Republic of Croatia has the right to directly appoint two (2) members of the Supervisory Board, as long as it holds at least 25% of the Company's ordinary shares plus one ordinary share; however, as long as it holds at least 10% of ordinary shares of the Company, pursuant to the same statutory provisions, and in connection with the provision of Article 256 paragraph 3 of the Companies Act, the Republic of Croatia has the right to directly appoint one (1) member of the Supervisory Board. One (1) member of the Supervisory Board is appointed by the work council of the Company, i.e. by employees, through direct and secret elections in the manner prescribed for the election by the work council, and they are entitled to this right as long as the conditions prescribed by the Labour Act are met.

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The Articles of Association can be changed at the General Assembly in accordance with the provisions of the Companies Act, while the Supervisory Board is authorized to amend the provisions of the Articles of Association based on the decision of the General Assembly to the extent that the these amendments are of an editorial nature.

The Statute of the Company was amended by the Assembly Decision on 9 June 2016 as follows:

1. The subject of business has also expanded to reinsurance business in the non-life insurance group
2. The General Assembly's announcement, the agenda and the invitation to the General Assembly are not published on the Official Gazette, but on the website of the Court Registry
3. The Company's data and communications are no longer published on the Official Gazette website, but on the website of the court register, or may be published in other public media, including electronic information media.

Members of the Management Board and the Supervisory Board are not shareholders of the Company.

The Company does not own treasury shares, and the General Assembly did not authorize the Company to acquire treasury shares.

The General Assembly, in accordance with the provisions of the Articles of Association, makes decisions by public voting at meetings convened usually by the Management Board and by the Supervisory Board only when it deems this necessary for the benefit of the Company. The powers of the General Assembly are governed by the Articles of Association and they do not deviate from the powers that the General Assembly of a public limited liability company has under the Companies Act. A shareholder is entitled to attend and vote at the General Assembly only if it informed the Management Board in writing of their participation no later than six days before the General Assembly.

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

The General Assembly comprises all of the shareholders of the Company.

Members of the Supervisory Board are:

- |  |                |
|--|----------------|
| • Ante Vlahović                              | President      |
| • Mladen Blažević                            | Vice president |
| • Branko Zec                                 | Member         |
| • Roberto Škopac                             | Member         |
| • Vitomir Palinec                            | Member         |
| • Josip Tica, PhD, Professor                 | Member         |
| • Miroslav Hrašćanec (until 18 January 2016) | Member         |

Members of the Management Board are:


- |  |           |
|--|-----------|
| • Damir Vandelić (from 12 October 2016)                      | President |
| • Sanel Volarić (until 11 October 2016)                      | President |
| • Sanel Volarić (from 12 October 2016 until 31 January 2017) | Member    |
| • Nikola Mišetić   | Member    |
| • Marijan Kralj  | Member    |
| • Andrej Koštomaj (until 29 February 2016)                   | Member    |
| • Robert Vučković (from 20 April 2016)                       | Member    |
| • Miroslav Klepač (until 12 October 2016)                    | Member    |


The Supervisory Board established an Audit Committee.

Members of the Audit Committee are:

- |                                 |           |
|---------------------------------|-----------|
| • Hrvoje Patajac                | President |
| • Roberto Škopac                | Member    |
| • Vitomir Palinec               | Member    |
| • Petar Miladin, PhD, Professor | Member    |
| • Josip Tica, PhD, Professor    | Member    |


Zagreb, 20 April 2017

  
Miroslav Klepač  
Member of the Management Board

  
Damir Vandelić  
President of the Management Board

  
Nikola Mišetić  
Member of the Management Board

  
Robert Vučković  
Member of the Management Board

  
Marijan Kralj  
Member of the Management Board



# **Consolidated and separate financial statements for 2016**



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## Responsibility for the financial statements

The Management Board of the Company is obliged to prepare separate and consolidated financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group and the results of their operations and cash flow, in accordance with applicable accounting standards, and is responsible for keeping proper accounting records so that it can, at any time, enable the preparation of financial statements. The Management Board has a general responsibility for taking such steps as are reasonably available to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities.


The Management Board is responsible for selecting suitable accounting policies that are in accordance with the applicable accounting standards and then apply them consistently; adoption of reasonable and prudent judgments and estimates; and preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

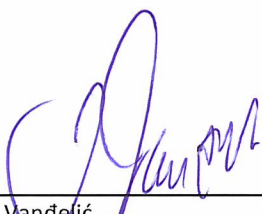
The Management Board is responsible for submitting the annual report of the Company and the Group, which includes the annual financial statements, to the Supervisory Board, following which the Supervisory Board should approve these for submitting to the General Assembly for acceptance.

The separate and consolidated financial statements which are presented on pages 29 to 156 as well as the forms, prepared in accordance with the *Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16)* adopted by the Croatian Financial Services Supervision Agency, as presented on pages 157 to 181, were approved by the Management Board on 20 April 2017 for issue to the Supervisory Board. In acknowledgment, the financial statements are signed by the Company's authorized persons, as follows.

20 April 2017

For and on behalf of Croatia osiguranje d.d.:

  
\_\_\_\_\_  
Miroslav Klepač  
Member of the Management Board

  
\_\_\_\_\_  
Damir Vandelić  
President of the Management Board

  
\_\_\_\_\_  
Nikola Mišetić  
Member of the Management Board

  
\_\_\_\_\_  
Robert Vučković  
Member of the Management Board

  
\_\_\_\_\_  
Marijan Kralj  
Member of the Management Board

CROATIA osiguranje d.d.  
Vatroslava Jagića 33  
10 000 Zagreb  
Republic of Croatia





## *Independent auditor's report*

to the Shareholders and Management Board of Croatia osiguranje d.d.

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### *Our opinion*

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of Croatia osiguranje d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS").

### **What we have audited**

The separate and consolidated financial statements of the Company and the Group comprise:

- the separate and consolidated statements of financial position as at 31 December 2016;
  - the separate and consolidated statements of comprehensive income for the year then ended;
  - the separate and consolidated statements of changes in equity for the year then ended;
  - the separate and consolidated statements of cash flows for the year then ended; and
  - the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.
- 

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report.

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

### **Independence**

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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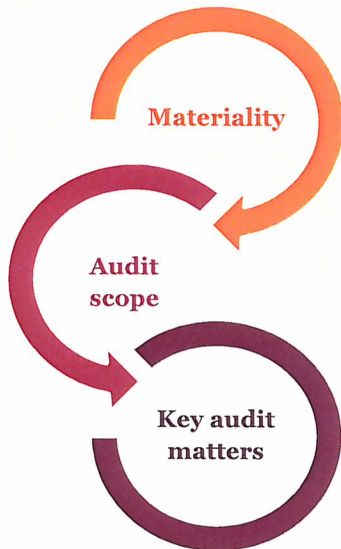
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## Our audit approach

### Overview

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#### Materiality

- Overall materiality for the financial statements of the Company as a whole: HRK 23 million, which represents 1% of Gross written premium.
- Overall materiality for the financial statements of the Group as a whole: HRK 28 million, which represents 0.95% of Gross written premium.

---

#### Audit scope

- The group engagement team in Croatia was the auditor of the reporting units in Croatia and the subsidiaries in foreign countries were audited by component auditors from PwC network. One immaterial subsidiary is not covered by audit procedures.
- In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from PwC network operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.
- Our audit scope addressed almost 100% of the Group's revenues and almost 100% of the Group's absolute value of profit after tax.

---

#### Key Audit Matters

- KAM 1 – Estimation of Technical provisions
- KAM 2 – Valuation of investment property and property for own use
- KAM 3 – Change in accounting policy – Deferred acquisition cost

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We designed our audit by determining materiality and assessing the risks of material misstatement in the separate and consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate and consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate and consolidated financial statements as a whole.

<b>Overall materiality for the financial statements as a whole</b>	The Company: HRK 23 million (2015: HRK 23.1 million) The Group: HRK 28 million (2015: HRK 24 million)
<b>How we determined it</b>	The Company: 1% of Gross written premium The Group: 0.95% of Gross written premium
<b>Rationale for the materiality benchmark applied</b>	We chose Gross written premium as the benchmark because it is the benchmark against which the performance of the Company and the Group is measured, in terms of both its market share and customer base. In addition, net profit/loss for previous years was volatile while revenues are a more consistent measure of performance. We selected the threshold based on our professional judgement, noting that it is within the range of commonly acceptable quantitative materiality thresholds. For the purpose of Group audit we used slightly lower threshold.

## How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate and consolidated financial statements as a whole, taking into account the geographic and management structure of the Company and Group, the accounting processes and controls, and the industry in which the Company and Group operate.

The Group consists of the Company and 9 direct subsidiaries of which 4 subsidiaries are from foreign countries.

- Croatia osiguranje d.d. was audited by the Group audit team;
- five domestic direct subsidiaries Croatia zdravstveno osiguranje d.d., Croatia Lloyd d.d., Croatia-tehnički pregledi d.o.o., Croatia osiguranje mirovinsko društvo d.o.o. and Razne usluge d.o.o. were audited by the Group audit team except Razne usluge d.o.o. which is not audited; and
- four foreign direct subsidiaries Milenijum osiguranje a.d.o. (Serbia), Croatia osiguranje d.d. (Bosnia & Herzegovina), Croatia osiguranje d.d. for non-life (Macedonia), Croatia osiguranje d.d. for life (Macedonia) were audited by the component audit teams from PwC network based on the instructions of the Group audit team.

Overall, our audit procedures covered almost 100% of the Group in respect of revenue and approximately 100% in respect of total assets.

By performing the above procedures at components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)</i></p> <p>Refer to note 2.21 “Summary of significant accounting policies – Technical provisions” and note 25 “Technical provisions”.</p> <p>The Group and Company had Technical provisions of HRK 6.8 billion and HRK 6.0 billion respectively at 31 December 2016 representing 89% of the Group’s total liabilities (Company: 90%). This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities, and therefore we considered it a key audit matter for our audit.</p> <p>Consistent with the insurance industry, the Group uses valuation models to support the calculations of the Technical provisions. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.</p> <p>Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behaviour are key inputs used to estimate these mainly long-term liabilities. Significant judgements applied in setting these assumptions.</p> <p>The Group’s IFRS liability adequacy test was performed in order to confirm that Technical provisions, net of deferred acquisition cost, were adequate in the context of expected future cash outflows.</p>	<p>We used our own actuarial specialists to assist us in performing our audit procedures.</p> <p>In particular, our audit focused on the models considered more complex and/or requiring significant judgement in the setting of assumptions used in calculation of Technical provisions or performing Liability adequacy test.</p> <p>We obtained the understanding of the internal actuarial process including management’s determination and approval process for setting of economic and actuarial assumptions.</p> <p>Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management’s rationale for the actuarial judgments applied along with comparison to applicable industry experiences.</p> <p>We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards.</p> <p>Furthermore, by performing our recalculations we have determined whether the models and systems were calculating the Technical provisions accurately and completely.</p> <p>We tested the validity of management’s liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. The inputs used were reconciled to the accounting records.</p> <p>Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Group and industry experience and specific product features.</p> <p>Based on the evidence obtained, we found that the assumptions and data used within the models calculating technical provisions were reasonable. We consider management’s conclusion to be consistent with the available information</p> <p>As a result, the technical provisions are within a reasonable range of outcomes in the context of the uncertainties disclosed in the financial statements.</p> <p>We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements and found them appropriate.</p>



## Key audit matter

### *Valuation of investment property and property for own use*

Refer to notes 16 and 17 of the financial statements.

The Investment Property and Property for own use amount to HRK 1.55 billion and represent the 15% of the Group's total assets and HRK 1.04 billion and represent the 12% of the Company's total assets as at 31 December 2016.

According to the Notes 2.13 and 2.14 investment property is subsequently measured at fair value and property for own use is subsequently measured according to revaluation method.

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for each particular property.

The existence of significant estimation uncertainty, together with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, are the reasons why we have given specific audit focus and attention to this area.

The valuations were carried out by third party companies ("the Valuers"). The Valuers were engaged by the Group and Company, and performed their work in accordance with the Croatian "Rules on the methods of valuation". The Valuers used by the Group were firms with experience in the property estimation.

In determining a property's valuation, the Valuers took into account property specific current information such as the current tenancy agreements rental income earned by the asset and expenses where applicable. They then applied assumptions in relation to capitalisation rates and current market rent and growth, based on available market data and transactions.

Comparable market information was used for properties which are currently not rented and for some specific properties the Valuers take into consideration cost method, all in line with applicable real estate valuation regulations.

The Group recorded the assessed values determined by the Valuers.

## How our audit addressed the Key audit matter

### **External valuations**

We read the valuation reports for sample of properties and discussed our findings with management. We confirmed that the valuation approach for each property was in accordance with professional valuation standards and respective real estate valuation regulation and suitable for use in determining the carrying value of Investment Properties and properties for own use at 31 December 2016.

It was evident from our discussions with management and our review of the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, location and marketability as a whole.

There was no evidence of management bias or influence on the Valuers.

We assessed the Valuers' qualifications and expertise to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of any Valuer in their performance of the valuations was compromised.

We carried out procedures, on a sample basis, to test whether property specific information supplied to the Valuers by the Group reflected the underlying property records held by the Group. No issues were identified.

### **Assumptions**

Our work over the assumptions focused on sample of properties consisting of the largest properties in the portfolio and those properties where the assumptions used significantly changed to prior year. We also engaged our own in-house valuation specialist to critique and challenge the work performed and assumptions used by the Valuers.

We challenged management on significant movements in the valuations. We concluded that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

### **Overall valuation estimates**

The valuations adopted by the Group were all within an acceptable range. We also considered whether or not there was bias in determining individual valuations and found no evidence of bias.





## Key audit matter

## How our audit addressed the Key audit matter

### *Change in accounting policy – Deferred acquisition cost (DAC)*

Refer to notes 1.4 “Restatement due to the change in accounting policy”, 2.12 “Summary of accounting policies” and 15.1 “Deferred acquisition cost”.

As at 31 December 2016, DAC represented HRK 110.5 million or 1.3% of total Group’s assets and HRK 128.3 million or 1.3% of total Company’s assets

In the financial statements for the year ending 31 December 2016, the management decided to change the accounting policy in respect of the accounting treatment of acquisition cost in non-life insurance segment. The management decided to defer acquisition costs which relates to the earned premiums to be recognised in the subsequent periods. In previous periods, no deferrals were made. The management believes that this change will improve financial reporting as revenue and related cost will be more accurately matched than under the prior accounting policy. This issue was therefore considered key matter for our audit.

We were also focused on measurement and assessment of recoverability of these assets.

Our work in this area included assessing the appropriateness of the change of the accounting policy.

We used our own actuarial specialist to assist us in performing our audit procedures, especially in area of testing recoverability. After considering the results of liability adequacy test and taking into account all provisions booked we found no material issues in this respect.

We assessed the amortisation calculations performed and assumptions used in those calculations in respect of both amounts recognised and retrospective application of the new accounting policy. We found no material issues arising from our audit procedures performed on the calculations.

We also considered the adequacy of the Group’s and Company’s disclosures in the consolidated and separate financial statements.

Based on the evidence obtained, we found management's decision about the change in accounting policy as reasonable, and we found the disclosures in the financial statements in respect of this change as appropriate.



### *Other information*

Management is responsible for the other information. The other information comprises the Annual Report of the Company and the Group, which includes the Management Report and Corporate Governance Statement, but does not include the separate and consolidated financial statements and our independent auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information, including the Management Report and Corporate Governance Statement.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report and Corporate Governance Statement, we also performed procedures required by the Accounting Act in Croatia. Those procedures include considering whether the Management Report includes the disclosures required by Article 21 and 24 of the Accounting Act, and whether the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report and the Corporate Governance Statement for the financial year for which the separate and consolidated financial statements are prepared is consistent, in all material respects, with the separate and consolidated financial statements;
- the Management Report has been prepared in accordance with the requirements of Article 21 and 24 of the Accounting Act; and
- the Corporate Governance Statement includes the information specified in Article 22 of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management Report and Corporate Governance Statement. We have nothing to report in this respect.

---

### *Responsibilities of management and those charged with governance for the separate and consolidated financial statements*

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.



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### *Auditor's responsibilities for the audit of the separate and consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Siniša Dušić.

*PricewaterhouseCoopers d.o.o.*

PricewaterhouseCoopers d.o.o.  
Ulica kneza Ljudevita Posavskog 31, Zagreb  
20 April 2017

**Statement of comprehensive income**  
for 2016

	Note	Company		Group	
		2016	Restated 2015	2016	Restated 2015
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	4	2,275,118	2,301,445	3,025,818	2,959,618
Premiums ceded to reinsurance	4	(243,808)	(258,784)	(284,345)	(278,865)
<b>Written premiums, net of reinsurance</b>	<b>4</b>	<b>2,031,310</b>	<b>2,042,661</b>	<b>2,741,473</b>	<b>2,680,753</b>
Change in gross provisions for unearned premiums	4	(31,084)	22,062	(93,070)	(3,709)
Change in provisions for unearned premiums, reinsurance share	4	(13,915)	(8,266)	3,313	10,300
<b>Earned premiums, net of reinsurance</b>	<b>4</b>	<b>1,986,311</b>	<b>2,056,457</b>	<b>2,651,716</b>	<b>2,687,344</b>
Commission and fee income	5	32,880	33,328	42,644	37,170
Finance income	6	368,970	356,018	391,465	440,731
Other operating income	7	56,198	55,927	170,707	155,350
<b>Net operating income</b>		<b>2,444,359</b>	<b>2,501,730</b>	<b>3,256,532</b>	<b>3,320,595</b>
Claims incurred	8	(1,415,799)	(1,497,812)	(1,730,229)	(1,872,536)
Reinsurance share in claims incurred	8	99,900	79,665	141,495	81,628
<b>Claims incurred, net of reinsurance</b>		<b>(1,315,899)</b>	<b>(1,418,147)</b>	<b>(1,588,734)</b>	<b>(1,790,908)</b>
Acquisition costs	9	(403,655)	(379,294)	(546,574)	(495,848)
Administrative expenses	10	(409,118)	(433,916)	(623,962)	(676,961)
Other operating expenses	11	(122,905)	(39,132)	(154,833)	(74,019)
Finance costs	12	(99,062)	(158,946)	(98,174)	(150,101)
Share of profits of associates and joint ventures		-	-	12,908	13,762
<b>Profit before tax</b>		<b>93,720</b>	<b>72,295</b>	<b>257,163</b>	<b>146,520</b>
Income tax	13	(42,192)	(21,331)	(81,953)	(32,581)
<b>Profit for the year</b>		<b>51,528</b>	<b>50,964</b>	<b>175,210</b>	<b>113,939</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

## Statement of comprehensive income (continued)

for 2016

	Note	Company		Group	
		2016	Restated 2015	2016	Restated 2015
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Total comprehensive income for the year</b>					
<b>Items that will not be recognised in profit or loss</b>					
Change in fair value of business property		(7,102)	96	(9,568)	57
<b>Items that may be subsequently recognised in profit or loss</b>					
Change in fair value of available-for-sale financial assets, net of realised amounts and net of deferred tax		94,821	(28,569)	102,939	(26,657)
Foreign currency differences		-	-	(1,427)	643
<b>Total other comprehensive income/(loss) for the year</b>		<b>87,719</b>	<b>(28,473)</b>	<b>91,944</b>	<b>(25,957)</b>
<b>Total comprehensive income for the year</b>		<b>139,247</b>	<b>22,491</b>	<b>267,154</b>	<b>87,982</b>
<b>Profit attributable to:</b>					
- Company's shareholders		51,528	50,964	175,835	114,590
- non-controlling interest		-	-	(625)	(651)
		<b>51,528</b>	<b>50,964</b>	<b>175,210</b>	<b>113,939</b>
<b>Total comprehensive income attributable to:</b>					
- Company's shareholders		139,247	22,491	267,765	88,719
- non-controlling interest		-	-	(611)	(737)
		<b>139,247</b>	<b>22,491</b>	<b>267,154</b>	<b>87,982</b>
<b>Earnings per share attributable to the Company's shareholders</b>					
Basic and diluted loss per share	14	-	-	<b>417,71</b>	<b>272,22</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

## Statement of financial position

as at 31 December 2016

	Note	Company	Company	Company	Group	Group	Group
		31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
		2016	2015	2014	2016	2015	2014
		in	in	in	in	in	in
		HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
<b>Assets</b>							
Intangible assets	15	16,281	14,334	10,828	33,494	25,509	44,968
Deferred acquisition costs	15.1	110,496	64,363	57,598	128,331	68,375	61,553
Property and equipment	16	634,905	732,191	738,333	833,392	943,580	976,020
Investment property	17	448,528	479,755	514,715	784,159	718,459	751,402
Investments in subsidiaries, associates and participation in joint ventures	18	394,644	421,416	421,371	85,566	81,653	71,403
Held-to-maturity investments	19	2,020,974	2,085,668	2,243,583	2,169,677	2,315,482	2,486,919
Available-for-sale financial assets	19	2,043,769	1,608,197	1,034,523	2,440,238	2,002,521	1,257,360
Financial assets at fair value through profit or loss	19	381,050	105,805	290,774	461,554	213,997	440,266
Loans and receivables	19	1,597,601	1,661,522	1,675,682	1,904,846	2,062,811	2,141,404
Reinsurance share in technical provisions	20	181,954	306,769	339,416	198,091	163,674	144,852
Deferred tax assets	21	43,105	83,094	97,023	55,086	97,152	111,264
Insurance contract and other receivables	22	763,375	799,626	756,026	982,191	1,004,503	971,605
Cash and cash equivalents	23	66,199	58,360	101,175	160,006	136,156	165,378
<b>Total assets</b>		<b>8,702,881</b>	<b>8,421,100</b>	<b>8,281,047</b>	<b>10,236,631</b>	<b>9,833,872</b>	<b>9,624,394</b>
<b>Equity</b>							
Registered capital	24	601,576	601,576	601,576	601,576	601,576	601,576
Share premium		681,483	681,483	681,483	681,483	681,483	681,483
Reserves	24	397,874	395,535	513,007	397,874	395,535	514,746
Fair value reserve	24	228,528	141,970	171,581	288,449	199,457	246,803
Retained earnings/(accumulated loss)		144,060	95,398	(74,461)	609,501	434,149	181,464
<b>Equity attributable to owners of the parent</b>		<b>2,053,521</b>	<b>1,915,962</b>	<b>1,893,186</b>	<b>2,578,883</b>	<b>2,312,200</b>	<b>2,226,072</b>
Non-controlling interest		-	-	-	13,678	14,794	36,835
<b>Total equity</b>		<b>2,053,521</b>	<b>1,915,962</b>	<b>1,893,186</b>	<b>2,592,561</b>	<b>2,326,994</b>	<b>2,262,907</b>
<b>Liabilities</b>							
Technical provisions	25	5,964,426	5,832,433	5,690,030	6,817,243	6,712,669	6,492,637
Provisions	26	123,981	107,510	248,491	140,783	128,888	261,133
Deferred tax liability	21	-	-	-	19,745	23,855	31,618
Financial liabilities	27	-	-	-	4,173	1,729	31,527
Insurance contract and other liabilities and deferred income	28	544,414	565,195	441,209	617,317	632,512	532,454
Current tax liability		16,539	-	8,131	44,809	7,225	12,118
<b>Total liabilities</b>		<b>6,649,360</b>	<b>6,505,138</b>	<b>6,387,861</b>	<b>7,644,070</b>	<b>7,506,878</b>	<b>7,361,487</b>
<b>Total equity and liabilities</b>		<b>8,702,881</b>	<b>8,421,100</b>	<b>8,281,047</b>	<b>10,236,631</b>	<b>9,833,872</b>	<b>9,624,394</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

**Statement of changes in equity**  
for 2016

Company	Share capital	Share premium	Fair value reserve	Reserves	Retained earnings/ (accumulated loss)	Total equity
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Balance at 1 January 2015</b>	<b>601,576</b>	<b>681,483</b>	<b>171,581</b>	<b>513,007</b>	<b>(102,169)</b>	<b>1,865,478</b>
<b>Restatement (Note 1.4)</b>	-	-	-	-	27,708	<b>27,708</b>
<b>Restated 1 January 2015</b>	<b>601,576</b>	<b>681,483</b>	<b>171,581</b>	<b>513,007</b>	<b>(74,461)</b>	<b>1,893,186</b>
<b>Total comprehensive income for the year</b>						
Change in fair value of business property	-	-	120	-	-	<b>120</b>
Deferred tax on change in fair value of business property	-	-	(24)	-	-	<b>(24)</b>
Change in fair value of available for sale financial assets, net of amounts realized	-	-	(35,712)	-	-	<b>(35,712)</b>
Deferred tax on change in fair value of available for sale financial assets, net of amounts realized	-	-	7,143	-	-	<b>7,143</b>
<i>Other comprehensive loss</i>	-	-	<b>(28,473)</b>	-	-	<b>(28,473)</b>
<i>Profit for the year</i>	-	-	-	-	50,964	<b>50,964</b>
<b>Total comprehensive (loss)/income for the year</b>	-	-	<b>(28,473)</b>	-	<b>50,964</b>	<b>22,491</b>
<b>Transactions with owners recognized directly in equity</b>						
Allocation of profit for the previous year	-	-	-	(117,472)	117,472	-
Transfer due to depreciation of revalued business property	-	-	(1,423)	-	1,423	-
Deferred tax on change in fair value of business property	-	-	285	-	-	<b>285</b>
<b>Balance at 31 December 2015</b>	<b>601,576</b>	<b>681,483</b>	<b>141,970</b>	<b>395,535</b>	<b>95,398</b>	<b>1,915,962</b>
<b>Restated 1 January 2016</b>	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>						
Change in fair value of business property	-	-	(10,540)	-	-	<b>(10,540)</b>
Deferred tax on change in fair value of business property	-	-	2,108	-	-	<b>2,108</b>
Effect of change in income tax rate on business property	-	-	1,330	-	-	<b>1,330</b>
Change in fair value of financial assets available for sale, net of amounts realized	-	-	113,221	-	-	<b>113,221</b>
Deferred tax on change in fair value of available for sale financial assets, net of amounts realized	-	-	(22,644)	-	-	<b>(22,644)</b>
Effect of change in income tax rate on financial assets available for sale	-	-	4,244	-	-	<b>4,244</b>
<i>Other comprehensive income</i>	-	-	<b>87,719</b>	-	-	<b>87,719</b>
<i>Profit for the year</i>	-	-	-	-	51,528	<b>51,528</b>
<b>Total comprehensive income for the year</b>	-	-	<b>87,719</b>	-	<b>51,528</b>	<b>139,247</b>
<b>Transactions with owners recognized directly in equity</b>						
Dividends paid	-	-	-	-	(1,960)	<b>(1,960)</b>
Allocation of profit for the previous year	-	-	-	2,339	(2,339)	-
Transfer due to depreciation of revalued business property	-	-	1,433	-	1,433	-
Deferred tax on change in fair value of business property	-	-	272	-	-	<b>272</b>
<b>Balance at 31 December 2016</b>	<b>601,576</b>	<b>681,483</b>	<b>228,528</b>	<b>397,874</b>	<b>144,060</b>	<b>2,053,521</b>

The notes on pages 36 to 156 are an integral part of these financial statements.



**Statement of changes in equity (continued)**

for 2016

Group	Registered capital	Share premium	Fair value reserve	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>1 January 2015</b>								
<b>Total comprehensive income for the year</b>	<b>601,576</b>	<b>681,483</b>	<b>246,803</b>	<b>514,746</b>	<b>151,563</b>	<b>2,196,171</b>	<b>35,073</b>	<b>2,231,244</b>
<b>Restatement (note 1.4)</b>	-	-	-	-	<b>29,901</b>	<b>29,901</b>	<b>1,762</b>	<b>31,663</b>
<b>Restated 1 January 2015</b>	<b>601,576</b>	<b>681,483</b>	<b>246,803</b>	<b>514,746</b>	<b>181,464</b>	<b>2,226,072</b>	<b>36,835</b>	<b>2,262,907</b>
Change in fair value of business property	-	-	81	-	-	81	-	81
Deferred tax on change in fair value of business property	-	-	(24)	-	-	(24)	-	(24)
Change in fair value of available for sale financial assets, net of amounts realized	-	-	(33,767)	-	-	(33,767)	-	(33,767)
Deferred tax on change in fair value of financial assets available for sale, net of amounts realized	-	-	7,110	-	-	7,110	-	7,110
Foreign currency differences for foreign operations	-	-	729	-	-	729	(86)	643
<i>Other comprehensive income loss</i>	-	-	(25,871)	-	-	(25,871)	(86)	(25,957)
<i>Profit/(loss) for the year</i>	-	-	-	-	114,590	114,590	(651)	113,939
<b>Total comprehensive (loss)/income for the year</b>	-	-	(25,871)	-	114,590	<b>88,719</b>	<b>(737)</b>	<b>87,982</b>
<b>Transactions with owners recognized directly in equity</b>								
Dividends paid	-	-	-	-	(292)	(292)	(410)	(702)
Allocation of profit for the previous year	-	-	-	(117,472)	117,472	-	-	-
Acquisition of non-controlling interest (restated)	-	-	-	-	9,442	9,442	(20,894)	(11,452)
Decrease in fair value reserve	-	-	(16,153)	-	-	(16,153)	-	(16,153)
Other transfers	-	-	600	(1,739)	4,070	2,931	-	2,931
Transfer due to depreciation of revalued business property	-	-	(7,403)	-	7,403	-	-	-
Deferred tax on change in fair value of business property	-	-	1,481	-	-	1,481	-	1,481
<b>Restated 31 December 2015</b>	<b>601,576</b>	<b>681,483</b>	<b>199,457</b>	<b>395,535</b>	<b>434,149</b>	<b>2,312,200</b>	<b>14,794</b>	<b>2,326,994</b>
<b>Restated 1 January 2016</b>	<b>601,576</b>	<b>681,483</b>	<b>199,457</b>	<b>395,535</b>	<b>434,149</b>	<b>2,312,200</b>	<b>14,794</b>	<b>2,326,994</b>
<b>Total comprehensive income for the year</b>								
Change in fair value of business property	-	-	(15,201)	-	-	(15,201)	18	(15,183)
Deferred tax on change in fair value of business property	-	-	3,152	-	-	3,152	-	3,152
Effect of the change in the income tax rate on business property	-	-	2,463	-	-	2,463	-	2,463
Change in fair value of available for sale financial assets, net of amounts realized	-	-	121,332	-	-	121,332	21	121,353
Deferred tax on change in fair value of available for sale financial assets, net of amounts realized	-	-	(22,658)	-	-	(22,658)	-	(22,658)
Effect of the change in the income tax rate on financial assets available for sale	-	-	4,244	-	-	4,244	-	4,244
Foreign currency differences for foreign operations	-	-	(1,402)	-	-	(1,402)	(25)	(1,427)
<i>Other comprehensive loss</i>	-	-	91,930	-	-	91,930	14	91,944
<i>Profit/(loss) for the year</i>	-	-	-	-	175,835	175,835	(625)	175,210
<b>Total comprehensive income/(loss) for the year</b>	-	-	91,930	-	175,835	<b>267,765</b>	<b>(611)</b>	<b>267,154</b>
<b>Transactions with owners recognized directly in equity</b>								
Dividends paid	-	-	-	-	(2,468)	(2,468)	(106)	(2,574)
Allocation of profit for the previous year	-	-	-	2,339	(2,339)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	(55)	(55)	(304)	(359)
Other transaction	-	-	(702)	-	1,597	895	(95)	800
Transfer due to depreciation of revalued business property	-	-	(2,782)	-	2,782	-	-	-
Deferred taxes on change in fair value of business property	-	-	546	-	-	546	-	546
<b>Balance at 31 December 2016</b>	<b>601,576</b>	<b>681,483</b>	<b>288,449</b>	<b>397,874</b>	<b>609,501</b>	<b>2,578,883</b>	<b>13,678</b>	<b>2,592,561</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

**Statement of cash flows**  
*for 2016*

in HRK'000		Company		Group	
		2016	2015	2016	2015
	<b>Note</b>				
<b>Cash flows from operating activities</b>					
Profit before tax		93,720	72,295	257,163	146,520
Depreciation and amortisation	10	38,265	37,685	55,057	53,941
Change in deferred acquisition costs	9	(46,133)	(6,765)	(59,956)	(6,822)
Impairment of investments	12.1	27,203	39,645	1,635	2,189
Impairment of property and equipment	11	96,109	-	96,470	-
Interest expense	12	-	-	571	1,696
Interest income	6	(138,534)	(142,958)	(141,781)	(152,817)
Dividend income and share in profit of associates		(65,713)	(17,577)	(30,148)	(21,311)
Losses / (gains) from sale of investment property and tangible assets and changes in fair value of investment property		19,380	31,152	25,498	49,137
Net provisions for court cases, termination benefits, etc.		48,402	(17,567)	49,215	(4,468)
Loss on disposal of subsidiary		-	-	10,107	-
Other adjustments		4,390	1,524	4,374	7,249
<b>Cash flows before changes in operating assets and liabilities</b>		<b>77,089</b>	<b>(2,566)</b>	<b>268,205</b>	<b>75,314</b>
Changes in available for sale financial assets		(322,351)	(609,267)	(341,718)	(750,473)
Changes in financial assets at fair value through profit or loss		(275,245)	184,969	(247,557)	231,580
Changes in loans and receivables		140,144	85,821	116,069	98,222
Changes in reinsurance share in technical provisions		124,815	32,646	(44,625)	(18,822)
Changes in insurance contract and other receivables		27,085	(43,602)	26,319	(32,897)
Changes in technical provisions		131,993	148,065	160,315	225,694
Termination benefits and court cases		(31,931)	(123,414)	(37,293)	(127,777)
Changes in insurance contract and other liabilities and financial liabilities		(21,115)	117,206	(15,559)	103,408
Income tax paid		-	(8,536)	(13,103)	(15,489)
<b>Changes in operating assets and liabilities</b>		<b>(226,605)</b>	<b>(216,112)</b>	<b>(397,152)</b>	<b>(286,554)</b>
<b>Net cash flows used in operating activities</b>		<b>(149,516)</b>	<b>(218,678)</b>	<b>(128,947)</b>	<b>(211,240)</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

**Statement of cash flows (continued)**  
*for 2016*

***Cash flows from investing activities***

Proceeds from sale of tangible assets	63	-	551	-
Purchase of tangible assets	(40,866)	(19,465)	(46,508)	(25,923)
Proceeds from sale of intangible assets	-	-	24	-
Purchase of intangible assets	(8,934)	(9,628)	(21,253)	(14,372)
Proceeds from sale of investment property	12,695	-	12,695	(2,464)
Purchase of investment property	(629)	(2,140)	(100,753)	-
Capital increase in subsidiaries	-	(50,038)	-	-
Purchase of non-controlling interest	(359)	(11,452)	(359)	(11,452)
Sale of subsidiaries	5,618	22,115	5,618	-
Proceeds from held-to-maturity investments	157,493	245,350	265,401	329,136
Purchase of held-to-maturity investments	(96,328)	(94,637)	(119,008)	(164,139)
Proceeds from dividends and share in profit	65,011	17,577	17,240	7,540
Proceeds from loans given	161,713	159,594	163,394	168,150
Loans given	(238,776)	(229,208)	(163,356)	(234,226)
Interest income	142,614	147,795	141,685	159,937
<b>Net cash flows from investing activities</b>	<b>159,315</b>	<b>175,863</b>	<b>155,371</b>	<b>212,187</b>

***Cash flows from financing activities***

Repayment of received loans	-	-	-	(29,467)
Payment of share in profit (dividend)	(1,960)	-	(2,574)	(702)
<b>Net cash flows from financing activities</b>	<b>(1,960)</b>	<b>-</b>	<b>(2,574)</b>	<b>(30,169)</b>

Cash and cash equivalents at beginning of period	23	58,360	101,175	136,156	165,378
Cash and cash equivalents at end of period	23	66,199	58,360	160,006	136,156
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,839</b>	<b>(42,815)</b>	<b>23,850</b>	<b>(29,222)</b>

The notes on pages 36 to 156 are an integral part of these financial statements.

## Notes to the financial statements

### 1. GENERAL INFORMATION ON THE COMPANY

#### 1.1. Legal framework, activities and employees

CROATIA osiguranje d.d., Zagreb, Vatroslava Jagića 33 (the "Company") is registered in the Court Register of the Commercial Court in Zagreb under the Company's Court Reg. No. ("MBS") 080051022 and PIN ("OIB") 26187994862.

The Company's principal activity is non-life and life insurance business and reinsurance business in the non-life insurance group. Since 2004 the Company's shares have been listed in the first listing of the Zagreb Stock Exchange, Zagreb.

The Company is the parent company of the Croatia osiguranje d.d. Group (the "Group").

#### 1.2. Company bodies

The Company's bodies are the General Assembly, the Supervisory Board and the Management Board.

##### Members of the Supervisory Board:

- |  |   |
|--|---|
| • Ante Vlahović                              | President of the Supervisory Board      |
| • Mladen Blažević                            | Vice president of the Supervisory Board |
| • Branko Zec                                 | Member of the Supervisory Board         |
| • Roberto Škopac                             | Member of the Supervisory Board         |
| • Vitomir Palinec                            | Member of the Supervisory Board         |
| • Josip Tica, PhD, Professor                 | Member of the Supervisory Board         |
| • Miroslav Hrašćanec (until 18 January 2016) | Member of the Supervisory Board         |

##### Members of the Management Board:

- |  |                                   |
|--|-----------------------------------|
| • Damir Vandelić (from 12 October 2016)                      | President of the Management Board |
| • Sanel Volarić (until 11 October 2016)                      | President of the Management Board |
| • Sanel Volarić (from 12 October 2016 until 31 January 2017) | Member of the Management Board    |
| • Nikola Mišetić   | Member of the Management Board    |
| • Marijan Kralj  | Member of the Management Board    |
| • Andrej Koštomaj (until 29 February 2016)                   | Member of the Management Board    |
| • Robert Vučković (from 20 April 2016)                       | Member of the Management Board    |
| • Miroslav Klepač (until 12 October 2016)                    | Member of the Management Board    |

**1.3. Subsidiaries**

The Group consolidated the following entities as at 31 December 2016:

Group	Nature of business	31 December 2016		
		Shares directly held by parent (%)	Shares held by the Group (%)	Shares held by non-controlling interests (%)
<b>Consolidated subsidiaries in Croatia</b>				
Croatia Lloyd d.d., Zagreb	Reinsurance	100	100	-
- <i>Croatia mirovni dom d.o.o., Zagreb</i>	<i>Real estate</i>	-	100	-
- <i>Histria Construct d.o.o., Zagreb</i>	<i>Real estate</i>	-	100	-
- <i>Core 1 d.o.o., Zagreb</i>	<i>Real estate</i>	-	100	-
Razne usluge d.o.o. (currently being wound up)		100	100	-
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT*	100	100	-
- <i>STP Pitomača, Pitomača</i>	<i>MOT</i>	-	100	-
- <i>STP Blato</i>	<i>MOT</i>	-	100	-
- <i>Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod</i>	<i>MOT</i>	-	76	24
- <i>Herz d.d., Požega</i>	<i>MOT</i>	-	100	-
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Funds management	100	100	-
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance	66.19	100	-
- <i>Poliklinika Ars Medica, Pula</i>	<i>Health</i>	-	74	26
- <i>Poliklinika Croatia zdravstveno osiguranje, Zagreb</i>	<i>Health</i>	-	100	-
<b>Consolidated subsidiaries abroad</b>				
Milenijum osiguranje a.d.o., Beograd	Insurance	100	100	-
Croatia osiguranje d.d., Mostar	Insurance	94.66	94.66	5.34
- <i>Crotehna d.o.o., Ljubuški</i>	<i>MOT</i>	-	100	5.34
- <i>Croatia remont d.d., Čapljina</i>	<i>MOT</i>	-	69.79	33.94
- <i>Croauto d.o.o., Mostar</i>	<i>MOT</i>	-	66.79	36.78
- <i>Hotel Hum d.o.o., Ljubuški</i>	<i>Hospitality</i>	-	100	5.34
- <i>Ponte d.o.o., Mostar</i>	<i>Insurance agency</i>	-	83.40	21.06
Croatia osiguranje d.d., društvo za osiguranje neživota, Skopje (non-life insurance company)	Insurance	100	100	-
Croatia osiguranje d.d., društvo za osiguranje života, Skopje (life insurance company)	Insurance	100	100	-

\*MOT – Motor vehicle examination station

#### 1.4. Restatement due to change in accounting policy

In 2016, the Group and the Company made adjustments to certain items in the financial statements in relation to the previous periods. The Management Board determined that deferral of acquisition costs for non-life insurance will improve the principle of accounting match between non-life insurance premiums and associated costs.

Before the change, all acquisition costs in non-life insurance such as commission agents, were recognized in the statement of comprehensive income when the liability for payment incurred. Under the new accounting policy, acquisition costs for non-life insurance will be deferred linearly over the period to which it achieves earned premiums for non-life insurance. As a result, the recognition of costs will be aligned with the principle of recognizing non-life premium income.

Given the fact that this change represents a change in accounting policy, the adjustment was made retrospectively by correcting the financial statements for previously comparable periods. The correction effects are shown below.

#### Effects on the Statement of financial position as at 1 January 2015 (Group):

Item	1 January 2015		1 January 2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b>ASSETS</b>			
<i>Deferred acquisition costs</i>	-	61,553	61,553
<i>Deferred tax assets</i>	118,191	(6,927)	111,264
<b>LIABILITIES</b>			
<i>Technical provisions</i>	6,490,448	2,189	6,492,637
<i>Liabilities arising from insurance contracts, other liabilities and deferred income</i>	511,680	20,774	532,454
<b>EQUITY</b>			
Retained earnings	151,563	29,901	181,464
<i>Non-controlling interest</i>	35,073	1,762	36,835

**Effects on the Statement of financial position as at 31 December 2015 (Group):**

Item	31 December 2015		31 December 2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b>ASSETS</b>			
<i>Deferred acquisition costs</i>	-	68,375	68,375
<i>Deferred tax assets</i>	105,128	(7,976)	97,152
<b>LIABILITIES</b>			
<i>Technical provisions</i>	6,716,142	(3,473)	6,712,669
<i>Liabilities arising from insurance contracts, other liabilities and deferred income</i>	604,492	28,020	632,512
<b>EQUITY</b>			
<i>Retained earnings</i>			
<i>Retained earnings</i>	288,092	31,467	319,559
<i>Profit for the year</i>	110,402	4,188	114,590
Retained earnings	398,494	35,655	434,149
<i>Non-controlling interest</i>	14,597	197	14,794

**Effects on the Statement of financial position as at 1 January 2015 (Company):**

Item	1 January 2015		1 January 2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b>ASSETS</b>			
<i>Deferred acquisition costs</i>	-	57,598	57,598
<i>Deferred tax assets</i>	103,950	(6,927)	97,023
<b>LIABILITIES</b>			
<i>Technical provisions</i>	5,687,841	2,189	5,690,030
<i>Liabilities arising from insurance contracts, other liabilities and deferred income</i>	420,435	20,774	441,209
<b>EQUITY</b>			
Accumulated loss	(102,169)	27,708	(74,461)

**Effects on the Statement of financial position as at 31 December 2015 (Company):**

Item	31 December 2015		31 December 2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b>ASSETS</b>			
<i>Deferred acquisition costs</i>	-	64,363	64,363
<i>Deferred tax assets</i>	91,070	(7,976)	83,094
<b>LIABILITIES</b>			
<i>Technical provisions</i>	5,835,906	(3,473)	5,832,433
<i>Liabilities arising from insurance contracts, other liabilities and deferred income</i>	537,237	27,958	565,195
<b>EQUITY</b>			
<i>Retained earnings</i>			
<i>Retained earnings</i>	16,725	27,709	44,434
<i>Profit for the year</i>	46,771	4,193	50,964
Retained earnings	63,496	31,902	95,398

**Effects on the Statement of comprehensive income for year 2015 (Group):**

	2015		2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
Claims incurred	(1,878,197)	5,661	(1,872,536)
Acquisition costs	(495,423)	(425)	(495,848)
<b>Profit before tax</b>	<b>141,284</b>	<b>5,236</b>	<b>146,520</b>
<i>Income tax</i>	(31,533)	(1,048)	(32,581)
<b>Profit for the year</b>	<b>109,751</b>	<b>4,188</b>	<b>113,939</b>
<b>Attributable to:</b>			
- Shareholders of the Company	110,402	4,188	114,590
- Non-controlling interest	(651)	-	(651)
<b>Earnings per share for the Company's shareholders</b>			
Basic and diluted earnings per share	262.27	9.95	272.22



**Effects on the Statement of comprehensive income for year 2015 (Company):**

	2015		2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
Claims incurred	(1,503,473)	5,661	(1,497,812)
Acquisition costs	(378,874)	(420)	(379,294)
<b>Profit before tax</b>	<b>67,054</b>	<b>5,241</b>	<b>72,295</b>
<i>Income tax</i>	(20,283)	(1,048)	(21,331)
<b>Profit for the year</b>	<b>46,771</b>	<b>4,193</b>	<b>50,964</b>

**Effects on the Statement of cash flow for year 2015 (Group):**

	2015		2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b><i>Cash flows from operating activities</i></b>			
Profit before tax	141,284	5,236	146,520
Change in deferred acquisition costs	-	(6,822)	(6,822)
Other adjustments	5,663	1,586	7,249

**Effects on the Statement of cash flow for year 2015 (Company):**

	2015		2015
	Before restatement	Restatement	After restatement
	in HRK'000	in HRK'000	in HRK'000
<b><i>Cash flows from operating activities</i></b>			
Profit before tax	67,054	5,241	72,295
Change in deferred acquisition costs	-	(6,765)	(6,765)
Other adjustments	-	1,524	1,524

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies adopted for the preparation of financial statements is provided below. Policies have been consistently applied for all the periods included in these reports, including the deferred acquisition cost policy adopted by the Group in 2016 and based on which opening balances have been retroactively restated (Note 1.4).

In addition, unless otherwise stated, the Group also indicates the application of the same policies and disclosures in the Company's financial statements.

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

The financial statements for 2016 have been prepared in accordance with the Accounting Act (Official Gazette 78/15, 134/15 and 120/16) and International Financial Reporting Standards ('IFRS') as adopted in the European Union, and in accordance with the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16).

These are consolidated financial statements of the Croatia osiguranje Group that also include the separate financial statements of the Company ('Parent' of the Group) as defined in International Accounting Standard 27 "Separate Financial Statements" and International Financial Reporting Standard 10 "Consolidated Financial Statements".

### **2.2. Basis of preparation**

The consolidated and separate financial statements of CROATIA osiguranje d.d. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires the Management Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 2.34.

### **2.3. Adoption of new and revised International Financial Reporting Standards ("IFRS")**

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated and disclosed.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year which were endorsed by the EU. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

(a) Standards and interpretations issued and effective:

For the reporting period beginning on 1 January 2016, the Group applied for the first time the following new and amended standards:

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11.
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- Annual Improvements for the Reporting Cycle from 2012 to 2014
- Disclosure Initiative – Amendments to IAS 1

The adoption of these improvements did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group's financial statements, except for the following standards:

- **IFRS 9 Financial instruments and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018 or later for insurance companies with the exception for insurance companies until 1 January 2021 when the adoption of the new insurance standard is expected).**

For insurance companies, this standard is postponed until the adoption of the new insurance standard when a common application is expected. However, this exception may not apply to the Parent's financial statements and therefore the Group is considering the application of this standard as of 1 January 2018.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete.

The Management Board of the Group assessed the impact of the new standard IFRS 9 on its financial statements as follows:

- Following the changes approved by IASB in July 2014, the Company expects that the new classification, measurement and derecognition rules will have a certain impact on the Company's financial assets.
- The Group has yet to carry out a detailed assessment of debt instruments currently classified as available-for-sale financial assets and identify the appropriate business model specifically in the life assurance segment.
- There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- The new hedging rules largely align hedge accounting with the Group's risk management process. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.
- The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.
- The Group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.

The Management Board is considering to introduce this standard as of its effective date of 1 January 2018.

- **IFRS 15 Revenue from contracts with customers and associated amendments to various other standards (effective for annual periods beginning on or after 1 January 2018)**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome, etc.)
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few; and
- As with any new standard, there are also increased disclosures.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The Management Board is currently assessing the impact of the new rules of IFRS 15 and has identified the following areas that are likely to be affected:

- Extended warranties, which will need to be accounted for as separate performance obligations, which will delay the recognition of a portion of the revenue;
- Consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards;
- IT consulting services where the new guidance may result in the identification of separate performance obligations which could again affect the timing of the recognition of revenue; and
- The balance sheet presentation of rights of return, which will have to be grossed up in the future (separate recognition of the right to recover the goods from the customer and the refund obligation).

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements, it will make more detailed assessments of the impact over the following months. The Management Board plans to adopt the standard on its effective date and when endorsed by the European Union.

- **IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019)**

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the amendments on the financial statements.

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

In preparing the financial statements estimates were used which influence the presentation of assets and liabilities of the Group, the income and expenses of the Group and the disclosure of contingent liabilities of the Group.

Future events and their effects cannot be reliably anticipated, and therefore actual results may differ from these estimates. The accounting estimates used in the preparation of the financial statements are subject to change as new events occur, as more experience is gained, additional information is obtained and due to the changing environment in which the Group operates.

The key estimates used in applying accounting policies in the preparation of the financial statements relate to amortisation and depreciation of intangible and tangible assets, calculation of premiums and technical provisions, determining fair value of investments in real estate, and presentation of contingent liabilities.

Information about the assessments of the Management Board regarding the application of IFRS, which have a significant impact on the financial statements, and the information about the estimates with a high risk of likely material adjustment in the next year, is presented in Note 2.34.

## **2.5. Consolidation**

The consolidated financial statements comprise the Company and its subsidiaries (together "the Group").

### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### *Transactions eliminated at consolidation*

Balances and transactions between Group members and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only if there are no indicators of impairment.

### *Non-controlling interests*

Non-controlling interests in subsidiaries are included in the total capital of the Group.

Losses applicable to non-controlling interests in subsidiaries are added to non-controlling interests in situations where this causes non-controlling interests to be disclosed with negative value. The reconciliation of non-controlling interest is based on the proportionate amount of the net assets of the subsidiary, with no adjustment to goodwill and recognition of profit or loss in the income statement.

### *Loss of control*

At the moment of loss of control, the Group derecognises assets and liabilities of subsidiaries, interests of non-controlling shareholders and other elements of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any share in the previous subsidiary, this share is measured at fair value at the date on which control ceases. After that, this is reported as an investment valued using the equity method or as available-for-sale financial assets, depending on the level of influence retained.

### *Joint arrangements*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

## **2.6. Presentation currency**

The financial statements of the Group are presented in Croatian kuna (HRK) as the functional and presentation currency of the Group.

## **2.7. Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate effective at the reporting day. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate effective on the date on which their fair value is determined.

Changes in the fair value of monetary securities denominated in or linked to a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Foreign exchange differences resulting from the translation of monetary assets and liabilities are recognised through profit or loss, and are presented within finance income or finance cost. As at 31 December 2016, the official HRK exchange rate was HRK 7.55787 for EUR 1 (31 December 2015: HRK 7.635047) and HRK 7,168536 for USD 1 (31 December 2015: HRK 6.991801).

## **2.8. Gross written premiums**

/i/ Gross written premiums represent basic operating income and they comprise non-life and life insurance written premiums.

/ii/ Non-life insurance gross written premiums include all amounts of premiums written in the current accounting period, irrespective of the fact whether these amounts partially or completely pertain to a later accounting period.

Non-life insurance gross written premiums include all gross premiums written in the accounting period, whose beginning of the insurance year falls within the accounting period, irrespective of the fact whether they pertain in whole or in part to later accounting periods. The premiums are presented in gross amounts, that is, they include brokers' commissions, but exclude taxes and charges levied with premiums. Written premiums include the adjustment of the premium written in prior accounting periods as well as estimates of premiums written at the end of the period. Written premiums, that is, gross written premiums, and unearned premiums include adjustments for the write-off of receivables from policyholders as a result of insurance termination. Net impairment losses on receivables for premium of policyholders are recognised as a deduction.

The earned portion of received premiums is recognised as income. Premiums are earned from the date of the risk occurrence during the insurance period, based on the assumption of risk patterns.

/iii/ Life insurance gross written premiums include all amounts of premiums collected until the end of the accounting period.

In accordance with the exception permitted by IFRS 4, life insurance premiums are recorded in books on a cash basis. Supplemental insurance premiums are also recorded on a cash basis.

## **2.9. Investment income and expenses**

/i/ Investment income comprises the income realised through participating interests (dividends, profit share, entries – increase in value), income from investments related to land and buildings, interest income, unrealised profit from fair value investment through profit or loss, income from sales of investment, net foreign exchange gains and other investment income.

The land and buildings investment income consists of income realized due to an increase in land and buildings value, land and buildings sales income, rental income and other investment income from land and buildings. Land and buildings rental income and income from other operating leases is recognised in profit or loss on a straight-line basis over the entire term of the lease.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets. The interest on monetary assets at fair value through profit or loss is recognised using the effective interest rate method and is presented within interest income. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy relating to finance income recognition is disclosed in Note 3.7. "Financial assets".

/ii/ Investment expenses include interest expense, impairment, losses realised on the sale of investments, net foreign exchange losses and other investment expenses.

## **2.10. Claims incurred**

Claims incurred include all settled amounts for claims in the accounting period, irrespective of the accounting period in which they were incurred, net of the reinsurance share in claims, collected recourses, sold and recovered amounts and gross of claims provisions at the end of the accounting period but net of claims provisions at the beginning of the accounting period.

In addition to net settled claims, gross settled claims amounts include the costs related to claims settlement (appraisals, attorneys' fees and similar), surrenders and recourse claims expenditures.

### **2.11. Operating expenses**

Operating expenses include the acquisition and administration costs. Acquisition costs include all direct costs incurred in concluding insurance contracts, such as agents' costs, payroll costs of employees in sales, commissions and marketing costs.

Non-life insurance commissions are recognized on a straight-line basis over the accounting period in accordance with the recognition of premium income to which they relate. Life insurance commissions are recognized on the cash based principle. Administration costs include the costs incurred in connection with portfolio management, expenses for employees as well as other material and non-material costs.

### **2.12. Intangible assets**

Intangible assets are initially carried at cost, which includes the purchase price, including import duties and non-refundable tax after deducting trade discounts and rebates, as well as all other costs directly attributable to bringing the asset to their working condition for their intended use.

Intangible assets are recognised if it is probable that future economic benefits associated with the item will flow to the Group, if the cost of the asset can be reliably measured, and if the cost exceeds HRK 3,500.

After initial recognition, assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation of assets commences when the assets are ready for use, i.e. when the assets are at the required location and the conditions necessary for use have been met. Amortisation of assets ceases when the assets are fully amortised or classified as assets held for sale. Amortisation is calculated by writing off the purchase cost of each particular asset during the estimated useful life of the asset by applying the straight-line method. The estimated useful life of intangible assets is 4 years.

#### ***Deferred acquisition costs***

Deferred acquisition costs for non-life insurance relate to commissions charged to the internal and external sales network arising from the insurance policies during the financial year. In this respect, the commission charged to the sales network represents the total provision for a particular insurance policy. Indirect or general sales costs are not deferred.

For non-life insurance, deferred acquisition costs at the reporting date are calculated using a methodology comparable to the method of calculating the provision for unearned premium at the reporting date.

With the introduction of deferred acquisition costs accounting policy, the Group has also introduced a recognition of liability for undue commission. The liability for undue commission is the difference between the total commission to be charged for each insurance policy and the commission charged. The basis for calculating the total commission is the value of the (written) premium, while the basis for calculating the charged commission is the amount of premium charged per policy.

Recoverable amount of deferred acquisition cost is assessed at each reporting date as a part of the liability adequacy test for non-life insurance.

#### ***Goodwill***

Goodwill arising on acquisition represents the excess of the cost of acquisition over the Group's interest in the fair value of acquired net assets, which can be specifically identified on the date of purchase, including intangible assets. Goodwill on acquisition of subsidiaries is included in intangible assets. At least once a year goodwill is tested for impairment. Impairment losses on goodwill are not reversed through profit or loss. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.



### **2.13. Property and equipment**

Property and equipment are initially carried at cost, which includes the purchase price, including import duties and non-refundable tax after deducting trade discounts and rebates, as well as all other costs directly attributable to bringing the asset to their working condition for their intended use.

Property and equipment are recognised if it is probable that future economic benefits associated with the item will flow to the Group, if the cost of the asset can be reliably measured, and if the cost exceeds HRK 3,500.

Upon initial recognition, land and buildings are carried at revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The increase in value of assets due to revaluation is recognised in other comprehensive income. A revaluation is performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The Group assessed the fair value of these assets during 2014.

After initial recognition, property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Maintenance and repairs, replacements and improvements of minor scale are expensed when incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an asset beyond its originally assessed standard performance, the expenditures are capitalised i.e. included in the carrying value of the asset.

Gains or losses on the retirement or disposal of assets are included in the income statement in the period when incurred.

Depreciation of assets commences when the assets are ready for use, i.e. when the assets are at the required location and the conditions necessary for use have been met. Depreciation of assets ceases when the assets are fully depreciated or classified as assets held for sale. Depreciation is charged so as to write off the cost of each asset, other than land and tangible assets under construction, over their estimated useful lives, using the straight line method, as follows:

	<b>2016</b>	<b>2015</b>
	<b>Estimated useful life</b>	<b>Estimated useful life</b>
Buildings	40 years	40 years
Furniture and equipment	4-10 years	4-10 years
Computer equipment	3 years	3 years
Vehicles	5 years	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### **2.14. Investment property**

Investment property (land, buildings) that are not used for operations and that are owned by the Group or held under finance lease and that are held to enable the Group to realise rental income and/or capital appreciation of assets and are measured at fair value through profit or loss.

The Group measures the fair value of its investment property at the end of each accounting period, and this measurement is based on the appraisal by a hired appraiser.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

## 2.15. Investments in subsidiaries and associates

Subsidiaries are companies in which the Company controls the adoption and implementation of financial and operating policies.

Associates are companies in which the Company has significant influence but not control over the adoption and implementation of financial and operating policies.

Investments in subsidiaries and associates are presented using the cost method.

## 2.16. Financial instruments

### /i/ Classification and recognition

The Group classifies its financial instruments into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired.

The management determines the classification of financial assets and financial liabilities at initial recognition and, where appropriate, re-evaluates this designation at each reporting date.

### Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those that are classified as assets and liabilities held for trading or those that the Group initially classified as at fair value through profit or loss

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short-term profit or position taking.

The Group designates financial assets and liabilities at fair value through profit or loss on inception when either:

- the assets and liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets at fair value through profit or loss include debt and equity securities, investments in funds and other financial assets for trading. Derivatives are classified as assets held for trading. At the reporting date, the Group does not hold derivative financial instruments. The Group does not use hedge accounting.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the entity intends to sell immediately or in a short period of time and that will be classified as financial assets held for trading, and that which the Management classifies at initial recognition as assets at fair value through profit or loss;
- that the entity, upon initial recognition, classifies as available for sale; or
- for which it is unlikely that the entity will recover the larger portion of the initial investment value, except in the case of credit rating deterioration, and which will be classified as available for sale.

Loans and receivables are created when the Group approves financial resources to clients without the intention to trade in such receivables, and they include deposits with credit institutions, mortgage loans and loans given to policyholders from mathematical provisions for life insurance which are secured with secured life insurance policies.

Accounting of receivables arising from insurance contracts is disclosed in Note 2.17. "Receivables".

**Held-to-maturity financial assets**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held-to-maturity investments include debt securities with fixed income.

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are intended to be held for an indefinite period. However, they may be sold so as to maintain liquidity or in the event of changes in interest rates, exchange rates or prices of equity instruments.

**Other financial liabilities**

Other financial liabilities include all financial liabilities that are not classified in the category at fair value through profit or loss. On the reporting date the Group had no financial liabilities at fair value through profit or loss, except for liabilities for unit-linked products. The accounting for liabilities arising from insurance contracts is disclosed in Note 2.21. - "Technical Reserves".

**/ii/ Recognition and derecognition**

Regular purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognized on the trade date, that is, the date on which the Group commits to purchasing or selling the instrument. Loans and receivables as well as financial liabilities are initially recognized on the date of occurrence, that is, on the day on which they are advanced to borrowers or received from lenders.

The Group derecognises financial assets (in full or in part) when the contractual rights to receive cash flows from the financial asset have expired or when it loses control over the contractual rights to such financial assets. This occurs when the Group essentially transfers all risks and rewards of ownership to another business entity, or when the rights are exercised, surrendered or expired.

The Group ceases to recognize financial liabilities only when they cease to exist, that is, when they are met, cancelled or expired, or when they are transferred. Should the terms of financial liabilities substantially change, the Group shall cease to recognise that particular liability and at the same time recognise a new financial liability, with new terms.

### **Initial and subsequent measurement**

Financial assets and liabilities are recognised initially at their fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the Group measures financial instruments at fair value through profit or loss, and available-for-sale financial assets at their current fair value, without any deduction for selling costs.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes equity securities and debt instruments quoted on official stock exchanges.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable financial information based on which value is determined using the discounted cash flow method and/or method of comparable companies and transactions.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost.

Loans and receivables and held-to-maturity investments are measured at amortized cost net of impairment.

Financial liabilities not classified at fair value through profit or loss are measured at amortised cost.

Premiums and discounts, including initial transaction costs, are included in the carrying amount of the associated instrument and amortized using the effective interest rate of that instrument.

### **Gains and losses**

Gains and losses arising from a change in the fair value of financial assets or financial liabilities at fair value through profit or loss are recognized in profit or loss.

Gains and losses arising from changes in the fair value of available-for-sale monetary assets are recognised directly in other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income, including amortisation of premium or discount using the effective interest method, on available-for-sale monetary assets are recognized in profit or loss. Foreign exchange differences resulting from the revaluation of non-monetary financial assets denominated in or linked to foreign currency that are classified as available for sale are recognized within other comprehensive income, along with all other changes in their fair value, whereas income earned from dividends is recognized through profit or loss. Upon sale or other derecognition of available-for-sale financial assets, all cumulative gains or losses are transferred from other comprehensive income to profit or loss.

Gains and losses on financial instruments carried at amortised cost may also arise, and are recognized in profit or loss, when a financial instrument is derecognized or when its value is impaired.

Apart from gains and losses arising from the change in fair value of available-for-sale financial assets which are recognized in other comprehensive income, as described above, all other gains and losses and interest are recognized in profit or loss in line items "Finance income" and "Finance costs".

### **Fair value measurement principles**

The fair value of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets is their quoted market price at the reporting date without any deduction for estimated future costs to sell. If the financial assets market (including the unlisted securities market) is not active, or if, for any other reason the fair value cannot be reliably measured on the basis of the market price, the Group determines the fair value based on observed prices (prices of similar or identical items), and when this is not available, it applies various estimation techniques that use all relevant information and inputs that can help in estimating the fair value. This includes the use of prices attained in recent transactions between informed and willing parties, reference to other essentially similar instruments, discounted cash flow analysis and option pricing models, making maximum use of market information and relying on the specific characteristics of the entity as little as possible.

Where discounted cash flow techniques are used, estimated future cash flows are based on the management's best estimates and the discount rate is the market rate effective at the reporting date and used for financial instruments with similar conditions. Where a pricing model is used, the market related rates effective at the reporting date are used.

**/iii/ Impairment of financial assets**

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

The Group takes into account the evidence of impairment for both a specific asset and at group level. All individually significant financial assets are assessed for impairment. All individually significant financial assets where impairment has not been identified are included in the basis for assessing impairment at group level for impairment that has occurred but has yet to be identified. Assets that are not individually significant are assessed for impairment by grouping together financial assets (presented at amortised cost) on the basis of similar risks.

Objective evidence of impairment of financial assets (including equity securities) includes default or delinquency by a borrower, restructuring of loans or advances by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for the security, or other available data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers within the group, or economic conditions that are connected with defaults within the group.

For the purposes of assessing impairment at group level, the Group relies on historical experience in terms of loss rates, periods of loss recognition, adjusted for the purposes of the management's assessment as to whether current economic and credit conditions are such that the actual losses may be higher or lower than before. Loss rates and the expected recognition period are reviewed regularly.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised through profit or loss and reflected in impairment provisions. Interest on impaired assets is recognized as discount amortisation and at collection of payment. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an evidence of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss, calculated as the difference between the cost and current fair value, less any loss from impairment of that financial asset that was previously recognized in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity securities cannot be subsequently reversed through profit or loss, but all value increases until the final sale are recognised in other comprehensive income.

If a subsequent event results in the decrease in the amount of impairment loss for financial assets that are presented at amortised cost and for debt securities available for sale, the previously recognised impairment loss is reversed and recognized through profit or loss. Changes in the amount of impairment related to the time value of money are recognised as a component of interest income.

**/iv/ Specific instruments**

**Debt securities**

Debt securities are classified as held-to-maturity investments or financial assets at fair value through profit or loss or as financial assets available for sale, depending on the purpose for which the debt security has been acquired.

**Loans and receivables from banks**

Deposits with banks are classified as loans and receivables and valued at amortised cost less impairment losses.

#### Equity securities

Equity securities are classified as assets at fair value through profit or loss or as available-for-sale financial assets and measured at fair value, unless it is impossible to reliably establish the fair value (as described above) when they are measured at cost.

#### Loans and receivables from policyholders

Loans and receivables from policyholders are presented at amortised cost less impairment to reflect the estimated recoverable amounts.

#### Investments in funds

Investments in open-end funds are classified as financial assets at fair value through profit or loss or as available-for-sale financial assets and they are measured at current fair value.

#### Investments for the account and risk of life insurance policyholders

Investments for the account and risk of life insurance policyholders include investments in unit-linked products and are classified as financial assets at fair value through profit or loss.

#### Receivables from insurance and other receivables

Receivables from direct insurance and other receivables are recognized initially at fair value and subsequently at amortized cost less impairment.

#### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

#### Embedded derivatives within insurance contracts and investment contracts

Sometimes, a derivative may be a component of a hybrid (combined) financial instrument or insurance contract that includes both the derivative and host contract with the effect that some of the cash flows of the hybrid instrument vary in a similar way to a stand-alone derivative. These derivatives are known as embedded derivatives.

Embedded derivatives are separated from their host contract and measured at fair value, while changes in their fair value are included in profit or loss if they meet the following conditions:

- the economic characteristics and risks of embedded derivatives are not closely connected with the economic characteristics and risks of the host contract,
- a separate instrument with the same characteristics as those of the embedded derivative would satisfy the definition of a derivative,
- the hybrid instrument is not measured at fair value and changes in its fair value are not recognised in profit or loss.

Embedded derivatives that meet the definition of an insurance contract need not be separated from the host contract. Furthermore, the Group has used the exemption provided in IFRS 4, "Insurance Contracts":

- it does not separate or measure at fair value the option of the policyholder to repurchase the insurance contract at a fixed price (or the amount based on the fixed amount and interest rate), even if the price is different from the book value of the insurance liability in the host contract,
- it does not separate or measure at fair value the option of the policyholder to repurchase the contract with discretionary participation features.

#### Offsetting financial instruments

Financial assets and liabilities are offset and presented in the financial statement on a net basis when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or the acquisition of assets and settlement of liabilities take place simultaneously.

### 2.17. Receivables

/i/ Insurance receivables include receivables from policyholders based on non-life insurance premiums.

Receivables based on non-life insurance premiums comprise receivables for written, but not yet invoiced premium and receivables for invoiced, but not paid premium.

Recognition of insurance premium is described in Note 2.8. – "Gross written premiums".

/ii/ Receivables for invoiced but unpaid premium are presented at nominal value, and an adjustment is made for the value of doubtful and uncollectible receivables. Impairment is recognised for all unpaid receivables the due date of which was 180 days prior to the balance sheet date. Impairment can be decreased for receivables which are used as a basis for the payment of claim to the debtor (claims provisions).

/iii/ Receivables under the right to recourse are recognized for all recourse cases from amicable proceedings arising from receivables from another insurance company and recourses for which a financial settlement was concluded with the counterparty. Impairment of recourse receivables is done for all receivables where 180 days have passed from the due date. The determined impairment can be decreased by recourse receivables that are likely to be collected. Recognition of income from recourses is deferred due to uncertainty of collection. Income from recourses is deferred for recourses which are not settled in cash with the exception of recourses from other insurance companies which are recognised in profit or loss immediately.

/iv/ Other receivables pertain to receivables arising from interest on loans and deposits, receivables arising from advance payments, receivables arising from received payment instruments, etc.

### 2.18. Cash and cash equivalents and short-term deposits

Cash consists of balances with banks. Cash equivalents are short-term, high-liquidity investments that can be converted at any time into known amounts of cash and are not exposed to significant changes in value. The carrying amounts of cash and cash equivalents generally approximate their fair value.

For the purposes of reporting on cash flows, cash and cash equivalents refer to cash with banks and on hand, as well as deposits with original maturity up to three months.

## **2.19. Income tax**

The tax expense represents the sum of the current tax and deferred tax.

### *Current tax*

The current tax liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. These assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized on the basis of revaluation of land and buildings and of available-for-sale financial assets.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The calculation of deferred tax liabilities and assets reflects the amount at which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities.

### *Current and deferred income tax*

Current and deferred tax is recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income.

## **2.20. Equity**

In its financial records the Group records equity categorized as follows: share capital, fair value reserve, statutory reserves, legal reserves, other reserves, retained earnings and profit/(loss) for the year.

/i/ Share capital represents the indivisible share capital of the Company, paid in full.

/ii/ Fair value reserve

The fair value reserve includes profits from the revaluation of properties, net of taxes. The fair value reserve is transferred directly to retained earnings in proportion to the depreciation of the asset.

The fair value reserve of available-for-sale financial assets includes unrealised gains and losses from changes in the fair value of available-for-sale financial assets, net of impairment and deferred tax.

/iii/ Allocations to statutory reserves, legal reserves, other reserves and retained earnings are regulated by decisions of the Company's General Assembly.

/iv/ The current year income is presented according to the balance as at reporting date and is transferred to the upcoming fiscal year. The utilization or allocation of profit is determined by the decision of the Company's General Assembly.



## 2.21. Technical provisions

Technical provisions presented in the financial statements pertain to unearned premiums, mathematical provisions for life insurance, claims provisions, fluctuation provisions and other insurance-technical provisions. They are formed in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions in insurance according to accounting regulations and with the Company's internal policies. All technical provisions have been granted a positive opinion of the appointed certified actuary of the Company.

### /i/ Unearned premiums

The Group calculates unearned premiums for those types of insurance where the insurance coverage lasts even after the end of the reporting period, since the insurance year and the reporting period do not overlap. The basis for calculation of gross unearned premium of non-life insurance is the accrued (written) premium, while the basis for the calculation of gross unearned premium of supplemental insurance with life insurance is the collected premium.

Unearned premiums are calculated according to the pro rata temporis method, except for the types of loan insurance where a decrease of insurance coverage throughout the contract term is taken into consideration. The reinsurance share of gross unearned premium is determined depending on the reinsurance contract and the method used for the calculation of the corresponding gross unearned premium.

### /ii/ Mathematical provisions for life insurance

Mathematical provisions for life insurance are calculated individually for every insurance contract by using the prospective net method in accordance with legal regulations and Ordinances of HANFA.

### /iii/ Claims provisions

Claims provisions contain provisions for reported claims, provisions for incurred but not reported claims, and provisions for costs of processing claims.

Provisions for reported claims are determined by individual assessment. Actuarial methods are applied upon determining provisions for the costs of processing claims and for incurred but unreported claims.

The reinsurance share in claims provisions is determined in accordance with reinsurance contracts.

### /iv/ Provisions for unexpired risks

Provisions for unexpired risks are created for insurance products where the expected value of claims and costs pertaining to unexpired periods of policies valid on the reporting date exceeds the provisions for unearned premiums pertaining to such policies. Provisions for unexpired risks are calculated separately for individual types of insurance or homogeneous group of risk.

### /v/ Provisions for bonuses and discounts

Provisions for bonuses and discounts are formed according to the provisions of insurance contracts and in accordance with the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions according to accounting regulations.

## 2.22. Technical provisions for life insurance where the policyholder bears the investment risk

Since the Group issues life insurance policies where the policyholder bears the investment risk, adequate separate provisions are created for every relevant insurance contract.

### **2.23. Reinsurance**

The Group cedes premiums to reinsurance in the regular course of business for the purpose of limiting its net loss potential through risk diversification. Reinsurance contracts do not relieve the Group from its direct obligations to policyholders.

Premiums ceded and recoverable amounts are presented through profit or loss on a gross basis. Only the contracts that give rise to a significant transfer of underwriting risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same year as the corresponding claim. Contracts, through which significant underwriting risk (financial reinsurance) is not transferred, are recorded as deposits. During 2016 and 2015, the Group did not conclude any such contracts.

Reinsurance assets include amounts receivable from reinsurance companies for ceded insurance liabilities. Receivables from reinsurers are estimated in a manner consistent with the provisions for unpaid claims or claims paid under reinsured policies. Reinsurance assets include the actual or estimated receivables from reinsurers in respect of technical provisions. Reinsurance assets relating to technical provisions are created on the basis of the terms of reinsurance contracts and measured on the same basis as the corresponding reinsured liabilities.

Reinsurance receivables are assessed for impairment at each reporting date.

### **2.24. Liabilities and related assets under liability adequacy test**

IFRS 4 provides for the implementation of a mandatory liability adequacy test under the insurance contract. At each reporting date, the Group estimates whether its reported insurance liabilities are adequate, using current estimates of future cash flows for all its insurance contracts. Should the above assessment show that the book value of insurance liabilities is insufficient in relation to the estimated future cash flows, the deficit is charged to profit or loss. Estimates of future cash flows are based on realistic actuarial assumptions, taking into account the current experience of the occurrence of claims.

### **2.25. Other liabilities**

/i/ Liabilities arising from direct insurance pertain to liabilities from claims.

/ii/ Liabilities from reinsurance activities refer to liabilities from reinsurance premium.

/iii/ Other liabilities pertain to domestic trade payables, advance payable, liabilities to employees, commission liabilities, etc.

/iv/ The Company pays a monthly compensation fee to the Guarantee Fund of the Croatian Insurance Bureau for damages caused by uninsured and unknown vehicles. The monthly fee is determined on the basis of the market premium of each insurance company expressed in percentage. Funds from the Croatian Insurance Bureau's Guarantee Fund are used to pay damages caused by uninsured and unknown vehicles.

## **2.26. Employee benefits and pension plans**

### *Pension obligations*

For defined contribution plans, the Group pays contributions to state-owned pension and health insurance funds, in accordance with legal requirements or individual choice. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an expense in profit or loss as they accrue.

### *Short-term employee benefits*

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the Group has a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Other employee benefits*

Liabilities based on other long-term employee benefits, such as jubilee awards and termination benefits upon retirement, are recorded as the net present value of the liability for defined benefits at the balance sheet date. The discounted future cash flow method is used for the calculation of the present value of the liability.

### *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

## **2.27. Provisions**

Provisions are recognised only when the Group has a future obligation as a result of a past event, and it is likely that the settlement of the obligation will require an outflow of economic benefits and when it is certain that the amount of the obligation can be measured reliably. Provisions are reviewed at each balance sheet date and adjusted to reflect the best current estimate.

Provisions are determined for costs of legal disputes and costs of employee benefits for the number of years of service and retirement (regular jubilee awards and termination benefits) and stimulation termination benefits as part of the redundancy plan.

Provisions for awards to employees for long term employment and retirement (regular jubilee awards and termination benefits) are determined by separating for each year of work the present value of the proportional part of the expected amount of regular jubilee awards and termination benefits depending on the total time until the payment of the jubilee award, less the expected turnover of employees. The discount rate is the yield on relevant bonds.

## **2.28. Impairment**

The net book value of the Group's assets, other than financial assets (Note 2.16 "Financial Instruments"), and income tax (Note 2.19 - "Income tax") is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets with no finite useful life (the Group had no such assets on the reporting date) and intangible assets not yet in use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Exceptionally, impairment of property measured by using the revaluation model is debited to fair value reserve, if any, and the remaining amount of the impairment after these reserves have been exhausted is recognised in profit or loss for the period.

The recoverable amount of an asset and cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment loss recognised in prior periods is assessed on each reporting date in order to establish whether the loss has decreased or no longer exists. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

## **2.29. Contingent liabilities and assets**

Contingent liabilities are recognized in the financial statements when it is more likely than not that there will be an outflow of cash flows. Other contingent liabilities are disclosed in notes to the financial statements.

Contingent assets are not recognised in the financial statements, but recognised when an inflow of economic benefits is virtually certain.

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

Events after the balance sheet date, which provide additional information on the Group's position at the reporting date (adjusting events), are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements, if material.

## **2.31. Earnings per share**

Earnings per share are calculated as profit of the period decreased by dividends of preference shares divided by the weighted average of ordinary shares (without treasury shares).

### **2.32. Classification of contracts**

Contracts through which the Group undertakes significant underwriting risk on behalf of the other party (policyholder) by accepting to indemnify the policyholder or another insurance beneficiary, if a particular future event occurs (insured event) which has a negative effect on the policyholder or other insurance beneficiary, are classified as insurance contracts. The underwriting risk differs from financial risk.

Financial risk is the risk of possible future change in one or more of the defined interest rates, prices of securities, prices of assets, foreign exchange rates, price or rate indexes, credit rating or credit indexes or other variables, provided that when it comes to a non-financial variable, this variable is not specific to one of the contractual parties. Insurance contracts can also transfer financial risk to some extent.

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

Both insurance and investment contracts may contain discretionary participation features. A contract with a discretionary participation feature is a contractual right held by a policyholder to receive as a supplement to guaranteed minimum payments, additional payments that are likely to be a significant portion of the total contractual payments, and whose amount or timing is contractually at the discretion of the issuer and that are contractually based on:

- the performance of a specified pool of contracts or a specified type of contract,
- realised and/or unrealised investment returns on a specified pool of assets held by the issuer or
- the profit or loss of the company that issues the contracts.

The discretionary element of those contracts is accounted for as a liability within the mathematical provisions. The provision for discretionary bonus within mathematical provisions comprises amounts arising in relation to participating policies, for which the allocation of funds has not been determined at the reporting date. When the allocation of funds is determined, appropriate transfers are made from the provision for discretionary bonuses to individual policies.

On the reporting date, the provision for discretionary allocation of profits for the Company amounts to HRK 33,480 thousand (2015: HRK 41,475 thousand), and for the Group HRK 35,382 thousand (2015: HRK 44,476 thousand).

### 2.33. Segment reporting

A business segment is an integral part of a company that carries out business activities from which it can earn income or have expenses incurred, including income and expenses relating to transactions with other constituents of the company, whose business results are regularly reviewed by the chief operating decision maker. The review is carried out in order to make decisions about resources to be allocated to a particular segment and to assess its performance, and for which there is separate financial information. The primary format of the Group for segment reporting are business segments that include life insurance and non-life insurance segments.

#### *Allocation of costs between life and non-life insurance segments*

Investment income, realized and unrealized gains and losses, expenses and compensations arising from non-life insurance are allocated to the non-life segment.

Investment income, realised and unrealised gains and losses, expenses and compensations related to life insurance are included directly in the life insurance segment.

Income and expenses from investments, realized and unrealized gains and losses, expenses and compensations arising from the investment of equity are allocated to life and non-life segments depending on the allocation of the related assets or portion of the Group's reserves.

A significant proportion of direct administrative costs are directly attributable to life and non-life insurance segments. Administrative costs which are not directly attributable to life or non-life insurance, Group allocates on the basis of an analysis of the time spent by the administration employees on life-related and non-life insurance matters. The allocation of the above-mentioned costs within a particular segment to the corresponding type of insurance is made on the basis of the share in the gross policy premium. Commissions are recorded separately in segments of life and non-life insurance.

#### *Allocation of capital, reserves and assets*

Property and equipment, intangible assets and investment property are allocated to the non-life segment unless it is directly related solely to life. Financial investments are allocated in accordance with sources of funding. Provisions are allocated according to the source of related financial assets, while legal and other provisions are allocated to each segment based on the results of the related segment. Other receivables and liabilities are allocated to those segments from which they arise.

### 2.34. Main sources of uncertainty related to assessments and key accounting estimates in the application of the Group's accounting policies

#### /i/ Impairment losses on loans and receivables

The need for impairment of assets measured at amortised cost is evaluated as described in Note 2.16./iii/ Impairment of financial assets. Provisions for impairment of a particular loan are based on the management's best estimate of the current value of expected future cash flows.

In evaluating such cash flows, management assesses the debtor's financial position and estimated fair value of the loan collateral. Any asset which has undergone impairment is evaluated separately and the credit risk function helps to independently approve a recovery strategy and assessment of realizable cash flows.

The gross value of loans and receivables and the rate of recognized impairment loss at the end of the year are:

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
Gross exposure (HRK'000)	494,667	420,855	517,616	521,833
Impairment rate (%)	24%	29%	44%	44%

The change in the impairment rate of 1 percentage point of the gross amount of the above loans and receivables would increase/reverse impairment loss in the amount of HRK 4,947 thousand (31 December 2015: HRK 4,209 thousand) for the Company and HRK 5,176 thousand (31 December 2015: HRK 5,218 thousand) for the Group.

*/ii/* Fair valuation of financial instruments

For certain debt and equity securities the Group applies weighted average prices effective on the last trading date or the price of the last bid on the purchase, depending on the home stock exchange. For financial instruments which are rarely traded and which have a non-transparent price, fair value is less objective and it requires a different level of assessment depending on liquidity, concentration, uncertainty of market-related factors, assumptions regarding prices and other risks which affect a certain instrument. The Group has used discounted cash flow analysis and transactions for various financial instruments that are not traded in active markets.

The carrying amount of Company's financial instruments would be an estimated HRK 1,804 thousand lower or HRK 2,136 thousand higher (Group: HRK 9,049 thousand lower or HRK 9,381 thousand higher) if the discount rate used in the discount cash flow analysis differed by 1 percentage point from the Management Board's estimates.

*/iii/* Uncertainty of estimates pertaining to the formation of reserves

The most significant assessments in terms of the Group's financial statements pertain to the forming of reserves. In the forming of reserves, the Group applies regulations issued by HANFA (Croatian Financial Services Supervisory Agency). The Group's staff includes certified actuaries. The Management Board believes that the current level of technical provisions is sufficient.

The Company forms reserves for unexpired risks arising from non-life insurance where it is expected that the claims and administrative expenses likely to arise upon the expiry of the financial year for contracts concluded before that date will exceed the unearned premium from such contracts.

Expected cash flows relating to claims and expenses are estimated on the basis of experience of the previous contract term and adjusted for significant individual losses which are not expected to recur. The liability adequacy test was performed on all types of insurance. The management believes that the current amount of provisions is sufficient.

Underwriting risk management is described in detail in Note 2.35, while the reserves for insurance contracts are analysed in Note 2.21. Sensitivity of technical reserves is disclosed in Note 2.35.

*/iv/* Valuation of property and investment property

Property and investment property taken in exchange for uncollectible receivables are initially measured at fair value based on the assessment of the court appointed expert. Management believes that the net book value of property and investment property as at 31 December 2016 is recoverable.

*/v/* Impairment of investments in subsidiaries and associates

The impairment of investments in subsidiaries and associates is based on the Management Board's best estimate on the collection of investments. The recoverable amount is the higher of the investment's fair value less costs to sell and value in use.

If the discount rate used in the discounted cash flow analysis differed 1 percentage point from the Board's estimates, the carrying value of investments in subsidiaries and associates would be less than the estimated value, i.e. no impairment would have occurred.

**2.35. Underwriting risk management**

Underwriting risk pertains to the risk that may arise if actual payment of claims and compensations exceed the net book amount of insurance liabilities due to coincidence, error and/or change in circumstances. Underwriting risk includes the risk of the occurrence of a loss-event, risk of determining the amount of premium (setting the tariff), the risk of forming provisions and the risk of reinsurance.

Premium risk is present at the moment of issuing the policy, before the insured event occurs. There is a risk that the costs and losses which may occur might be greater than the premiums received. The provision risk represents the risk of having the absolute amount of technical provisions wrongly assessed or of having the actual losses vary around the statistical mean value. Non-life insurance acquisition risk also includes the risk of disaster which arises from highly extraordinary events which are not sufficiently covered by the premium risk or provision risk. Life insurance acquisition risk includes biometrical risk (which involves mortality,

longevity, risk of becoming ill or disabled) and the risk of cancellation. The risk of cancellation represents a higher or lower rate of cancellation from policies, interruptions, changes in capitalization (cessation of payments of premium) and surrender.

The Group manages its underwriting risk through acquisition limits, approval procedures for transactions that involve new products or that exceed set limits, through tariff determination, product design and reinsurance management. Its acquisition strategy aims at diversity which will ensure a balanced portfolio and which is based on a large portfolio of similar risks for several years, which reduces the variability of results. As a rule, all non-life insurance contracts are concluded on a yearly basis and the policyholders have the right to decline renewal of contract or to change the contract terms upon renewal.

The Group transfers a portion of the risk to reinsurance in order to control its exposure to losses and protect capital resources. The Group purchases a combination of proportional and non-proportional reinsurance contracts to reduce the net exposure to a particular risk depending on the type of insurance.

Underwriting risk in the Group is monitored by actuaries within the scope of their tasks and the Risk Management Department, in agreement with them, assumes the indicators in order to include the risks in the risk management process at the overall Group level.

A report on the adequacy of provisions, insurance premium and retention is submitted by the appointed certified actuary.

#### **The concentration of underwriting risk**

A key aspect of the underwriting risk faced by the Group is the extent of concentration of underwriting risk, which determines the degree to which a particular event or series of events could significantly impact the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts from which significant commitments may arise. An important aspect of the concentration of underwriting risk is that it could arise from the accumulation of risks through various types of insurance.

Concentration risk may arise from events that are not frequent but with considerable consequences such as natural disaster, in situations where the Group is exposed to unexpected changes in trends, for example unexpected changes in human mortality or in policyholder behaviour; or where significant litigation or regulatory risks could cause a large single loss, or have a pervasive effect on a large number of contract. The risks underwritten by the Group are primarily located in the Republic of Croatia.

The concentration of underwriting risk before and after reinsurance in relation to the type of accepted underwriting risk is shown below with reference to the carrying value of claims (gross and net of reinsurance) arising under the insurance contract:



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	31 Dec. 2016			Restated 31 Dec. 2015		
	Gross claims incurred	Reinsurance share in claims incurred	Net claims incurred	Gross claims incurred	Reinsurance share in claims incurred	Net claims incurred
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	34,199	(309)	34,508	38,276	2,114	36,162
Health insurance	6,774	1,148	5,626	9,483	(649)	10,132
Road motor vehicle insurance	205,640	840	204,800	203,039	191	202,848
Railroad rolling stock insurance	1,332	-	1,332	481	-	481
Aircraft insurance	2,290	1,691	599	10,575	8,948	1,627
Vessel insurance	37,857	8,872	28,985	58,297	13,576	44,721
Insurance for goods in transit	26,112	16,680	9,432	13,417	(113)	13,530
Insurance against fire and natural disasters	78,641	46,586	32,055	46,318	21,842	24,476
Other types of property insurance	238,161	30,699	207,462	200,624	7,501	193,123
Motor liability insurance	228,580	(14,287)	242,867	283,149	(3,146)	286,295
Aircraft liability insurance	(1,651)	(422)	-1,229	2,073	446	1,627
Vessel liability insurance	3,144	(449)	3,593	9,418	1,556	7,862
Other types of liability insurance	69,631	17,450	52,181	94,135	27,293	66,842
Loan insurance/credit insurance	(9,374)	(9,750)	376	24,159	464	23,694
Surety insurance	(652)	-	-652	1,298	-	1,298
Miscellaneous financial loss insurance	6,235	1,145	5,090	6,857	(308)	7,166
Travel insurance	3,101	-	3,101	3,440	-	3,440
<b>Total non-life insurance</b>	<b>930,020</b>	<b>99,894</b>	<b>830,126</b>	<b>1,005,039</b>	<b>79,715</b>	<b>925,324</b>
Life insurance	371,308	6	371,302	447,777	(50)	447,827
Annuity insurance	11,321	-	11,321	9,797	-	9,797
Supplemental insurance with life insurance	751	-	751	3,333	-	3,333
Life or annuity insurance where the policyholder bears the investment risk	102,399	-	102,399	31,866	-	31,866
<b>Total life insurance</b>	<b>485,779</b>	<b>6</b>	<b>485,773</b>	<b>492,773</b>	<b>(50)</b>	<b>492,823</b>
<b>Total</b>	<b>1,415,799</b>	<b>99,900</b>	<b>1,315,899</b>	<b>1,497,812</b>	<b>79,665</b>	<b>1,418,147</b>

The Management Board believes that non-life insurance has no significant exposure to any policyholder group under social, professional, generational or similar criteria. The greatest likelihood of significant losses could arise from catastrophic events, such as floods, hail, storms or earthquake damage. The techniques and assumptions that the Group uses to calculate these risks include:

- Measurement of geographical accumulations,
- Assessment of probable maximum losses,
- Excess of loss reinsurance.

*Non-life insurance*

The basic indicator of underwriting risk is the claims ratio. The following tables present claims ratios, cost ratios and combined ratios before reinsurance as well as the claims ratio net of reinsurance.

Comparison of claims ratio and costs ratio for 2016 and 2015

<b>Non-life insurance</b>	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2015</b>
Claims ratio	54.26%	55.81%	50.63%	55.69%
Cost ratio	41.13%	39.22%	45.43%	44.75%
Combined ratio	95.39%	95.03%	96.06%	100.44%
Claims ratio, net	58.42%	61.60%	52.04%	60.44%

*Note: The method of calculating ratios is described in Note 25.8.*

*Life insurance*

The primary risks in life insurance are interest rate risk and biometrical risks. Interest rate risk is processed through market risks, and biometrical risks are monitored on the basis of actuarial analyses.

Company's analysis of mathematical provisions according to guaranteed interest rate

<b>Interest included in the tariff is in the range of</b>	<b>Mathematical provisions* as at 31 Dec. 2016</b>		<b>Mathematical provisions* as at 31 Dec. 2015</b>	
	<b>in HRK'000</b>	<b>Share %</b>	<b>in HRK'000</b>	<b>Share %</b>
[1, 3]	888,457	37.81%	681,034	30.05%
[3, 4]	954,825	40.63%	1,002,349	44.23%
[4, 5]	504,156	21.45%	580,225	25.60%
[5, 6]	2,590	0.11%	2,753	0.12%
	<b>2,350,028</b>	<b>100.00%</b>	<b>2,266,361</b>	<b>100.00%</b>

\*Mathematical provisions comprise the mathematical provision for agreed sums and mathematical provision for additional sums.

The Group's analysis of mathematical provisions according to guaranteed interest rate is as follows:

<b>Interest included in the tariff is in the range of</b>	<b>Mathematical provisions* as at 31 Dec. 2016</b>		<b>Mathematical provisions* as at 31 Dec. 2015</b>	
	<b>in HRK'000</b>	<b>Share %</b>	<b>in HRK'000</b>	<b>Share %</b>
[1, 3]	943,621	35.81%	711,988	28.40%
[3, 4]	1,183,252	44.91%	1,211,378	48.31%
[4, 5]	505,503	19.18%	581,221	23.18%
[5, 6]	2,590	0.10%	2,752	0.11%
	<b>2,634,966</b>	<b>100.00%</b>	<b>2,507,339</b>	<b>100.00%</b>

\*Mathematical provisions comprise the mathematical provision for agreed sums and mathematical provision for additional sums.

The table above shows mathematical provisions according to guaranteed interest rates. The yield on life insurance investment is presented in the following table and it is sufficient to cover the required interest for the life insurance portfolio.

*Yield on mathematical provision*

Company	2016	2015	2014
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,308,194	2,169,108	2,013,562
Yield on investment in mathematical provision	94,062	100,904	117,140
The annual yield on the mathematical provisions	<b>4.08%</b>	<b>4.65%</b>	<b>5.82%</b>
<b>The average annual yield on the mathematical provision for the last 3 years</b>	<b>4.81%</b>	<b>5.45%</b>	<b>5.94%</b>

Group	2016	2015	2014
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,570,256	2,393,188	2,207,225
Yield on investment in mathematical provision	103,833	111,382	125,405
The annual yield on the mathematical provisions	<b>4.04%</b>	<b>4.65%</b>	<b>5.68%</b>
<b>The average annual yield on the mathematical provision for the last 3 years</b>	<b>4.79%</b>	<b>5.38%</b>	<b>5.82%</b>

**The sensitivity of the present value of future profits to changes in significant variables**

Profit or loss and insurance liabilities are mainly sensitive to changes in mortality, cost rates and the discount rate used for the purposes of the liability adequacy test.

The Group assessed the impact of changes in key variables that may have a material effect on the present value of future profits ("PVFP") at the end of the year. For each period, the projection is the calculated profit (vector profit), and "PVFP" is calculated as the present value of profits with a discount rate risk.

The table below shows the sensitivity analysis for life insurance.

Life insurance risk - sensitivity analysis	2016	2015
	in HRK'000	in HRK'000
	Change in liabilities	Change in liabilities
Interest rate -0,5%	91,526	83,941
Mortality +10%	3,566	3,506
Expenses +10%	27,565	26,126

The Group uses the calculation of "PVFP" for the purposes of managing the sensitivity of underwriting risk. The base run refers to the calculation of liabilities with assumptions used to calculate the best estimate. The base run represents a calculation in which assumptions described in Note 2.36 are applied during the liability adequacy test. For each policy, the income from premiums and investments are calculated, and costs are calculated on the basis of administration costs and expenditure for claims.

Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the reporting date. The reasonably possible changes represent neither expected changes in variables nor worst-case scenarios. The change in each variable was analysed, wherein the other assumptions remained unchanged, and changes in values of the related assets are ignored.

The sensitivity to changes in mortality was calculated by reducing mortality for pension products by 10% and increasing mortality for other products by 10%, while the sensitivity to changes expenses was calculated increasing the portfolio maintenance expense by 10%.

As evidenced by "PVFP", profit or loss as well as technical provisions are most affected by changes in interest rates.

*Non-life insurance*

In non-life insurance variables which have the greatest impact on insurance liabilities relate to legal claims from motor vehicle liability insurance. Obligations relating to court damages are sensitive to legal, judicial, political, economic and social trends. The Management Board believes that it is not possible to quantify the sensitivity of non-life insurance to changes in these variables.

**2.36. Principal assumptions that have the greatest effect on recognized assets, liabilities, income and expenses from insurance operations**

**/i/ Non-life insurance**

On the balance sheet date provisions are created for the estimated final cost of settling all claims resulting from events occurred by that date, whether reported or not, together with relevant costs of processing these claims, decreased by amounts already paid. The liability for reported but unsettled claims is estimated separately for every individual claim, taking into consideration the circumstances, available information from the claims adjuster and historical evidence of amounts of similar claims. Individual claims are regularly examined and provisions are regularly updated when new information is available. The assessment of provision for incurred, but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the provision for reported claims. IBNR provisions are assessed by the Company's actuaries.

Depending on the characteristics of certain types of insurance, the Group's portfolio and the shape and quality of available data, reserves for incurred but not reported claims is determined by using the most appropriate model based on deterministic or stochastic methods which are based on the claims triangle. To best describe the future development of the claim, the selected model can include one or a combination of several methods.

IBNR provisions are formed according to the type of transaction or homogeneous group of risks.

For "long tail" claims, the level of provisions depends largely on the assessment of the development of claims from the latest development year for which historical data is available to the final settlement. These tail factors are estimated prudently by using mathematical methods of curves that project the observed factors or are based on actuarial assessment.

The actual method used depends on the year the claim occurred and observed historical claims development. To the extent that these methods use historical claims development, it is assumed that the historical claims pattern will repeat itself in the future. There are reasons why this might not be fulfilled so it is necessary to modify the method. Possible reasons include:

- economic, political and social trends (which cause a different level of inflation than expected);
- changes in the combination of the types of insurance contracts which are sold;
- random variations, including the effect of major losses.

IBNR provisions are initially estimated in the gross amount and a special calculation is performed in order to assess the reinsurance share.

*Discounting*

In addition to annuity claims, non-life provisions are not discounted. The provisions for liability insurance which are payable in annuities are determined as the current value of future liabilities at the discount rate of 2% per year and based on Mortality Tables for the Republic of Croatia for the period from 2000 - 2002.

**/ii/ Life insurance**

Mathematical provisions are calculated on the net prospective basis using rational actuarial assumptions, in accordance with the guidelines issued by HANFA. The guaranteed technical interest rate in insurance policies ranges from 1 % to 6 %, depending on the original (historic) tariff.

In the case of death and survival, policyholders are entitled to a share in Company profit realised by life insurance funds management. Shares in profit are calculated once a year, at the earliest at the end of the

first or second year of the insurance term, depending on the tariff. The amount of the share in profit is determined by the Management Board.

The Company uses Mortality Tables for Croatia for the period 2010 to 2012 for the calculation of mathematical provisions. For the purpose of the calculation of mathematical provisions for insurance contracts concluded before 2010, an interest rate of 3.25%, or 3% is used (maximum rate prescribed by HANFA is 3.3%), for insurance contract concluded in 2010, an interest rate of 3%, and 2.75% is used (maximum rate prescribed by HANFA is 3%), for insurance contracts concluded after 2010 until the end of 30.06.2016., i.e. an interest rate of 2.75%, 2.25%, 1.7%, 1.5% and 1% (maximum rate prescribed by HANFA is 2.75%) and for contracts concluded after 01.07.2016. 1.7%, 1.5% and 1% (the maximum rate prescribed by HANFA is 1.75% for contracts with a currency clause and 2% for HRK contracts).

**Profit or loss and equity sensitivity to changes in significant variables**

Profit or loss and insurance liabilities are mainly sensitive to changes in the rate of investment and the rate of costs estimated for the calculation of liability adequacy.

**Terms and conditions of insurance contracts that have a significant effect on the amount, duration, and uncertainty of future cash flows**

The Group offers different types of non-life insurance, mainly motor vehicle, property, liability insurance, marine insurance, transport insurance, and accident insurance. The main source of uncertainty affecting the amount and timing of future cash flows arises from the uncertainty of the occurrence of future claims as well as the uncertainty associated with their amounts. The amount payable under individual claims is limited by the insured amount as established in the insurance policy.

Other significant sources of uncertainty related to non-life insurance result from legislation that entitles policyholders to report a claim before the statute of limitation, which occurs three years from the first notification of the claim, but not later than five years from the beginning of the year after the year of occurrence. This stipulation is particularly important in cases of permanent disability under accident insurance, due to difficulties in estimating the period between the occurrence of the accident and the confirmation of permanent consequences thereof.

The portfolio of non-life insurance does not include products that warrant unlimited coverage, while the maximum amount for which the insurer may be held liable per each policy due to the occurrence of one loss event is always limited by the contractually agreed insured sum. The exception to this rule is motor vehicle liability insurance in the Green Card Insurance System member states that have unlimited coverage. Since legal provisions in motor vehicle liability insurance prescribe the application of insured sums in the state where the damage occurred, this risk cannot be completely avoided, but it can be transferred through appropriate reinsurance contracts.

## 2.37. Financial risk management

The Group's primary objective in financial risk management is to maintain a level of capital which is adequate for the scope and types of insurance it transacts, and with due consideration of the risks it is exposed to. The Management Board recognizes the importance of having of an efficient and effective risk management system.

Competent regulatory bodies control the Company's solvency in order to ensure that there is coverage for liabilities arising from possible economic changes or natural disasters.

The Group actively manages its assets by using an approach which balances quality, diversification, harmonization of assets and liabilities, liquidity and return on investments. The management examines and approves portfolios, determines the limits and supervises the process of managing assets and liabilities. Due attention is also given to the compliance with the rules established by the Insurance Act.

Transactions with financial instruments result in the Group assuming financial risks. These risks include market risk, credit risk and liquidity risk. Each of these risks is described below, together with a summary of the methods used by the Group to manage such risks.

### Market risk

Market risk includes currency risk, interest rate risk and price risk. Market risk is the risk of fluctuations in the fair value of future cash flows under financial instruments due to changes in market prices.

a) Currency risk - the risk of fluctuation of fair value or cash flows under financial instruments resulting from changes in foreign currency exchange rates.

The Group is exposed to currency risk through its transactions in foreign currencies. The Group is exposed to currency risk through its investments in debt and equity securities, deposits, loans and other investments, and through premiums, claims and technical provisions under insurance policies with a currency clause. The Group manages currency risk by estimating, planning and thus reducing the difference between assets and liabilities denominated in foreign currency or with a currency clause. Assets covering mathematical provisions are mostly denominated in euro, since most of the mathematical provisions are also denominated in euro. In the tables below the sensitivity analysis of financial assets to changes in exchange rates is presented:

Company	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change of exchange rate by 0.5%	16,762	1,197	15,868	765
Change of exchange rate by 1%	33,524	2,394	31,737	1,529

Group	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change of exchange rate by 0.5%	18,628	1,967	17,909	1,996
Change of exchange rate by 1%	37,234	3,913	35,818	3,993

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The currency analysis of the Company's assets and liabilities at the reporting date is presented as follows:

Company in HRK'000	31 December 2016					31 December 2015				
	HRK	EUR	USD	Other currencies	Total	HRK	EUR	USD	Other currencies	Total
<b>Assets</b>										
Investments in subsidiaries, associates and participation in joint ventures	394,644	-	-	-	<b>394,644</b>	421,416	-	-	-	<b>421,416</b>
Held-to-maturity investments	646,676	1,374,298	-	-	<b>2,020,974</b>	732,364	1,353,304	-	-	<b>2,085,668</b>
Available-for-sale financial assets	555,056	1,363,667	125,046	-	<b>2,043,769</b>	458,207	1,015,104	134,793	93	<b>1,608,197</b>
Financial assets at fair value through profit or loss	233,344	147,706	-	-	<b>381,050</b>	16,935	88,870	-	-	<b>105,805</b>
Loans and receivables	878,250	719,351	-	-	<b>1,597,601</b>	892,527	768,995	-	-	<b>1,661,522</b>
Reinsurance share in technical provisions	155,455	14,391	12,107	1	<b>181,954</b>	243,257	29,995	33,517	-	<b>306,769</b>
Insurance contract and other receivables	623,781	105,473	34,093	28	<b>763,375</b>	756,940	23,987	18,666	33	<b>799,626</b>
Cash and cash equivalents	53,630	7,738	4,243	588	<b>66,199</b>	21,741	24,007	12,527	85	<b>58,360</b>
<b>Total assets</b>	<b>3,540,836</b>	<b>3,732,624</b>	<b>175,489</b>	<b>617</b>	<b>7,449,566</b>	<b>3,543,387</b>	<b>3,304,262</b>	<b>199,503</b>	<b>211</b>	<b>7,047,363</b>
<b>Liabilities</b>										
Technical provisions	3,202,007	2,677,178	85,195	46	<b>5,964,426</b>	3,230,423	2,500,566	101,444	0	<b>5,832,433</b>
Provisions	123,981	-	-	-	<b>123,981</b>	107,510	-	-	-	<b>107,510</b>
Insurance contract and other liabilities and deferred income	496,896	30,723	16,741	54	<b>544,414</b>	511,300	31,818	21,372	705	<b>565,195</b>
<b>Total liabilities</b>	<b>3,822,884</b>	<b>2,707,901</b>	<b>101,936</b>	<b>100</b>	<b>6,632,821</b>	<b>3,849,233</b>	<b>2,532,384</b>	<b>122,816</b>	<b>705</b>	<b>6,505,138</b>
<b>Currency gap</b>	<b>(282,048)</b>	<b>1,024,723</b>	<b>73,553</b>	<b>517</b>	<b>816,745</b>	<b>(305,846)</b>	<b>771,878</b>	<b>76,687</b>	<b>(494)</b>	<b>542,225</b>

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The currency analysis of the Group's assets and liabilities at the reporting date is presented as follows:

	31 December 2016							Total
	HRK	EUR	USD	BAM	MKD	RSD	Other currencies	
<b>Assets</b>								
Investments in subsidiaries, associates and participation in joint ventures	84,141	-	-	-	1,425	-	-	85,566
Held-to-maturity investments	694,056	1,459,802	-	39	11,426	4,354	-	2,169,677
Available-for-sale financial assets	711,971	1,528,992	155,798	238	10,947	32,292	-	2,440,238
Financial assets at fair value through profit or loss	233,570	197,827	-	6,965	3,573	19,619	-	461,554
Loans and receivables	863,252	755,956	11,685	212,517	46,468	14,968	-	1,904,846
Reinsurance share in technical provisions	155,998	16,053	12,107	12,903	501	528	1	198,091
Insurance contract and other receivables	783,805	112,323	34,790	16,932	16,363	17,950	28	982,191
Cash and cash equivalents	108,264	24,764	5,262	13,651	4,151	3,376	538	160,006
<b>Total assets</b>	<b>3,635,057</b>	<b>4,095,717</b>	<b>219,642</b>	<b>263,245</b>	<b>94,854</b>	<b>93,087</b>	<b>567</b>	<b>8,402,169</b>
<b>Liabilities</b>								
Technical provisions	3,368,113	2,818,448	89,185	319,737	44,570	177,144	46	6,817,243
Provisions	136,316	-	-	3,351	65	1,051	-	140,783
Financial liabilities	639	222	-	505	117	2,690	-	4,173
Insurance contract and other liabilities and deferred income	535,479	34,848	17,018	13,937	3,991	11,981	63	617,317
<b>Total liabilities</b>	<b>4,040,547</b>	<b>2,853,518</b>	<b>106,203</b>	<b>337,530</b>	<b>48,743</b>	<b>192,866</b>	<b>109</b>	<b>7,579,516</b>
<b>Currency gap</b>	<b>(405,490)</b>	<b>1,242,199</b>	<b>113,439</b>	<b>(74,285)</b>	<b>46,111</b>	<b>(99,779)</b>	<b>458</b>	<b>822,653</b>



The currency analysis of the Group's assets and liabilities at the reporting date is presented as follows:

	Restated 31 December 2015							Total
	HRK	EUR	USD	BAM	MKD	RSD	Other currencies	
<b>Assets</b>								
Investments in subsidiaries, associates and participation in joint ventures	80,275	-	-	-	1,378	-	-	<b>81,653</b>
Held-to-maturity investments	792,185	1,477,822	-	78	23,338	22,059	-	<b>2,315,482</b>
Available-for-sale financial assets	695,844	1,106,790	185,359	71	13,659	705	93	<b>2,002,521</b>
Financial assets at fair value through profit or loss	52,620	137,180	-	977	6,089	17,131	-	<b>213,997</b>
Loans and receivables	962,631	878,922	11,397	172,469	31,114	6,276	2	<b>2,062,811</b>
Reinsurance share in technical provisions	86,253	43,573	23,175	9,055	417	1,201	-	<b>163,674</b>
Insurance contract and other receivables	892,058	46,320	22,493	19,036	16,217	8,812	(433)	<b>1,004,503</b>
Cash and cash equivalents	52,392	52,763	14,570	8,154	2,609	3,706	1,962	<b>136,156</b>
<b>Total assets</b>	<b>3,614,258</b>	<b>3,743,370</b>	<b>256,994</b>	<b>209,840</b>	<b>94,821</b>	<b>59,890</b>	<b>1,624</b>	<b>7,980,797</b>
<b>Liabilities</b>								
Technical provisions	3,412,308	2,663,236	131,388	297,523	41,055	167,159	0	<b>6,712,669</b>
Provisions	125,043	-	-	3,481	77	287	(0)	<b>128,888</b>
Financial liabilities	-	1,568	-	-	161	-	-	<b>1,729</b>
Insurance contract and other liabilities and deferred income	539,789	37,363	27,191	10,386	4,055	13,526	202	<b>632,512</b>
<b>Total liabilities</b>	<b>4,077,140</b>	<b>2,702,167</b>	<b>158,579</b>	<b>311,390</b>	<b>45,348</b>	<b>180,972</b>	<b>202</b>	<b>7,475,798</b>
<b>Currency gap</b>	<b>(462,882)</b>	<b>1,041,203</b>	<b>98,415</b>	<b>(101,550)</b>	<b>49,473</b>	<b>(121,082)</b>	<b>1,422</b>	<b>504,999</b>

b) Interest rate risk:

Interest rate risk is the risk of fluctuations in the fair value or cash flows under financial instruments due to changes in market interest rates. The Group is exposed to interest rate risk based on financial instruments whose value is sensitive to changes in interest rates.

Changes in interest rates do not affect the level of technical provisions for non-life insurance, while mathematical provision for life insurance are discounted using a technical interest rate of a particular product or the maximum interest rate prescribed by HANFA, which cannot be higher than the weighted average rate of return on the asset covering mathematical provisions in the last three years.

The Group monitors this exposure through periodic reviews of its assets and liabilities. The Group seeks to match any future receipts from these assets with its insurance liabilities by purchasing debt securities. However, due to the significantly shorter duration of bonds in relation to the life of liabilities under life insurance, the Group is exposed to interest rate risk.

An analysis of the sensitivity of financial assets to changes in market interest rates is presented below:

Company	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change in interest rate by +/- 100 bps	-	82,350	271	67,583

Group	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change in interest rate by +/- 100 bps	2,655	94,037	1,729	79,201

c) Other price risks

Equity securities risk is caused by the fluctuation of fair value or cash flows under financial instruments due to changes in market prices (which are not the result of interest rate risk or currency risk), regardless of whether this involves changes caused by factors inherent to an individual financial instrument or its issuer or if there are other factors which affect all similar financial instruments being traded in the market.

The marketable equity securities portfolio, which is presented in the balance sheet at fair value, exposes the Group to this risk. The Group's portfolio comprises securities of various issuers, and the concentration risk of any individual company is monitored and limited by legal requirements and adopted limits.

The Group assesses, or measures, and controls the exposure to market risk by monitoring exposure to investments, establishing the limits and authorisations for investments, and through a series of statistical and other quantitative risk measures.

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The comprehensive system of market risk management is prescribed in a series of internal acts of the Group, primarily the Market Risk Management Policy as an umbrella document.

The analysis of price risks:

Company	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change in price by +/- 3%	7,281	12,071	779	8,522
Change in price by +/- 5%	12,135	20,118	1,298	14,204

Group	2016		2015	
	Impact on profit/loss after tax	Impact on comprehensive income	Impact on profit/loss after tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Change in price by +/- 3%	7,592	12,470	2,081	8,802
Change in price by +/- 5%	12,653	20,783	3,468	14,670

**Credit risk**

Credit risk is the risk that one contractual party to a financial instrument might cause the other party to suffer financial losses as a result of failure to fulfil its obligations.

The Group is exposed to credit risk through the following financial assets:

- reinsurance share in claims provisions
- receivables from reinsurance under settled claims
- receivables from policyholders
- deposits and given loans
- debt securities (bonds and commercial bills)
- receivables from insurance brokers and other receivables
- cash at bank

This risk is defined as the potential decrease in market value resulting from adverse changes in the debtor's ability to repay the debt.

The Group manages this risk by a rigorous up-front analysis of credit risk and exposure monitoring, regular reviews carried out by the Management Board and regular meetings held to monitor credit risk development. The management has adopted a credit risk management policy and continuously monitors exposure to credit risk. Assessments of creditworthiness of all policyholders are made, and collaterals are collected prior to payment of granted loans or renewal of such loans. Collaterals are in accordance with the Insurance Act.

**Credit risk exposure**

Credit risk exposure	Company	Company	Group	Group
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in debt securities	3,662,374	3,455,056	4,272,812	4,138,751
Investments in bank deposits	1,221,713	1,361,856	1,615,792	1,771,683
Loans	375,888	299,666	289,054	291,128
Reinsurance share in technical provisions	181,954	306,769	198,091	163,674
Insurance contract and other receivables	763,375	799,626	982,191	1,004,503
Cash and cash equivalents	66,199	58,360	160,006	136,156
	<b>6,271,503</b>	<b>6,281,333</b>	<b>7,517,946</b>	<b>7,505,895</b>

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The Group's receivables for given loans and other receivables include receivables in the amount of HRK 170,618 thousand (Company: HRK 165,922 thousand) of a specific business partner.

After the balance sheet date, the stated partner experienced liquidity problems, resulting in a reduction in credit rating, and the process of reorganization and business model change began.

At the time of approval of the financial statements, the potential effects on the recoverability of the above receivables are uncertain. These receivables are secured by pledged real property rights, and the Board, based on an estimate of the present value of the expected amount of the payment and the expected period of the payment, estimates the total carrying amount as recoverable.

***Concentration of receivables from the Republic of Croatia as at 31 December***

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Republic of Croatia bonds	3,389,240	3,145,341	3,663,325	3,518,654
Bonds of other state institutions	183,362	182,110	183,363	182,110
Treasury bills	-	45,263	8,067	45,263
Undue interest on bonds	72,931	68,606	77,471	75,645
Other receivables	4,248	30,179	9,122	41,856
	<b>3,649,781</b>	<b>3,471,499</b>	<b>3,941,348</b>	<b>3,863,528</b>

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The table below presents an analysis of the Company's financial assets by category according to the rating agencies Standard & Poor's (S&P), Moody's and Fitch.

	Company	Company	Rating 2016			Rating 2015		
	31 Dec. 2016	31 Dec. 2015	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	in HRK'000	in HRK'000						
<b><i>Held-to-maturity investments</i></b>	<b>2,020,974</b>	<b>2,085,668</b>						
Croatian Ministry of Finance	1,878,608	1,931,998	BB	Ba2	BB	BB	Ba1	BB
Croatian Bank for Reconstruction and Development (HBOR)	112,366	111,505	BB	Ba2	BB	BB	Ba1	-
Unrated	30,000	42,165		Unrated			Unrated	
<b><i>Available-for-sale financial assets</i></b>	<b>1,641,400</b>	<b>1,324,125</b>						
Croatian Ministry of Finance	1,510,632	1,211,170	BB	Ba2	BB	BB	Ba1	BB
Croatian Bank for Reconstruction and Development (HBOR)	70,996	70,604	BB	Ba2	BB	BB	Ba1	-
Rated companies	3,058	14,119	BB-	Ba3	-	BB-	Ba2	-
	15,089		BB	Ba2	-			
Unrated	41,625	28,232		Unrated			Unrated	
<b><i>Financial assets at fair value through profit or loss</i></b>	<b>-</b>	<b>45,263</b>						
Croatian Ministry of Finance	-	45,263	-	-	-	BB	Ba1	BB
<b><i>Loans and receivables</i></b>	<b>1,597,601</b>	<b>1,661,522</b>						
Rated banks	628,808	635,236	BB	-	BBB-	BB	-	BBB-
Rated companies	100,000	100,000	B	B3	-	B	B2	-
Unrated	868,793	926,286		Unrated			Unrated	
<b><i>Reinsurance share in technical provisions</i></b>	<b>181,954</b>	<b>306,769</b>						
Rated reinsurers	11,542	4,323	A-	-	-	A-	-	-
	15,800	10,237	A	-	-	A	-	-
	68,265	28,557	A+	-	-	A+	-	-
	70,472	11,791	AA-	-	-	-	-	-
	1,282	-	AA	-	-	-	-	-
	1,267	-	AA+	-	-	-	-	-
	247	-	-	A1	-	-	-	-
	46	-	-	Aa1	-	-	-	-
	68	-	-	-	BBB+	-	-	-
Reinsurers with a rating of other agencies	9,490	12,790	-	-	-	-	-	-
Unrated	3,475	239,071		Unrated				
<b><i>Insurance contract and other receivables</i></b>	<b>763,375</b>	<b>799,626</b>						
	763,375	799,626					-	
<b><i>Cash and cash equivalents</i></b>	<b>66,199</b>	<b>58,360</b>						
Rated banks	883	84	BB	-	BBB-	BB	-	BBB-
Other banks part of respectable EU banking groups	65,316	58,276		Unrated			Unrated	
	<b>6,271,503</b>	<b>6,281,333</b>						

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The table below presents an analysis of the Group's financial assets by category according to the rating agencies Standard & Poor's (S&P), Moody's and Fitch.

	Group		Rating 2016			Rating 2015		
	31 Dec. 2016	31 Dec. 2015	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	in HRK'000	in HRK'000						
<b><i>Held-to-maturity investments</i></b>	<b>2,169,677</b>	<b>2,315,482</b>						
Croatian Ministry of Finance	1,933,134	1,992,859	BB	Ba2	BB	BB	BA1	BB
Croatian Bank for Reconstruction and Development (HBOR)	112,366	111,505	BB	Ba2	BB	BB	BA1	-
Macedonian Ministry of Finance	82,881	94,686	BB-	-	BB	BB-	-	BB+
Republic of Bosna and Herzegovina	39	78	B	B3	B-	B	B3	B-
Serbian Ministry of Finance	9,469	74,188	BB-	B1	BB-	BB-	B1	B+
Unrated	31,788	42,166	-	-	-	-	-	-
<b><i>Available-for-sale financial assets</i></b>	<b>2,035,431</b>	<b>1,712,564</b>						
Croatian Ministry of Finance	1,725,543	1,535,562	BB	Ba2	BB	BB	BA1	BB
Croatian Bank for Reconstruction and Development (HBOR)	70,996	70,604	BB	Ba2	BB	BB	BA1	-
Rated companies	15,089	14,119	BB	Ba2	-	BB-	BA2	-
	3,058	-	BB-	Ba3	-	-	-	-
Macedonian Ministry of Finance	104,753	60,464	BB-	-	BB	BB-	-	BB+
Serbian Ministry of Finance	66,668	-	BB-	B1	BB-	-	-	-
Unrated	49,324	31,815	-	-	-	-	-	-
<b><i>Financial assets at fair value through profit or loss</i></b>	<b>67,704</b>	<b>110,705</b>						
Croatian Ministry of Finance	-	45,263	-	-	-	BB	BA1	BB
Serbian Ministry of Finance	67,704	65,442	BB-	B1	BB-	BB-	B1	B+
Unrated	-	-	-	-	-	-	-	-
<b><i>Loans and receivables</i></b>	<b>1,904,846</b>	<b>2,062,811</b>						
Rated banks	637,878	636,236	BB	-	BBB-	BB	-	BBB-
Rated banks	209,466	191,377	B	B2	B-	B	B3	B-
Rated banks	-	23,181	-	-	-	BB+	-	-
Rated companies	100,000	100,000	B	B3	-	B	B2	-
Other banks and financial institutions	24,703	26,182	BB-	-	BB	BB-	-	BB+
Unrated	932,799	1,085,835	-	-	-	-	-	-
<b><i>Reinsurance share in technical provisions</i></b>	<b>198,091</b>	<b>163,674</b>						
Rated reinsurers	16,547	10,237	A	-	-	A	-	-
	11,733	4,323	A-	-	-	A-	-	-
	68,384	28,557	A+	-	-	A+	-	-
	1,267	-	A++	-	-	A++	-	-
	70,557	11,791	AA-	-	-	AA-	-	-
	1,282	-	AA	-	-	-	-	-
	761	-	AA-	Aa3	AA-	-	-	-
	247	-	-	A1	-	-	-	-
	46	-	-	Aa1	-	-	-	-
	68	-	-	-	BBB+	-	-	-
	31	-	A+	A1	-	-	-	-
	24	-	A-	-	A-	-	-	-
	20	-	-	Baa1	-	-	-	-
	12,906	9,055	BB	Ba2	BB	B	B3	B-
	-	417	-	-	-	BB+	-	-
Reinsurers with a rating of other agencies	9,490	12,790	-	-	-	-	-	-
Unrated	4,728	86,504	-	-	-	-	-	-
<b><i>Insurance contract and other receivables</i></b>	<b>982,191</b>	<b>1,004,503</b>						
Unrated	982,191	1,004,503	-	-	-	-	-	-
<b><i>Cash and cash equivalents</i></b>	<b>160,006</b>	<b>136,156</b>						
Rated banks	4,474	1,491	BB	-	BBB-	BB	-	BBB-
	13,994	8,352	B	B3	B-	B	-	B-
	157	689	A	-	-	A	-	-
	10,906	15,123	BBB-	-	-	BBB-	-	-
	3,431	2,021	BB	-	-	BB	-	-
Other banks part of respectable EU banking groups	127,044	108,480		Unrated			Unrated	
	<b>7,517,946</b>	<b>7,505,895</b>						

**Liquidity risk**

Liquidity risk is the risk that a sudden and unexpected withdrawal of liabilities might require the Group to liquidate assets in a short time and at a low price. Liquidity risk arises as a result of the financial activities of the Group and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has a portfolio of liquid assets as a part of its liquidity risk management strategy, which ensures the continuation of business activities and satisfies legal requirements.

Legal requirements regarding claim settlement have been met on time. The Finance Department monitors the inflows and outflows on a daily basis, and develops monthly plans as well as scenarios of deteriorated liquidity. Liquidity risk is taken into account in the assessment of matching assets and liabilities.

The following table discloses for financial assets the amounts of contractual discounted cash flows, and for insurance liabilities the estimated maturity of the amounts recognised in the statement of financial position.

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The maturity analysis at the reporting date is presented as follows:

Company in HRK'000	31 December 2016						Restated 31 December 2015					
	Up to 1 year	1-3 years	3-5 years	5-10 years	10 and more years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	10 and more years	Total
<b>Assets</b>												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	394,644	<b>394,644</b>	-	-	-	-	421,416	<b>421,416</b>
Held-to-maturity investments	272,302	588,225	338,486	821,961	-	<b>2,020,974</b>	146,432	599,093	547,456	754,191	38,496	<b>2,085,668</b>
Available-for-sale financial assets	-	358,016	410,844	1,272,910	1,999	<b>2,043,769</b>	-	259,159	629,272	675,338	44,428	<b>1,608,197</b>
Financial assets at fair value through profit or loss	230,569	157	89,296	60,969	59	<b>381,050</b>	58,275	5,244	9,145	33,039	102	<b>105,805</b>
Loans and receivables	1,064,077	329,065	128,560	27,313	48,586	<b>1,597,601</b>	488,613	1,153,487	19,422	-	-	<b>1,661,522</b>
Reinsurance share in technical provisions	84,808	35,502	14,210	19,222	28,212	<b>181,954</b>	92,216	57,339	29,104	39,062	89,048	<b>306,769</b>
Insurance and other receivables	756,370	7,005	-	-	-	<b>763,375</b>	799,626	-	-	-	-	<b>799,626</b>
Cash and cash equivalents	66,199	-	-	-	-	<b>66,199</b>	58,360	-	-	-	-	<b>58,360</b>
<b>Total</b>	<b>2,474,325</b>	<b>1,317,970</b>	<b>981,396</b>	<b>2,202,375</b>	<b>473,500</b>	<b>7,449,566</b>	<b>1,643,522</b>	<b>2,074,322</b>	<b>1,234,399</b>	<b>1,501,630</b>	<b>593,490</b>	<b>7,047,363</b>
<b>Liabilities</b>												
Technical provisions	1,695,621	1,029,678	903,233	1,014,470	1,321,424	<b>5,964,426</b>	1,650,404	1,107,657	864,130	1,026,156	1,184,086	<b>5,832,433</b>
Provisions	69,531	20,600	17,799	8,638	7,413	<b>123,981</b>	46,803	39,193	5,406	8,872	7,236	<b>107,510</b>
Insurance contract and other liabilities and deferred income	510,700	12,084	6,950	8,917	5,763	<b>544,414</b>	533,972	11,952	6,092	6,677	6,502	<b>565,195</b>
<b>Total</b>	<b>2,275,852</b>	<b>1,062,362</b>	<b>927,982</b>	<b>1,032,025</b>	<b>1,334,600</b>	<b>6,632,821</b>	<b>2,231,179</b>	<b>1,158,802</b>	<b>875,628</b>	<b>1,041,705</b>	<b>1,197,824</b>	<b>6,505,138</b>
<b>Maturity gap</b>	<b>198,473</b>	<b>255,608</b>	<b>53,414</b>	<b>1,170,350</b>	<b>(861,100)</b>	<b>816,745</b>	<b>(587,657)</b>	<b>915,520</b>	<b>358,771</b>	<b>459,925</b>	<b>(604,334)</b>	<b>542,225</b>



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The maturity analysis for the Group at the reporting date is presented as follows:

Group in HRK'000	31 December 2016						Restated 31 December 2015					
	Up to 1 year	1-3 years	3-5 years	5-10 years	10 and more years	Total	Up to 1 year	1-3 years	3-5 years	5-10 years	10 and more years	Total
<b>Assets</b>												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	85,566	<b>85,566</b>	-	-	-	-	81,653	<b>81,653</b>
Held-to-maturity investments	296,249	647,633	360,522	842,764	22,509	<b>2,169,677</b>	238,283	657,959	602,497	778,246	38,497	<b>2,315,482</b>
Available-for-sale financial assets	22,837	448,081	474,647	1,406,886	87,787	<b>2,440,238</b>	3,270	446,425	699,914	789,321	63,591	<b>2,002,521</b>
Financial assets at fair value through profit or loss	278,975	31,782	89,521	61,217	59	<b>461,554</b>	100,844	59,232	20,780	33,039	102	<b>213,997</b>
Loans and receivables	1,186,905	570,466	137,475	10,000	-	<b>1,904,846</b>	639,324	1,286,268	136,514	705	-	<b>2,062,811</b>
Reinsurance share in technical provisions	98,880	36,297	14,524	19,709	28,681	<b>198,091</b>	55,618	41,437	16,697	22,250	27,672	<b>163,674</b>
Insurance and other receivables	972,571	9,390	230	-	-	<b>982,191</b>	999,304	2,964	868	5	1,362	<b>1,004,503</b>
Cash and cash equivalents	160,006	-	-	-	-	<b>160,006</b>	136,156	-	-	-	-	<b>136,156</b>
<b>Total</b>	<b>3,016,423</b>	<b>1,743,649</b>	<b>1,076,919</b>	<b>2,340,576</b>	<b>224,602</b>	<b>8,402,169</b>	<b>2,172,799</b>	<b>2,494,285</b>	<b>1,477,270</b>	<b>1,623,566</b>	<b>212,877</b>	<b>7,980,797</b>
<b>Liabilities</b>												
Technical provisions	2,191,240	1,101,274	979,338	1,124,974	1,420,417	<b>6,817,243</b>	2,107,274	1,223,115	970,128	1,146,351	1,265,801	<b>6,712,669</b>
Provisions	73,687	28,319	18,649	10,605	9,523	<b>140,783</b>	54,776	47,137	6,394	11,111	9,470	<b>128,888</b>
Financial liabilities	832	3,223	118	-	-	<b>4,173</b>	903	665	161	-	-	<b>1,729</b>
Insurance contract and other liabilities and deferred income	583,603	12,084	6,950	8,917	5,763	<b>617,317</b>	597,982	12,779	6,919	7,504	7,328	<b>632,512</b>
<b>Total</b>	<b>2,849,362</b>	<b>1,144,900</b>	<b>1,005,055</b>	<b>1,144,496</b>	<b>1,435,703</b>	<b>7,579,516</b>	<b>2,760,935</b>	<b>1,283,696</b>	<b>983,602</b>	<b>1,164,966</b>	<b>1,282,599</b>	<b>7,475,798</b>
<b>Maturity gap</b>	<b>167,061</b>	<b>598,749</b>	<b>71,864</b>	<b>1,196,080</b>	<b>(1,211,101)</b>	<b>822,653</b>	<b>(588,136)</b>	<b>1,210,589</b>	<b>493,668</b>	<b>458,600</b>	<b>(1,069,722)</b>	<b>504,999</b>

**Fair value**

The price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction at the measurement date. Fair value is based on quoted market prices, where available. If market prices are not available, fair value is estimated by using discounted cash flow models or other appropriate pricing techniques. Changes in assumptions on which the estimates are based, including discount rates and estimated future cash flows, significantly affect the estimates. Therefore, at this point the estimated fair value cannot be achieved from the sale of a financial instrument. Fair value of investments at amortized cost is presented below:

Company	31 December 2016			31 December 2015		
	Net book value	Fair value	Difference	Net book value	Fair value	Difference
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Debt securities	2,020,974	2,267,958	246,984	2,085,668	2,296,257	210,589
Loans	375,888	375,888	-	299,666	299,666	-
Deposits	1,221,713	1,221,713	-	1,361,856	1,361,856	-
	<b>3,618,575</b>	<b>3,865,559</b>	<b>246,984</b>	<b>3,747,190</b>	<b>3,957,779</b>	<b>210,589</b>

Group	31 December 2016			31 December 2015		
	Net book value	Fair value	Difference	Net book value	Fair value	Difference
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Debt securities	2,169,677	2,421,526	251,849	2,315,482	2,510,657	195,175
Loans	289,054	289,054	-	291,128	291,128	-
Deposits	1,615,792	1,615,792	-	1,771,683	1,771,683	-
	<b>4,074,523</b>	<b>4,326,372</b>	<b>251,849</b>	<b>4,378,293</b>	<b>4,573,468</b>	<b>195,175</b>

*Methods of assessment or assumptions in determining fair value*

For measuring the fair value, the Group takes into account the IFRS fair value hierarchy rules that reflects the significance of inputs used in the assessment process. Each instrument is assessed individually and in detail. The levels of the fair value hierarchy are determined on the basis of the lowest level and the input data that are important for determining the fair value of the instrument.

The table below analyses financial instruments carried at fair value by using the valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2016.

The Company's assets measured at fair value as at 31 December 2016 are presented as follows:

	Level 1 in HRK'000	Level 2 in HRK'000	Level 3 in HRK'000	Total in HRK'000
<b>Business property</b>	-	-	<b>592,025</b>	<b>592,025</b>
<b>Investment property</b>	-	-	<b>448,528</b>	<b>448,528</b>
Equity securities	365,770	-	8,116	<b>373,886</b>
Debt securities	1,599,775	41,625	-	<b>1,641,400</b>
Investment funds	24,625	-	3,858	<b>28,483</b>
<b>Available-for-sale financial assets</b>	<b>1,990,170</b>	<b>41,625</b>	<b>11,974</b>	<b>2,043,769</b>
Equity securities	12,431	-	-	<b>12,431</b>
Debt securities	-	-	-	-
Investment funds	368,619	-	-	<b>368,619</b>
<b>Financial assets at fair value through profit or loss</b>	<b>381,050</b>	-	-	<b>381,050</b>
<b>Total assets at fair value</b>	<b>2,371,220</b>	<b>41,625</b>	<b>1,052,527</b>	<b>3,465,372</b>

The Company's assets measured at fair value as at 31 December 2015 are presented as follows:

	Level 1 in HRK'000	Level 2 in HRK'000	Level 3 in HRK'000	Total in HRK'000
<b>Business property</b>	-	-	<b>700,869</b>	<b>700,869</b>
<b>Investment property</b>	-	-	<b>479,755</b>	<b>479,755</b>
Equity securities	250,213	-	7,245	<b>257,458</b>
Debt securities	1,261,008	57,162	5,955	<b>1,324,125</b>
Investment funds	22,462	-	4,152	<b>26,614</b>
<b>Available-for-sale financial assets</b>	<b>1,533,683</b>	<b>57,162</b>	<b>17,352</b>	<b>1,608,197</b>
Equity securities	12,953	-	-	<b>12,953</b>
Debt securities	-	45,263	-	<b>45,263</b>
Investment funds	47,589	-	-	<b>47,589</b>
<b>Financial assets at fair value through profit or loss</b>	<b>60,542</b>	<b>45,263</b>	-	<b>105,805</b>
<b>Total assets at fair value</b>	<b>1,594,225</b>	<b>102,425</b>	<b>1,197,976</b>	<b>2,894,626</b>

The Company has adopted IFRS 13 pursuant to which it is required to disclose the fair value hierarchy of financial assets that are not measured at fair value as well as a description of valuation techniques and inputs used.

Loans and receivables (including bank deposits) have been reported at amortised cost, less impairment. Although they have been obtained on the basis of a fixed interest rate, the Management Board believes that, due to their specific features, the book value of these instruments is not significantly different from their fair value, provided that all payments arising from exposures without impaired value will be collected as agreed and without taking into account any future losses.

Financial liabilities have been reported at amortised cost. Although they have been agreed on the basis of a fixed interest rate, the Management Board believes that, due to the repayment of a majority of liabilities within a few days after the balance sheet date, the carrying value of these instruments is not significantly different from their fair value.

The fair value of loans and financial liabilities are estimated on the basis of inputs that are not commercially available rates and would therefore be classified as level 3 in the fair value hierarchy. Investments with available market prices that are classified in the portfolio of held-to-maturity investments would be classified as level 1.

The Group's assets measured at fair value as at 31 December 2016 are presented as follows:

	<b>Level 1</b> in HRK'000	<b>Level 2</b> in HRK'000	<b>Level 3</b> in HRK'000	<b>Total</b> in HRK'000
<b>Business property</b>	-	-	<b>767,396</b>	<b>767,396</b>
<b>Investment property</b>	-	-	<b>784,159</b>	<b>784,159</b>
Equity securities	367,557	-	8,767	<b>376,324</b>
Debt securities	1,984,219	51,212	-	<b>2,035,431</b>
Investment funds	24,625	-	3,858	<b>28,483</b>
<b>Available-for-sale financial assets</b>	<b>2,376,401</b>	<b>51,212</b>	<b>12,625</b>	<b>2,440,238</b>
Equity securities	12,656	-	-	<b>12,656</b>
Debt securities	67,704	-	-	<b>67,704</b>
Investment funds	381,194	-	-	<b>381,194</b>
<b>Financial assets at fair value through profit or loss</b>	<b>461,554</b>	-	-	<b>461,554</b>
<b>Total assets at fair value</b>	<b>2,837,955</b>	<b>51,212</b>	<b>1,564,180</b>	<b>4,453,347</b>

The Group's assets measured at fair value as at 31 December 2015 are presented as follows:

	<b>Level 1</b> in HRK'000	<b>Level 2</b> in HRK'000	<b>Level 3</b> in HRK'000	<b>Total</b> in HRK'000
<b>Business property</b>	-	-	<b>888,265</b>	<b>888,265</b>
<b>Investment property</b>	-	-	<b>718,459</b>	<b>718,459</b>
Equity securities	252,772	72	7,880	<b>260,724</b>
Debt securities	1,617,900	88,709	5,955	<b>1,712,564</b>
Investment funds	25,081	-	4,152	<b>29,233</b>
<b>Available-for-sale financial assets</b>	<b>1,895,753</b>	<b>88,781</b>	<b>17,987</b>	<b>2,002,521</b>
Equity securities	13,133	-	-	<b>13,133</b>
Debt securities	65,442	45,263	-	<b>110,705</b>
Investment funds	89,182	977	-	<b>90,159</b>
<b>Financial assets at fair value through profit or loss</b>	<b>167,757</b>	<b>46,240</b>	-	<b>213,997</b>
<b>Total assets at fair value</b>	<b>2,063,510</b>	<b>135,021</b>	<b>1,624,711</b>	<b>3,823,242</b>

### **Fair value of property**

An independent valuation of the Group's Investment property was performed by external appraisers to determine its fair value as at 31 December 2016 and 2015.

The fair value estimation of business property was carried out by external appraisers in 2014, while in 2016 the Group reassessed whether there were any impairment indicators and recognized impairment where there was a significant difference in its net book value compared to the recoverable amount.

#### *Valuation techniques used to derive level 3 fair values*

Fair values of investment property have been derived primarily by using the comparative and income approaches, and sometimes because of the lack of information on market parameters by using the cost method, depending on the relevant asset.

The fair values of property for own use have been derived primarily by using the income approach.

The most significant inputs in this valuation approach were prices or rental income per square meter generated by comparable property in close proximity, which were then adjusted for differences in key attributes.

Information on fair value measurement of investment property by applying significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016	Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of invisible inputs	
					2016	2015
Company	448,528	479,755	Income approach	Capitalization rate	6.5%-10%	7.5%-9.8%
				Discount rate	-	8%-10%
			Cost approach	Unit price of construction per m2 (HRK)	45-5,200	395-5,900
			Comparative approach	Average price per m2 (HRK)	3-15,402	1-15,000
Other Group companies	335,631	238,704	Income approach	Capitalization rate	9%-11%	6.5%-11%
				Discount rate	10%	10%
			Comparative approach	Average price per m2 (HRK)	1,096-24,700	1,125-21,700
<b>Total</b>	<b>784,159</b>	<b>718,459</b>				

A significant increase (decrease) in the estimated capitalization rate, unit prices of construction and the average price per m2, with all other variables held constant, would lead to a significant increase (decrease) in the fair value of investment property. A significant increase (decrease) of the discount rate, with all other variables held constant, would lead to a significant decrease (increase) in the fair value of investment property.

There is no significant interrelationship between unobservable inputs used in the estimates that would have a significant effect on the fair value.

**2.38. Capital risk management**

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

- Ensuring the continuity of the Company's operations;
- Compliance with laws and by-laws of EU and Croatia, regulations and instructions of the regulatory body governing capital management
- Maintaining a high level of capitalization and consequently financial stability, thus providing an adequate level of security to the contractor and the security users;
- Achieving efficient and optimal capital allocation as well as maximizing return on equity;
- Ensure continued compliance with the Company's and Group's business strategy with risk appetite and target capital adequacy levels
- Ensure a high level of capitalization or sufficient capital surplus for further investment in the development and growth of the Company and the Group.

The Company and the Group are subject to the legal and subordinate regulations of the Republic of Croatia and the EU governing capital management, which also specify the minimum levels of capital that the Company and the Group must maintain. On 1 January 2016, a new regulatory framework for insurance companies (the so-called Solvency 2) entered into force. The new regulatory framework changed the regulations governing the manner of calculating and reporting on capital adequacy. Specifically, it is stipulated that the Company and the Group must at all times maintain their own eligible assets (available capital) in a manner that covers the minimum capital requirement (so called MCR) as well as the solvency capital requirement (SCR).

The Company and the Group are in compliance with the legal and subordinate regulations governing the capital adequacy as follows:

	Regulatory request	Company	Group
		31 Dec. 2016*	31 Dec.2016*
SCR ratio**	> 100%	235%	193%
MCR ratio**	> 100%	828%	541%

*\* Temporary unrecognized data is displayed for the last reference date for which data is available at the time of this Report. The Company and the Group will publicly disclose the final data for 31 December 2016 as part of the Solvency and Financial Statements, which will be published on the Company's website no later than 20 May 2017 for the Company, i.e. up to 1 July 2017 for the Group. Due to the previously mentioned change in the regulatory framework, data as of 31 December 2015 are not comparable and due to that they are not shown.*

*\*\* The SCR ratio is defined as the ratio of the amount of total eligible own funds to cover the solvency capital requirement (SCR) and the amount of required solvent capital. The MCR ratio is defined as the ratio of the amount of total eligible own funds to cover the minimum capital requirement (MCR) and the amount of minimum required capital.*

The Company and the Group regularly monitor the capital adequacy and conduct stress capital testing and its sufficiency in order to prevent the possibility of capital shortages in time.

As of 3 April 2017, the Company merged with the company CROATIA Lloyd d.d. Prior to merger, the Company prepared projections of capital adequacy after the merger of CROATIA Lloyd d.d. which showed that the SCR ratio of the Company after the merger should be slightly increased.

### 3. Segment reporting

The Company's statement of comprehensive income by business segments for the year is as follows:

	2016	2016	2016	2015	2015	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Gross written premiums	1,741,690	533,428	<b>2,275,118</b>	1,787,937	513,508	<b>2,301,445</b>
Premiums ceded to reinsurance	(243,559)	(249)	<b>(243,808)</b>	(258,387)	(397)	<b>(258,784)</b>
<b>Written premiums, net of reinsurance</b>	<b>1,498,131</b>	<b>533,179</b>	<b>2,031,310</b>	<b>1,529,550</b>	<b>513,111</b>	<b>2,042,661</b>
Change in gross provisions for unearned premiums	(30,430)	(654)	<b>(31,084)</b>	23,177	(1,115)	<b>22,062</b>
Change in provisions for unearned premiums, reinsurance share	(13,915)	-	<b>(13,915)</b>	(8,266)	-	<b>(8,266)</b>
<b>Earned premiums, net of reinsurance</b>	<b>1,453,786</b>	<b>532,525</b>	<b>1,986,311</b>	<b>1,544,461</b>	<b>511,996</b>	<b>2,056,457</b>
Commission and fee income	32,392	488	<b>32,880</b>	33,312	16	<b>33,328</b>
Finance income	247,306	121,664	<b>368,970</b>	236,971	119,047	<b>356,018</b>
Other operating income	56,138	60	<b>56,198</b>	55,811	116	<b>55,927</b>
<b>Net operating income</b>	<b>1,789,622</b>	<b>654,737</b>	<b>2,444,359</b>	<b>1,870,555</b>	<b>631,175</b>	<b>2,501,730</b>
Claims incurred	(930,020)	(485,779)	<b>(1,415,799)</b>	(1,005,039)	(492,773)	<b>(1,497,812)</b>
Reinsurance share in claims incurred	99,893	7	<b>99,900</b>	79,714	(49)	<b>79,665</b>
<b>Claims incurred, net of reinsurance</b>	<b>(830,127)</b>	<b>(485,772)</b>	<b>(1,315,899)</b>	<b>(925,325)</b>	<b>(492,822)</b>	<b>(1,418,147)</b>
Acquisition costs	(336,446)	(67,209)	<b>(403,655)</b>	(323,771)	(55,523)	<b>(379,294)</b>
Administrative expenses	(354,151)	(54,967)	<b>(409,118)</b>	(382,591)	(51,325)	<b>(433,916)</b>
Other operating expenses	(122,552)	(353)	<b>(122,905)</b>	(38,793)	(339)	<b>(39,132)</b>
Finance costs	(73,712)	(25,350)	<b>(99,062)</b>	(131,737)	(27,209)	<b>(158,946)</b>
<b>Profit before tax</b>	<b>72,634</b>	<b>21,086</b>	<b>93,720</b>	<b>68,338</b>	<b>3,957</b>	<b>72,295</b>
Income tax	(37,229)	(4,963)	<b>(42,192)</b>	(19,353)	(1,978)	<b>(21,331)</b>
<b>Profit for the year</b>	<b>35,405</b>	<b>16,123</b>	<b>51,528</b>	<b>48,985</b>	<b>1,979</b>	<b>50,964</b>

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**Notes to financial statements for 2016**

The Company's statement of financial position by business segments at the reporting date is as follows:

	<b>31 Dec. 2016</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Assets</b>	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>
Property and equipment	16,281	-	<b>16,281</b>	14,334	-	<b>14,334</b>
Deferred acquisition costs	110,496	-	<b>110,496</b>	64,363	-	<b>64,363</b>
Intangible assets	634,905	-	<b>634,905</b>	732,191	-	<b>732,191</b>
Investment property	448,528	-	<b>448,528</b>	479,755	-	<b>479,755</b>
Investments in subsidiaries, associates and participation in joint ventures	394,644	-	<b>394,644</b>	421,416	-	<b>421,416</b>
Held-to-maturity investments	791,578	1,229,396	<b>2,020,974</b>	875,848	1,209,820	<b>2,085,668</b>
Available-for-sale financial assets	1,049,814	993,955	<b>2,043,769</b>	863,224	744,973	<b>1,608,197</b>
Financial assets at fair value through profit or loss	202,592	178,458	<b>381,050</b>	12,953	92,852	<b>105,805</b>
Loans and receivables	1,279,102	318,499	<b>1,597,601</b>	1,257,630	403,892	<b>1,661,522</b>
Reinsurance share in technical provisions	181,675	279	<b>181,954</b>	306,498	271	<b>306,769</b>
Deferred tax assets	53,388	-	<b>53,388</b>	83,846	-	<b>83,846</b>
Insurance contract and other receivables	724,856	49,952	<b>774,808</b>	769,063	46,263	<b>815,326</b>
Cash and cash equivalents	45,977	20,222	<b>66,199</b>	31,448	26,912	<b>58,360</b>
<b>Total assets</b>	<b>5,933,836</b>	<b>2,790,761</b>	<b>8,724,597</b>	<b>5,912,569</b>	<b>2,524,983</b>	<b>8,437,552</b>
<b>Equity</b>						
Share capital	557,287	44,289	<b>601,576</b>	557,287	44,289	<b>601,576</b>
Share premium	681,483	-	<b>681,483</b>	681,483	-	<b>681,483</b>
Reserves	313,972	83,902	<b>397,874</b>	311,732	83,803	<b>395,535</b>
Fair value reserve	170,981	57,547	<b>228,528</b>	137,674	4,296	<b>141,970</b>
Retained earnings	110,757	33,303	<b>144,060</b>	78,119	17,279	<b>95,398</b>
<b>Total equity</b>	<b>1,834,480</b>	<b>219,041</b>	<b>2,053,521</b>	<b>1,766,295</b>	<b>149,667</b>	<b>1,915,962</b>
<b>Liabilities</b>						
Technical provisions	3,436,139	2,528,287	<b>5,964,426</b>	3,497,634	2,334,799	<b>5,832,433</b>
Provisions	113,307	10,674	<b>123,981</b>	94,753	12,757	<b>107,510</b>
Deferred tax liability	-	10,281	<b>10,281</b>	-	752	<b>752</b>
Liabilities arising from insurance contracts, other liabilities and deferred income	533,371	22,478	<b>555,849</b>	553,887	27,008	<b>580,895</b>
Current income tax expense	16,539	-	<b>16,539</b>	-	-	<b>-</b>
<b>Total liabilities</b>	<b>4,099,356</b>	<b>2,571,720</b>	<b>6,671,076</b>	<b>4,146,274</b>	<b>2,375,316</b>	<b>6,521,590</b>
<b>Total capital, reserves and liabilities</b>	<b>5,933,836</b>	<b>2,790,761</b>	<b>8,724,597</b>	<b>5,912,569</b>	<b>2,524,983</b>	<b>8,437,552</b>



The Group's statement of comprehensive income by business segments for the year is as follows:

	2016	2016	2016	2015	2015	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>
Gross written premiums	2,396,235	629,583	<b>3,025,818</b>	2,357,701	601,917	<b>2,959,618</b>
Premiums ceded to reinsurance	(283,966)	(379)	<b>(284,345)</b>	(278,468)	(397)	<b>(278,865)</b>
<b>Written premiums, net of reinsurance</b>	<b>2,112,269</b>	<b>629,204</b>	<b>2,741,473</b>	<b>2,079,233</b>	<b>601,520</b>	<b>2,680,753</b>
Change in gross provisions for unearned premiums	(92,348)	(722)	<b>(93,070)</b>	(2,413)	(1,296)	<b>(3,709)</b>
Change in provisions for unearned premiums, reinsurance share	3,336	(23)	<b>3,313</b>	10,225	75	<b>10,300</b>
<b>Earned premiums, net of reinsurance</b>	<b>2,023,257</b>	<b>628,459</b>	<b>2,651,716</b>	<b>2,087,045</b>	<b>600,299</b>	<b>2,687,344</b>
Commission and fee income	42,158	486	<b>42,644</b>	37,154	16	<b>37,170</b>
Finance income	257,691	133,774	<b>391,465</b>	309,653	131,078	<b>440,731</b>
Other operating income	170,528	179	<b>170,707</b>	155,047	303	<b>155,350</b>
<b>Net operating income</b>	<b>2,493,634</b>	<b>762,898</b>	<b>3,256,532</b>	<b>2,588,899</b>	<b>731,696</b>	<b>3,320,595</b>
Claims incurred	(1,168,376)	(561,853)	<b>(1,730,229)</b>	(1,311,581)	(560,955)	<b>(1,872,536)</b>
Reinsurance share in claims incurred	141,488	7	<b>141,495</b>	81,678	(49)	<b>81,628</b>
<b>Claims incurred, net of reinsurance</b>	<b>(1,026,888)</b>	<b>(561,846)</b>	<b>(1,588,734)</b>	<b>(1,229,904)</b>	<b>(561,004)</b>	<b>(1,790,908)</b>
Acquisition costs	(461,992)	(84,582)	<b>(546,574)</b>	(422,893)	(72,955)	<b>(495,848)</b>
Administrative expenses	(562,139)	(61,823)	<b>(623,962)</b>	(618,153)	(58,808)	<b>(676,961)</b>
Other operating expenses	(154,071)	(762)	<b>(154,833)</b>	(73,365)	(654)	<b>(74,019)</b>
Finance costs	(71,726)	(26,448)	<b>(98,174)</b>	(121,482)	(28,619)	<b>(150,101)</b>
Share of profits of affiliated companies	12,908	-	<b>12,908</b>	13,762	-	<b>13,762</b>
<b>Profit before tax</b>	<b>229,726</b>	<b>27,437</b>	<b>257,163</b>	<b>136,864</b>	<b>9,656</b>	<b>146,520</b>
Income tax	(76,166)	(5,787)	<b>(81,953)</b>	(29,859)	(2,722)	<b>(32,581)</b>
<b>Profit for the year</b>	<b>153,560</b>	<b>21,650</b>	<b>175,210</b>	<b>107,005</b>	<b>6,934</b>	<b>113,939</b>

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**Notes to financial statements for 2016**

The Group's statement of financial position by business segments at the reporting date is as follows:

	<b>31 Dec. 2016</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Assets</b>	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>	<b>NON-LIFE</b>	<b>LIFE</b>	<b>TOTAL</b>
Intangible assets	33,278	216	<b>33,494</b>	25,303	206	<b>25,509</b>
Deferred acquisition costs	128,331	-	<b>128,331</b>	68,375	-	<b>68,375</b>
Property and equipment	815,662	17,730	<b>833,392</b>	926,001	17,579	<b>943,580</b>
Investment property	783,135	1,024	<b>784,159</b>	717,420	1,038	<b>718,458</b>
Investments in subsidiaries, associates and participation in joint ventures	85,566	-	<b>85,566</b>	81,653	-	<b>81,653</b>
Held-to-maturity investments	873,729	1,295,948	<b>2,169,677</b>	1,031,382	1,284,100	<b>2,315,482</b>
Available-for-sale financial assets	1,343,418	1,096,820	<b>2,440,238</b>	1,197,084	805,438	<b>2,002,521</b>
Financial assets at fair value through profit or loss	279,275	182,279	<b>461,554</b>	115,056	98,941	<b>213,997</b>
Loans and receivables	1,456,000	448,846	<b>1,904,846</b>	1,532,882	529,929	<b>2,062,811</b>
Reinsurance share in technical provisions	197,755	336	<b>198,091</b>	163,322	352	<b>163,674</b>
Deferred tax assets	65,368	-	<b>65,368</b>	97,903	-	<b>97,903</b>
Insurance contract and other receivables	978,626	73,323	<b>1,051,949</b>	1,008,281	70,803	<b>1,079,084</b>
Cash and cash equivalents	123,146	36,860	<b>160,006</b>	106,866	29,290	<b>136,156</b>
<b>Total assets</b>	<b>7,163,289</b>	<b>3,153,382</b>	<b>10,316,671</b>	<b>7,071,528</b>	<b>2,837,676</b>	<b>9,909,204</b>
<b>Equity</b>						
Share capital	557,287	44,289	<b>601,576</b>	557,287	44,289	<b>601,576</b>
Share premium	681,483	-	<b>681,483</b>	681,483	-	<b>681,483</b>
Reserves	313,972	83,902	<b>397,874</b>	311,732	83,803	<b>395,535</b>
Fair value reserve	230,180	58,269	<b>288,449</b>	193,979	5,478	<b>199,457</b>
Retained earnings	548,920	60,581	<b>609,501</b>	394,464	39,685	<b>434,149</b>
<b>Equity attributable to owners of the parent</b>	<b>2,331,842</b>	<b>247,041</b>	<b>2,578,883</b>	<b>2,138,945</b>	<b>173,255</b>	<b>2,312,200</b>
Non-controlling interest	12,168	1,510	<b>13,678</b>	13,165	1,629	<b>14,794</b>
<b>Total equity</b>	<b>2,344,010</b>	<b>248,551</b>	<b>2,592,561</b>	<b>2,152,110</b>	<b>174,884</b>	<b>2,326,994</b>
<b>Liabilities</b>						
Technical provisions	4,001,070	2,816,173	<b>6,817,243</b>	4,134,458	2,578,211	<b>6,712,669</b>
Provisions	130,090	10,693	<b>140,783</b>	116,107	12,781	<b>128,888</b>
Deferred tax liability	19,667	10,360	<b>30,027</b>	23,776	830	<b>24,606</b>
Financial liabilities	3,951	222	<b>4,173</b>	1,555	174	<b>1,729</b>
Insurance contract and other liabilities and deferred income	620,521	66,554	<b>687,075</b>	636,567	70,526	<b>707,093</b>
Current income tax expense	43,980	829	<b>44,809</b>	6,955	270	<b>7,225</b>
<b>Total liabilities</b>	<b>4,819,279</b>	<b>2,904,831</b>	<b>7,724,110</b>	<b>4,919,418</b>	<b>2,662,792</b>	<b>7,582,210</b>
<b>Total equity and liabilities</b>	<b>7,163,289</b>	<b>3,153,382</b>	<b>10,316,671</b>	<b>7,071,528</b>	<b>2,837,676</b>	<b>9,909,204</b>

The measurement of the assets and liabilities segment and the revenues and result segments is based on the accounting policies set out in the notes on accounting policies.

The Group's main business segments are non-life and life insurance.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that are allocated on a reasonable basis.

The main products offered by the reportable business segments include:

**Non-life:**

- Accident insurance
- Health insurance
- Road motor vehicle insurance
- Railroad rolling stock insurance
- Aircraft insurance
- Vessel insurance
- Insurance for goods in transit
- Insurance against fire and natural disasters
- Other types of property insurance
- Motor liability insurance
- Aircraft liability insurance
- Vessel liability insurance
- Other types of liability insurance
- Loan insurance/credit insurance
- Surety insurance
- Miscellaneous financial loss insurance
- Travel insurance

**Life:**

- Life insurance
- Annuity insurance
- Additional insurance with life insurance
- Life or annuity insurance where the policyholder bears the investment risk

**Geographical segments**

The Group mainly operates in Croatia. The majority of income from insurance contracts is generated from clients in the Republic of Croatia.

4. Premiums

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>TOTAL LIFE AND NON-LIFE</b>				
Gross written premiums	2,268,662	2,307,929	3,020,718	2,968,219
Impairment and collected amounts previously impaired	6,456	(6,484)	5,100	(8,601)
<b>Gross written premiums</b>	<b>2,275,118</b>	<b>2,301,445</b>	<b>3,025,818</b>	<b>2,959,618</b>
Domestic reinsurance premium	15,349	(20,010)	1,829	(412)
Foreign reinsurance premium	(253,033)	(237,168)	(279,822)	(276,646)
Domestic coinsurance premium	(1,813)	(1,606)	(2,041)	(1,804)
Foreign coinsurance premium	(4,311)	-	(4,311)	(3)
<b>Premiums ceded to reinsurance</b>	<b>(243,808)</b>	<b>(258,784)</b>	<b>(284,345)</b>	<b>(278,865)</b>
<b>Written premiums, net of reinsurance</b>	<b>2,031,310</b>	<b>2,042,661</b>	<b>2,741,473</b>	<b>2,680,753</b>
Gross provisions for unearned premiums	(31,084)	22,062	(93,070)	(3,709)
Provisions for unearned premiums, reinsurance share	(13,950)	(8,488)	2,497	10,894
Provision for unearned premiums, coinsurance share	35	222	816	(594)
<b>Change in provisions for unearned premiums</b>	<b>(44,999)</b>	<b>13,796</b>	<b>(89,757)</b>	<b>6,591</b>
<b>Earned premiums, net of reinsurance</b>	<b>1,986,311</b>	<b>2,056,457</b>	<b>2,651,716</b>	<b>2,687,344</b>
	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>LIFE</b>				
<b>Gross written premiums</b>	<b>533,428</b>	<b>513,508</b>	<b>629,583</b>	<b>601,917</b>
Domestic reinsurance premium	(1)	(136)	(1)	(136)
Foreign reinsurance premium	(248)	(261)	(378)	(261)
<b>Premiums ceded to reinsurance</b>	<b>(249)</b>	<b>(397)</b>	<b>(379)</b>	<b>(397)</b>
<b>Written premiums, net of reinsurance</b>	<b>533,179</b>	<b>513,111</b>	<b>629,204</b>	<b>601,520</b>
Gross provisions for unearned premiums	(654)	(1,115)	(722)	(1,296)
Provisions for unearned premiums, reinsurance share	-	-	(23)	75
<b>Change in provisions for unearned premiums</b>	<b>(654)</b>	<b>(1,115)</b>	<b>(745)</b>	<b>(1,221)</b>
<b>Earned premiums, net of reinsurance</b>	<b>532,525</b>	<b>511,996</b>	<b>628,459</b>	<b>600,299</b>

4. Premiums (continued)

	Company		Group	
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>NON-LIFE</b>				
Gross written premiums	1,735,234	1,794,421	2,391,135	2,366,302
Impairment and collected amounts previously impaired	6,456	(6,484)	5,100	(8,601)
<b>Gross written premium</b>	<b>1,741,690</b>	<b>1,787,937</b>	<b>2,396,235</b>	<b>2,357,701</b>
Domestic reinsurance premium	15,350	(19,874)	1,830	(276)
Foreign reinsurance premium	(252,785)	(236,907)	(279,444)	(276,385)
Domestic coinsurance premium	(1,813)	(1,606)	(2,041)	(1,804)
Foreign coinsurance premium	(4,311)	-	(4,311)	(3)
<b>Premiums ceded to reinsurance</b>	<b>(243,559)</b>	<b>(258,387)</b>	<b>(283,966)</b>	<b>(278,468)</b>
<b>Written premiums, net of reinsurance</b>	<b>1,498,131</b>	<b>1,529,550</b>	<b>2,112,269</b>	<b>2,079,233</b>
Gross provision for unearned premiums	(30,430)	23,177	(92,348)	(2,413)
Provisions for unearned premiums, reinsurance share	(13,950)	(8,488)	2,520	10,819
Provisions for unearned premiums, coinsurance share	35	222	816	(594)
<b>Change in provisions for unearned premiums</b>	<b>(44,345)</b>	<b>14,911</b>	<b>(89,012)</b>	<b>7,812</b>
<b>Earned premiums, net of reinsurance</b>	<b>1,453,786</b>	<b>1,544,461</b>	<b>2,023,257</b>	<b>2,087,045</b>

5. Commission and fee income

Commission and fee income in the amount of HRK 32,880 thousand (2015: HRK 33,328 thousand) for the Company, and HRK 42,644 thousand (2015: HRK 37,170 thousand) for the Group, relates to commissions from reinsurance companies under reinsurance contracts.

6. Finance income

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income	232,719	232,579	264,888	267,771
Dividend income	65,713	17,577	17,240	7,549
Income from investment property	38,153	38,546	72,460	76,098
Foreign exchange gains	6,051	20,970	10,487	34,929
Realised gains from financial assets	18,220	13,655	14,312	14,918
Unrealised gains from financial assets at fair value through profit or loss	1,043	1,117	2,218	3,103
Collection of amounts previously impaired	3,251	23,939	4,201	27,120
Other income	3,820	7,635	5,659	9,244
	<b>368,970</b>	<b>356,018</b>	<b>391,465</b>	<b>440,731</b>

6.1. Interest income

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Interest income</i>				
Held-to-maturity investments	114,480	120,916	122,428	130,897
Available-for-sale financial assets	55,122	41,064	70,413	52,954
Investments at fair value through P&L	-	535	2,847	1,477
Deposits	39,063	48,022	49,665	60,523
Loans and other placements	24,054	22,042	19,535	21,920
	<b>232,719</b>	<b>232,579</b>	<b>264,888</b>	<b>267,771</b>

6.2. Income from investment property

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Income from investment property</i>				
Rental income	31,079	24,949	59,437	53,767
Income from increase in the value of land and buildings (Note 17)	6,907	13,597	12,894	22,331
Income from sale of land and buildings	167	-	129	-
	<b>38,153</b>	<b>38,546</b>	<b>72,460</b>	<b>76,098</b>

6.3. Realised gains from financial assets

	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Realised gains from financial assets</b>				
Financial assets at fair value through profit and loss	779	3,701	884	6,662
Financial assets available for sale	6,205	6,569	13,428	8,256
Investments in subsidiaries (Note 18.3)	11,236	3,385	-	-
	<b>18,220</b>	<b>13,655</b>	<b>14,312</b>	<b>14,918</b>

6.4. Foreign exchange gains

	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Foreign exchange gains</b>				
Held-to-maturity investments	8	9	871	4,457
Available-for-sale financial assets	2,949	8,588	4,115	13,966
Investments at fair value through profit or loss	-	-	718	-
Deposits	-	6,248	304	7,872
Loans	642	1,742	735	1,953
Foreign currency accounts	2,452	4,383	3,043	6,667
Other	-	-	701	14
	<b>6,051</b>	<b>20,970</b>	<b>10,487</b>	<b>34,929</b>

7. Other operating income

	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Income from written off liabilities and collected receivables written off	3,085	1,429	5,194	1,796
Income from guarantee fund	1,838	929	1,838	929
Income from penalty interest	12,387	6,390	12,997	6,390
Net income from regress	6,826	-2,881	10,786	398,000
Income from claims incurred abroad	6,802	5,227	7,243	6,147
Income based on bankruptcy proceedings of a partner	5,372	-	5,372	-
Income from nuclear pool	4,545	6,018	4,545	6,052
Revenue from service assessments	4,207	3,755	4,156	3,811
Income from reversal of other provisions	1,489	3,394	1,945	4,105
Income from fees for border security	310	246	310	246
Revenue from the sale of tangible assets	63	57	276	232
Revenue from court settlement with the Republic of Croatia	-	20,384	-	20,384
Other income - insurance	9,274	10,979	26,432	26,757
Income from motor vehicle examination	-	-	67,361	62,421
Revenue from the provision of polyclinic medical services	-	-	14,397	12,893
Other income - non-insurance business	-	-	7,855	2,789
	<b>56,198</b>	<b>55,927</b>	<b>170,707</b>	<b>155,350</b>

8. Claims incurred, net of reinsurance

	Company		Company		Group		Group	
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015
	in HRK'000		in HRK'000		in HRK'000		in HRK'000	
Claims incurred	1,415,799	1,497,812	1,730,229	1,872,536				
Reinsurance and coinsurance share in claims incurred	(99,900)	(79,665)	(141,495)	(81,628)				
	<b>1,315,899</b>	<b>1,418,147</b>	<b>1,588,734</b>	<b>1,790,908</b>				
	Company		Company		Group		Group	
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015
	in HRK'000		in HRK'000		in HRK'000		in HRK'000	
<b>TOTAL LIFE AND NON-LIFE</b>								
<b>Expenditure for insured events, net</b>	<b>1,148,236</b>	<b>1,226,061</b>	<b>1,373,598</b>	<b>1,568,164</b>				
Settled claims	1,107,364	1,229,460	1,558,034	1,580,743				
<i>Gross amount</i>	1,318,165	1,333,506	1,666,992	1,653,239				
<i>Coinsurance share</i>	(2,659)	(1,770)	(3,145)	(1,765)				
<i>Reinsurance share</i>	(208,142)	(102,276)	(105,813)	(70,731)				
Change in claims provisions	40,872	(3,399)	(184,436)	(12,579)				
<i>Gross amount</i>	(70,036)	(27,731)	(151,906)	(3,398)				
<i>Coinsurance share</i>	(14,846)	(532)	(14,969)	(532)				
<i>Reinsurance share</i>	125,754	24,864	(17,561)	(8,650)				
<b>Change in mathematical provision and other technical provisions, net of reinsurance</b>	<b>67,169</b>	<b>162,975</b>	<b>114,396</b>	<b>193,633</b>				
Change in mathematical provisions for insurance	83,659	194,557	129,120	229,951				
<i>Gross amount</i>	83,666	194,508	129,127	229,901				
<i>Reinsurance share</i>	(7)	49	(7)	49				
Change in other technical provisions, net of reinsurance	(16,490)	(31,582)	(14,724)	(36,318)				
<b>Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance</b>	<b>100,494</b>	<b>29,111</b>	<b>100,740</b>	<b>29,111</b>				
<i>Gross amount</i>	<b>1,415,799</b>	<b>1,497,812</b>	<b>1,730,229</b>	<b>1,872,536</b>				
<i>Reinsurance and coinsurance share</i>	<b>(99,900)</b>	<b>(79,665)</b>	<b>(141,495)</b>	<b>(81,628)</b>				



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	Company	Company	Group	Group
	2016	Restated 2015	2016	Restated 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>NON-LIFE</b>				
<b>Expenditure for insured events, net</b>	<b>846,617</b>	<b>956,906</b>	<b>1,041,613</b>	<b>1,266,222</b>
Settled claims	811,144	962,754	1,231,665	1,281,417
<i>Gross amount</i>	1,021,945	1,066,800	1,340,623	1,353,913
<i>Coinsurance share</i>	(2,658)	(1,770)	(3,145)	(1,765)
<i>Reinsurance share</i>	(208,143)	(102,276)	(105,813)	(70,731)
Change in claims provisions	35,473	(5,847)	(190,053)	(15,196)
<i>Gross amount</i>	(75,435)	(30,179)	(157,523)	(6,014)
<i>Coinsurance share</i>	(14,846)	(532)	(14,969)	(532)
<i>Reinsurance share</i>	125,754	24,864	(17,561)	(8,650)
<b>Change in mathematical provision and other technical provisions, net of reinsurance</b>	<b>(16,490)</b>	<b>(31,582)</b>	<b>(14,724)</b>	<b>(36,318)</b>
<i>Gross amount</i>	(16,490)	(31,582)	(14,724)	(36,318)
<b>Gross amount</b>	<b>930,020</b>	<b>1,005,039</b>	<b>1,168,376</b>	<b>1,311,581</b>
<b>Reinsurance and coinsurance share</b>	<b>(99,893)</b>	<b>(79,714)</b>	<b>(141,488)</b>	<b>(81,678)</b>
	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>LIFE</b>				
<b>Expenditure for insured events, net</b>	<b>301,619</b>	<b>269,154</b>	<b>331,986</b>	<b>301,942</b>
Settled claims, gross	296,221	266,705	326,369	299,326
Change in claims provisions, gross	5,398	2,449	5,617	2,616
<b>Change in mathematical provision and other technical provisions, net of reinsurance</b>	<b>83,659</b>	<b>194,557</b>	<b>129,120</b>	<b>229,951</b>
Change in mathematical provisions for insurance	83,659	194,557	129,120	229,951
<i>Gross amount</i>	83,666	194,508	129,127	229,902
<i>Reinsurance share</i>	(7)	49	(7)	49
<b>Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance</b>	<b>100,494</b>	<b>29,111</b>	<b>100,740</b>	<b>29,111</b>
<b>Gross amount</b>	<b>485,779</b>	<b>492,773</b>	<b>561,853</b>	<b>560,955</b>
<b>Reinsurance share</b>	<b>(7)</b>	<b>49</b>	<b>(7)</b>	<b>49</b>
	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Settled claims - gross amount</b>				
Expenses for claims	1,345,618	1,342,842	1,694,676	1,661,326
Interest expense on claims	23,828	20,847	23,828	20,847
Claims paid	51,419	62,717	55,550	67,849
Collected recourses	(114,911)	(105,320)	(119,273)	(109,203)
Recourse costs	12,211	12,420	12,211	12,420
	<b>1,318,165</b>	<b>1,333,506</b>	<b>1,666,992</b>	<b>1,653,239</b>

9. Acquisition costs

	Company		Group	
	2016	Restated 2015	2016	Restated 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission	247,999	220,157	310,959	277,265
Other acquisition costs	134,580	110,378	210,989	152,450
Change in deferred acquisition costs	(46,133)	(6,765)	(59,956)	(6,822)
<b>NON-LIFE</b>	<b>336,446</b>	<b>323,770</b>	<b>461,992</b>	<b>422,893</b>
Commission	40,573	34,632	49,400	46,735
Other acquisition costs	26,636	20,892	35,182	26,220
<b>LIFE</b>	<b>67,209</b>	<b>55,524</b>	<b>84,582</b>	<b>72,955</b>
Commission	288,572	254,789	360,359	324,000
Other acquisition costs	161,216	131,270	246,171	178,670
Change in deferred acquisition costs (Note 15.1)	(46,133)	(6,765)	(59,956)	(6,822)
<b>TOTAL LIFE AND NON-LIFE</b>	<b>403,655</b>	<b>379,294</b>	<b>546,574</b>	<b>495,848</b>

9.1. Commission

	Company		Group	
	2016	Restated 2015	2016	Restated 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission expenses - agents	6,865	7,581	11,886	14,414
Commission expenses - employees	122,862	121,434	138,200	146,983
Commission for banks, agencies and brokers	158,845	125,774	210,273	162,603
	<b>288,572</b>	<b>254,789</b>	<b>360,359</b>	<b>324,000</b>

9.2. Other acquisition costs

	Company		Group	
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Costs of promotion	33,773	32,795	44,439	44,982
Cost of sales staff	104,135	94,964	164,931	120,517
Other direct acquisition costs	23,308	3,511	36,801	13,171
	<b>161,216</b>	<b>131,270</b>	<b>246,171</b>	<b>178,670</b>

**10. Administrative expenses**

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation and depreciation	38,265	37,685	55,057	53,941
Salaries, taxes and contributions from and on salaries	182,616	227,085	263,483	307,884
Other administration expenses	188,237	169,146	305,422	315,136
	<b>409,118</b>	<b>433,916</b>	<b>623,962</b>	<b>676,961</b>

**10.1. Amortisation and depreciation**

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation(Note 15)	6,932	5,840	13,251	9,262
Depreciation	31,333	31,845	41,806	44,679
	<b>38,265</b>	<b>37,685</b>	<b>55,057</b>	<b>53,941</b>

**10.2. Salaries, taxes and contributions from and on salaries**

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and compensations	105,405	127,093	155,358	176,633
Contributions from salaries	28,997	37,862	42,761	51,480
Taxes and surtaxes	22,216	28,787	30,026	36,866
Contributions on salaries	25,998	33,343	35,338	42,906
	<b>182,616</b>	<b>227,085</b>	<b>263,483</b>	<b>307,884</b>

**10.3. Other administrative expenses**

	<b>Company</b>		<b>Group</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Services	108,226	86,236	157,472	150,034
Vacation allowance to employees	-	8	678	1,064
Net provision/(reversal) for jubilee awards and termination benefits	4,547	(16,696)	5,674	(4,094)
Other benefits to employees by collective agreement	5,390	16,691	8,002	17,797
Provision for unused vacation days	(8,964)	(369)	(7,987)	261
Other provisions	3,598	-	7,200	-
Provision for legal claims (Note 26)	2,018	2,523	3,100	3,731
Materials used	5,789	8,101	15,638	13,550
Energy consumed	11,736	12,958	17,994	19,103
Transportation to and from work	6,418	9,786	8,387	11,680
Insurance premiums	11,789	11,646	8,501	8,899
Entertainment costs	3,923	5,016	6,141	8,969
Commission costs of credit card companies	9,584	11,121	9,798	11,345
Other contributions and fees	16,245	13,819	27,520	24,806
Daily allowances and transportation expenses	2,518	2,538	3,579	3,817
Banking services	541	633	5,918	5,529
Other various costs and expenditures	4,879	5,135	27,807	38,645
	<b>188,237</b>	<b>169,146</b>	<b>305,422</b>	<b>315,136</b>

**11. Other operating expenses**

	<b>Company</b>		<b>Group</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Guarantee fund fee	2,776	8,299	11,261	21,475
Fee to Croatian Insurance Bureau	1,704	1,304	2,302	2,919
Fire Department fee	5,420	5,164	6,463	6,163
Fee to Croatian Financial Services Supervisory Agency	1,274	1,327	2,441	2,411
Contributions for health insurance from motor liability premium	9,234	10,084	16,627	17,212
Other insurance-technical expenses	1,423	1,983	7,692	6,541
Other expenses	148	9,236	6,612	9,447
Impairment - property and equipment (Note 16)	96,109	-	96,470	4,842
Other impairment	4,817	1,735	4,965	3,009
	<b>122,905</b>	<b>39,132</b>	<b>154,833</b>	<b>74,019</b>

## 12. Finance costs

	Company		Group	
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Impairment of investments	57,861	130,138	40,081	107,065
Realised losses on investments	757	1,943	11,863	2,603
Foreign exchange losses	34,395	19,170	37,051	25,020
Unrealised losses on investments in financial assets at fair value through profit or loss	-	2,093	926	2,651
Payment transactions	4,238	4,128	4,554	4,583
Interest expense - leasing	-	-	571	1,696
Loss for sold real estate	-	52	-	52
Other investment costs	1,811	1,422	3,128	6,431
	<b>99,062</b>	<b>158,946</b>	<b>98,174</b>	<b>150,101</b>

### 12.1. Impairment of investments

	Company		Group	
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries and associates (Note 18.3)	27,131	39,330	-	-
Available-for-sale financial assets	4,424	46,260	4,477	46,387
Other impairment	-	-	121	-
Impairment of loans given	72	315	1,635	2,189
Losses from changes in fair value of property (Note 17)	26,234	44,233	33,848	58,489
	<b>57,861</b>	<b>130,138</b>	<b>40,081</b>	<b>107,065</b>

### 12.2. Realised losses on investments

	Company		Group	
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Realised losses on investments</i>				
Realised losses on available-for-sale financial assets	684	711	1,653	799
Realized losses on investments at fair value through profit or loss	73	1,232	103	1,804
Realized losses on disposal of subsidiary (Note 18.3)	-	-	10,107	-
	<b>757</b>	<b>1,943</b>	<b>11,863</b>	<b>2,603</b>

12.3. Foreign exchange losses

	Company	Company	Group	Group
	2016	2015	2016	2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Foreign exchange losses</i>				
Held-to-maturity investments	13,419	5,734	13,828	9,567
Available-for-sale financial assets	8,474	1,971	9,224	2,433
Assets at fair value through profit or loss	91	473	91	485
Deposits	7,645	7,035	7,816	7,277
Loans	1,013	834	1,185	1,069
Foreign currency accounts	3,753	3,123	4,881	3,804
Other	-	-	26	385
	<b>34,395</b>	<b>19,170</b>	<b>37,051</b>	<b>25,020</b>

### 13. Income tax

Income tax is calculated in accordance with legal regulations on the tax base, which represents the difference between realised income and expenses in the accounting period for which the tax base is determined. The initial tax base was increased by non-deductible expenses and decreased by income in accordance with the tax regulations in effect in the countries of Group members.

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net deferred tax expense (Note 21)	25,317	21,331	26,613	18,324
Current tax expense	16,875	-	55,340	14,257
<b>Net income tax expense for the year</b>	<b>42,192</b>	<b>21,331</b>	<b>81,953</b>	<b>32,581</b>

The reconciliation between income tax and the profit/(loss) before tax reported in the income statement is set out below:

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>Profit /(loss) before tax</b>	<b>93,720</b>	<b>72,295</b>	<b>257,163</b>	<b>146,520</b>
Income tax at 20%	18,744	14,459	51,433	29,305
Non-deductible expenses	45,092	22,012	50,742	25,830
Tax incentives and income not subject to tax	(21,644)	(15,140)	(20,222)	(22,554)
<b>Tax (income)/expense for the year</b>	<b>42,192</b>	<b>21,331</b>	<b>81,953</b>	<b>32,581</b>
<b>Effective tax rate</b>	<b>45.02%</b>	<b>29.51%</b>	<b>31.87%</b>	<b>22.24%</b>

As at 31 December 2016, the Company has no tax losses that can be carried forward for covering the Company's future profits (31 December 2015: HRK 92,904 thousand). The remaining Group companies have no significant tax losses that can be carried forward to cover future profits.

In accordance with current regulations, the Tax Administration may at any time inspect the books and records for a period of three years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Management Board is not aware of any circumstances which may give rise to a potential material liability in this respect.

14. Earnings per share

	<u>Group</u>	<u>Group</u>
	<b>2016</b>	<b>Restated 2015</b>
	in HRK'000	in HRK'000
<b>Profit /(loss) for the year</b>	<b>175,835</b>	<b>114,590</b>
<b>Weighted average of ordinary shares</b>	<b>420,947</b>	<b>420,947</b>
<b>Earnings/(loss) per share attributable to the Company's shareholders</b>		
Basic and diluted loss per share in HRK	<b>417.71</b>	<b>272.22</b>

For the purpose of calculating earnings per share, earnings are calculated as the profit for the current period attributable to shareholders of the Company. The number of ordinary shares is the weighted average number of ordinary shares in circulation during the year. The weighted average number of ordinary shares used for the calculation of basic earnings per share was 420,947 (2015: 420,947). In addition, since there is no effect of options, convertible bonds or similar effects, the weighted average number of ordinary shares used to calculate diluted earnings per share was the same as the one used to calculate basic earnings per share.



15. Intangible assets

Company	in HRK'000			
	Other intangible assets	Software	Intangible assets under construction	Total
<b>Cost</b>				
<b>At 31 December 2014</b>	<b>15,887</b>	<b>67,887</b>	<b>106</b>	<b>83,880</b>
Additions	40	9,693	(106)	9,627
Transfer to tangible assets (Note 16)	(9,404)	-	-	(9,404)
Disposals or retirements	(2)	(116)	-	(118)
<b>At 31 December 2015</b>	<b>6,521</b>	<b>77,464</b>	<b>-</b>	<b>83,985</b>
Additions	-	8,846	-	8,846
<b>At 31 December 2016</b>	<b>6,521</b>	<b>86,310</b>	<b>-</b>	<b>92,831</b>
<b>Accumulated amortisation</b>				
<b>At 31 December 2014</b>	<b>15,085</b>	<b>57,967</b>	<b>-</b>	<b>73,052</b>
Amortisation charge for 2015	370	5,470	-	5,840
Disposals or retirements	-	(11)	-	(11)
Transfer to tangible assets (Note 16)	(9,230)	-	-	(9,230)
<b>At 31 December 2015</b>	<b>6,225</b>	<b>63,426</b>	<b>-</b>	<b>69,651</b>
Amortisation charge for 2016	124	6,808	-	6,932
Transfer to tangible assets (Note 16)	-	(33)	-	(33)
<b>At 31 December 2016</b>	<b>6,349</b>	<b>70,201</b>	<b>-</b>	<b>76,550</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>172</b>	<b>16,109</b>	<b>-</b>	<b>16,281</b>
<b>At 31 December 2015</b>	<b>296</b>	<b>14,038</b>	<b>-</b>	<b>14,334</b>

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Group	in HRK'000			
	Other intangible assets	Software	Intangible assets under construction	Total
<b>Cost</b>				
<b>At 31 December 2014</b>	<b>38,366</b>	<b>95,339</b>	<b>651</b>	<b>134,356</b>
Additions	4,112	10,055	100	14,267
Transfer to use	-	572	(572)	-
Disposals or retirements	(43)	(151)	-	(194)
Transfer to tangible assets (Note 16)	(13,410)	-	-	(13,410)
Other transfers	(20,191)	(138)	-	(20,329)
Foreign exchange differences arising on translation of financial statements of foreign operations	(16)	(53)	(1)	(70)
<b>At 31 December 2015</b>	<b>8,818</b>	<b>105,624</b>	<b>178</b>	<b>114,620</b>
Additions	-	21,086	178	21,264
Transfer to tangible assets	-	155	-	155
Transfer to use	-	218	(218)	-
Disposals or retirements	-	(131)	-	(131)
Sale of companies	-	(522)	-	(522)
Other transfers	-	2,019	-	2,019
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(142)	(4)	(146)
<b>At 31 December 2016</b>	<b>8,818</b>	<b>128,307</b>	<b>134</b>	<b>137,259</b>
<b>Accumulated amortisation</b>				
<b>At 31 December 2014</b>	<b>15,082</b>	<b>74,306</b>	-	<b>89,388</b>
Amortisation charge for 2015	943	8,319	-	9,262
Disposals or retirements	2,297	-	-	2,297
Transfer to tangible assets (Note 16)	(12,566)	-	-	(12,566)
Disposals or retirements	(41)	(143)	-	(184)
Other transfers	2,816	(1,864)	-	952
Foreign exchange differences arising on translation of financial statements of foreign operations	(9)	(29)	-	(38)
<b>At 31 December 2015</b>	<b>8,522</b>	<b>80,589</b>	-	<b>89,111</b>
Amortisation charge for the year 2016	124	13,127	-	13,251
Disposals or retirements	-	(100)	-	(100)
Sale of companies	-	(503)	-	(503)
Other transfers	-	2,124	-	2,124
Transfer to tangible assets (Note 16)	-	(30)	-	(30)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(88)	-	(88)
<b>At 31 December 2016</b>	<b>8,646</b>	<b>95,119</b>	-	<b>103,765</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>172</b>	<b>33,188</b>	<b>134</b>	<b>33,494</b>
<b>At 31 December 2015</b>	<b>296</b>	<b>25,035</b>	<b>178</b>	<b>25,509</b>

15.1. Deferred acquisition costs

	Company		Group	
	2016	Company Restated 2015	2016	Group Restated 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>At 31 December</b>	<b>64,363</b>	<b>57,598</b>	<b>68,375</b>	<b>61,533</b>
Increase	46,133	6,765	60,750	6,765
Decrease	-	-	(794)	(6)
Foreign exchange differences	-	-	-	63
<b>At 31 December</b>	<b>110,496</b>	<b>64,363</b>	<b>128,331</b>	<b>68,375</b>

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16. Property and equipment

Company	in HRK'000							
Cost	Land	Buildings	Equipment and furniture	Vehicles	Other tangible assets	Assets under construction	Advances given	Total
<b>At 31 December 2014</b>	<b>82,407</b>	<b>917,971</b>	<b>151,707</b>	<b>366</b>	<b>4,272</b>	<b>505</b>	<b>532</b>	<b>1,157,760</b>
Additions	-	2,541	3,993	189	-	12,860	-	19,583
Transfer from assets under construction	-	-	544	-	-	(17)	(527)	-
Transfer from intangible assets (Note 15)	-	-	-	-	9,404	-	-	9,404
Transfer to investment property (Note 17)	-	6,174	-	-	-	-	-	6,174
Disposals	-	(89)	(760)	(76)	-	-	-	(925)
<b>At 31 December 2015</b>	<b>82,407</b>	<b>926,597</b>	<b>155,484</b>	<b>479</b>	<b>13,676</b>	<b>13,348</b>	<b>5</b>	<b>1,191,996</b>
Change in fair value (through equity)	(1,129)	-	-	-	-	-	-	(1,129)
Additions	33	9,146	20,493	4,063	352	6,776	-	40,863
Transfer from assets under construction to use	643	12,217	-	-	-	(12,860)	-	-
Transfer from other property to equipment and furniture	-	-	88	-	-	-	-	88
Sale or disposal	-	(746)	(14,267)	-	(2,775)	-	(5)	(17,793)
<b>At 31 December 2016</b>	<b>81,954</b>	<b>947,214</b>	<b>161,798</b>	<b>4,542</b>	<b>11,253</b>	<b>7,264</b>	<b>-</b>	<b>1,214,025</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 31 December 2014</b>	<b>-</b>	<b>294,828</b>	<b>140,370</b>	<b>261</b>	<b>379</b>	<b>-</b>	<b>-</b>	<b>435,838</b>
Depreciation on revaluation effect	-	3,075	-	-	-	-	-	3,075
Depreciation charge for the year	-	25,695	8,145	37	56	-	-	33,933
Transfer from intangible assets (Note 15)	-	(38,926)	-	-	-	-	-	(38,926)
Disposals	-	(23)	(13,951)	(8)	-	-	-	(13,982)
<b>At 31 December 2015</b>	<b>-</b>	<b>308,135</b>	<b>141,648</b>	<b>301</b>	<b>9,721</b>	<b>-</b>	<b>-</b>	<b>459,805</b>
Depreciation charge for the year 2016	-	22,680	6,853	185	165	-	-	29,883
Depreciation on revaluation effect	-	1,450	-	-	-	-	-	1,450
Decrease in fair value through P&L (Note 11)	-	96,109	-	-	-	-	-	96,109
Decrease in revaluation reserves	-	9,412	-	-	-	-	-	9,412
Transfer from other property to equipment and furniture	-	-	33	-	-	-	-	33
Sale or disposal	-	(643)	(14,180)	-	(2,749)	-	-	(17,572)
<b>At 31 December 2016</b>	<b>-</b>	<b>437,143</b>	<b>134,354</b>	<b>486</b>	<b>7,137</b>	<b>-</b>	<b>-</b>	<b>579,120</b>
<b>Net book value</b>								
<b>At 31 December 2016</b>	<b>81,954</b>	<b>510,071</b>	<b>27,444</b>	<b>4,056</b>	<b>4,116</b>	<b>7,264</b>	<b>-</b>	<b>634,905</b>
<b>At 31 December 2015</b>	<b>82,407</b>	<b>618,462</b>	<b>13,836</b>	<b>178</b>	<b>3,955</b>	<b>13,348</b>	<b>5</b>	<b>732,191</b>

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Group	in HRK'000							
	Land	Buildings	Equipment and furniture	Vehicles	Other tangible assets	Assets under construction	Advances given	Total
<b>Cost</b>								
<b>At 31 December 2014</b>	<b>111,625</b>	<b>1,120,675</b>	<b>263,555</b>	<b>9,641</b>	<b>41,742</b>	<b>8,736</b>	<b>3,822</b>	<b>1,559,796</b>
Change in fair value	-	77	-	-	-	-	-	77
Impairment (Note 11)	-	(503)	-	-	-	-	-	(503)
Additions	128	2,587	5,383	585	87	16,210	-	24,980
Transfer from assets under construction	-	2,624	1,722	-	3,306	(3,851)	(3,801)	-
Returns from investment in real estate (Note 17)	5,669	31,270	-	-	-	-	-	36,939
Transfer to Real Estate Investments (Note 17)	(4,229)	(33,272)	-	-	(6,909)	(7,608)	-	(52,018)
Transfer from intangible assets (Note 15)	-	-	-	-	13,410	-	-	13,410
Foreign exchange differences arising on translation of financial statements of foreign operations	(2)	(173)	(128)	(30)	(95)	-	-	(428)
Sale or disposal	(2,256)	(7,916)	(12,211)	(1,684)	(2,192)	-	-	(26,259)
<b>At 31 December 2015</b>	<b>110,935</b>	<b>1,115,369</b>	<b>258,321</b>	<b>8,512</b>	<b>49,349</b>	<b>13,487</b>	<b>21</b>	<b>1,555,994</b>
Change in fair value (through equity)	(2,746)	(2,553)	-	-	-	-	-	(5,299)
Decrease in fair value through P&L (Note 11)	(152)	76	-	-	-	-	-	(76)
Additions	41	9,285	21,729	8,536	1,130	8,906	-	49,627
Transfer from assets under construction to use	643	12,217	426	809	-	(14,095)	-	-
Transfer to investment property (Note 17)	-	347	(9)	-	9	-	-	347
Transfer from intangible assets (Note 15)	-	-	(155)	-	-	-	-	(155)
Other transfers	(604)	604	-	(101)	(5,479)	-	-	(5,580)
Foreign exchange differences arising on translation of financial statements of foreign operations	(66)	(810)	(353)	(86)	(306)	-	-	(1,621)
Sale or disposal	-	(4,990)	(17,753)	(1,351)	(4,745)	-	(21)	(28,860)
Disposal of subsidiary (Note 18.3)	-	-	(1,162)	(506)	(2,674)	-	-	(4,342)
<b>At 31 December 2016</b>	<b>108,051</b>	<b>1,129,545</b>	<b>261,044</b>	<b>15,813</b>	<b>37,284</b>	<b>8,298</b>	<b>-</b>	<b>1,560,035</b>
<b>Accumulated depreciation and impairment</b>								
<b>At 31 December 2014</b>	<b>-</b>	<b>327,205</b>	<b>225,800</b>	<b>7,391</b>	<b>23,380</b>	<b>-</b>	<b>-</b>	<b>583,776</b>
Depreciation on revaluation effect	-	4,448	-	-	-	-	-	4,448
Depreciation charge for the year	-	24,868	13,565	848	950	-	-	40,231
Impairment	-	-	-	-	4,339	-	-	4,339
Transfer from intangible assets (Note 15)	-	-	-	-	12,566	-	-	12,566
Transfer to investment property (Note 17)	46	(13,752)	-	-	-	-	-	(13,706)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(18)	(87)	(17)	(54)	-	-	(176)
Sale or disposal	-	(4,758)	(11,148)	(1,683)	(1,475)	-	-	(19,064)
<b>At 31 December 2015</b>	<b>46</b>	<b>337,993</b>	<b>228,130</b>	<b>6,539</b>	<b>39,706</b>	<b>-</b>	<b>-</b>	<b>612,414</b>
Depreciation charge for the year 2016	-	26,383	11,715	1,201	1,032	-	-	40,331
Depreciation on revaluation effect	-	1,475	-	-	-	-	-	1,475
Decrease in fair value through P&L (Note 11)	-	96,394	-	-	-	-	-	96,394
Impairment through equity	-	9,884	-	-	-	-	-	9,884
Returns from investment in real estate (note 17)	-	(7)	(8)	-	9	-	-	(6)
Transfer from intangible assets (Note 15)	-	-	30	-	-	-	-	30
Other transfers	(45)	45	-	(101)	(5,479)	-	-	(5,580)
Foreign exchange differences arising on translation of financial statements of foreign operations	(1)	(116)	(335)	(343)	(211)	-	-	(1,006)
Sale or disposal	-	(1,851)	(17,610)	(1,269)	(2,722)	-	-	(23,452)
Disposal of subsidiary (Note 18.3)	-	-	(830)	(447)	(2,564)	-	-	(3,841)
<b>At 31 December 2016</b>	<b>-</b>	<b>470,200</b>	<b>221,092</b>	<b>5,580</b>	<b>29,771</b>	<b>-</b>	<b>-</b>	<b>726,643</b>
<b>Net book value</b>								
<b>At 31 December 2016</b>	<b>108,051</b>	<b>659,345</b>	<b>39,952</b>	<b>10,233</b>	<b>7,513</b>	<b>8,298</b>	<b>-</b>	<b>833,392</b>
<b>At 31 December 2015</b>	<b>110,889</b>	<b>777,376</b>	<b>30,191</b>	<b>1,973</b>	<b>9,643</b>	<b>13,487</b>	<b>21</b>	<b>943,580</b>

The carrying amount of land and buildings that would have been recognised had the assets been carried under the cost model is HRK 525,528 thousand (31 December 2015: HRK 622,381 thousand) for the Company and HRK 620,353 thousand (31 December 2015: HRK 730,939 thousand) for the Group.

**17. Investment property**

	<u>Company</u>	<u>Group</u>
	in HRK'000	in HRK'000
<b>At 31 December 2014</b>	<b>514,715</b>	<b>751,402</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(210)
Transfer from property and equipment (Note 16)	(6,174)	38,312
Transfer to property and equipment (Note 16)	-	(36,939)
Increase in fair value credited the income statement (Note 6.2)	13,597	22,331
Decrease in fair value charged to the income statement (Note 12.1)	(44,233)	(58,489)
Additions	2,140	2,464
Disposals	(290)	(412)
<b>At 31 December 2015</b>	<b>479,755</b>	<b>718,459</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(517)
Transfer from property and equipment (Note 16)	-	(353)
Increase in fair value credited to the income statement (Note 6.2)	6,907	12,894
Decrease in fair value charged to the income statement (Note 12.1)	(26,234)	(33,848)
Additions	629	100,624
Disposals	(12,529)	(13,100)
<b>At 31 December 2016</b>	<b>448,528</b>	<b>784,159</b>

The Group measures investment property in accordance with IAS 40 - *Investment Property*, by applying the fair value model. Accordingly, the Group recognises profit or loss arising from changes in the fair value of investment property as profit or loss for the period in which it occurred, based on the appraisal by independent appraisers.

18. Investments in subsidiaries, associates and participation in joint ventures

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Investments in subsidiaries	569,619	610,502	-	-
Impairment of investments in subsidiaries	(207,234)	(221,345)	-	-
	<b>362,385</b>	<b>389,157</b>	-	-
Investments in joint ventures	28,000	28,000	68,948	65,416
Investments in associates	8,709	8,709	22,415	21,991
Impairment of investments in associates	(4,450)	(4,450)	(5,797)	(5,754)
	<b>4,259</b>	<b>4,259</b>	<b>16,618</b>	<b>16,237</b>
	<b>394,644</b>	<b>421,416</b>	<b>85,566</b>	<b>81,653</b>

18.1. Investments in subsidiaries and associates and participation in joint ventures for the Company were as follows:

Activity	Country	31 Dec. 2016		31 Dec. 2015		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK '000	%	in HRK '000	
<b>Subsidiaries</b>						
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia	100.0	125,689	100.0	125,689
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance	Croatia	66.2	29,363	66.2	29,363
Milenijum osiguranje a.d., Beograd	Insurance	Serbia	100.0	19,405	99.9	46,380
Croatia Sigurimi sh.a., Prishtina	Insurance	Kosovo	-	n.p.	100.0	0
Croatia osiguranje d.d., Mostar	Insurance	Bosnia and Herzegovina	94.7	50,889	94.3	50,686
Croatia osiguranje - život a.d, Skopje	Insurance	Macedonia	95.0	22,271	95.0	22,271
Croatia osiguranje - neživot a.d., Skopje	Insurance	Macedonia	100.0	32,204	100.0	32,204
Croatia-Tehnički pregledi d.o.o., Zagreb	Motor vehicle examination	Croatia	100.0	71,767	100.0	71,767
Croatia osiguranje, mirovinsko društvo d.o.o., Zagreb	Pension fund management	Croatia	100.0	10,797	100.0	10,797
Razne usluge d.o.o., - currently being wound up Zagreb	Services	Croatia	100.0	-	100.0	-
				<b>362,385</b>		<b>389,157</b>
<b>Joint ventures</b>						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50.0	<b>28,000</b>	50.0	<b>28,000</b>
<b>Associates</b>						
Brioni d.d., Pula	Transport	Croatia	25.6	4,259	25.6	4,259
Autoprijevoz d.d., Otočac	Transport	Croatia	28.3	-	28.3	-
				<b>4,259</b>		<b>4,259</b>
				<b>394,644</b>		<b>421,416</b>

18.2. Investments in subsidiaries and associates and participation in joint ventures for the Group

Group	Activity	Country	31 Dec. 2015		31 Dec. 2014	
			Ownership percentage	Amount of investment	Ownership percentage	Amount of investment
			%	in HRK '000	%	in HRK '000
<b>Joint ventures</b>						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund	Croatia	50.0	67,384	50.0	63,900
Receivables from joint funds - HUO	Insurance	Croatia	-	139	-	139
Nacionalni biro za osiguranje Skopje	Insurance	Macedonia	-	1,425	-	1,377
				<b>68,948</b>		<b>65,416</b>
<b>Associates</b>						
Brioni d.d., Pula	Transport	Croatia	25.6	6,613	25.6	6,532
Autoprijevoz d.d., Otočac	Transport	Croatia	28.3	-	28.3	-
Strmec projekt d.o.o., Samobor	Real estate	Croatia	50.0	7,254	50.0	7,297
STP Agroservis d.o.o., Virovitica	Technical testing and analysis	Croatia	37.0	2,751	37.0	2,408
				<b>16,618</b>		<b>16,237</b>
				<b>85,566</b>		<b>81,653</b>

Summary financial information on subsidiaries with material non-controlling interests

The summarized financial information for PBZ Croatia osiguranje d.d. is presented below using the equity method.

Summary report of financial position	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000
Financial assets	114,735	110,783
Other assets	28,008	25,844
<b>Total assets</b>	<b>142,743</b>	<b>136,627</b>
Liabilities	7,975	8,827
Equity	134,768	127,800
<b>Total equity and liabilities</b>	<b>142,743</b>	<b>136,627</b>
<b>Summary statement of comprehensive income</b>		
Revenues	63,561	63,982
Expenses	(32,367)	(29,789)
<b>Profit before tax</b>	<b>31,194</b>	<b>34,193</b>
Income tax	(6,226)	(6,840)
<b>Profit for a year</b>	<b>24,968</b>	<b>27,353</b>
Share of profits of joint venture @ 50%	<b>12,484</b>	<b>13,676</b>



Adjustment of the displayed shortened financial information to the book value of the shares in the joint venture.

<b>Summary report of financial information</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	<b>in HRK '000</b>	<b>in HRK '000</b>
<b>Initial net assets at 1 January</b>	<b>127,800</b>	<b>116,447</b>
Profit for the period	24,968	27,353
Dividends	(18,000)	(16,000)
Closing net assets	134,768	127,800
Share of profits of joint venture @ 50%	67,384	63,900
<b>Book value</b>	<b>67,384</b>	<b>63,900</b>

18.3. Movements in investments in subsidiaries, associates and participation in joint ventures

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>At 1 January</b>	<b>421,416</b>	<b>421,371</b>	<b>81,653</b>	<b>71,403</b>
Increase in investments (i)	359	61,490	-	-
Increase by equity method	-	-	3,970	10,283
Sale of shares (Note 18.1)	-	(22,115)	-	-
Decrease (ii)	(27,131)	(39,330)	(57)	(33)
<b>At 31 December</b>	<b>394,644</b>	<b>421,416</b>	<b>85,566</b>	<b>81,653</b>

(i) The increase in investments in 2016 refers to the purchase of a part of the non-controlling interest in Croatia osiguranje d.d., Mostar, in the amount of HRK 203 thousand, which increased the company's share in the company from 94.3% to 94.7%, and to redeem part of the non-controlling interest In the company Milenijum osiguranje a.d., Belgrade in the amount of HRK 156 thousand, which increased the company's share in the company from 99.2% to 100%.

The increase in investments in 2015 refers to: (a) investment in the company Croatia osiguranje dd, Mostar in the amount of HRK 42,535 thousand by which the Company increased its share in the company from 52.1% to 94.3%. and (b) investments in the company Croatia Sigurimi sh.a., Prishtina in the amount of HRK 18,955 thousand in order to increase the company's capital.

(ii) During 2016, an impairment of investments in Milenijum osiguranje a.d., Belgrade by the amount of HRK 27,131 thousand (Note 12.1) was performed on the basis of the lower value determined by the fair value estimation.

During 2015, an impairment of investments in Croatia Sigurimi by the amount of HRK 39,330 thousand (Note 12.1) was performed on the basis of the lower value determined by the fair value estimation.

In May 2016, the Company sold its 100% share in Croatia Sigurimi Sh.a. The decision to sell is part of the process of business rationalisation with the aim of maintaining and strengthening Croatia osiguranje's leading position in international competition, not only in Croatia but also in the region.

The effects of the disposal of the subsidiary Croatia Sigurimi at the sale date are shown below.

<i>Details of disposal of subsidiary</i>	in HRK '000
Received fees and receivables for disposal of subsidiaries	
- Cash	5,618
- Trade receivables	5,618
Total sales receipt	11,236
Net book value of sold subsidiary	(21,343)
Loss on disposal for the Group (Note 12.2)	(10,107)
Profit from sale to the Company (Note 6.3)	11,236

**CROATIA osiguranje d.d., Zagreb**  
**Notes to financial statements for 2016**

The present value of the assets and liabilities of Croatia Sigurimi on 30 April 2016 was as follows:

	<b>30 April 2016</b>
	<b>u 000 HRK</b>
Intangible assets	19
Property and equipment	501
Financial assets available for sale	25,332
Loans and receivables	39,822
Reinsurers' share of technical provisions	10,208
Receivables from insurance contracts and other receivables	1,601
Cash and cash equivalents	1,446
<b>Total assets</b>	<b>78,929</b>
Share capital	41,131
Fair value reserve	(30)
Accumulated loss	(19,050)
Loss for the period	(708)
<b>Total equity</b>	<b>21,343</b>
Technical provisions	55,742
Liabilities from insurance contracts, other liabilities and deferred income	1,844
<b>Total liabilities</b>	<b>57,586</b>
<b>Total equity and liabilities</b>	<b>78,929</b>

**19. Financial assets**

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Held-to-maturity investments	2,020,974	2,085,668	2,169,677	2,315,482
Available-for-sale financial assets	2,043,769	1,608,197	2,440,238	2,002,521
Financial assets at fair value through profit or loss – for trading	381,050	105,805	461,554	213,997
Loans and receivables	1,597,601	1,661,522	1,904,846	2,062,811
	<b>6,043,394</b>	<b>5,461,192</b>	<b>6,976,315</b>	<b>6,594,811</b>

19.1. Overview of investments

As at 31 December 2016 the investment structure of the Company was as follows:

	<b>Company</b>				
	<b>Held-to-maturity investments</b>	<b>Available-for-sale financial assets</b>	<b>Financial assets at fair value through profit or loss - for trading</b>	<b>Loans and receivables</b>	<b>Total</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Shares</b>					
Shares, listed on stock exchange	-	369,104	12,431	-	381,535
Shares, not listed on stock exchange	-	4,782	-	-	4,782
	-	<b>373,886</b>	<b>12,431</b>	-	<b>386,317</b>
<b>Debt securities</b>					
Bonds of the Republic of Croatia	1,990,974	1,581,628	-	-	3,572,602
Domestic corporate bonds	30,000	59,772	-	-	89,772
Treasury bills	-	-	-	-	-
	<b>2,020,974</b>	<b>1,641,400</b>	-	-	<b>3,662,374</b>
<b>Investment funds</b>					
Open-ended investment funds	-	28,483	230,268	-	258,751
Open-ended investment funds - assets for coverage of unit-linked products	-	-	138,351	-	138,351
	-	<b>28,483</b>	<b>368,619</b>	-	<b>397,102</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	1,221,713	1,221,713
Loans	-	-	-	375,888	375,888
	-	-	-	<b>1,597,601</b>	<b>1,597,601</b>
	<b>2,020,974</b>	<b>2,043,769</b>	<b>381,050</b>	<b>1,597,601</b>	<b>6,043,394</b>

19.1. Overview of investments (continued)

As at 31 December 2015 the investment structure of the Company was as follows:

	<b>Company</b>				
	<b>Held-to- maturity investments</b>	<b>Available-for- sale financial assets</b>	<b>Financial assets at fair value through profit or loss – for trading</b>	<b>Loans and receivables</b>	<b>Total</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Shares</b>					
Shares, listed on stock exchange	-	253,076	12,953	-	<b>266,029</b>
Shares, not listed on stock exchange	-	4,382	-	-	<b>4,382</b>
	<b>-</b>	<b>257,458</b>	<b>12,953</b>	<b>-</b>	<b>270,411</b>
<b>Debt securities</b>					
Bonds of the Republic of Croatia	2,045,677	1,281,774	-	-	<b>3,327,451</b>
Domestic corporate bonds	39,991	42,351	-	-	<b>82,342</b>
Treasury bills	-	-	45,263	-	<b>45,263</b>
	<b>2,085,668</b>	<b>1,324,125</b>	<b>45,263</b>	<b>-</b>	<b>3,455,056</b>
<b>Investment funds</b>					
Open-ended investment funds	-	26,614	13,007	-	<b>39,621</b>
Open-ended investment funds - assets for coverage of unit-linked products	-	-	34,582	-	34,582
	<b>-</b>	<b>26,614</b>	<b>47,589</b>	<b>-</b>	<b>74,203</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	1,361,856	<b>1,361,856</b>
Loans	-	-	-	299,666	<b>299,666</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,661,522</b>	<b>1,661,522</b>
	<b>2,085,668</b>	<b>1,608,197</b>	<b>105,805</b>	<b>1,661,522</b>	<b>5,461,192</b>

19.1. Overview of investments (continued)

As at 31 December 2016 the investment structure of the Group was as follows:

					Group
	Held-to- maturity investments	Available-for- sale financial assets	Financial assets at fair value through profit or loss – for trading	Loans and receivables	Total
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Shares</b>					
Shares, listed on stock exchange	-	371,262	12,656	-	383,918
Shares, not listed on stock exchange	-	5,062	-	-	5,062
	-	<b>376,324</b>	<b>12,656</b>	-	<b>388,980</b>
<b>Debt securities</b>					
State bonds	2,127,370	1,967,961	67,704	-	4,163,035
Domestic corporate bonds	30,000	67,470	-	-	97,470
Treasury bills	12,307	-	-	-	12,307
	<b>2,169,677</b>	<b>2,035,431</b>	<b>67,704</b>	-	<b>4,272,812</b>
<b>Investment funds</b>					
Open-ended investment funds	-	28,483	242,595	-	271,078
Open-ended investment funds - assets for coverage of unit-linked products	-	-	138,599	-	138,599
	-	<b>28,483</b>	<b>381,194</b>	-	<b>409,677</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	1,615,792	1,615,792
Loans	-	-	-	289,054	289,054
	-	-	-	<b>1,904,846</b>	<b>1,904,846</b>
	<b>2,169,677</b>	<b>2,440,238</b>	<b>461,554</b>	<b>1,904,846</b>	<b>6,976,315</b>

19.1. Overview of investments (continued)

As at 31 December 2015 the investment structure of the Group was as follows:

	<b>Group</b>				
	<b>Held-to-maturity investments</b>	<b>Available-for-sale financial assets</b>	<b>Financial assets at fair value through profit or loss – for trading</b>	<b>Loans and receivables</b>	<b>Total</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Shares</b>					
Shares, listed on stock exchange	-	256,035	13,133	-	<b>269,168</b>
Shares, not listed on stock exchange	-	4,689	-	-	<b>4,689</b>
	<b>-</b>	<b>260,724</b>	<b>13,133</b>	<b>-</b>	<b>273,857</b>
<b>Debt securities</b>					
State bonds	2,232,889	1,666,630	65,442	-	<b>3,964,961</b>
Domestic corporate bonds	39,991	45,934	-	-	<b>85,925</b>
Treasury bills	42,602	-	45,263	-	<b>87,865</b>
	<b>2,315,482</b>	<b>1,712,564</b>	<b>110,705</b>	<b>-</b>	<b>4,138,751</b>
<b>Investment funds</b>					
Open-ended investment funds	-	29,233	55,577	-	<b>84,810</b>
Open-ended investment funds - assets for coverage of unit-linked products	-	-	34,582	-	<b>34,582</b>
	<b>-</b>	<b>29,233</b>	<b>90,159</b>	<b>-</b>	<b>119,392</b>
<b>Loans and receivables</b>					
Deposits with credit institutions	-	-	-	1,771,683	<b>1,771,683</b>
Loans	-	-	-	291,128	<b>291,128</b>
	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,062,811</b>	<b>2,062,811</b>
	<b>2,315,482</b>	<b>2,002,521</b>	<b>213,997</b>	<b>2,062,811</b>	<b>6,594,811</b>

19.2. Financial investments exposed to credit risk

Company	31 Dec. 2016					31 Dec. 2015				
	in HRK '000					in HRK '000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impair- ment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impair- ment	Total
Held-to-maturity investments	2,020,974	-	65,908	(65,908)	<b>2,020,974</b>	2,085,668	-	65,908	(65,908)	<b>2,085,668</b>
Available-for-sale debt securities	1,641,400	-	-	-	<b>1,641,400</b>	1,324,125	-	-	-	<b>1,324,125</b>
Debt securities at fair value through profit or loss	-	-	-	-	-	45,263	-	-	-	<b>45,263</b>
Deposits	1,221,713	-	-	-	<b>1,221,713</b>	1,361,856	-	-	-	<b>1,361,856</b>
Loans and receivables	362,270	13,618	118,779	(118,779)	<b>375,888</b>	288,718	10,948	121,189	(121,189)	<b>299,666</b>
	<b>5,246,357</b>	<b>13,618</b>	<b>184,687</b>	<b>(184,687)</b>	<b>5,259,975</b>	<b>5,105,630</b>	<b>10,948</b>	<b>187,097</b>	<b>(187,097)</b>	<b>5,116,578</b>
<b>Group</b>	<b>31 Dec. 2016</b>					<b>31 Dec. 2015</b>				
	in HRK '000					in HRK '000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impair- ment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impair- ment	Total
Held-to-maturity investments	2,169,677	-	65,908	(65,908)	<b>2,169,677</b>	2,315,482	-	65,908	(65,908)	<b>2,315,482</b>
Available-for-sale debt securities	2,035,431	-	-	-	<b>2,035,431</b>	1,712,564	-	-	-	<b>1,712,564</b>
Debt securities at fair value through profit or loss	67,704	-	-	-	<b>67,704</b>	110,705	-	-	-	<b>110,705</b>
Deposits	1,615,792	-	-	-	<b>1,615,792</b>	1,771,683	-	1,000	(1,000)	<b>1,771,683</b>
Loans and receivables	242,531	46,523	228,561	(228,561)	<b>289,054</b>	242,686	48,442	230,705	(230,705)	<b>291,128</b>
	<b>6,131,135</b>	<b>46,523</b>	<b>294,469</b>	<b>(294,469)</b>	<b>6,177,658</b>	<b>6,153,120</b>	<b>48,442</b>	<b>297,613</b>	<b>(297,613)</b>	<b>6,201,562</b>



19.3. Held-to-maturity investments

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
<b>Movement in impairment losses</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>At 1 January</b>	<b>65,908</b>	<b>65,908</b>	<b>65,908</b>	<b>65,908</b>
Increase	-	-	-	-
<b>At 31 December</b>	<b>65,908</b>	<b>65,908</b>	<b>65,908</b>	<b>65,908</b>

19.4. Loans

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
<b>Maturity dates of granted loans:</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Up to 1 year	248,985	235,437	270,301	262,431
From 1 to 5 years	61,003	64,229	18,322	27,991
More than 5 years	65,900	-	431	706
	<b>375,888</b>	<b>299,666</b>	<b>289,054</b>	<b>291,128</b>

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
<b>Movement of impairment of loans</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>At 1 January</b>	<b>121,189</b>	<b>142,894</b>	<b>230,705</b>	<b>251,896</b>
Increase	58	126	1,247	1,700
Collection of impaired receivables	(2,468)	(21,831)	(3,363)	(22,891)
Exchange rates	-	-	(28)	-
<b>At 31 December</b>	<b>118,779</b>	<b>121,189</b>	<b>228,561</b>	<b>230,705</b>

The structure of loans according to collaterals for the Company:

	31 Dec. 2016				31 Dec. 2015			
	Neither past due nor impaired	Past due but not impaired	Past due and impaired	TOTAL	Neither past due nor impaired	Past due but not impaired	Past due and impaired	TOTAL
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Vinculated life insurance policies	38,521	4,000	35	<b>42,556</b>	43,949	3,480	-	<b>47,429</b>
Mortgages and real estate fiduciaries	317,417	6,598	112,741	<b>436,756</b>	204,475	42	116,474	<b>320,991</b>
Other collaterals	6,332	3,020	6,003	<b>15,355</b>	40,294	7,426	4,715	<b>52,435</b>
	<b>362,270</b>	<b>13,618</b>	<b>118,779</b>	<b>494,667</b>	<b>288,718</b>	<b>10,948</b>	<b>121,189</b>	<b>420,855</b>

The structure of loans according to collaterals for the Group:

	31 Dec. 2016				31 Dec. 2015			
	Neither past due nor impaired	Past due but not impaired	Past due and impaired	TOTAL	Neither past due nor impaired	Past due but not impaired	Past due and impaired	TOTAL
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Vinculated life insurance policies	44,889	4,139	213	<b>49,241</b>	48,908	3,657	104	<b>52,669</b>
Mortgages and real estate fiduciaries	196,973	39,317	182,813	<b>419,103</b>	152,848	37,290	186,306	<b>376,444</b>
Other collaterals	669	3,067	45,535	<b>49,271</b>	40,930	7,495	44,295	<b>92,721</b>
	<b>242,531</b>	<b>46,523</b>	<b>228,561</b>	<b>517,615</b>	<b>242,686</b>	<b>48,442</b>	<b>230,705</b>	<b>521,834</b>

The quality of loans mainly depends on the quality of the collateral. The collateral which is seen as the best repayment guarantee is the vinculated life insurance policy issued by the Group. The vinculated life insurance policies almost fully covers the loan exposure.

For neither past due nor impaired loans secured by mortgages, the mortgage is considered to be a secondary source of repayment only and does not impact the carrying value of the loan. However, past due but not impaired loans and receivables would be fully impaired if there were no collaterals.

19.5. Analysis of interest rates repricing dates

Company

31 Dec. 2016	Effective interest rate	Up to 1 year	1-3 years	3-5 years	5-10 years	Non-interest bearing	Total	Fixed interest rate
	%	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	%
<b>Investments in subsidiaries and associates</b>		-	-	-	-	<b>394,644</b>	<b>394,644</b>	
<b>Investment property</b>		-	-	-	-	<b>448,528</b>	<b>448,528</b>	
Bonds	5.74	272,302	588,225	338,486	821,961	-	2,020,974	5.69
<b>Held-to-maturity investments</b>		<b>272,302</b>	<b>588,225</b>	<b>338,486</b>	<b>821,961</b>	-	<b>2,020,974</b>	
Bonds	3.98	-	358,016	271,336	1,012,048	-	1,641,400	4.61
Shares		-	-	-	-	373,886	373,886	
Units in funds		-	-	-	-	28,483	28,483	
<b>Available-for-sale financial assets</b>		-	<b>358,016</b>	<b>271,336</b>	<b>1,012,048</b>	<b>402,369</b>	<b>2,043,769</b>	
Shares		-	-	-	-	12,431	12,431	
Units in funds		-	-	-	-	12,431	12,431	
<b>Financial assets at fair value through P&amp;L – for trading</b>		-	-	-	-	<b>381,050</b>	<b>381,050</b>	
Deposits in banks	3.06	815,091	286,622	100,000	20,000	-	1,221,713	3.06
Loans	6.63	248,985	42,443	18,560	65,900	-	375,888	6.63
<b>Deposits, loans and receivables</b>		<b>1,064,076</b>	<b>329,065</b>	<b>118,560</b>	<b>85,900</b>	-	<b>1,597,601</b>	
<b>Total financial assets</b>		<b>1,336,378</b>	<b>1,275,306</b>	<b>728,382</b>	<b>1,919,909</b>	<b>783,419</b>	<b>6,043,394</b>	
Liabilities arising from direct insurance		54,627	8,897	6,950	12,800	-	83,274	
Other liabilities		132,622	3,188	-	1,880	-	137,690	
<b>Total financial and other liabilities (other than liabilities to non-controlling unitholders in investment funds)</b>		<b>187,249</b>	<b>12,085</b>	<b>6,950</b>	<b>14,680</b>	-	<b>220,964</b>	
<b>Interest rate risk gap</b>		<b>1,149,129</b>	<b>1,263,221</b>	<b>721,432</b>	<b>1,905,229</b>	<b>783,419</b>	<b>5,822,430</b>	

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31 Dec. 2015	Effective interest rate	Up to 1 year	1-3 years	3-5 years	5-10 years	Non-interest bearing	Total	Fixed interest rate
	%	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	%
<b>Investments in subsidiaries and associates</b>		-	-	-	-	<b>421,416</b>	<b>421,416</b>	
<b>Investment property</b>		-	-	-	-	<b>479,755</b>	<b>479,755</b>	
Bonds	5.67	146,432	599,093	547,456	792,688	-	2,085,668	5.78
<b>Held-to-maturity investments</b>		<b>146,432</b>	<b>599,093</b>	<b>547,456</b>	<b>792,688</b>	-	<b>2,085,668</b>	
Bonds	4.12	-	230,279	400,694	693,152	-	1,324,125	5.07
Shares	-	-	-	-	-	257,458	257,458	-
Units in funds	-	-	-	-	-	26,614	26,614	-
<b>Available-for-sale financial assets</b>		-	<b>230,279</b>	<b>400,694</b>	<b>693,152</b>	<b>284,072</b>	<b>1,608,197</b>	-
Bonds	-	-	-	-	-	12,953	12,953	-
Shares	1,94	45,263	-	-	-	-	45,263	1,94
Units in funds	-	-	-	-	-	13,007	13,007	-
<b>Financial assets at fair value through P&amp;L – for trading</b>		<b>45,263</b>	-	-	-	<b>25,960</b>	<b>71,223</b>	
Deposits in banks	3,06	253,175	1,108,681	-	-	-	1,361,856	3,06
Loans	7,38	235,438	44,806	19,422	-	-	299,666	7,38
<b>Deposits, loans and receivables</b>	-	<b>488,613</b>	<b>1,153,487</b>	<b>19,422</b>	-	-	<b>1,661,522</b>	-
<b>Total financial assets</b>	-	<b>680,308</b>	<b>1,982,859</b>	<b>967,572</b>	<b>1,485,840</b>	<b>310,033</b>	<b>5,426,611</b>	-
Liabilities arising from direct insurance	-	88,701	11,952	6,092	7,947	-	114,691	-
Other liabilities	-	107,036	-	-	5,232	-	112,268	-
<b>Total financial and other liabilities (other than liabilities to non-controlling unitholders in investment funds)</b>		<b>195,737</b>	<b>11,952</b>	<b>6,092</b>	<b>13,179</b>	-	<b>226,960</b>	
<b>Interest rate risk gap</b>		<b>484,571</b>	<b>1,970,907</b>	<b>961,480</b>	<b>1,472,661</b>	<b>310,032</b>	<b>5,199,651</b>	

20. Reinsurance share in technical provisions

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Unearned premiums	18,047	31,961	26,949	24,660
Provisions for reported but not settled claims	141,668	210,994	148,183	58,934
Mathematical provisions	277	270	277	270
Provisions for incurred, but not reported claims (IBNR)	21,962	63,544	22,682	79,810
	<b>181,954</b>	<b>306,769</b>	<b>198,091</b>	<b>163,674</b>

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21. Deferred tax assets

(i) Movements in deferred tax assets:

Company	in HRK '000							TOTAL
	Impairment of investment in subsidiaries and associates	Financial assets at fair value through profit or loss	Impairment of available-for-sale financial assets	Impairment of held-to-maturity investment	Impairment of loans and deposits	Fair valuation losses on investment property	Tax losses carry-forward	
<b>At 1 January 2015</b>	<b>10,238</b>	<b>2,016</b>	<b>24,864</b>	<b>16,972</b>	<b>1,674</b>	<b>63,487</b>	<b>28,322</b>	<b>147,573</b>
Utilised deferred tax assets	(1,580)	(72)	(3,040)	(1,143)	(1,726)	(8,077)	(9,741)	(25,379)
Deferred tax assets recognised in profit or loss	-	418	4,626	-	52	-	-	5,096
Deferred tax assets recognised in other comprehensive income	-	-	-	-	-	-	-	-
<b>At 31 December 2015</b>	<b>8,658</b>	<b>2,362</b>	<b>26,450</b>	<b>15,829</b>	<b>-</b>	<b>55,410</b>	<b>18,581</b>	<b>127,290</b>
Reclassification	593	-	(3,958)	2,638	-	-	-	(727)
Utilised deferred tax assets	(1,269)	(391)	(2,837)	(1,847)	(7)	(9,253)	(18,581)	(34,185)
Deferred tax assets recognised in profit or loss	-	-	885	-	7	-	-	892
<b>At 31 December 2016</b>	<b>7,982</b>	<b>1,971</b>	<b>20,540</b>	<b>16,620</b>	<b>-</b>	<b>46,157</b>	<b>-</b>	<b>93,270</b>

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*(ii) Movements in deferred tax liabilities:*

	<b>31 Dec. 2016</b>	<b>Restated 31 Dec. 2015</b>
	in HRK '000	in HRK '000
<b>At 1 January</b>	<b>44,196</b>	<b>50,550</b>
Reclassification of deferred tax assets	(727)	-
Utilization through equity	(290)	(285)
Effect of the change in the tax rate recognized in the comprehensive income	(5,574)	-
Effect of the change in the tax rate recognized in the comprehensive income	22,644	(7,143)
Impairment of property through equity	(2,108)	24
Change in deferred acquisition costs	(7,976)	1,048
<b>At 31 December</b>	<b>50,165</b>	<b>44,196</b>

*(iii) Netting of deferred tax:*

	<b>31 Dec. 2016</b>	<b>Restated 31 Dec. 2015</b>
	in HRK '000	in HRK '000
Balance of deferred tax assets	93,270	127,290
Balance of deferred tax liabilities	(50,165)	(44,196)
<b>Net deferred tax assets at 31 December</b>	<b>43,105</b>	<b>83,094</b>

The deferred tax liability is recognized on the basis of fair value adjustment of financial assets available for sale, land and buildings used for business activities, and the part of land and buildings not used for business activities and deferred acquisition costs for which the accounting policy has changed in 2016. In each accounting period it is reduced by 20% of the depreciation resulting from the revaluation of property for business activities.

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21. Deferred tax assets (continued)

(i) Movements in deferred tax assets:

Group	in HRK '000							
	Financial assets at fair value through profit or loss	Impairment of available-for-sale financial assets	Impairment of held-to-maturity investment	Impairment of loans and deposits	Fair valuation losses on investment property	Tax losses for carry-forward	Other	TOTAL
<b>At 1 January 2015</b>	<b>4,744</b>	<b>28,918</b>	<b>16,972</b>	<b>18,078</b>	<b>63,933</b>	<b>29,327</b>	<b>686</b>	<b>162,658</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	(3)	-	-	-	-	-	-	(3)
Utilized deferred tax assets in profit or loss	(1,571)	(3,038)	(1,142)	(2,049)	(7,586)	(10,746)	-	(26,132)
Deferred tax assets recognised in profit or loss	5,367	626	-	123	(174)	-	35	5,977
Deferred tax assets recognised in other comprehensive income	-	-	96	-	-	-	-	96
<b>At 31 December 2015</b>	<b>8,537</b>	<b>26,506</b>	<b>15,926</b>	<b>16,152</b>	<b>56,173</b>	<b>18,581</b>	<b>721</b>	<b>142,596</b>
Reclassification	(879)	(3,418)	2,638	-	179	-	709	(771)
Foreign exchange differences arising on translation of financial statements of foreign operations	(2)	-	-	-	2	-	(1)	(1)
Utilized deferred tax assets in profit or loss	(1,972)	(2,837)	(1,787)	(1,765)	(9,326)	(18,581)	(279)	(36,547)
Deferred tax assets recognised in profit or loss	122	900	-	203	151	-	(33)	1,343
Deferred tax assets recognised in other comprehensive income	-	-	-	-	-	-	203	203
<b>At 31 December 2016</b>	<b>5,806</b>	<b>21,151</b>	<b>16,777</b>	<b>14,590</b>	<b>47,179</b>	<b>-</b>	<b>1,320</b>	<b>106,823</b>



21. Deferred tax assets (continued)

*(ii) Movements in deferred tax liabilities:*

	31 Dec. 2016	Restated 31 Dec. 2015
	in HRK '000	in HRK '000
<b>At 1 January</b>	<b>69,299</b>	<b>83,015</b>
Reclassification of deferred tax assets	(771)	-
Utilization through profit or loss	526	(4,434)
Utilization through equity	(546)	(594)
Utilization through retained earnings	(708)	-
Effect of the change in the tax rate recognized in the comprehensive income	(6,707)	-
Change in fair value of investments available for sale	22,658	(6,858)
Impairment of investment property is recognized in profit or loss	(1,140)	(2,879)
Impairment of real estate through equity	(3,152)	-
Change in deferred acquisition costs	(7,976)	1,048
<b>At 31 December</b>	<b>71,483</b>	<b>69,299</b>

*(iii) Netting of deferred tax:*

	31 Dec. 2016	Restated 31 Dec. 2015
	in HRK '000	in HRK '000
Total deferred tax assets	106,823	142,596
Netting of deferred taxes (i)	(51,738)	(45,444)
<b>Net movement in deferred tax assets</b>	<b>55,085</b>	<b>97,152</b>
Total deferred tax liabilities	71,483	69,299
Netting of deferred taxes (i)	(51,738)	(45,444)
<b>Net movement in deferred tax liabilities</b>	<b>19,745</b>	<b>23,855</b>

(i) Netting of deferred taxes is recognized where it is possible to net the future tax liability with receivables for tax on the level of each Group company.

## 22. Insurance contract and other receivables

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from policyholders, net	325,840	376,047	501,613	528,645
Receivables from reinsurance and coinsurance	36,692	25,842	40,797	23,762
Receivables from other insurance, net	247,491	244,413	253,282	248,412
Receivables for return on investment, net	8,493	8,376	9,775	14,040
Other receivables, net	62,184	67,994	78,530	97,378
	<b>680,700</b>	<b>722,672</b>	<b>883,997</b>	<b>912,237</b>
Interest receivable not due	73,357	69,420	83,090	80,044
Prepaid expenses	8,925	7,055	8,409	9,414
Other assets	393	479	6,695	2,808
	<b>763,375</b>	<b>799,626</b>	<b>982,191</b>	<b>1,004,503</b>

### 22.1. Receivables from policyholders

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Written but not invoiced premium	145,335	152,708	247,917	286,687
Invoiced uncollected premium	447,046	518,973	560,357	585,737
<b>Receivables from policyholders, gross</b>	<b>592,381</b>	<b>671,681</b>	<b>808,274</b>	<b>872,424</b>
Impairment	(266,541)	(295,634)	(306,661)	(343,779)
<b>Receivables from policyholders, net</b>	<b>325,840</b>	<b>376,047</b>	<b>501,613</b>	<b>528,645</b>

### 22.2. Receivables from coinsurance and reinsurance business

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Receivables from reinsurance premium	-	46	-	-
Receivables from reinsurance claims	29,406	18,260	33,510	16,226
Receivables from coinsurance claims	7,286	7,536	7,287	7,536
	<b>36,692</b>	<b>25,842</b>	<b>40,797</b>	<b>23,762</b>

**22.3. Receivables from other insurance business**

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Receivables for reimbursements	326,802	278,895	332,579	283,652
Impairment	(89,400)	(46,592)	(93,388)	(48,935)
<b>Net receivables</b>	<b>237,402</b>	<b>232,303</b>	<b>239,191</b>	<b>234,717</b>
Receivables for foreign claims	9,269	11,696	12,735	12,674
Impairment	(787)	(553)	(787)	(553)
<b>Net receivables</b>	<b>8,482</b>	<b>11,143</b>	<b>11,948</b>	<b>12,121</b>
<b>Other receivables</b>	<b>1,607</b>	<b>967</b>	<b>2,143</b>	<b>1,574</b>
<b>Receivables from other insurance, gross</b>	<b>337,678</b>	<b>291,558</b>	<b>347,457</b>	<b>297,900</b>
Impairment	(90,187)	(47,145)	(94,175)	(49,488)
<b>Receivables from other insurance, net</b>	<b>247,491</b>	<b>244,413</b>	<b>253,282</b>	<b>248,412</b>

**22.4. Receivables for returns on investment**

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Receivables for regular interest on given loans	10,470	11,459	24,547	25,302
Receivables for regular interest on deposits	7,635	6,963	9,212	12,397
Receivables for default interest	3,509	3,450	3,607	3,727
<b>Receivables for returns on investment, gross</b>	<b>21,614</b>	<b>21,872</b>	<b>37,366</b>	<b>41,426</b>
Impairment	(13,121)	(13,496)	(27,591)	(27,386)
<b>Receivables for returns on investment, net</b>	<b>8,493</b>	<b>8,376</b>	<b>9,775</b>	<b>14,040</b>

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22.5. Other receivables

	Company	Company	Group	Group
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Receivables for sold flats	10,324	6,019	10,543	6,143
Receivables for given advances	5,621	2,592	6,640	4,514
Receivables from buyers	11,323	4,091	23,919	17,969
Receivables from the state and state institutions	4,248	30,179	9,122	41,856
Receivables from credit card companies	11,044	18,879	12,391	20,225
Receivables obtained through cession	4,482	4,900	4,482	4,900
Receivables under court decisions	289	513	289	513
Receivables from employees	3,508	3,692	4,359	4,504
	3,001		3,078	
Receivables from agents		4,965		4,965
Claims for funds on blocked accounts	25,368	25,368	25,368	25,368
Other receivables	28,036	4,844	26,633	7,874
<b>Other receivables, gross</b>	<b>107,244</b>	<b>106,042</b>	<b>126,824</b>	<b>138,831</b>
Impairment	(45,060)	(38,048)	(48,294)	(41,453)
<b>Other receivables, net</b>	<b>62,184</b>	<b>67,994</b>	<b>78,530</b>	<b>97,378</b>

22.6. Analysis of receivables from insurance business and other receivables by maturity:

Company	Receivables from policyholders	Receivables from coinsurance and reinsurance business	Receivables from returns on investment	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables from foreign claims	Other receivables		
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>31 December 2014</b>								
Neither past due nor impaired	152,708	-	275	230,797	-	-	14,595	<b>398,375</b>
Past due but not impaired	223,339	25,842	8,101	1,506	11,143	967	53,399	<b>324,297</b>
Past due and impaired	295,634	-	13,496	46,592	553	-	38,048	<b>394,323</b>
Impaired	(295,634)	-	(13,496)	(46,592)	(553)	-	(38,048)	<b>(394,323)</b>
<b>31 December 2015</b>	<b>376,047</b>	<b>25,842</b>	<b>8,376</b>	<b>232,303</b>	<b>11,143</b>	<b>967</b>	<b>67,994</b>	<b>722,672</b>
Neither past due nor impaired	145,335	35,909	-	234,082	-	-	31,724	447,050
Past due but not impaired	180,505	783	8,493	3,320	8,482	1,607	30,460	233,650
Past due and impaired	266,541	-	13,121	89,400	787	-	37,744	407,593
Impaired	(266,541)	-	(13,121)	(89,400)	(787)	-	(37,744)	(407,593)
<b>31 December 2016</b>	<b>325,840</b>	<b>36,692</b>	<b>8,493</b>	<b>237,402</b>	<b>8,482</b>	<b>1,607</b>	<b>62,184</b>	<b>680,700</b>

22.6. Analysis of receivables from insurance business and other receivables by maturity (continued)

Group	Receivables from policyholders	Receivables from coinsurance and reinsurance business	Receivables from returns on investment	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables from foreign claims	Other receivables		
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>31 December 2014</b>	<b>546,879</b>	<b>29,955</b>	<b>14,108</b>	<b>169,201</b>	<b>14,367</b>	<b>1,426</b>	<b>108,207</b>	<b>884,143</b>
Neither past due nor impaired	279,743	-	5,421	231,553	-	638	33,724	551,079
Past due but not impaired	248,902	23,762	8,619	3,164	12,121	936	63,654	361,158
Past due and impaired	343,779	1,536	27,386	48,935	553	-	41,453	463,642
Impaired	(343,779)	(1,536)	(27,386)	(48,935)	(553)	-	(41,453)	(463,642)
<b>31 December 2015</b>	<b>528,645</b>	<b>23,762</b>	<b>14,040</b>	<b>234,717</b>	<b>12,121</b>	<b>1,574</b>	<b>97,378</b>	<b>912,237</b>
Neither past due nor impaired	288,482	35,909	1,332	234,137	2,628	-	49,213	611,701
Past due but not impaired	213,131	4,888	8,443	5,054	9,320	2,143	29,317	272,296
Past due and impaired	306,661	636	27,591	93,388	787	-	48,294	477,357
Impaired	(306,661)	(636)	(27,591)	(93,388)	(787)	-	(48,294)	(477,357)
<b>31 December 2016</b>	<b>501,613</b>	<b>40,797</b>	<b>9,776</b>	<b>239,191</b>	<b>11,948</b>	<b>2,143</b>	<b>78,530</b>	<b>883,997</b>

22.7. Credit quality of receivables neither past due nor impaired:

	Company							TOTAL
	Receivables from other insurance business							
	Receivables from policyholders	Receivables from coinsurance and reinsurance business	Receivables from returns on investment	Recourse receivables	Receivables from foreign claims	Other receivables	Other receivables	
in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	
High quality	-	-	275	-	-	-	-	275
Standard quality	152,708	-	-	230,797	-	-	14,595	398,100
<b>31 December 2015</b>	<b>152,708</b>	-	<b>275</b>	<b>230,797</b>	-	-	<b>14,595</b>	<b>398,375</b>
High quality	-	35,909	-	-	-	-	-	<b>35,909</b>
Standard quality	145,335	-	-	234,082	-	-	31,724	<b>411,141</b>
<b>31 December 2016</b>	<b>145,335</b>	<b>35,909</b>	-	<b>234,082</b>	-	-	<b>31,724</b>	<b>447,050</b>

22.7. Credit quality of receivables neither past due nor impaired (continued)

	Group							TOTAL in HRK '000
	Receivables from policyholders in HRK '000	Receivables from coinsurance and reinsurance business in HRK '000	Receivables from returns on investment in HRK '000	Receivables from other insurance business				
				Recourse receivables in HRK '000	Receivables from foreign claim in HRK '000	Other receivables in HRK '000	Other receivables in HRK '000	
<b>31 December 2014</b>	<b>266,313</b>	-	<b>6,288</b>	<b>162,824</b>	-	-	<b>31,275</b>	<b>466,700</b>
High quality	4,371	-	5,085	-	-	608	816	10,880
Standard quality	275,372	-	336	231,553	-	30	32,908	540,199
<b>31 December 2015</b>	<b>279,743</b>	-	<b>5,421</b>	<b>231,553</b>	-	<b>638</b>	<b>33,724</b>	<b>551,079</b>
High quality	2	35,909	201	-	-	-	335	36,447
Standard quality	288,480	-	1,131	234,137	2,628	-	48,878	575,254
<b>31 December 2016</b>	<b>288,482</b>	<b>35,909</b>	<b>1,332</b>	<b>234,137</b>	<b>2,628</b>	-	<b>49,213</b>	<b>611,701</b>



**22.8. Analysis of receivables that are past due but not impaired by the number of days up to maturity**

	Company				Group			
	<90 days	90-180 days	> 180 days	Total	<90 days	90-180 days	> 180 days	Total
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Receivables from insurance business	160,912	57,616	4,811	<b>223,339</b>	182,645	61,219	5,038	<b>248,902</b>
Receivables from coinsurance and reinsurance business	25,842	-	-	<b>25,842</b>	20,478	3,050	234	<b>23,762</b>
Receivables from returns on investment	6,511	78	1,512	<b>8,101</b>	6,739	368	1,512	<b>8,619</b>
Receivables from other insurance business:	12,695	921	-	<b>13,616</b>	14,787	1,043	382	<b>16,212</b>
recourse receivables	585	921	-	<b>1,506</b>	1,742	1,043	379	<b>3,164</b>
receivables from foreign claims	11,143	-	-	<b>11,143</b>	12,119	-	2	<b>12,121</b>
other receivables	967	-	-	<b>967</b>	936	-	-	<b>936</b>
Other receivables	37,546	15,853	-	<b>53,399</b>	42,275	14,594	6,785	<b>63,654</b>
<b>31 December 2015</b>	<b>243,506</b>	<b>74,468</b>	<b>6,323</b>	<b>324,297</b>	<b>266,934</b>	<b>80,274</b>	<b>13,950</b>	<b>361,158</b>
Receivables from insurance business	133,302	45,570	1,633	<b>180,505</b>	159,564	51,246	2,321	213,131
Receivables from coinsurance and reinsurance business	783	-	-	<b>783</b>	4,884	56	-52	4,888
Receivables from returns on investment	5,793	10	2,690	<b>8,493</b>	5,865	9	2,569	8,443
Receivables from other insurance business:	12,785	624	-	<b>13,409</b>	15,305	657	555	16,517
recourse receivables	2,696	624	-	<b>3,320</b>	4,430	624	0	5,054
receivables from foreign claims	8,482	-	-	<b>8,482</b>	9,268	33	19	9,320
other receivables	1,607	-	-	<b>1,607</b>	1,607	0	536	2,143
Other receivables	17,160	4,411	8,888	<b>30,460</b>	17,882	4,336	7,098	29,317
<b>31 December 2016</b>	<b>169,823</b>	<b>50,615</b>	<b>13,211</b>	<b>233,650</b>	<b>203,499</b>	<b>56,304</b>	<b>12,492</b>	<b>272,296</b>

22.9. Movements in impairment of receivable

Company	Receivables from insurance business	Receivables from returns on investment	Receivables from other insurance business		Other receivables	TOTAL
			Recourse receivables	Receivables from foreign claims		
			in HRK '000	in HRK '000		
<b>31 December 2014</b>	<b>315,396</b>	<b>14,387</b>	<b>43,967</b>	<b>538</b>	<b>36,536</b>	<b>410,825</b>
Increase in impairment	178,657	209	7,015	902	1,735	188,517
Collection of previously impaired amounts	(169,874)	(1,099)	(3,907)	(884)	(222)	(175,986)
Write-offs	(28,546)	-	(483)	(3)	-	(29,032)
<b>31 December 2015</b>	<b>295,634</b>	<b>13,496</b>	<b>46,592</b>	<b>553</b>	<b>38,048</b>	<b>394,323</b>
Increase in impairment	163,178	886	48,557	1,564	10,404	224,589
Collection of previously impaired amounts	(168,651)	(423)	(5,534)	(1,330)	(3,277)	(179,215)
Write-offs	(23,62)	(838)	(215)	-	(115)	(24,788)
<b>31 December 2016</b>	<b>266,541</b>	<b>13,121</b>	<b>89,400</b>	<b>787</b>	<b>45,060</b>	<b>414,909</b>

Group	Receivables from insurance business	Receivables from coinsurance and reinsurance business	Receivables from returns on investment	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables from foreign claims	Other receivables		
				in HRK '000	in HRK '000	in HRK '000		
<b>31 December 2014</b>	<b>315,397</b>	<b>-</b>	<b>14,502</b>	<b>45,760</b>	<b>552</b>	<b>328</b>	<b>38,592</b>	<b>415,130</b>
Increase in impairment	240,590	1,536	16,254	11,606	326	-	3,009	273,321
Collection of previously impaired amounts	(183,615)	-	(3,370)	(7,935)	(325)	(328)	(148)	(195,721)
Write-offs	(28,397)	-	-	(483)	-	-	-	(28,880)
Foreign exchange differences	(196)	-	-	(12)	-	-	-	(208)
<b>31 December 2015</b>	<b>343,779</b>	<b>1,536</b>	<b>27,386</b>	<b>48,935</b>	<b>553</b>	<b>-</b>	<b>41,453</b>	<b>463,642</b>
Increase in impairment	175,846	225	975	50,596	1,747	-	12,072	241,461
Collection of previously impaired amounts	(180,140)	(1,125)	(475)	(5,650)	(1,494)	-	(4,383)	(193,267)
Write-offs	(25,488)	-	(295)	(459)	-	-	(827)	(27,069)
Foreign exchange differences	(504)	-	-	(34)	(19)	-	(21)	(5,78)
Disposal of subsidiary	(6,832)	-	-	-	-	-	-	(6,832)
<b>31 December 2016</b>	<b>306,661</b>	<b>636</b>	<b>27,591</b>	<b>93,388</b>	<b>787</b>	<b>-</b>	<b>48,294</b>	<b>477,357</b>

**23. Cash and cash equivalents**

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Cash in bank accounts	53,566	25,267	110,671	61,519
Cash in foreign currency accounts	12,569	33,057	21,387	63,912
Cash on hand	64	36	339	3,045
Deposits with maturity up to three months	-	-	27,609	7,680
<b>Total cash and cash equivalents</b>	<b>66,199</b>	<b>58,360</b>	<b>160,006</b>	<b>136,156</b>

**24. Equity**

**24.1. Share capital**

The Company's share capital amounts to the nominal value of HRK 601,576 thousand (31 December 2015: HRK 601,576 thousand) and comprises 429,697 shares with the par value of HRK 1,400, which have been paid entirely in cash, registered at the register of the Commercial Court in Zagreb.

The shares are marked as follows

- 307,598 are ordinary shares with ticker CROS-R-A;
- 113,349 are ordinary shares of the 2nd issue with ticker CROS-R-A;
- 8,750 are preference shares with ticker CROS-P-A.

Preference shares provide their holders with the following rights:

- voting rights equal to the holders of ordinary shares;
- dividend payment in the amount of 8% annually on the nominal value of shares, for the year in which an appropriate profit was realised;
- cumulative dividend payment is guaranteed provided that the Company's result enables the payment;
- cumulative dividend payment if the Company's result enables the payment of a higher dividend to all shareholders than the dividend from the previous point, as well as for the years when the liability cannot be settled due to insufficient profit.

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The ownership structure as at 31 December 2016 and 31 December 2015 was as follows:

Shareholder	31 Dec. 2016			31 Dec. 2015		
	Number of shares	Nominal amount in HRK'000	Equity share %	Number of shares	Nominal amount in HRK'000	Equity share %
ADRS grupa d.d.	263,419	368,787	61.3	263,419	368,787	61.3
CERP/RH	120,442	168,619	28.0	120,442	168,619	28.0
CERP/State Agency for Deposit Insurance	11,145	15,603	2.6	11,145	15,603	2.6
Raiffeisenbank Austria d.d.- custody account	19,491	27,287	4.5	19,503	27,304	4.5
Other shareholders	15,200	21,280	3.5	15,188	21,263	3.5
	<b>429,697</b>	<b>601,576</b>	<b>100</b>	<b>429,697</b>	<b>601,576</b>	<b>100</b>

The total majority shareholder percentage as at 31 December 2016 consists of the own share of 61.3% increased by another custodian account owned by the majority shareholder of 4.8%, and the percentage of ownership of the majority shareholder did not change compared to 31 December 2015.

#### 24.2. Reserves

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Legal reserves	25,915	23,576	25,915	23,576
Statutory reserves	147,220	147,220	147,220	147,220
Other reserves	224,739	224,739	224,739	224,739
	<b>397,874</b>	<b>395,535</b>	<b>397,874</b>	<b>395,535</b>

Pursuant to the Companies Act, 5% of profit for the year is allocated to the legal reserve until total legal reserve reaches 5% of the share capital.

Statutory reserves and other reserves were established by distributing profit from previous years.

### 24.3. Fair value reserve

The fair value reserve is presented as follows:

	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Business property	66,497	78,488	130,901	148,865
Deferred tax from change in fair value reserve of business property	(11,970)	(15,698)	(22,264)	(28,425)
Available-for-sale financial assets	212,196	98,975	225,900	104,569
Deferred tax from change in fair value reserve of available-for-sale financial assets	(38,195)	(19,795)	(38,275)	(19,828)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(7,813)	(5,724)
	<b>228,528</b>	<b>141,970</b>	<b>288,449</b>	<b>199,457</b>

#### /i/ Fair value reserve of business property

	<b>Company</b>	<b>Group</b>
	in HRK '000	in HRK '000
<b>1 January 2015</b>	<b>63,832</b>	<b>139,324</b>
Decrease in fair value reserve	215	176
Release of fair value reserve, realized portion	(119)	(119)
Release of fair value reserve, realised portion (depreciation)	(1,138)	(18,941)
<b>31 December 2015</b>	<b>62,790</b>	<b>120,440</b>
Increase in fair value reserve	-	2,557
Decrease in fair value reserve	(7,103)	(12,151)
Release of fair value reserve, realized portion (depreciation)	(1,160)	(2,209)
<b>31 December 2016</b>	<b>54,527</b>	<b>108,637</b>

#### /ii/ Revaluation reserves of available-for-sale financial assets

	<b>Company</b>	<b>Group</b>
	in HRK '000	in HRK '000
<b>1 January 2015</b>	<b>107,749</b>	<b>107,478</b>
Change in fair value of available-for-sale financial assets	(60,890)	(60,780)
Impairment of financial assets	37,007	36,739
Realized losses from available-for-sale financial assets	(4,686)	(4,420)
<b>31 December 2015</b>	<b>79,180</b>	<b>79,017</b>
Change in fair value of available-for-sale financial assets	95,698	106,515
Impairment of financial assets, net of tax (Note 12.1)	3,540	3,700
Realized losses from available-for-sale financial assets, net of tax (through profit)	(4,417)	(9,420)
<b>31 December 2016</b>	<b>174,001</b>	<b>179,812</b>

25. Technical provisions

	Company		Company		Group		Group	
	31 Dec. 2016		31 Dec. 2015		31 Dec. 2016		31 Dec. 2015	
	in HRK '000		in HRK '000		in HRK '000		in HRK '000	
<i>Claims provisions, gross</i>								
Provisions for reported but not settled claims	1,533,899	1,581,331	1,621,849	1,701,617				
Provisions for incurred, but not reported claims (IBNR)	948,437	967,304	1,071,045	1,161,849				
Provisions for costs of claims handling	120,077	123,334	137,682	149,645				
<b>Claims provisions, gross</b>	<b>2,602,413</b>	<b>2,671,969</b>	<b>2,830,576</b>	<b>3,013,111</b>				
Unearned premiums, gross	821,857	790,773	1,150,010	1,069,174				
Mathematical provisions for insurance, gross	2,350,028	2,266,361	2,634,966	2,507,339				
Other insurance-technical provisions, gross	51,777	68,748	63,092	88,463				
Technical provisions for life insurance where the policyholder bears the investment risk	138,351	34,582	138,599	34,582				
<b>Total technical provisions</b>	<b>5,964,426</b>	<b>5,832,433</b>	<b>6,817,243</b>	<b>6,712,669</b>				

Other insurance-technical provisions include unexpired risk reserves.

25.1. Movements in reported but not settled claims, gross

	Company		Company		Group		Group	
	31 Dec. 2016		31 Dec. 2015		31 Dec. 2016		31 Dec. 2015	
	in HRK '000		in HRK '000		in HRK '000		in HRK '000	
<b>LIFE</b>								
<b>Balance at 1 January</b>	<b>24,288</b>	<b>21,956</b>	<b>24,994</b>	<b>22,523</b>				
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(6)	(2)				
Claims incurred in the current year	21,304	9,156	23,409	10,858				
Transfer from provisions for incurred, but not reported claims	787	237	798	366				
Change in claims from the previous year	(3,903)	3,344	(3,999)	3,083				
Settled claims	(10,765)	(10,405)	(12,488)	(11,834)				
<b>Balance at 31 December</b>	<b>31,711</b>	<b>24,288</b>	<b>32,708</b>	<b>24,994</b>				
<b>NON-LIFE</b>								
<b>Balance at 1 January</b>	<b>1,557,043</b>	<b>1,575,647</b>	<b>1,676,623</b>	<b>1,754,641</b>				
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(1,796)	(372)				
Claims incurred in the current year	258,195	286,071	295,198	335,750				
Transfer from provisions for incurred, but not reported claims	105,487	117,740	136,201	124,678				
Change in claims from the previous year	(74,356)	(55,049)	(83,039)	(26,039)				
Settled claims	(344,181)	(367,366)	(394,688)	(512,035)				
Disposal of subsidiary	-	-	(39,358)	-				
<b>Balance at 31 December</b>	<b>1,502,188</b>	<b>1,557,043</b>	<b>1,589,141</b>	<b>1,676,623</b>				
<b>TOTAL LIFE AND NON LIFE</b>								
<b>Balance at 31 December</b>	<b>1,533,899</b>	<b>1,581,331</b>	<b>1,621,849</b>	<b>1,701,617</b>				

## 25.2. Movements in incurred but not reported claims

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>LIFE</b>				
<b>Balance at 1 January</b>	<b>4,410</b>	<b>4,410</b>	<b>5,020</b>	<b>5,001</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(6)	(1)
Increases recognized during the year	14	1,176	56	1,448
Transfer to provisions for reported claims	(787)	(237)	(795)	(366)
Settled claims	(1,103)	(939)	(1,210)	(1,062)
<b>Balance at 31 December</b>	<b>2,534</b>	<b>4,410</b>	<b>3,065</b>	<b>5,020</b>
<b>NON-LIFE</b>				
<b>Balance at 1 January</b>	<b>962,894</b>	<b>970,476</b>	<b>1,156,829</b>	<b>1,083,298</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(1,937)	(539)
Increases recognized during the year	209,389	239,299	286,368	358,288
Transfer to provisions for reported claims	(105,487)	(117,740)	(136,201)	(124,678)
Settled claims	(120,893)	(129,141)	(229,405)	(159,540)
Disposal of subsidiary	-	-	(7,674)	-
<b>Balance at 31 December</b>	<b>945,903</b>	<b>962,894</b>	<b>1,067,980</b>	<b>1,156,829</b>
<b>TOTAL LIFE AND NON LIFE</b>				
<b>Balance at 31 December</b>	<b>948,437</b>	<b>967,304</b>	<b>1,071,045</b>	<b>1,161,849</b>

## 25.3. Movements in provisions for unearned premiums

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>LIFE</b>				
<b>Balance at 1 January</b>	<b>3,722</b>	<b>2,607</b>	<b>4,799</b>	<b>3,507</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(10)	(4)
Written premiums during the year	533,428	513,508	629,583	601,917
Earned premiums during the year	(532,774)	(512,393)	(628,861)	(600,621)
<b>Balance at 31 December</b>	<b>4,376</b>	<b>3,722</b>	<b>5,511</b>	<b>4,799</b>
<b>NON-LIFE</b>				
<b>Balance at 1 January</b>	<b>787,051</b>	<b>810,228</b>	<b>1,064,375</b>	<b>1,062,785</b>
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(3,514)	(823)
Written premiums during the year	1,735,234	1,794,422	2,391,135	2,366,302
Earned premiums during the year	(1,704,804)	(1,817,599)	(2,298,787)	(2,363,889)
Disposal of subsidiary/Loss of control	-	-	(8,710)	-
<b>Balance at 31 December</b>	<b>817,481</b>	<b>787,051</b>	<b>1,144,499</b>	<b>1,064,375</b>
<b>TOTAL LIFE AND NON LIFE</b>				
<b>Balance at 31 December</b>	<b>821,857</b>	<b>790,773</b>	<b>1,150,010</b>	<b>1,069,174</b>

**25.4. Movements in mathematical provisions for insurance, gross**

	<b>Company</b>		<b>Company</b>		<b>Group</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>		<b>31 Dec. 2015</b>		<b>31 Dec. 2016</b>		<b>31 Dec. 2015</b>	
	in HRK '000		in HRK '000		in HRK '000		in HRK '000	
<b>At 1 January</b>	<b>2,266,361</b>	<b>2,071,854</b>	<b>2,507,339</b>	<b>2,277,669</b>				
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(2,026)	(724)				
Allocated premium	290,718	374,624	354,869	435,037				
Reversal of liabilities due to benefits paid, surrenders and other terminations	(290,960)	(263,036)	(309,258)	(288,116)				
Capitalised technical interest	75,914	76,077	75,914	76,077				
Change of discretionary bonus	7,995	6,842	8,128	7,396				
<b>At 31 December</b>	<b>2,350,028</b>	<b>2,266,361</b>	<b>2,634,966</b>	<b>2,507,339</b>				

**25.5. Movements in technical provisions for life insurance where the policyholder bears the investment risk, gross**

	<b>Company</b>		<b>Company</b>		<b>Group</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>		<b>31 Dec. 2015</b>		<b>31 Dec. 2016</b>		<b>31 Dec. 2015</b>	
	in HRK '000		in HRK '000		in HRK '000		in HRK '000	
<b>LIFE</b>								
<b>Balance at 1 January</b>	<b>34,582</b>	<b>5,312</b>	<b>34,582</b>	<b>5,312</b>				
Foreign exchange differences	-	-	-	-				
Allocated premium	103,394	32,029	103,641	32,029				
Reversal of liabilities due to benefits paid, surrenders and other terminations	(2,900)	(1,937)	(2,900)	(1,937)				
Unrealised gains/(losses) on assets in which the policyholders' funds are invested	3,275	(822)	3,276	(822)				
<b>Balance at 31 December</b>	<b>138,351</b>	<b>34,582</b>	<b>138,599</b>	<b>34,582</b>				



25.6. Analysis of movements in claims provisions (RBNS and IBNR) for non-life insurance

Company

	in HRK '000								
	Before 2010	2010	2011	2012	2013	2014	2015	2016	TOTAL
Assessment of cumulative claims at the end of the year of the accident	-	1,640,995	1,664,547	1,508,800	1,406,818	1,244,991	1,192,854	1,148,645	-
One year later	-	1,558,308	1,552,097	1,421,351	1,351,615	1,216,132	1,134,791	-	-
Two years later	-	1,528,681	1,525,994	1,406,404	1,338,872	1,191,619	-	-	-
Three years later	-	1,499,108	1,516,011	1,417,595	1,330,694	-	-	-	-
Four years later	-	1,506,298	1,534,264	1,409,194	-	-	-	-	-
Five years later	-	1,515,093	1,532,255	-	-	-	-	-	-
Six years later	-	1,514,458	-	-	-	-	-	-	-
Assessment of cumulative claims	-	1,514,458	1,532,255	1,409,194	1,330,694	1,191,619	1,134,791	1,148,646	9,261,657
Cumulative payments	-	1,405,832	1,415,492	1,267,889	1,199,933	1,054,181	916,500	653,508	7,913,335
Provision for previous years	1,099,769								1,099,769
Costs of claims handling	49,683	5,271	5,753	6,916	6,823	7,459	11,263	25,622	118,790
<b>Value recognized in the statement of financial position</b>	<b>1,149,452</b>	<b>113,897</b>	<b>122,516</b>	<b>148,220</b>	<b>137,584</b>	<b>144,897</b>	<b>229,554</b>	<b>520,761</b>	<b>2,566,881</b>

25.7. Maturity of gross technical provisions

Company	in HRK '000				
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
<b>2016</b>					
Unearned premiums, gross	629,923	132,841	48,589	10,504	821,857
Mathematical provisions for insurance, gross	295,347	1,067,219	534,670	452,792	2,350,028
Claims provisions, gross	731,481	637,333	376,251	857,348	2,602,413
Other insurance-technical provisions, gross	38,569	9,143	3,345	720	51,777
Technical provisions for life insurance where the policyholder bears the investment risk	301	86,376	51,615	59	138,351
	<b>1,695,621</b>	<b>1,932,912</b>	<b>1,014,470</b>	<b>1,321,423</b>	<b>5,964,426</b>
<b>Restated 2015</b>					
Unearned premiums, gross	620,823	112,592	44,555	12,803	790,773
Mathematical provisions for insurance, gross	237,197	1,048,699	526,596	453,869	2,266,361
Claims provisions, gross	738,454	797,964	420,003	715,548	2,671,969
Other insurance-technical provisions, gross	53,926	11,096	1,963	1,763	68,748
Technical provisions for life insurance where the policyholder bears the investment risk	4	1,436	33,039	103	34,582
	<b>1,650,404</b>	<b>1,971,787</b>	<b>1,026,156</b>	<b>1,184,086</b>	<b>5,832,433</b>
<b>Group</b>					
	in HRK '000				
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
<b>2016</b>					
Unearned premiums, gross	916,502	151,340	71,665	10,503	1,150,010
Mathematical provisions for insurance, gross	325,515	1,151,543	612,416	545,492	2,634,966
Claims provisions, gross	898,793	682,210	385,932	863,641	2,830,576
Other insurance-technical provisions, gross	49,881	9,143	3,345	723	63,092
Technical provisions for life insurance where the policyholder bears the investment risk	549	86,376	51,615	59	138,599
	<b>2,191,240</b>	<b>2,080,612</b>	<b>1,124,973</b>	<b>1,420,418</b>	<b>6,817,243</b>
<b>Restated 2015</b>					
Unearned premiums, gross	890,739	103,307	66,319	8,809	1,069,174
Mathematical provisions for insurance, gross	253,948	1,132,079	592,746	528,566	2,507,339
Claims provisions, gross	894,758	939,510	452,284	726,559	3,013,111
Other insurance-technical provisions, gross	67,825	16,912	1,963	1,763	88,463
Technical provisions for life insurance where the policyholder bears the investment risk	4	1,436	33,039	103	34,582
	<b>2,107,274</b>	<b>2,193,244</b>	<b>1,146,351</b>	<b>1,265,800</b>	<b>6,712,669</b>

**25.8. Analysis of claim (loss) ratios, cost ratios and combined ratios for the Company:**

Types of non-life insurance	Claims ratio	Cost ratio	Combined ratio	Claims ratio	Cost ratio	Combined ratio
	2016	2016	2016	Restated 2015	Restated 2015	Restated 2015
Accident insurance	28.70%	44.83%	73.53%	28.30%	39.81%	68.11%
Health insurance	97.95%	41.08%	139.03%	116.02%	42.65%	158.67%
Road vehicle insurance	77.95%	38.30%	116.25%	80.80%	36.03%	116.83%
Railroad rolling stock insurance	20.71%	46.21%	66.92%	7.19%	43.06%	50.25%
Aircraft insurance	35.35%	33.69%	69.03%	156.14%	37.04%	193.18%
Vessel insurance	56.21%	48.58%	104.79%	67.64%	34.20%	101.83%
Insurance for goods in transit	123.95%	43.08%	167.03%	53.64%	39.18%	92.82%
Insurance against fire and natural disaster	36.96%	44.13%	81.10%	22.59%	42.36%	64.95%
Other types of property insurance	76.74%	39.04%	115.78%	64.18%	35.00%	99.18%
Motor liability insurance	47.68%	40.72%	88.40%	52.45%	40.64%	93.09%
Aircraft liability insurance	(42.74)%	35.80%	(6.94)%	56.40%	41.28%	97.68%
Boat liability insurance	16.53%	45.76%	62.28%	36.29%	26.08%	62.37%
Other liability insurance	67.32%	39.98%	107.31%	87.66%	33.19%	120.85%
Loan insurance/credit insurance	(18.54)%	43.23%	24.69%	43.92%	75.44%	119.36%
Surety insurance	(63.65)%	31.13%	(32.51)%	150.52%	27.68%	178.20%
Miscellaneous financial loss insurance	18.82%	35.85%	54.67%	22.03%	39.52%	61.55%
Travel insurance	33.53%	54.49%	88.02%	33.77%	44.40%	78.18%
<b>Total non-life insurance</b>	<b>54.26%</b>	<b>41.13%</b>	<b>95.39%</b>	<b>55.49%</b>	<b>39.24%</b>	<b>94.74%</b>

The above ratios are calculated in accordance with the Ordinance on the form and contents of financial and additional statements of insurance and reinsurance companies (Official Gazette No. 37/16) and Instructions for completing the financial and supplementary reports of the insurance company or the reinsurance company by the Croatian Financial Services Supervisory Agency.

The claims ratio, cost ratio and combined ratio by types of non-life insurance are calculated in the following way:

- Claims ratio = (Settled claims, gross amount + Change in provisions for claims, gross amount + Change in other technical provisions, gross amount) / (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) \* (- 100)
- Cost ratio = (Operating expenses (business-related expenses), net + Other insurance-technical income, net of reinsurance + Other technical costs, net of reinsurance) / (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) \* (-100)
- Combined ratio = claims ratio + cost ratio.

**Movements in annual return on mathematical provision**

Pursuant to the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions according to accounting regulations (Official Gazette No. 10/16), the maximum interest rate for the calculation of mathematical provision is 3.3% for insurance contracts concluded before 2010, 3% for insurance contracts concluded during 2010, 2.75% for insurance contracts concluded from 1 January 2011 until 30 June 2016 and 1.75% or 2% for insurance contracts concluded after 1 July 2016 in which the obligations of the insurer and the contractor of insurance are contracted with or without a currency clause, where the interest rate shall not be higher than the average return that the Company realized through investment of mathematical provision in the last three years.

The average return is calculated as a weighted average return from 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 calculated as the sum of returns multiplied by the average value of the mathematical provision for the last three full financial years (in annual financial statements, including the year for which mathematical provision is calculated) and then divided by the sum of the average values of the mathematical provision.

The following table shows movements in the annual return realized from investment of assets covering mathematical provisions for 2016, 2015 and 2014:

	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>in HRK</b>	<b>in HRK</b>	<b>in HRK</b>
	<b>'000HRK</b>	<b>'000HRK</b>	<b>'000HRK</b>
Average balance of mathematical provisions	2,013,562	2,169,108	2,308,194
Return on investment from mathematical provisions	117,140	100,904	94,062
Rate of annual return on mathematical provisions	5.82%	4.65%	4.08%
<b>Average return on mathematical provisions for the past 3 years</b>	<b>5.94%</b>	<b>5.45%</b>	<b>4.81%</b>

26. Provisions

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Provisions for termination benefits	59,382	43,418	60,993	49,900
Provisions for jubilee awards and termination benefits (retirement) /i/	30,150	31,261	40,912	42,808
Provisions for court claims	34,449	32,431	38,878	35,780
Other long-term provisions	-	400	-	400
	<b>123,981</b>	<b>107,510</b>	<b>140,783</b>	<b>128,888</b>

Movements in provisions for jubilee awards, pensions, court claims and other long-term provisions are shown in the table below:

Company	Other long-term provisions	Provisions for court claims	Provisions for jubilee awards and termination benefits (retirement)	Provisions for termination benefits	Total
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Balance at 1 January 2015</b>	<b>3,794</b>	<b>29,908</b>	<b>68,330</b>	<b>146,459</b>	<b>248,491</b>
Additional provisions	-	18,717	-	17,720	36,437
Decrease in provisions (utilization)	-	-	(2,653)	(120,761)	(123,414)
Decrease in provisions (reversal)	(3,394)	(16,194)	(34,416)	-	(54,004)
<b>Balance at 31 December 2015</b>	<b>400</b>	<b>32,431</b>	<b>31,261</b>	<b>43,418</b>	<b>107,510</b>
Additional provisions	-	15,652	608	32,542	48,802
Decrease in provisions (utilization)	-	(13,634)	(1,719)	(16,578)	(31,931)
Decrease in provisions (reversal)	(400)	-	-	-	(400)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>34,449</b>	<b>30,150</b>	<b>59,382</b>	<b>123,981</b>

Group	Other long-term provisions	Provisions for court claims	Provisions for jubilee awards and termination benefits (retirement)	Provisions for termination benefits	Total
	in HRK '000	in HRK '000	in HRK '000	in HRK '000	in HRK '000
<b>Balance at 1 January 2015</b>	<b>4,505</b>	<b>32,049</b>	<b>74,126</b>	<b>150,453</b>	<b>261,133</b>
Additional provisions	-	20,004	8,278	23,467	51,749
Decrease in provisions (utilization)	-	-	(3,757)	(124,020)	(127,777)
Decrease in provisions (reversal)	(4,105)	(16,273)	(35,839)	-	(56,217)
<b>Balance a 31 December 2015</b>	<b>400</b>	<b>35,780</b>	<b>42,808</b>	<b>49,900</b>	<b>128,888</b>
Foreign exchange differences	-	(4)	(78)	55	(27)
Additional provisions	-	16,738	1,056	33,485	51,279
Decrease in provisions (utilization)	-	(13,635)	(1,797)	(21,861)	(37,293)
Decrease in provisions (reversal)	(400)	(1)	(1,077)	(586)	(2,064)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>38,878</b>	<b>40,912</b>	<b>60,993</b>	<b>140,783</b>

/i/ The following assumptions were used for the calculation:

- Employment termination rate for the Company is 5.34% (2015: 5.34%) while for the Group the average is 4.53% (2015: 5.34%)
- Increase in salaries is not expected;
- The present value of the liability is calculated using the discount rate of 2.36% (2015: 2.99%) for the Company and 2.36% -6.15% for the Group (2015: 2.99%).

**27. Financial liabilities**

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Financial liabilities with financial institutions	-	-	-	536
Other financial liabilities	-	-	4,173	1,193
	-	-	<b>4,173</b>	<b>1,729</b>

**27.1. Liabilities to banks and other financial institutions**

	<b>Currency</b>	<b>Nominal rate %</b>	<b>Year of maturity</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
				in HRK'000	in HRK'000
Domestic bank	EUR	4.30%	2016	-	536
				-	536

**27.2. Maturity of long-term liabilities**

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
2016	-	-	-	903
2017	-	-	832	481
2018	-	-	1,149	149
2019	-	-	1,045	35
2020	-	-	1,029	161
2021 and thereafter	-	-	118	-
	-	-	<b>4,173</b>	<b>1,729</b>

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**28. Insurance contract and other liabilities and deferred income**

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Insurance contract liabilities	83,273	114,691	110,456	134,688
Reinsurance liabilities	46,063	40,547	46,316	42,431
Other liabilities	91,627	71,721	121,189	105,603
Accrued expenses	86,877	98,177	97,180	108,953
Deferred income	236,574	240,059	242,176	240,837
	<b>544,414</b>	<b>565,195</b>	<b>617,317</b>	<b>632,512</b>

/i/ Insurance contract liabilities

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Liabilities for claims and contracted insurance amounts	22,901	46,713	39,073	55,487
Liabilities for contribution to the Fire Department	426	495	854	933
Liabilities for the guarantee fund	36,695	38,134	37,508	39,810
Liabilities for advances received for the insurance premium	11,493	27,032	15,382	30,197
Liabilities to the Croatian Insurance Bureau	155	85	155	85
Fee payable to the Croatian Financial Services Supervisory Agency	78	101	88	149
Liabilities for health insurance under motor liability premium	719	777	1,321	1,360
Other liabilities	10,806	1,354	16,075	6,667
	<b>83,273</b>	<b>114,691</b>	<b>110,456</b>	<b>134,688</b>

/ii/ Liabilities from coinsurance and reinsurance

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Reinsurance premiums payable	45,699	39,578	45,954	39,939
Coinsurance premiums payable	364	969	362	2,492
	<b>46,063</b>	<b>40,547</b>	<b>46,316</b>	<b>42,431</b>

**CROATIA osiguranje d.d., Zagreb**  
**Notes to financial statements for the year ended 31 December 2016**

/iii/ Other liabilities

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Trade payables	43,584	24,958	48,632	35,074
Advances received	1,989	1,880	3,169	6,179
Liabilities for net salaries	9,006	20,009	16,626	26,556
Liabilities for contributions from salaries	9,431	5,335	10,715	6,467
Liabilities for tax and surtax from salaries	5,447	3,537	6,207	4,387
Liabilities for contributions on salaries	8,267	4,691	9,560	5,838
Deductions from salaries and wages	114	114	229	162
Dividend payable	268	269	296	290
Liabilities to the state for sold flats	2,354	3,131	2,356	3,193
Due to employees	663	237	2,402	842
Liabilities for tax on motor liability and motor hull insurance	6,549	6,931	7,204	7,559
Other liabilities	3,955	629	13,793	9,056
	<b>91,627</b>	<b>71,721</b>	<b>121,189</b>	<b>105,603</b>

/iv/ Accrued expenses and deferred income

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>Restated 31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>Restated 31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Accrued expenses for unused vacation days	15,132	24,096	16,670	24,657
Other accrued expenses	71,745	74,081	80,510	84,296
<b>Total accrued expenses</b>	<b>86,877</b>	<b>98,177</b>	<b>97,180</b>	<b>108,953</b>
Deferred income from recourses /i/	234,082	234,885	234,082	234,885
Other deferred income	2,492	5,174	8,094	5,952
<b>Total deferred income</b>	<b>236,574</b>	<b>240,059</b>	<b>242,176</b>	<b>240,837</b>
	<b>323,451</b>	<b>338,236</b>	<b>339,356</b>	<b>349,790</b>

/i/ Deferred income from recourse, due to uncertainty of collection, in the amount of HRK 234,082 thousand (31 December 2015: HRK 234,885 thousand) relates to deferred income from recourses which are either open or subject to a final settlement for payment (see Note 22.3). When the refusal of payment leads to these recourse receivables being sued, then the recourse receivable and deferred income are transferred to off-balance-sheet records.



**29. Off-balance-sheet items**

**Company**

	<b>Company</b>		<b>Group</b>	
	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Premium receivables from companies in bankruptcy	188,868	170,110	202,725	183,967
Shares and stakes of companies in bankruptcy	22,595	22,619	28,637	28,793
Placements and interest from companies in bankruptcy	48,543	48,543	65,257	75,228
Default interest on placements	44,239	42,992	44,438	44,195
	<b>304,245</b>	<b>284,264</b>	<b>341,057</b>	<b>332,183</b>
Recourse receivables not recognised	804,592	859,187	825,385	880,568
	<b>1,108,837</b>	<b>1,143,451</b>	<b>1,166,442</b>	<b>1,212,751</b>

**30. Transactions with related parties**

The Company believes that it has a direct related party relationship with the majority owner ADRIS grupa d.d. and the Republic of Croatia - and with largely state-owned companies, companies under control, under joint control or under significant influence of the key management and their close family members in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24). The Group considers the members of the Management Board and Supervisory Board, directors of departments and directors of branch offices as key management.

*Key transactions with related parties*

Company pays income tax in the Republic of Croatia, as described in Note 13. The Company also pays income tax as described in Notes 9 and 10.2. With regard to taxes, the Company has no outstanding liabilities towards the Republic of Croatia.

The Company has given two loans to the related company Croatia-tehnički pregled d.o.o. in the total value of HRK 52 million at an interest rate of 7%, to the company Core 1 d.o.o. in the amount of HRK 79.1 million at an interest rate of 5.14%, and Croatia osiguranje d.d., non-life insurance company Skopje, in the amount of HRK 6 million at an interest rate of 8.2% for the purpose of additional investments.

Other relationships with subsidiaries, joint ventures and associates within the Group and other companies that have a significant impact on the Company's financial statements and publicly owned companies are presented in the following tables for 2016 and 2015:

CROATIA osiguranje d.d., Zagreb  
Notes to financial statements for the year ended 31 December 2016

Transactions and balances with the parent company and other related entities of the Company and the Group for 2015:

2016 in HRK '000	Loans and receivables	Reinsurance share in technical provisions	Other receivables	Insurance liabilities	Technical provisions	Other liabilities	Written premiums	Premiums ceded to reinsurance	Change in gross unearned premiums	Investment income	Other income	Incurred claims	Reinsurance share in claims	Operating expenses
<b>Company</b>	126,519	480	12,234	195	47,781	4,066	4,023	15,349	10,584	24,096	3,417	3,974	96,857	3,217
Subsidiaries														
Associated companies	-	273	-	-	-	24	1,137	-	-	11,453	-	443	-	233
<b>Group</b>														
Adris grupa d.d. – parent company	-	28	70	-		1,459	521	-	-	-	50	47	-	4,838
Other Adris Group companies	-	1,353		-	232	400	10,795	-	-	-		2,668	-	1,436

Transactions and balances with parties related to the shareholder with significant influence on the Group (Republic of Croatia) for 2015:

2016 in HRK '000	Debt securities	Loans and receivables	Receivables from insurance business	Other receivables	Liabilities from insurance business	Other liabilities	Income from insurance	Interest income	Other income	Expenses from insurance	Other expenses
<b>State and all companies in which the state has majority ownership</b>	3,606,761	133,120	8,824	67	35	2,251	107,664	159,282	25,402	35,818	44,633

CROATIA osiguranje d.d., Zagreb  
Notes to financial statements for the year ended 31 December 2016

Transactions and balances with subsidiaries of the Company for 2014:

2015 in HRK '000														
	Loans and receivables	Reinsurance share in technical provisions	Receivables from insurance business	Other receivables	Technical provisions	Liabilities from insurance business	Other liabilities	Written premiums	Premiums ceded to reinsurance	Investment income	Other income	Incurred claims	Reinsurance share in claims	Operating expenses
<b>Company</b>														
Subsidiaries	51,627	226,642	13,522	8,577	70,740	1,632	704	31,469	19,762	15,619	20,641	6,186	71,990	15,083
<b>Group</b>														
Adris grupa d.d. – parent company	-	-	156	15	-	-	84	399	-	-	44	14	-	102
Other Adris Group companies	-	-	1,453	-	-	72	259	24,098	-	-	5,624	15,680	-	3,446

Transactions and balances with parties related to the shareholder with significant influence on the Group (Republic of Croatia) for 2014:

2015 in HRK '000										
	Debt securities	Loans and receivables	Receivables from insurance business	Other receivables	Liabilities from insurance business	Income from insurance	Interest income	Other income	Expenses from insurance	Other expenses
<b>State and all companies in which the state has majority ownership</b>	3,402,942	186,200	13,393	51	1,832	1,599	96,951	164,777	12	35,181

/i/ Key management compensation

	Company		Group	
	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
	in HRK '000	in HRK '000	in HRK '000	in HRK '000
Key management compensation	38,433	29,445	55,761	39,305

The key management personnel of the Group are members of the Management Board and Supervisory Board, directors of departments and directors of subsidiaries of the Company.

Key management compensation includes gross salary, life insurance premiums, benefits in kind, bonuses, termination benefits and compensation of the Supervisory Board.

### 31. Contingent liabilities

The Group has contingent liabilities in terms of issued collection instruments in the course of its business operations. It is unlikely that significant obligations could result from the above.

On account of its main activity, the Group is subject to court procedures initiated by injured parties. Provisions for court claims arising from claims incurred were provided for within claims provisions. The Management Board believes that these provisions are sufficient.

### 32. Commitments

As at 31 December 2016, the Company's contractual liabilities for future investments amount to HRK 4,132 thousand based on binding bids for investments in venture capital funds (31 December 2015: HRK 9,184 thousand).

### 33. Financial statements audit

Auditors of financial statements of the Group have provided services in 2016 in the amount of HRK 2,104 thousand plus value added tax (2015: HRK 1.9 million plus value added tax). The Company was provided services in the amount of HRK 1,118 thousand plus value added tax (2015: HRK 775 thousand plus value added tax). Services in 2016 and 2015 relate to the costs of statutory audit of annual financial statements and related audit services.

### 34. Events after the balance sheet date

#### *Merger of subsidiary Croatia Lloyd d.d.*

At the session of the Administrative Council held on 3 March 2017, the Croatian Financial Services Supervisory Agency, issued a Decision on the basis of which it approved the merger of Croatia Lloyd d.d. to the Company. On 3 April 2017, Croatia Lloyd d.d. merged with the Company.

#### *Merger of subsidiary CROATIA zdravstveno osiguranje d.d.*

On 7 April 2017, the Company and CROATIA zdravstveno osiguranje d.o.o. signed a contract on the merger of CROATIA zdravstveno osiguranje d.d. with the Company. The merger agreement will become valid upon obtaining approval from the Croatian Financial Services Supervisory Agency regarding the legal form of CROATIA zdravstveno osiguranje d.d.

## **Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency**

Pursuant to the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16) which was issued by the Croatian Financial Services Supervisory Agency on the basis of the Insurance Act and the Accounting Act, below we present the financial statements of the company CROATIA osiguranje d.d., Zagreb in the form required by the stated Ordinance.

The reconciliation between the financial statements, presented below on pages 157 to 172 as prescribed by the Ordinance on the structure and content of the financial statements of insurance and reinsurance Companies, and the annual financial statements prepared in accordance with the IFRS reporting framework is presented on pages 173 to 181 entitled "Reconciliation of the financial statements and supplementary statements for the Croatian Financial Services Supervisory Agency".

## STATEMENT OF FINANCIAL POSITION as at 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>001</b>	002+003	<b>I</b>	<b>INTANGIBLE ASSETS</b>		<b>14,333,691</b>	<b>14,333,691</b>		<b>16,280,649</b>	<b>16,280,649</b>
002		1	Goodwill						
003		2	Other intangible assets		14,333,691	<b>14,333,691</b>		16,280,649	<b>16,280,649</b>
<b>004</b>	005+006+007	<b>II</b>	<b>TANGIBLE ASSETS</b>		<b>732,482,249</b>	<b>732,482,249</b>		<b>635,191,540</b>	<b>635,191,540</b>
005		1	Land and buildings used for business activities		700,868,977	<b>700,868,977</b>		592,024,994	<b>592,024,994</b>
006		2	Equipment		14,013,695	<b>14,013,695</b>		31,495,882	<b>31,495,882</b>
007		3	Other tangible assets and inventories		17,599,578	<b>17,599,578</b>		11,670,664	<b>11,670,664</b>
<b>008</b>	009+010+014+033	<b>III</b>	<b>INVESTMENTS</b>	<b>2,459,797,046</b>	<b>3,937,404,114</b>	<b>6,397,201,160</b>	<b>2,630,579,215</b>	<b>4,190,993,095</b>	<b>6,821,572,310</b>
<b>009</b>		<b>A</b>	<b>Investments in land and buildings not used for business activities</b>		479,754,760	<b>479,754,760</b>		448,527,957	<b>448,527,957</b>
<b>010</b>	011+012+013	<b>B</b>	<b>Investments in subsidiaries, associates and participation in joint ventures</b>		<b>421,415,761</b>	<b>421,415,761</b>		<b>394,644,169</b>	<b>394,644,169</b>
011		1	Shares and stakes in subsidiaries		389,156,061	<b>389,156,061</b>		362,384,469	<b>362,384,469</b>
012		2	Shares and stakes in associates		4,259,700	<b>4,259,700</b>		4,259,700	<b>4,259,700</b>
013		3	Shares and stakes in joint ventures		28,000,000	<b>28,000,000</b>		28,000,000	<b>28,000,000</b>
<b>014</b>	015+018+023+029	<b>C</b>	<b>Financial assets</b>	<b>2,459,797,046</b>	<b>3,036,233,593</b>	<b>5,496,030,639</b>	<b>2,630,579,215</b>	<b>3,347,820,968</b>	<b>5,978,400,183</b>
<b>015</b>	016+017	<b>1</b>	<b>Held-to-maturity financial assets</b>	<b>1,236,553,002</b>	<b>893,618,557</b>	<b>2,130,171,559</b>	<b>1,256,583,199</b>	<b>806,613,369</b>	<b>2,063,196,568</b>
016		1.1	Debt financial instruments	1,236,553,002	893,618,557	<b>2,130,171,559</b>	1,256,583,199	806,613,369	<b>2,063,196,568</b>
017		1.2	Other						
<b>018</b>	019+020+021+022	<b>2</b>	<b>Financial assets available for sale</b>	<b>761,074,994</b>	<b>872,004,215</b>	<b>1,633,079,209</b>	<b>1,015,137,224</b>	<b>1,059,341,313</b>	<b>2,074,478,537</b>
019		2.1	Equity financial instruments	10,223,402	247,234,785	<b>257,458,188</b>	22,950,852	350,935,617	<b>373,886,469</b>
020		2.2	Debt financial instruments	750,851,592	598,155,043	<b>1,349,006,635</b>	992,186,372	679,922,833	<b>1,672,109,205</b>
021		2.3	Shares in investment funds		26,614,387	<b>26,614,387</b>		28,482,863	<b>28,482,863</b>
022		2.4	Other						

## STATEMENT OF FINANCIAL POSITION as at 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>023</b>	024+025+026 +027+028	<b>3</b>	<b>Financial assets at fair value through profit or loss</b>	<b>58,270,308</b>	<b>12,952,845</b>	<b>71,223,153</b>	<b>40,106,292</b>	<b>202,592,449</b>	<b>242,698,741</b>
024		3.1	Equity financial instruments		12,952,845	<b>12,952,845</b>		12,430,703	<b>12,430,703</b>
025		3.2	Debt financial instruments	45,262,895		<b>45,262,895</b>			
026		3.3	Derivative financial instruments						
027		3.4	Shares in investment funds	13,007,413		<b>13,007,413</b>	40,106,292	190,161,746	<b>230,268,038</b>
028		3.5	Other						
<b>029</b>	030+031+032	<b>4</b>	<b>Loans and receivables</b>	<b>403,898,742</b>	<b>1,257,657,976</b>	<b>1,661,556,718</b>	<b>318,752,501</b>	<b>1,279,273,837</b>	<b>1,598,026,338</b>
030		4.1	Deposits with credit institutions	331,470,265	1,030,420,998	<b>1,361,891,262</b>	275,983,422	945,757,680	<b>1,221,741,102</b>
031		4.2	Loans	72,428,477	227,236,979	<b>299,665,456</b>	42,769,079	333,516,157	<b>376,285,236</b>
032		4.3	Other						
<b>033</b>		<b>D</b>	<b>Deposits with cedent</b>						
<b>034</b>		<b>IV</b>	<b>INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER</b>	<b>34,582,317</b>		<b>34,582,317</b>	<b>138,351,164</b>		<b>138,351,164</b>
<b>035</b>	036+037+038 +039+040+04 1+042	<b>V</b>	<b>REINSURANCE SHARE IN TECHNICAL PROVISIONS</b>	<b>271,385</b>	<b>306,497,869</b>	<b>306,769,254</b>	<b>278,488</b>	<b>181,675,121</b>	<b>181,953,609</b>
036		1	Unearned premiums, reinsurance share	1,952	31,959,441	<b>31,961,392</b>	1,953	18,044,776	<b>18,046,729</b>
037		2	Mathematical provisions for insurance, reinsurance share	269,434		<b>269,434</b>	276,535		<b>276,535</b>
038		3	Claims provisions, reinsurance share		274,538,429	<b>274,538,429</b>		163,630,345	<b>163,630,345</b>
039		4	Provisions for bonuses and discounts, reinsurance share						
040		5	Provisions for claims fluctuation, reinsurance share						
041		6	Other technical provisions for insurance, reinsurance share						
042		7	Special provisions for life insurance where the policyholder bears the investment risk, reinsurance share						

## STATEMENT OF FINANCIAL POSITION as at 31 Dec 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>043</b>	044+045	<b>VI</b>	<b>DEFERRED AND CURRENT TAX ASSETS</b>	<b>1,049,513</b>	<b>132,951,449</b>	<b>134,000,962</b>	<b>2,350,132</b>	<b>90,965,896</b>	<b>93,316,028</b>
044		1	Deferred tax assets	1,049,513	126,240,946	127,290,459	2,350,132	90,920,081	93,270,214
045		2	Current tax assets		6,710,504	6,710,504		45,815	45,815
<b>046</b>	047+050+051	<b>VII</b>	<b>RECEIVABLES</b>	<b>3,419,115</b>	<b>728,239,204</b>	<b>731,658,319</b>	<b>1,331,208</b>	<b>690,757,242</b>	<b>692,088,451</b>
<b>047</b>	048+049	<b>1</b>	<b>Receivables from direct insurance business</b>	<b>560,451</b>	<b>380,451,419</b>	<b>381,011,869</b>	<b>155,833</b>	<b>326,936,742</b>	<b>327,092,576</b>
048		1.1	From policyholders		376,046,572	376,046,572		325,839,683	325,839,683
049		1.2	From agents or insurance brokers	560,451	4,404,847	4,965,297	155,833	1,097,059	1,252,892
<b>050</b>		<b>2</b>	<b>Receivables reinsurance business</b>	<b>2,216</b>	<b>25,839,320</b>	<b>25,841,536</b>	<b>765</b>	<b>36,691,184</b>	<b>36,691,949</b>
<b>051</b>	052+053+054	<b>3</b>	<b>Other receivables</b>	<b>2,856,449</b>	<b>321,948,465</b>	<b>324,804,914</b>	<b>1,174,610</b>	<b>327,129,316</b>	<b>328,303,926</b>
052		3.1	Receivables from other insurance business		244,413,499	244,413,499		247,491,293	247,491,293
053		3.2	Receivables for returns on investments	1,213,941	7,161,918	8,375,858	984,115	7,509,154	8,493,269
054		3.3	Other receivables	1,642,508	70,373,048	72,015,556	190,495	72,128,870	72,319,364
<b>055</b>	056-060+061	<b>VIII</b>	<b>OTHER ASSETS</b>	<b>26,912,507</b>	<b>31,634,076</b>	<b>58,546,582</b>	<b>20,222,038</b>	<b>46,083,722</b>	<b>66,305,760</b>
<b>056</b>	057+058+059	<b>1</b>	<b>Cash at bank and on hand</b>	<b>26,911,735</b>	<b>31,448,477</b>	<b>58,360,211</b>	<b>20,222,038</b>	<b>45,977,298</b>	<b>66,199,336</b>
057		1.1	Funds in the business account		31,417,310	31,417,310		45,912,681	45,912,681
058		1.2	Funds in the account of assets covering mathematical provisions	26,906,601		26,906,601	20,222,038		20,222,038
059		1.3	Cash on hand	5,134	31,167	36,300		64,617	64,617
<b>060</b>		<b>2</b>	<b>Non-current assets held for sale and discontinued operations</b>						
<b>061</b>		<b>3</b>	<b>Other</b>	772	185,599	186,371		106,424	106,424
<b>062</b>	063+064+065	<b>IX</b>	<b>PREPAID EXPENSES AND ACCRUED INCOME</b>		<b>71,417,854</b>	<b>71,417,854</b>		<b>119,420,617</b>	<b>119,420,617</b>
063		1	Accrued interest and rent		148,098	148,098			
064		2	Deferred acquisition costs		64,362,968	64,362,968		110,496,207	110,496,207
065		3	Other prepaid expenses and accrued income		6,906,788	6,906,788		8,924,410	8,924,410
<b>066</b>	001+004+008 +034+035+04 3+046+055+0 62	<b>X</b>	<b>TOTAL ASSETS</b>	<b>2,526,031,882</b>	<b>5,954,960,506</b>	<b>8,480,992,388</b>	<b>2,793,112,244</b>	<b>5,971,367,882</b>	<b>8,764,480,126</b>
<b>067</b>		<b>XI</b>	<b>OFF BALANCE-SHEET ITEMS</b>	71,168	1,143,378,952	1,143,450,120	33,839	1,108,802,833	1,108,836,672



## Statement of financial position (balance sheet) as at 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>068</b>	069+072+073+077+081+084	<b>XII</b>	<b>EQUITY</b>	<b>149,669,484</b>	<b>1,766,292,944</b>	<b>1,915,962,428</b>	<b>219,042,448</b>	<b>1,834,478,583</b>	<b>2,053,521,031</b>
<b>069</b>	070+071	<b>1</b>	<b>Share capital</b>	<b>44,288,720</b>	<b>557,287,080</b>	<b>601,575,800</b>	<b>44,288,720</b>	<b>557,287,080</b>	<b>601,575,800</b>
070		1.1	<i>Paid-up capital - ordinary shares</i>	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
071		1.2	<i>Paid-up capital - preference shares</i>		12,250,000	12,250,000		12,250,000	12,250,000
<b>072</b>		<b>2</b>	<b>Share premium (capital reserves)</b>		<b>681,482,525</b>	<b>681,482,525</b>		<b>681,482,525</b>	<b>681,482,525</b>
<b>073</b>	074+075+076	<b>3</b>	<b>Revaluation reserves</b>	<b>4,296,432</b>	<b>137,673,765</b>	<b>141,970,197</b>	<b>57,547,684</b>	<b>170,980,772</b>	<b>228,528,456</b>
074		3.1	<i>Land and buildings</i>		62,790,022	62,790,022		54,527,393	54,527,393
075		3.2	<i>Financial assets available for sale</i>	4,296,432	74,883,743	79,180,174	57,547,684	116,453,379	174,001,063
076		3.3	<i>Other revaluation reserves</i>						
<b>077</b>	078+079+080	<b>4</b>	<b>Reserves</b>	<b>83,803,430</b>	<b>311,731,864</b>	<b>395,535,294</b>	<b>83,902,326</b>	<b>313,971,510</b>	<b>397,873,836</b>
078		4.1	<i>Legal reserves</i>	721,929	22,853,579	23,575,508	820,825	25,093,225	25,914,050
079		4.2	<i>Statutory reserves</i>	7,581,501	139,638,995	147,220,496	7,581,501	139,638,995	147,220,496
080		4.3.	<i>Other reserves</i>	75,500,000	149,239,289	224,739,289	75,500,000	149,239,289	224,739,289
<b>081</b>	082+083	<b>5</b>	<b>Retained earnings or accumulated loss</b>	<b>15,302,981</b>	<b>29,131,254</b>	<b>44,434,236</b>	<b>17,182,006</b>	<b>75,350,382</b>	<b>92,532,388</b>
082		5.1	<i>Retained earnings</i>	15,302,981	29,131,254	44,434,236	17,182,006	75,350,382	92,532,388
083		5.2	<i>Accumulated loss (-)</i>						
<b>084</b>	085+086	<b>6</b>	<b>Profit or loss for the period</b>	<b>1,977,921</b>	<b>48,986,456</b>	<b>50,964,376</b>	<b>16,121,712</b>	<b>35,406,313</b>	<b>51,528,025</b>
085		6.1	<i>Profit for the period</i>	1,977,921	48,986,456	50,964,376	16,121,712	35,406,313	51,528,025
086		6.2	<i>Loss for the period (-)</i>						
<b>087</b>		<b>XIII</b>	<b>MINORITY LIABILITIES (SUBORDINATED LIABILITIES)</b>						
<b>088</b>		<b>XIV</b>	<b>MINORITY INTEREST</b>						

## STATEMENT OF FINANCIAL POSITION as at 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>089</b>	090+091+092+093+094+095	<b>XV</b>	<b>TECHNICAL PROVISIONS</b>	<b>2,300,217,157</b>	<b>3.497.634.213</b>	<b>5,797,851,369</b>	<b>2,389,935,527</b>	<b>3,436,139,129</b>	<b>5,826,074,656</b>
090		1	Unearned premiums, gross amount	3,722,176	787,050,999	<b>790,773,175</b>	4,376,157	817,480,663	<b>821,856,820</b>
091		2	Mathematical provisions, gross amount	2,266,361,479		<b>2,266,361,479</b>	2,350,027,503		<b>2,350,027,503</b>
092		3	Claims provisions, gross amount	30,133,502	2,641,835,167	<b>2,671,968,668</b>	35,531,867	2,566,880,530	<b>2,602,412,398</b>
093		4	Provisions for bonuses and discounts, gross amount		1,415,100	<b>1,415,100</b>		934,891	<b>934,891</b>
094		5	Provisions for claims fluctuation, gross amount		7,055,533	<b>7,055,533</b>		7,055,533	<b>7,055,533</b>
095		6	Other technical provisions, gross amount		60,277,414	<b>60,277,414</b>		43,787,512	<b>43,787,512</b>
<b>096</b>		<b>XVI</b>	<b>SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount</b>	34,582,317		<b>34,582,317</b>	138,351,164		<b>138,351,164</b>
<b>097</b>	098+099	<b>XVII</b>	<b>OTHER PROVISIONS</b>	<b>12,756,540</b>	<b>96,633,577</b>	<b>109,390,116</b>	<b>10,673,592</b>	<b>115,187,664</b>	<b>125,861,256</b>
098		1	Provisions for pensions and similar obligations	12,756,540	94,753,196	<b>107,509,736</b>	10,673,592	113,307,283	<b>123,980,875</b>
099		2	Other provisions		1,880,381	<b>1,880,381</b>		1,880,381	<b>1,880,381</b>
<b>100</b>	101+102	<b>XVIII</b>	<b>DEFERRED AND CURRENT TAX LIABILITY</b>	<b>1,801,488</b>	<b>42,393,949</b>	<b>44,195,437</b>	<b>12,632,418</b>	<b>54,071,449</b>	<b>66,703,868</b>
101		1	Deferred tax liabilities	1,801,083	42,393,949	<b>44,195,032</b>	12,632,418	37,532,364	<b>50,164,783</b>
102		2	Current tax liability	405		<b>405</b>		16,539,085	<b>16,539,085</b>
<b>103</b>		<b>XIX</b>	<b>DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE</b>						

## STATEMENT OF FINANCIAL POSITION as at 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>104</b>	105+106+107	<b>XX</b>	<b>FINANCIAL LIABILITIES</b>						
105		1	Loan liabilities						
106		2	Liabilities for issued financial instruments						
107		3	Other financial liabilities						
<b>108</b>	109+110+111+112	<b>XXI</b>	<b>OTHER LIABILITIES</b>	<b>20,874,084</b>	<b>219,900,776</b>	<b>240,774,860</b>	<b>20,861,010</b>	<b>209,655,756</b>	<b>230,516,766</b>
109		1	Liabilities from direct insurance business	3,105,229	111,594,696	114,699,925	3,749,147	79,523,988	83,273,135
110		2	Liabilities from coinsurance and reinsurance	196,461	40,350,177	40,546,638	186,625	45,875,960	46,062,585
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities	17,572,394	67,955,903	85,528,297	16,925,238	84,255,807	101,181,046
<b>113</b>	114+115	<b>XXII</b>	<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>6,130,814</b>	<b>332,105,047</b>	<b>338,235,860</b>	<b>1,616,085</b>	<b>321,835,302</b>	<b>323,451,386</b>
114		1	Deferred reinsurance commission						
115		2	Other accrued expenses and deferred income	6,130,814	332,105,047	338,235,860	1,616,085	321,835,302	323,451,386
<b>116</b>	068+087+088+089+096+097+100+103+104+108+113	<b>XXIII</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,526,031,882</b>	<b>5,954,960,506</b>	<b>8,480,992,388</b>	<b>2,793,112,244</b>	<b>5,971,367,882</b>	<b>8,764,480,126</b>
<b>117</b>		<b>XXIV</b>	<b>OFF-BALANCE-SHEET ITEMS</b>	71,168	1,143,378,952	1,143,450,120	33,839	1,108,802,833	1,108,836,672

## STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>001</b>	002+003+004+005+006	<b>I</b>	<b>Earned premiums (income)</b>	<b>511,995,489</b>	<b>1,544,461,387</b>	<b>2,056,456,876</b>	<b>532,524,927</b>	<b>1,453,787,248</b>	<b>1,986,312,175</b>
002		1	Gross written premiums	513,507,500	1,794,422,101	<b>2,307,929,601</b>	533,427,912	1,735,234,225	<b>2,268,662,137</b>
003		2	Value correction and charged premium value adjustment		-6,484,218	<b>-6,484,218</b>		6,456,356	<b>6,456,356</b>
004		3	Premiums ceded to reinsurance (-)	-396,717	-258,387,568	<b>-258,784,285</b>	-249,005	-243,559,005	<b>-243,808,010</b>
005		4	Change in gross provisions for unearned premiums (+/-)	-1,114,886	23,176,911	<b>22,062,025</b>	-653,981	-30,429,664	<b>-31,083,645</b>
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-409	-8,265,839	<b>-8,266,248</b>	1	-13,914,665	<b>-13,914,663</b>
<b>007</b>	008+009+010+011+012+013+014	<b>II</b>	<b>Investment income</b>	<b>115,290,439</b>	<b>227,776,973</b>	<b>343,067,412</b>	<b>120,957,340</b>	<b>254,490,063</b>	<b>375,447,403</b>
008		1	Income from subsidiaries, associates and participation in joint ventures		17,576,603	17,576,603		65,713,356	65,713,356
009		2	Income from investments in land and buildings		38,546,392	38,546,392		50,681,422	50,681,422
010		3	Interest income	111,295,638	121,283,687	232,579,324	116,035,518	116,683,008	232,718,526
011		4	Unrealized gains on investments	754,490	362,615	1,117,104	70,319	972,675	1,042,994
012		5	Realised gains on investments	2,786,440	10,868,691	13,655,130	2,580,703	15,639,183	18,219,886
013		6	Net foreign exchange gains		8,019,517	8,019,517			
014		7	Other investment income	453,872	31,119,469	31,573,341	2,270,800	4,800,419	7,071,219
<b>015</b>		<b>III</b>	<b>Income from fees and commissions</b>	<b>16,422</b>	<b>33,311,472</b>	<b>33,327,894</b>	<b>485,821</b>	<b>32,392,396</b>	<b>32,878,217</b>
<b>016</b>		<b>IV</b>	<b>Other insurance - technical income, net of reinsurance</b>	<b>44,171</b>	<b>18,751,547</b>	<b>18,795,718</b>	<b>38,794</b>	<b>30,445,028</b>	<b>30,483,822</b>
<b>017</b>		<b>V</b>	<b>Other income</b>	<b>71,794</b>	<b>33,665,838</b>	<b>33,737,633</b>	<b>21,323</b>	<b>46,378,819</b>	<b>46,400,141</b>

## STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>018</b>	019+022	<b>VI</b>	<b>Claims incurred, net</b>	<b>-269,154,159</b>	<b>-955,491,086</b>	<b>-1,224,645,245</b>	<b>-301,618,889</b>	<b>-845,581,645</b>	<b>-1,147,200,534</b>
019	020+021	1	Settled claims	-266,705,584	-962,754,456	-1,229,460,041	-296,220,523	-809,628,198	-1,105,848,721
020		1.1	Gross amount (-)	-266,705,584	-1,066,799,985	-1,333,505,570	-296,220,523	-1,020,429,598	-1,316,650,121
021		1.2	Reinsurance share(+)		104,045,529	104,045,529		210,801,400	210,801,400
022	023+024	2	Change in claims provisions (+/-)	-2,448,575	7,263,370	4,814,796	-5,398,366	-35,953,447	-41,351,813
023		2.1	Gross amount (-)	-2,448,575	31,594,263	29,145,688	-5,398,366	74,954,637	69,556,271
024		2.2	Reinsurance share(+)		-24,330,892	-24,330,892		-110,908,083	-110,908,083
<b>025</b>	026+029	<b>VII</b>	<b>Change in mathematical and other technical provisions, net of reinsurance</b>	<b>-194,557,019</b>	<b>30,167,091</b>	<b>-164,389,928</b>	<b>-83,658,923</b>	<b>16,970,110</b>	<b>-66,688,813</b>
026	027+028	1	Change in mathematical provisions (+/-)	-194,557,019		-194,557,019	-83,658,923		-83,658,923
027		1.1	Gross amount (-)	-194,507,810		-194,507,810	-83,666,024		-83,666,024
028		1.2	Reinsurance share(+)	-49,209		-49,209	7,101		7,101
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)		30,167,091	30,167,091		16,970,110	16,970,110
030		2.1	Gross amount (-)		30,167,091	30,167,091		16,970,110	16,970,110
031		2.2	Reinsurance share(+)						
<b>032</b>	033+034	<b>VIII</b>	<b>Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)</b>	<b>-29,111,101</b>		<b>-29,111,101</b>	<b>-100,494,370</b>		<b>-100,494,370</b>
033		1	Gross amount (-)	-29,111,101		-29,111,101	-100,494,370		-100,494,370
034		2	Reinsurance share(+)						
<b>035</b>	036+037	<b>IX</b>	<b>Expenses for premium returns (bonuses and discounts), net of reinsurance</b>					<b>-1,514,834</b>	<b>-1,514,834</b>
036		1	Dependent of result (bonuses)					-1,514,834	-1,514,834
037		2	Independent of result (discounts)						

## STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>038</b>	039+043	<b>X</b>	<b>Operating expenses (business expenditures), net</b>	<b>-106,847,813</b>	<b>-701,665,193</b>	<b>-808,513,006</b>	<b>-122,175,536</b>	<b>-711,283,097</b>	<b>-833,458,632</b>
039	040+041 +042	1	Acquisition costs	-55,522,658	-323,770,852	-379,293,510	-67,208,560	-336,446,310	-403,654,870
040		1.1	Commission	-34,630,848	-220,157,482	-254,788,330	-40,573,058	-247,998,770	-288,571,828
041		1.2	Other acquisition costs	-20,891,809	-110,378,009	-131,269,818	-26,635,502	-134,580,779	-161,216,280
042		1.3	Change in deferred acquisition costs (+/-)		6,764,639	6,764,639		46,133,239	46,133,239
043	044+045 +046	2	Administration costs (administrative expenses)	-51,325,156	-377,894,340	-429,219,496	-54,966,976	-374,836,787	-429,803,762
044		2.1	Depreciation	-1,411,053	-36,273,511	-37,684,564	-1,160,124	-37,104,691	-38,264,815
045		2.2	Salaries, taxes and contributions from and on salaries	-27,993,357	-199,091,492	-227,084,849	-23,555,221	-159,060,831	-182,616,052
046		2.3	Other administrative expenses	-21,920,746	-142,529,338	-164,450,083	-30,251,631	-178,671,265	-208,922,896
<b>047</b>	048+049 +050+05 1+052+0 53+054	<b>XI</b>	<b>Investment expenses</b>	<b>-23,452,934</b>	<b>-122,542,382</b>	<b>-145,995,316</b>	<b>-24,643,724</b>	<b>-80,895,859</b>	<b>-105,539,583</b>
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest						
050		3	Impairment of investments	-16,511,902	-69,077,630	-85,589,531	-1,959,677	-29,595,968	-31,555,646
051		4	Realised losses on investments	-90,065	-1,852,557	-1,942,622	-42,814	-714,612	-757,426
052		5	Unrealised losses on investments		-2,093,198	-2,093,198			
053		6	Net foreign exchange losses	-6,219,461		-6,219,461	-22,010,905	-6,333,557	-28,344,462
054		7	Other investment expenses	-631,507	-49,518,998	-50,150,504	-630,327	-44,251,722	-44,882,049
<b>055</b>	056+057	<b>XII</b>	<b>Other technical expenses, net of reinsurance</b>	<b>-339,053</b>	<b>-27,822,633</b>	<b>-28,161,686</b>	<b>-348,299</b>	<b>-23,052,152</b>	<b>-23,400,451</b>
056		1	Prevention activities expenses						
057		2	Other technical expenses of insurance	-339,053	-27,822,633	-28,161,686	-348,299	-23,052,152	-23,400,451
<b>058</b>		<b>XIII</b>	<b>Other expenses, including value adjustments</b>		<b>-12,273,576</b>	<b>-12,273,576</b>	<b>-5,067</b>	<b>-99,499,916</b>	<b>-99,504,982</b>

## STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>059</b>	001+007+015+016+017+018+025+032+035+038+047+055+058	<b>XIV</b>	<b>Profit or loss for the period before tax (+/-)</b>	<b>3,956,236</b>	<b>68,339,440</b>	<b>72,295,676</b>	<b>21,083,399</b>	<b>72,636,162</b>	<b>93,719,561</b>
<b>060</b>	061+062	<b>XV</b>	<b>Income or loss tax</b>	<b>-1,978,315</b>	<b>-19,352,984</b>	<b>-21,331,300</b>	<b>-4,961,687</b>	<b>-37,229,849</b>	<b>-42,191,536</b>
061		1	Current tax expense				-6,989,282	-9,884,492	-16,873,774
062		2	Deferred tax expense (income)	-1,978,315	-19,352,984	-21,331,300	2,027,595	-27,345,357	-25,317,762
<b>063</b>	059+060	<b>XVI</b>	<b>Profit or loss for the period after tax (+/-)</b>	<b>1,977,921</b>	<b>48,986,456</b>	<b>50,964,376</b>	<b>16,121,712</b>	<b>35,406,313</b>	<b>51,528,025</b>
064		1	Attributable to equity holders of the parent company						
065		2	Attributable to non-controlling interest						
<b>066</b>	001+007+015+016+017+062	<b>XVII</b>	<b>TOTAL INCOME</b>	<b>625,440,000</b>	<b>1,838,614,233</b>	<b>2,464,054,233</b>	<b>656,055,799</b>	<b>1,790,148,197</b>	<b>2,446,203,997</b>
<b>067</b>	018+025+032+035+038+047+055+058+061	<b>XVIII</b>	<b>TOTAL EXPENSE</b>	<b>-623,462,079</b>	<b>-1,789,627,777</b>	<b>-2,413,089,856</b>	<b>-639,934,087</b>	<b>-1,754,741,884</b>	<b>-2,394,675,971</b>

## STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
<b>068</b>	069+070+071+072+073+074+075+076	<b>XIX</b>	<b>Other comprehensive income</b>	<b>-6,101,781</b>	<b>-22,371,164</b>	<b>-28,472,946</b>	<b>53,251,252</b>	<b>34,467,436</b>	<b>87,718,688</b>
069		1	Gains / losses on translation of financial statements of foreign operations						
070		2	Gains / losses on revaluation of financial assets available for sale	-6,101,781	-22,467,658	-28,569,440	64,809,563	48,411,637	113,221,200
071		3	Gains / losses on revaluation of land and buildings intended for business activities		96,494	96,494		-10,540,171	-10,540,171
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets						
073		5	Effects of cash flow hedging instruments						
074		6	Actuarial gains / losses on pension plans with defined pensions						
075		7	Share in other comprehensive income of associates						
076		8	Income tax on other comprehensive income				-11,558,311	-3,404,031	-14,962,341
<b>077</b>	078+079	<b>XX</b>	<b>Total comprehensive income</b>	<b>-4,123,860</b>	<b>26,615,291</b>	<b>22,491,431</b>	<b>69,372,965</b>	<b>69,873,749</b>	<b>139,246,714</b>
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
<b>080</b>		<b>XXI</b>	<b>Reclassification adjustments</b>						



**STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2016 – 31 December 2016**

*in HRK*

Position No.	Sum elements	Position marking	Position description	Current period	Same period last year
<b>001</b>	002+013+031	<b>I</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-166,766,379</b>	<b>-76,111,479</b>
<b>002</b>	003+004	<b>1</b>	<b>Cash flow before changes in operating assets and liabilities</b>	<b>-32,233,533</b>	<b>-46,324,954</b>
003		1.1	Profit/loss before tax	93,719,561	72,295,676
004	005+006+007 +008+009+010 +011+012	1.2	<b>Adjustments:</b>	-125,953,094	-118,620,630
005		1.2.1	<i>Depreciation of property and equipment</i>	31,333,036	31,882,454
006		1.2.2	<i>Amortization</i>	6,931,779	5,802,109
007		1.2.3	<i>Impairment and gains/losses on fair valuation</i>	146,020,880	55,929,079
008		1.2.4	<i>Interest expense</i>		
009		1.2.5	<i>Interest income</i>	-232,718,526	-232,579,324
010		1.2.6	<i>Share in profit of associates</i>		
011		1.2.7	<i>Gains/losses on sale of tangible assets (including land and buildings)</i>	-180,520	
012		1.2.8	<i>Other adjustments</i>	-77,339,743	20,345,051
<b>013</b>	014+015+...+0 30	<b>2</b>	<b>Increase/decrease in operating assets and liabilities</b>	<b>-134,532,846</b>	<b>-21,250,983</b>
014		2.1	Increase/decrease in investments available for sale	-283,006,498	-573,674,064
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	-170,523,916	168,804,064
016		2.3	Increase/decrease in deposits, loans and receivables	132,504,874	78,489,224
017		2.4	Increase/decrease in deposits at insurance business ceded to reinsurance		
018		2.5	Increase/decrease in investments for the account and risk of life insurance policyholder	-103,768,847	-29,270,814
019		2.6	Increase/decrease in reinsurance share in technical provisions	124,815,646	32,646,349
020		2.7	Increase/decrease in tax assets	726,975	41,672,172
021		2.8	Increase/decrease in receivables	83,808,950	153,663,868
022		2.9	Increase/decrease in other assets	6,664,689	
023		2.10	Increase/decrease in prepaid expenses and accrued income	-48,002,763	-1,118,339
024		2.11	Increase/decrease in technical provisions	28,223,287	118,794,490
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	103,768,847	29,270,814
026		2.13	Increase/decrease in tax liabilities	-1,062,069	-6,998,859
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities		
029		2.16	Increase/decrease in other liabilities	6,102,454	-111,357,031
030		2.17	Increase/decrease in accrued expenses and deferred income	-14,784,474	77,827,142
<b>031</b>		<b>3</b>	<b>Income tax paid</b>		<b>-8,535,541</b>

**STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2016 – 31 December 2016**

*in HRK*

Position No.	Sum elements	Position marking	Position description	Current period	Same period last year
<b>032</b>	033+034+...+046	<b>II</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>148,141,095</b>	<b>33,523,572</b>
033		1	Proceeds from sale of tangible assets	62,508	745,019
034		2	Expenditures for purchases of tangible assets	-40,865,950	-20,015,662
035		3	Proceeds from sale of intangible assets		
036		4	Expenditures for purchases of intangible assets	-8,934,018	-9,961,678
037		5	Proceeds from the sale of land and buildings not used for business activities	12,695,374	145,175
038		6	Expenditures for the purchase of land and buildings not used for business activities	-628,730	-2,270,892
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	5,268,527	-39,374,976
040		8	Proceeds from held-to-maturity investments	264,327,202	245,646,634
041		9	Expenditures for held-to-maturity investments	-96,327,705	-94,637,460
042		10	Proceeds from sale of securities and shares		
043		11	Expenditures for investments in securities and shares		
044		12	Proceeds from dividends and share in profit	65,010,607	17,576,603
045		13	Proceeds from repayment of given short-term and long-term loans	186,309,172	159,594,430
046		14	Expenditure for given long-term and short-term loans	-238,775,892	-223,923,622
<b>047</b>	048+049+050+051+052	<b>III</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-1,960,000</b>	<b>-4,190</b>
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Expenditure for repayment of short-term and long-term loans		
051		4	Expenditure for purchase of own shares		
052		5	Expenditure for payment of shares in profit (dividends)	-1,960,000	-4,190
<b>053</b>	001+032+047		<b>NET CASH FLOW</b>	<b>-20,585,284</b>	<b>-42,592,097</b>
<b>054</b>		<b>IV</b>	<b>EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	<b>28,344,462</b>	<b>-1,800,056</b>
<b>055</b>	053+054	<b>V</b>	<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>7,759,178</b>	<b>-44,392,153</b>
056		1	Cash and cash equivalents at beginning of period	58,546,582	102,938,735
<b>057</b>	<b>055+056</b>	<b>2</b>	<b>Cash and cash equivalents at end of period</b>	<b>66,305,760</b>	<b>58,546,582</b>

## STATEMENT OF CHANGES IN EQUITY for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Position description	Attributable to owners of the parent company							Attributable to non-controlling interests	Total equity
		Paid-up capital (ordinary and preference shares)	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit/loss for the year	Total equity		
<b>I.</b>	<b>Balance at 1 January of previous year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>171,581,348</b>	<b>513,006,832</b>	<b>310,676,533</b>	<b>-412,845,090</b>	<b>1,865,477,949</b>		<b>1,865,477,949</b>
1.	Changes in accounting policies					24,066,210	3,642,290	27,708,500		27,708,500
2.	Correction of prior periods errors									
<b>II.</b>	<b>Balance at 1 January of previous year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>171,581,348</b>	<b>513,006,832</b>	<b>334,742,743</b>	<b>-409,202,800</b>	<b>1,893,186,448</b>		<b>1,893,186,448</b>
<b>III.</b>	<b>Comprehensive income or loss of the previous year</b>			<b>-28,472,948</b>			<b>50,964,376</b>	<b>22,491,429</b>		<b>22,491,429</b>
1.	Profit or loss for the period						50,964,376	50,964,376		50,964,376
2.	<b>Other comprehensive income or loss of the previous year</b>			<b>-28,472,948</b>				<b>-28,472,948</b>		<b>-28,472,948</b>
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			96,492				96,492		96,492
2.2.	Unrealized gains or losses from financial assets available for sale			-34,427,893				-34,427,893		-34,427,893
2.3.	Realized gains or losses from financial assets available for sale			5,858,453				5,858,453		5,858,453
2.4.	Other non-owner changes in equity									
<b>IV.</b>	<b>Transactions with owners (previous period)</b>			<b>-1,138,204</b>	<b>-117,471,538</b>	<b>-290,308,508</b>	<b>409,202,800</b>	<b>284,551</b>		<b>284,551</b>
1.	Increase/decrease in share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends									
4.	Other distributions to owners			-1,138,204	-117,471,538	-290,308,508	409,202,800	284,551		284,551
<b>V.</b>	<b>Balance at the last day of the reporting period in the previous year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>141,970,197</b>	<b>395,535,294</b>	<b>44,434,236</b>	<b>50,964,376</b>	<b>1,915,962,428</b>		<b>1,915,962,428</b>

## STATEMENT OF CHANGES IN EQUITY for the period 1 January 2016 – 31 December 2016

in HRK

Position No.	Position description	Attributable to owners of the parent company						Total equity	Attributable to non-controlling interests	Total equity
		Paid-up capital (ordinary and preference shares)	Share premium	Revaluation reserves	Reserves (legal, statutory, other)	Retained earnings or accumulated loss	Profit / loss for the year			
<b>VI.</b>	<b>Balance at 1 January of current year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>141,970,197</b>	<b>395,535,294</b>	<b>44,434,236</b>	<b>50,964,376</b>	<b>1,915,962,428</b>		<b>1,915,962,428</b>
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
<b>VII.</b>	<b>Balance at 1 January of current year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>141,970,197</b>	<b>395,535,294</b>	<b>44,434,236</b>	<b>50,964,376</b>	<b>1,915,962,428</b>		<b>1,915,962,428</b>
<b>VIII.</b>	<b>Comprehensive income or loss of the current year</b>			<b>87,718,688</b>			<b>51,528,025</b>	<b>139,246,714</b>		<b>139,246,714</b>
1.	Profit or loss for the period						51,528,025	51,528,025		51,528,025
2.	<b>Other comprehensive income or loss of the current year</b>			<b>87,718,688</b>				<b>87,718,688</b>		<b>87,718,688</b>
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-7,102,200				-7,102,200		-7,102,200
2.2.	Unrealized gains or losses from financial assets available for sale			99,237,972				99,237,972		99,237,972
2.3.	Realized gains or losses from financial assets available for sale			-4,417,084				-4,417,084		-4,417,084
2.4.	Other non-owner changes in equity									
<b>IX.</b>	<b>Transactions with owners (current period)</b>			<b>-1,160,429</b>	<b>2,338,542</b>	<b>48,098,152</b>	<b>-50,964,376</b>	<b>-1,688,111</b>		<b>-1,688,111</b>
1.	Increase/decrease of share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends						-1,960,000	-1,960,000		-1,960,000
4.	Other distributions to owners			-1,160,429	2,338,542	48,098,152	-49,004,376	271,889		271,889
<b>X.</b>	<b>Balance at the last day of the reporting period in the current year</b>	<b>601,575,800</b>	<b>681,482,525</b>	<b>228,528,456</b>	<b>397,873,836</b>	<b>92,532,388</b>	<b>51,528,025</b>	<b>2,053,521,030</b>		<b>2,053,521,030</b>

## **Reconciliation of the financial statements and supplementary statements for the Croatian Financial Services Supervisory Agency**

The reconciliation between the financial statements set out on pages 157 to 172, as prescribed by the Ordinance on the structure and content of financial statements of insurance and reinsurance companies, and the annual financial statements prepared in accordance with the IFRS reporting framework is presented on pages 173 to 181.

## Statement of financial position (balance sheet) as at 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency	Other tangible assets and inventories transferred to other receivables	Transfer of investments for the account and risk of life insurance policyholder to financial assets at fair value through profit or loss	Transfer of deferred acquisition costs	Transfer of current tax assets to other receivables and netting of deferred taxes	Transfer of deferred income and prepaid expenses to other receivables	Transfer of received checks and bills of exchange from cash to other receivables	Transfer of accrued interest on other receivables	Netting of assets and liabilities between segments	Statutory financial statements	
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b>INTANGIBLE ASSETS</b>	<b>16,281</b>									<b>16,281</b>	Intangible assets
Goodwill											
Other intangible assets	16,281										
				110,496						110,496	
<b>TANGIBLE ASSETS</b>	<b>635,192</b>	(286)								<b>634,905</b>	Property and equipment
Land and buildings used for business activities	592,025									592,025	
Equipment	31,496									31,500	
Other tangible assets	11,671	(286)								11,385	
<b>INVESTMENTS</b>	<b>6,821,572</b>		<b>138,351</b>					<b>(73,357)</b>		<b>6,886,566</b>	
Investments in land and buildings not intended for business activities	448,528									448,528	Investment property
Investments in subsidiaries, associates and joint ventures	394,644									394,644	Investments in subsidiaries and associates and participation in joint ventures
Held-to-maturity investments	2,063,197							(42,222)		2,020,974	Held-to-maturity investments
Financial assets available for sale	2,074,479							(30,709)		2,043,769	Financial assets available for sale
Financial assets at fair value through profit or loss	242,700		138,351							381,051	Financial assets at fair value through profit or loss
Loans and receivables	1,598,026							(426)		1,597,601	Loans and receivables
<b>INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER</b>	<b>138,351</b>		<b>(138,351)</b>							-	
Investments for the account and risk of life insurance policyholder	138,351		(138,351)							-	

## Statement of financial position (balance sheet) as at 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency	Other tangible assets and inventories transferred to other receivables	Transfer of investments for the account and risk of life insurance policyholder to financial assets at fair value through profit or loss	Transfer of deferred acquisition costs	Transfer of current tax assets to other receivables and netting of deferred taxes	Transfer of deferred income and prepaid expenses to other receivables	Transfer of received checks and bills of exchange from cash to other receivables	Transfer of accrued interest on other receivables	Netting of assets and liabilities between segments	Statutory financial statements	
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	
<b>REINSURANCE SHARE IN TECHNICAL PROVISIONS</b>	<b>181,954</b>									<b>181,954</b>	Reinsurance share in technical provisions
Unearned premiums, reinsurance share	18,047										
Mathematical provisions, reinsurance share	277										
Claims provisions, reinsurance share	163,630										
<b>DEFERRED AND CURRENT TAX ASSETS</b>	<b>93,316</b>				<b>(50,211)</b>					<b>43,105</b>	Deferred tax assets
Deferred tax assets	93,270				(50,165)					43,105	
Current tax assets	46				(46)						
<b>RECEIVABLES</b>	<b>692,088</b>	<b>286</b>			<b>46</b>	<b>8,925</b>	<b>107</b>	<b>73,357</b>	<b>(11,434)</b>	<b>763,375</b>	Insurance contract and other receivables
Receivables from direct insurance business	327,093									327,093	
Receivables from insurance and reinsurance business	36,692									36,692	
Other receivables	328,304	286			46	8,925	107	73,357	(11,434)	328,636	
<b>CASH AND CASH EQUIVALENTS</b>	<b>66,306</b>									<b>66,199</b>	Cash and cash equivalents
Cash at bank and on hand	66,199							(107)		66,199	
Other	66,306							(107)		66,199	
<b>ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>119,421</b>				<b>(110,496)</b>	<b>(8,925)</b>				-	
Deferred acquisition costs	110,496				(110,496)					-	
Other prepaid expenses and accrued income	8,924					(8,925)				-	
<b>TOTAL ASSETS</b>	<b>8,764,480</b>				<b>(50,165)</b>				<b>(11,434)</b>	<b>8,702,881</b>	

## Statement of financial position (balance sheet) as at 31 Dec 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency	Transfer of loss for the year to retained earnings	Transfer of special provision for life insurance group where the policyholder bears the risk to technical provisions	Transfer of liability for housing fund from other reserves in other liabilities	Transfer of accrued expenses and deferred income to other liabilities	Transfer of current tax liability to other liabilities and netting of deferred taxes	Netting of assets and liabilities between segments	Statutory financial statements
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<b><u>EQUITY</u></b>	<b>2,053,521</b>							<b>2,053,521</b>
Share capital	601,576							601,576 Share capital
Share premiums (capital reserves)	681,483							681,483 Premium on issued shares
Revaluation reserves	228,528							228,528 Fair value reserve
Reserves	397,874							397,874 Reserves
Retained earnings/accumulated loss	92,532	51,528						144,060 Retained earnings
Profit for the year	51,528	(51,528)						
<b><u>TECHNICAL PROVISIONS</u></b>	<b>5,826,075</b>		<b>138,351</b>					<b>5,964,426</b> Technical provisions
Unearned premiums, gross amount	821,857							
Mathematical provisions, gross amount	2,350,028							
Claims provisions, gross amount	2,602,413							
Provisions for premium returns dependent and independent of the result (bonuses and discounts), gross amount	935							
Provisions for claims fluctuations	7,055							
Other insurance-technical provision, gross amount	43,787							
<b><u>TECHNICAL PROVISIONS, WHEN THE POLICYHOLDER BEARS THE RISK</u></b>	<b>138,351</b>		<b>(138,351)</b>					-
Technical provisions for life insurance where the policyholder bears the risk	138,351		(138,351)					



## Statement of financial position (balance sheet) as at 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency	Transfer of loss for the year to retained earnings	Transfer of special provisions for life insurance where the policyholder bears the risk to technical provisions	Transfer of liability for housing fund from other reserves in other liabilities	Transfer of accrued expenses and deferred income to other liabilities	Transfer of current tax liability to other liabilities and netting of deferred taxes	Netting of assets and liabilities between segments	Statutory financial statements	
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	
<b><u>OTHER PROVISIONS</u></b>	<b>125,861</b>			<b>(1,880)</b>				<b>123,981</b>	Provisions
Provisions for pensions and similar obligations	123,981								
Other provisions	1,880			(1,880)					
<b><u>DEFERRED AND CURRENT TAX LIABILITY</u></b>	<b>66,704</b>							<b>16,539</b>	Deferred tax liabilities
Deferred tax liabilities	50,165					(50,165)		-	
Current tax liability	16,539								
<b><u>FINANCIAL LIABILITIES</u></b>	<b>-</b>							<b>-</b>	Financial liabilities
<b><u>OTHER LIABILITIES</u></b>	<b>230,517</b>			<b>1,880</b>	<b>323,451</b>		<b>(11,434)</b>	<b>540,414</b>	Liabilities from insurance contracts, other liabilities and deferred income
Liabilities from direct insurance business	83,273								
Liabilities from coinsurance and reinsurance business	46,063								
Liabilities for disposal and discontinued operations									
Other liabilities	101,181			1,880	323,451				
<b><u>ACCRUED EXPENSES AND DEFERRED INCOME</u></b>					<b>(323,451)</b>				
Accrued expenses and deferred income	323,451				(323,451)				
<b>TOTAL LIABILITIES</b>	<b>8,764,480</b>					<b>(50,165)</b>	<b>(11,434)</b>	<b>8,702,881</b>	

## Statement of comprehensive income (profit and loss) for the period 1 January 2016 – 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency in HRK'000	Transfer of impairment of premium receivables to gross written premium in HRK'000	Netting of foreign exchange gains in HRK'000	Netting revenue and expenses on the same basis in HRK'000	Statutory financial statements in HRK'000	
Gross written premiums	2,268,662	6,456			2,275,118	Gross written premiums
Impairment and collected insurance / coinsurance premium previously impaired	6,456	(6,456)			-	
Premiums ceded to reinsurance (-)	(243,808)				(243,808)	Premiums ceded to reinsurance and coinsurance
Change in gross provisions or unearned premiums	(31,084)				(31,084)	Change in gross provisions for unearned premiums
Change in provisions for unearned premiums, reinsurance share	(13,915)				(13,915)	Change in provisions of unearned premiums, reinsurance and coinsurance share
<b>Earned premiums (income)</b>	<b>1,986,312</b>				<b>1,986,311</b>	
Income from subsidiaries, associates and participation in joint ventures	65,713				65,713	
Income from investments in land and buildings	50,681			(12,528)	38,153	
Interest income	232,719				232,719	
Unrealized gains from investments at fair value through profit and loss	1,043				1,043	
Gains on sale (realization) of financial assets	18,220				18,220	
Net foreign exchange gains	-		6,051		6,051	
Other investment income	7,071				7,071	
<b>Investment income</b>	<b>375,447</b>		<b>6,051</b>		<b>368,970</b>	Finance income

## Statement of comprehensive income (profit and loss) for the period 1 January 2016 – 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency in HRK'000	Transfer of other income to other operating income in HRK'000	Summarized presentation of claims incurred in HRK'000	Summarized presentation of reinsurance in claims incurred in HRK'000	Transfer from other expenses, including value adjustment, to administrative expenses in HRK'000	Transfer of other income from long-term provisions from Administrative expenses to Other operating income in HRK'000	Statutory financial statements in HRK'000	
<b>Income from fees and commissions</b>	32.878	(2)					32.880	Income from fees and commissions
<b>Other insurance - technical income, net of reinsurance</b>	30.484	46.400			(22.175)	1.489	56.198	Other operating income
<b>Other income</b>	46.400	(46.400)						
Settled claims - gross	(1,316,650)		1,316,650					
Settled claims – reinsurance share (+/-)	210,801			(210,801)				
Change in claims provisions - gross amount	69,556		(69,556)					
Change in claims provisions – reinsurance share (+/-)	(110,908)			110,908				
Change in mathematical provisions - gross amount	(83,666)		83,666	(7)				
Change in mathematical provisions – reinsurance share	7			(7)				
Change in other technical provisions, net of reinsurance	16,970		(16,970)					
Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance	(100,494)		100,494					
Expenses for premium refunds (bonuses and discounts)	(1,515)		1,515					
			1,415,799				(1,415,799)	Claims incurred
					(99,900)		99,900	Reinsurance share in claims incurred
Acquisition costs	(403,655)						(403,655)	Acquisition costs
Administration costs	(429,804)				22,175	(1,489)	(409,188)	Administrative expenses
<b>Operating expenses (business expenditures), net</b>	<b>(833,459)</b>							

## Statement of comprehensive income (profit and loss) for the period 1 January 2016 – 31 December 2016

	Supplementary statements prescribed by the Ordinance of the Croatian Financial Services Supervisory Agency in HRK'000	Netting of foreign exchange differences in HRK'000	Transfer from other technical expenses to administrative expenses in HRK'000	Transfer from other expenses, including value adjustments, to other operating expenses in HRK'000	Statutory financial statements in HRK'000	
Depreciation (buildings not intended for business activities)	-				-	
Interest	-				-	
Impairment of investments	(31,556)				(31,556)	
Losses from sale (realization) of investments	(757)				(757)	
Adjustment of financial assets at fair value through profit or loss						
Net foreign exchange losses	(28,344)	(6,051)			(34,395)	
Other investment expenses	(44,882)			12,528	(32,354)	
<b>Investment expenses</b>	<b>(105,540)</b>	<b>(6,051)</b>			<b>(99,062)</b>	Finance costs
Other technical expenses, net of reinsurance	(23,400)		(99,505)		(122,905)	Other operating expenses
Other costs, including value adjustments	(99,505)		99,505		-	
<b>Profit or loss for the period before tax</b>	<b>93,720</b>				<b>93,720</b>	<b>Profit before tax</b>
Profit or loss from ordinary course of business	(42,192)				(42,192)	Income tax
<b>Profit or loss for the period after tax</b>	<b>51,528</b>				<b>51,528</b>	<b>Profit after tax</b>

### **Statement of cash flows**

The statement of cash flows has been prepared in accordance with the Ordinance on the structure and content of financial statements of insurance and reinsurance companies ("the Ordinance"), and its preparation is described in detail in the Instructions for completing financial statements of insurance and reinsurance companies, but its presentation differs from the statement of cash flows in the financial statements.

The main differences in presentation are described below:

1. Differences in the positions of increase or decrease in assets and liabilities in the statement of cash flows in the statutory financial statements and the statement of cash flows under the Ordinance arise due to differences in the relevant positions of assets and liabilities due to the different presentation in the financial statements compared to the Ordinance. These differences are presented in the adjustments of the statement of financial position (balance sheet).
2. Cash and cash equivalents at the beginning and end of the period presented in the statutory financial statements include deposits with contractual maturity up to 3 months as opposed to cash and cash equivalents at the beginning and end of the period presented in the statement of cash flows under the Ordinance.

### **Statement of changes in equity**

In the statements under the Ordinance, profit/loss for the current year is presented in the eponymous column and in the subsequent period, upon adoption of the Decision of the General Assembly and the Supervisory Board, profit/loss is transferred through Other non-owner changes in equity to Retained earnings, while in the statutory financial statements it is presented under Retained earnings.