



**Annual Report
for 2017**

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Croatia osiguranje d.d.

Management Report for 2017

Insurance market of the Republic of Croatia in 2017

The insurance market in 2017 was extremely dynamic with a total increase of 4.5% (HRK +392 m), which is an acceleration of last year's premium market growth trends. Growth was recorded of all product lines, except casualties, where car casualties, loans and health insurance realised double-digit growth.

The total life insurance premium amounted to HRK 2.99 bn. The trend of switching from classic life products (HRK -23m) to those in which the policyholder is exposed to investment risk (HRK 66m) has continued, with total life insurance rising by 1.5% (HRK 46m).

The total non-life insurance premium in 2017 was HRK 6.2 billion. Motor vehicles account for almost half of total growth (HRK 159m), with motor vehicles accounting for 49% of total non-life insurance premiums. The drop in average price (HRK -7 / -0.7%) to HRK 922 is still under control, with the decline slowing down. The market had a growth of 73,000 new net policies, or 3.5%. Health insurance in total growth is accounted for by 25% growth (HRK 80m) and accounts for about 8% of total market premium. The rest relates to loans (HRK +42m) and fire insurance (HRK +46m).

CROATIA osiguranje d.d., Jagićeva 33, Zagreb (hereinafter: Company), is the leading company in the Republic of Croatia in life and non-life insurance with market shares of 33.6% in the non-life insurance segment and 17.9% in the life insurance segment. The total market share of companies based in the Republic of Croatia amounts to 28.5% and -0.6 p.b. is lower than in 2016, primarily due to a fall in transportation (fronting premiums, leasing) and a slight fall in the segment of motor vehicles.

Operating results and financial position of the Company and the Group

Company

Croatia osiguranje d.d. has been going through a transformation process since 2014. At the beginning, a financial restructuring was performed with a share capital increase amounting to HRK 840m, thus reaching a strong capital adequacy of 261 percent for the parent company based on no revised report. The organisational restructuring began in a situation where only about 23 percent of employees were in sales. By the end of 2017, this amount increased to 60 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 sales part of the organisation has been restructured by reducing the number of organisational levels, and the sales structure is tailored to the specific market segments and is more focused on the client and the market, while the sales process itself has been significantly accelerated and digitised. A large number of products has been developed and improved, also including the price management system. The centralisation and automation in the process of claims processing has brought visible shifts. The process of restructuring the corporate culture is also going in the right direction. Measurement of the organisation's health, through the so-called OHI (Organizational Health Index) index shows positive changes in all of its elements, and key shifts were made in the area of innovation and knowledge sharing, customer orientation, and employee motivation. At the beginning of July, Croatia Croatia zdravstveno osiguranje d.d. merged with Croatia osiguranje d.d., and at the end of September regulatory authorities approved the acquisition of Cardif osiguranje by Croatia. This was followed by the previously defined process of organisational and market consolidation. A combination of stable and strong market positions, high organisational and cost effectiveness will enable long-term business sustainability.

The restructuring results are visible in the financial results. In 2017, Croatia osiguranje d.d. reported profit before tax in the amount of HRK 184.5m (profit after tax of HRK 150.9m).

Earned premiums amounted to HRK 2.158 million, which is an increase of 9%. The total gross written premium (before adjustments by the net increase in the provision for premium receivables and related write-offs) increased by 9% and amounted to HRK 2.463m. The written premium in non-life insurance amounted to HRK 1.930m, which is an increase of 11% compared to the same period last year.

The largest increase is recorded in loan receivables and health insurance, while the largest decline is recorded in transportation insurance due to the stowage effect. The written premium in life insurance amounted to HRK 534m which is at the level of the previous year.

In the non-life and life insurance investment business, revenues were realised in the amount of HRK 421m, which is 14% more than in 2016. Finance costs in 2017 have increased to HRK 168m.

Gross paid claims amounted to HRK 1.424m representing an increase of 2% compared to the same period in 2016.

Administrative costs amounted to a total of HRK 401m recording an increase of 19% compared to the same period in 2016. Acquisition costs amounted to a total of HRK 408 million recording an increase of 1% as a result of investments in sales.

The following is a summary of key business indicators in 2017 calculated on the basis of the report to HANFAs, but according to the formulas shown below:

Key performance indicators	31 Dec. 2015	31 Dec. 2016	Change in p.p.
Claims ratio (non-life)*	59,0%	56,4%	-2,6
Cost ratio (non-life)**	44,3%	42,8%	-1,5
Combined ratio (non-life)	103,3%	99,2%	-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*

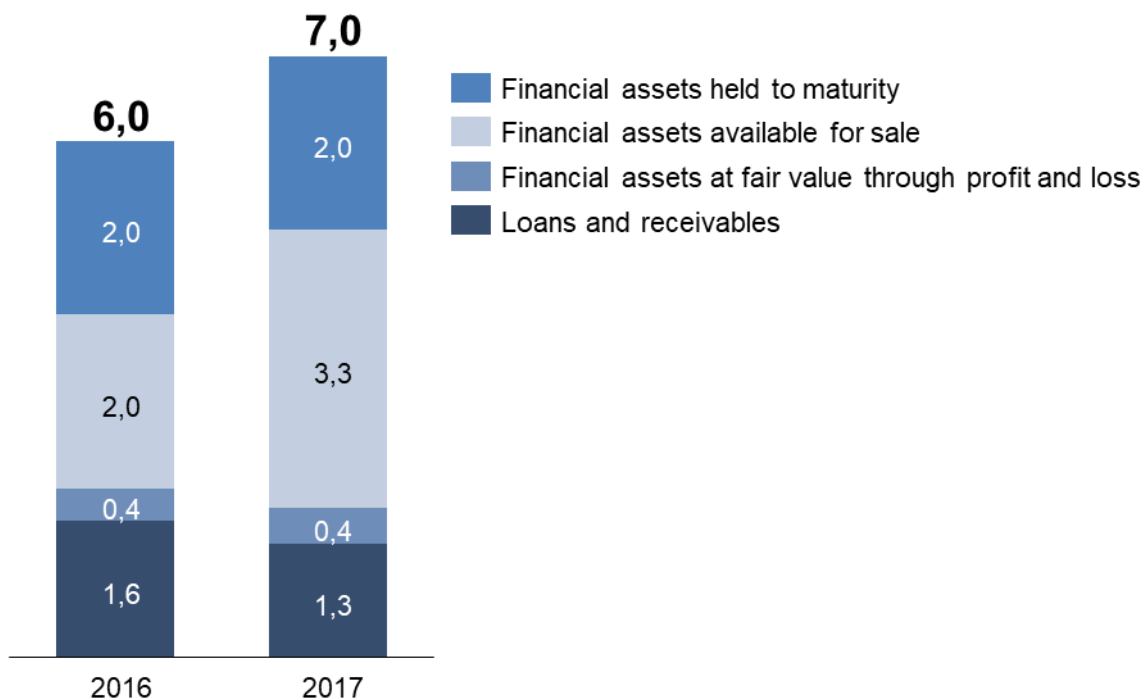
** *Cost ratio = Acquisition costs and administrative expenses / Net Earned premiums*

The combined ratio, as the indicator of success in non-life insurance in 2017, amounted to 99.2%, which is 4.1 percentage points better than in the same period of 2016. The claims ratio is better by 2.6 percentage points and amounted to 56.4%. The cost ratio amounted to 42.8% which is 1.5 percentage points lower than in 2016.

Total assets of the Company as at 31 December 2017 amount to HRK 9.7 billion, which represents an increase of 11.1% compared to 31 December 2016.

Technical reserves amounted to HRK 6.4 billion and are 7% higher than the technical provisions as of 31 December 2016.

The structure of investments (HRK billion)



Group

In 2017, the CROATIA osiguranje d.d. Group (hereinafter: the Group) achieved consolidated profit after tax and non-controlling interest in the amount of HRK 253m.

In 2017, the total gross written premium (before adjustments by the net increase in the provision for premium receivables and related write-offs) at the Group level amounted to HRK 3.141m, which represents an increase by 4%. The gross written premium of non-life insurance amounted to HRK 2.502m which represents an increase by 5%, while gross written premium of life insurance amounted to HRK 639m which represents an increase by 2%.

Earned premiums in the reporting period amounted to HRK 2.720.1 m which represents an increase by 2,6% compared to the same period last year.

In the non-life and life insurance investment business, the Group generated income from investments in the amount of HRK 500m which represents an increase of 28%, with an investment cost of HRK 171m which represents an increase of 74%.

Gross claims in 2017 amounted to HRK 1.698m, which is a decrease of 3% compared to the same period last year.

Acquisition costs and administrative expenses amounted to a total of HRK 1.145m and represents an increase by 5.1% in which administrative expenses increased by 7,7%, and acquisition cost increased by 2,5%. 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 2017 amount to HRK 11 billion, which represents an increase by 7% compared to 31 December 2016.

Technical provisions amounted to HRK 7.2 billion, which represents an increase by 5.7% compared to the technical provisions as at 31 December 2016.

Significant business events in the reporting period

The Croatian Financial Services Supervisory Agency, at a session of the Administrative Council held on 3 March 2017 issued a Decision on the basis of which it approved the company CROATIA osiguranje d.d. to merge with the company Croatia Lloyd d.d. As of 3 April 2017, CROATIA osiguranje d.d. merged with CROATIA Lloyd d.d.

On 28 June 2017, the Croatian Financial Services Supervisory Agency issued a Decision on the basis of which it approved the company CROATIA osiguranje d.d. to merge with CROATIA zdravstveno osiguranje d.d. As of 3 July 2017, CROATIA osiguranje d.d. merged with CROATIA zdravstveno osiguranje d.d.

On 24 May 2017, CROATIA osiguranje d.d. and BNP Paribas Cardif, France, have signed a purchase agreement, whereby CROATIA osiguranje purchased the 100 percent stake in BNP Paribas Cardif osiguranje. On 29 September 2017, the Croatian Financial Services Supervisory Agency issued a Decision on the basis of which it approved the company CROATIA osiguranje d.d. directly acquiring a qualifying holding of over 50% in the voting rights and the share capital of BNP Paribas Cardif osiguranje. On 18 October 2017 CROATIA osiguranje d.d. and BNP Paribas Cardif, France concluded a Share Transfer Agreement, whereby CROATIA osiguranje purchased the 100% stake in BNP Paribas Cardif osiguranje.

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 2017.

Expected development in the future

In 2017, real GDP growth was achieved in all quarters by the data available from the Central Bureau of Statistics. Growth in economic activity is also visible in the insurance market, which also grew by 4.5%. In view of the above, we expect the continuation of positive economic trends that have contributed to the growth of the insurance market and its growth in the last year. It is expected that the entire economy, including the insurance industry, will take advantage of a positive business environment and preconditions for approaching levels in developed markets in other EU countries.

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 a three and half times higher premium per capita compared to the Croatian market. 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 2017 at 2.5 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.

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

- Introduction of new products and improvement of existing ones according to customer needs
- Continued sales force strengthening activities with the aim of growth in the profitable retail segment and the segment of small and medium-sized businesses
- Further improvement in processes with the aim of providing the best customer service

In the forthcoming period, the goal is to continue the best practice of transferring operational excellence from the parent to subsidiaries in the region. New sources of growth in the future are combinations of organic and acquisition activities. New acquisitions are aimed at strengthening the insurance business and further development of healthcare offering in addition to using the synergies arising from the insurance offer.

Research and development activities

Customer focus and continuous innovations are the values of the Group that underlie research activities and new product development. The aim is to provide fast and quality service and increasing client satisfaction.

We conduct trends and developments in highly developed insurance markets with a focus on the EU. Also 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. In this way, we connect the relevant worldwide insurance products with the needs of clients in Croatia. We also introduce new and innovative products that will ensure long-term growth and retaining the Company's leading market position.

During product development, our focus is 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. Customer satisfaction is continually monitored and we respond to all challenges we face.

Company subsidiaries

As at 31 December 2017, the Company has one registered subsidiary (Subsidiary Ljubljana). In its legal transactions, the subsidiary operates under CROATIA osiguranje d.d. subsidiary Ljubljana, in Croatian language, and under CROATIA ZAVAROVANJE d.d. subsidiary Ljubljana, in Slovenian language.

Financial risk management

Financial risk management is described in Note 2.37. to the Consolidated and separate financial statements for 2017.

Other

In accordance with the statutory obligation and the permitted exemption pursuant to Art. 21. of the Accounting Act, the Company has prepared a nonfinancial report to be published as part of the annual financial report of the parent company Adris Grupa d.d.

During 2017, PwC provided non-audit services comprising a benchmark analysis service to Croatia osiguranje d.d.

Corporate Governance Statement

CROATIA osiguranje d.d., Vatroslava Jagića 33, Zagreb (hereinafter: the Company), applies the Corporate Governance Code, 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, 123/16, 131/17), 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 2017, on the website of the Company (www.crosig.hr) and on the website of the Zagreb Stock Exchange.

In order to take the necessary measures to achieve its business objectives, the Company has established a system of internal controls as a totality of elements: an adequate organisational structure, an implemented management system with the establishment of key and control functions, prescribed control activities for portfolio management, administrative and accounting procedures, security and adequate information system including a reporting system at all levels of the Company.

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.

The Company's accounting policies represent the principles, rules and practices that the Company applies in preparing and presenting financial statements. The Company's accounting policies 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 organisational 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 reports 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. Internal audit assists the Company in meeting the set goals by introducing a systematic and disciplined approach to assessing and improving the effectiveness of risk management, control and corporate governance.

The Company has established a risk management function in the form of an independent organisational 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 technical reserves, insurance risk takeovers, the appropriateness of the reinsurance program and participation of actuarial function in the implementation of the Company's risk management system.

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.

Under the Insurance Act, the Company applies internal control systems to companies of the Group involved in the insurance part of business, while the companies concerned apply systems of internal controls in accordance with its legal framework.

Significant direct holders of shares in the Company are:

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

On the website of the Central Depository and Clearing Company there is data available on the 10 largest shareholders.

According to the Company's 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 Company's Management Board had 5 members at 31 December 2017.

The right to appoint individual 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

Croatia osiguranje d.d.

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.

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 authorised 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 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 authorise 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 until 12 June 2017
- Mladen Blažević Vice President until 10 May 2017
- Branko Zec Member until 15 April 2017
- Roberto Škopac Member since 22 April 2014, President since 21 June 2017
- Josip Tica, PhD, Professor Member until 12 June 2017
- Vitomir Palinec Member
- Petar Miladin, PhD, Professor Member since 12 June 2017
- Hrvoje Patajac Member since 12 June 2017, Vice President from 21 June 2017 until 26 October 2017
- Mima Kurilić Janušić Member since 12 July 2017
- Željko Lovrinčević, PhD, Member since 19 September 2017, Vice President from 26 October 2017

Members of the Management Board are:

- Damir Vandelić President
- Nikola Mišetić Member
- Marijan Kralj Member
- Robert Vučković Member
- Miroslav Klepač Member
- Sanel Volarić Member (until 31 January 2017)

The Supervisory Board established an Audit Committee.

Members of the Audit Committee are:

- Hrvoje Patajac President
- Vitomir Palinec Member
- Roberto Škopac Member until 26 October 2017
- Petar Miladin, PhD, Professor Member until 21 June 2017
- Josip Tica, PhD, Professor Member until 21 June 2017
- Marko Pokrajac Member since 21 June 2017 (member until 29 January 2018)
- Aleksandar Radulović Member since 21 June 2017 (member until 29 January 2018)
- Željko Lovrinčević, PhD Member since 26 October 2017

During 2017, 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 the tendering process for new employment as well as internal redistribution of workers. Equal criteria were also applied to the recruitment of employees in the management positions of the Company, where continuous progress is being made. There are also no differences in wages for the same level of work or work of equal value. On all levels we are recording equal representation of experts regardless of sex and age parameters. With respect to the professional criteria, the Company applies the strategy of recruiting and developing the management functions of the appropriate profession and level of education in relation to the nature of the function and its requirements. The Company also continuously carries out education and training of employees for the purpose of further improvement and development of competencies.

Zagreb, 26 April 2018

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.

**Consolidated and separate financial statements
for 2017**

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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 28 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 26 April 2018 and submitted for issue to the Supervisory Board. In acknowledgment, the financial statements are signed by the Company's authorized persons, as follows.

26 April 2018

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



Miroslav Klepač
Member of the Management Board



Nikola Mišetić
Member of the Management Board



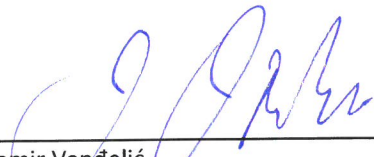
Marijan Kralj
Member of the Management Board

CROATIA osiguranje d.d.

Vatroslava Jagića 33

10 000 Zagreb

Republic of Croatia



Damir Vandelić
President of the Management Board



Robert Vučković
Member of the Management Board





Independent auditor's report

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

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Croatia osiguranje d.d. (the Company) and its subsidiaries (the Group) as at 31 December 2017, and of its separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

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 2017;
 - 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 cash flow statements 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

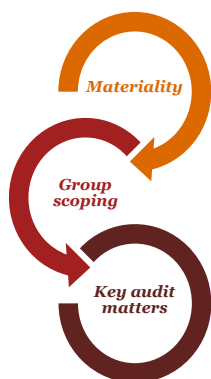
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided to the Company non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit service that has been provided to the Company and the Group in the period from 1 January 2017 to 31 December 2017 is disclosed in the Management Report.

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Our audit approach

Overview



Materiality

- Overall materiality for the separate financial statements of the Company: HRK 25 million, which represents 1% of Gross written premium.
- Overall materiality for the consolidated financial statements of the Group: HRK 30 million, which represents 0.95% of Gross written premium.

Group scoping

- 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 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 absolute value of profit after tax and 99% of the Group's absolute value of total assets.

Key Audit Matters

- KAM 1 – Estimation of technical provisions
- KAM 2 – Valuation of investment property and property for own use

As part of designing our audit, we determined materiality and assessed 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 considered 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 group 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, both individually and in aggregate on the financial statements as a whole.

Overall separate and group materiality	The Company: HRK 25 million The Group: HRK 30 million
How we determined it	The Company: 1% of gross written premium The Group: 0.95% of gross written premium
Rationale for the materiality benchmark applied	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.

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 7.2 billion and HRK 6.4 billion, respectively, at 31 December 2017 representing 90% 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, longevity, customer behaviour, loss ratio and cost ratio are key inputs used to estimate these mainly long-term liabilities. Significant judgement is applied in setting these assumptions.</p> <p>The Group’s IFRS liability adequacy test was performed in order to confirm that technical provisions 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>

Key audit matter

How our audit addressed the 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 1.52 billion and represent the 14% of the Group's total assets and HRK 0.85 billion and represent the 9% of the Company's total assets as at 31 December 2017.

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.

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.

As a result, the technical provisions are within a reasonable range of outcomes in the context of the uncertainties disclosed in the financial statements.

We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements and found them appropriate.

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 2017.

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 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.



Key audit matter

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

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.

How we tailored our company and group 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 the Group, the accounting processes and controls, and the industry in which the Company and the Group operate.

As at 31 December 2017, the Group consists of the parent company, Croatia osiguranje d.d. and 15 direct subsidiaries of which 4 subsidiaries are from foreign countries. We audited the parent company and two domestic subsidiaries. One domestic subsidiary was audited by another auditor based on our audit instruction. We worked with other PwC network firm in relation to the audit of foreign subsidiaries of the Group. Eight domestic direct subsidiaries were not audited because they are immaterial to the Group as a whole.

Considering our ultimate responsibility for the opinion of the separate and consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we determined the nature and extent of the audit procedures for the components of the Group to ensure that we performed sufficient work to enable us to provide an opinion on the separate and consolidated financial statements as a whole.

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



Reporting on other information including the Management Report and Corporate Governance Statement

Management is responsible for the other information. The other information includes the Management Report and Corporate Governance Statement (but does not include the separate and consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report.

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 identified above 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 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 entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and the Corporate Governance Statement and other information that we obtained prior to the date of this auditor's report. 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 of the separate and consolidated financial statements that give true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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.



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 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 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 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 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.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group for the financial year ended 31 December 2014. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years, with the last renewal by the general meeting of shareholders as of 12 June 2017.

Other Legal and Regulatory Requirements

Based on the Ordinance on the form and content of financial statements and additional reports of insurance and reinsurance companies (Official Gazette 37/16), "Ordinance", the Management Board of the Company created forms presented on pages 157 to 181, entitled the Statement of financial position of the Company as at 31 December 2017, and the Statement of comprehensive income, Statement of changes in equity and Cash flow statement of the Company for the year then ended together with information to reconcile the forms to the Company's financial statements. The Company's management is responsible for the preparation of these forms and information on reconciliation and they do not represent an integral part of these financial statements, but contain information required by the Ordinance. The financial information in the forms is based on the Company's financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as presented on pages 28 to 156 adjusted for the purposes of the Ordinance.

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

PricewaterhouseCoopers d.o.o.

PricewaterhouseCoopers d.o.o.
Heinzelova 70, Zagreb
26 April 2018

Statement of financial position
as at 31 December 2017

	Note	Company		Group	
		31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets					
Intangible assets	15	27,168	16,281	37,287	33,494
Deferred acquisition costs	15.1	173,912	110,496	203,132	128,331
Property and equipment	16	474,371	634,905	677,358	833,392
Investment property	17	414,923	448,528	903,386	784,159
Investments in subsidiaries, associates and participation in joint ventures	18	315,311	394,644	79,549	85,566
Held-to-maturity investments	19	2,030,109	2,020,974	2,159,973	2,169,677
Available-for-sale financial assets	19	3,276,943	2,043,769	3,666,744	2,440,238
Financial assets at fair value through profit or loss	19	417,259	381,050	466,279	461,554
Loans and receivables	19	1,324,290	1,597,601	1,328,906	1,904,846
Reinsurance share in technical provisions	20	211,958	181,954	229,301	198,091
Deferred tax assets	21	28,428	43,105	22,470	55,086
Insurance contract and other receivables	22	921,880	763,375	1,016,646	982,191
Cash and cash equivalents	23	48,374	66,199	164,781	160,006
Total assets		9,664,926	8,702,881	10,955,812	10,236,631
Capital and reserves					
Subscribed share capital	24	601,576	601,576	601,576	601,576
Premium on issued shares		681,483	681,483	681,483	681,483
Reserves	24	400,450	397,874	400,450	397,874
Revaluation reserve	24	334,225	228,528	380,036	288,449
Retained earnings-		564,397	144,060	859,555	609,501
Equity attributable to owners of the parent		2,582,131	2,053,521	2,923,100	2,578,883
Non-controlling interests		-	-	12,493	13,678
Total capital and reserves		2,582,131	2,053,521	2,935,593	2,592,561
Liabilities					
Technical provisions	25	6,384,016	5,964,426	7,208,947	6,817,243
Provisions	26	101,320	123,981	113,982	140,783
Deferred tax liability	21	-	-	24,275	19,745
Financial liabilities	27	1,999	-	5,363	4,173
Liabilities arising from insurance contracts, other liabilities and deferred income	28	585,910	544,414	646,249	617,317
Current income tax liabilities		9,550	16,539	21,403	44,809
Total liabilities		7,082,795	6,649,360	8,020,219	7,644,070
Total capital, reserves and liabilities		9,664,926	8,702,881	10,955,812	10,236,631

The notes on pages 35 to 156 are an integral part of these financial statements.

Statement of comprehensive income
for 2017

	Note	Company		Group	
		2017	Restated 2016	2017	Restated 2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	4	2,464,849	2,275,118	3,136,735	3,025,818
Premiums ceded to reinsurance	4	(249,144)	(243,808)	(277,396)	(284,345)
Written premiums, net of reinsurance and coinsurance	4	2,215,705	2,031,310	2,859,339	2,741,473
Change in gross provisions for unearned premiums	4	(67,880)	(31,084)	(151,241)	(93,070)
Change in provision for unearned premiums, reinsurance share	4	9,777	(13,915)	11,954	3,313
Earned premiums, net of reinsurance and coinsurance	4	2,157,602	1,986,311	2,720,052	2,651,716
Commission and fee income	5	35,415	32,880	37,138	42,644
Finance income	6	420,676	368,970	500,359	391,465
Other operating income	7	39,907	56,198	166,038	170,707
Net operating income		2,653,600	2,444,359	3,423,587	3,256,532
Claims incurred	8	(1,540,566)	(1,487,768)	(1,848,482)	(1,811,173)
Reinsurance share of claims incurred	8	97,886	99,900	106,784	141,495
Claims incurred, net of reinsurance and coinsurance		(1,442,680)	(1,387,868)	(1,741,698)	(1,669,678)
Acquisition costs	9	(408,331)	(403,655)	(560,403)	(546,574)
Administrative expenses	10	(401,228)	(337,149)	(584,652)	(543,018)
Other operating expenses	11	(48,414)	(122,905)	(77,174)	(154,833)
Finance costs	12	(168,422)	(99,062)	(170,781)	(98,174)
Share in profit of associates		-	-	14,623	12,908
Profit before tax		184,525	93,720	303,502	257,163
Income tax	13	(33,582)	(42,192)	(49,911)	(81,953)
Profit for the year		150,943	51,528	253,591	175,210

The notes on pages 35 to 156 are an integral part of these financial statements.

Statement of comprehensive income (continued)

for 2017

	Note	Company	Company	Group	Group
		2017	2016	2017	2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Other comprehensive income for the year					
<i>Items that will not be recognised in profit or loss</i>					
Change in fair value of property for own use		(3,492)	(7,102)	(3,493)	(9,568)
<i>Items that can be subsequently recognised in profit or loss</i>					
Change in fair value of available-for-sale financial assets, net of realised amounts and net of deferred tax		97,269	94,821	96,013	102,939
Foreign exchange differences				(387)	(1,427)
Other comprehensive income for the year		93,777	87,719	92,133	91,944
Total comprehensive income for the year		244,720	139,247	345,724	267,154
Profit attributable to:					
- Company shareholders		150,943	51,528	253,103	175,835
- Non-controlling interest			-	488	(625)
		150,943	51,528	253,591	175,210
Total comprehensive income attributable to:					
- Company shareholders		244,720	139,247	345,225	267,765
- Non-controlling interest			-	499	(611)
		244,720	139,247	345,724	267,154
Earnings per share attributable to the Company's shareholders					
Basic and diluted earnings per share (HRK)	14		-	598.94	415.38

The notes on pages 35 to 156 are an integral part of these financial statements.

Statement of changes in equity for 2017

Company	Subscribed	Premium on	Reserves	Revaluation	Retained	Total capital
	share	issued				
	capital	shares				reserves
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2016	601,576	681,483	395,535	141,970	95,398	1,915,962
Total comprehensive income for the year						
Change in fair value of property for own use (Note 16)	-	-	-	(10,540)	-	(10,540)
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	2,108	-	2,108
Effect of change in income tax rate on property for own use (Note 21)	-	-	-	1,330	-	1,330
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	113,221	-	113,221
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	(22,644)	-	(22,644)
Effect of change in income tax rate on financial assets available for sale (Note 21)	-	-	-	4,244	-	4,244
<i>Other comprehensive loss</i>	-	-	-	87,719	-	87,719
<i>Profit for the year</i>	-	-	-	-	51,528	51,528
Total comprehensive income for the year	-	-	-	87,719	51,528	139,247
Transactions with owners, recognised in equity						
Dividends paid	-	-	-	-	(1,960)	(1,960)
Distribution of profit for the previous year	-	-	2,339	-	(2,339)	-
Transfer due to depreciation of revalued property for own use (Note 16)	-	-	-	(1,433)	1,433	-
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	272	-	272
At 31 December 2016	601,576	681,483	397,874	228,528	144,060	2,053,521
At 1 January 2017	601,576	681,483	397,874	228,528	144,060	2,053,521
Total comprehensive income for the year						
Change in fair value of property for own use (Note 16)	-	-	-	(4,259)	-	(4,259)
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	767	-	767
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	118,621	-	118,621
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	(21,352)	-	(21,352)
<i>Other comprehensive income</i>	-	-	-	93,777	-	93,777
<i>Profit for the year</i>	-	-	-	-	150,943	150,943
Total comprehensive income for the year	-	-	-	93,777	150,943	244,720
Transactions with owners, recognised in equity						
Dividends paid	-	-	-	-	(980)	(980)
Distribution of profit for the previous year	-	-	2,576	-	(2,576)	-
Merger of subsidiaries (Note 18.3 /i/)	-	-	-	12,861	271,802	284,663
Transfer due to depreciation of revalued property for own use (Note 16)	-	-	-	(1,148)	1,148	-
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	207	-	207
At 31 December 2017	601,576	681,483	400,450	334,225	564,397	2,582,131

The notes on pages 35 to 156 are an integral part of these financial statements.

Statement of changes in equity for the year 2017 (continued)

Group	Subscribed share capital	Premium on issued shares	Reserves	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total capital and reserves
At 1 January 2016	601,576	681,483	395,535	199,457	434,149	2,312,200	14,794	2,326,994
Total comprehensive income for the year								
Change in fair value of property for own use (Note 16)	-	-	-	(15,201)	-	(15,201)	18	(15,183)
Deferred tax on change in value of property for own use (Note 21)	-	-	-	3,152	-	3,152	-	3,152
Effect of change in income tax rate on property for own use (Note 21)	-	-	-	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 (Note 21)	-	-	-	(22,658)	-	(22,658)	-	(22,658)
Effect of change in income tax rate on financial assets available for sale (Note 21)	-	-	-	4,244	-	4,244	-	4,244
Foreign exchange differences on translation of foreign operations	-	-	-	(1,402)	-	(1,402)	(25)	(1,427)
<i>Other comprehensive income</i>	-	-	-	91,930	-	91,930	14	91,94
<i>Profit/(loss) for the year</i>	-	-	-	-	175,835	175,835	(625)	175,210
Total comprehensive income/(loss) for the year	-	-	-	91,930	175,835	267,765	(611)	267,154
Transactions with owners, recognised in equity								
Dividends paid	-	-	-	-	(2,468)	(2,468)	(106)	(2,574)
Distribution of profit for the previous year	-	-	2,339	-	(2,339)	-	-	-
Purchase of non-controlling interest	-	-	-	-	(55)	(55)	(304)	(359)
Other transactions	-	-	-	(702)	1,597	895	(95)	800
Transfer due to depreciation of revalued property for own use (Note 16)	-	-	-	(2,782)	2,782	-	-	-
Deferred tax on change in value of property for own use (Note 21)	-	-	-	546	-	546	-	546
At 31 December 2016	601,576	681,483	397,874	288,449	609,501	2,578,883	13,678	2,592,561
At 1 January 2017	601,576	681,483	397,874	288,449	609,501	2,578,883	13,678	2,592,561
Total comprehensive income for the year								-
Change in fair value of property for own use (Note 16)	-	-	-	(4,269)	-	(4,269)	90	(4,260)
Deferred tax on change in value of property for own use (Note 21)	-	-	-	767	-	767	-	767
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	118,655	-	118,655	27	118,682
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realized (Note 21)	-	-	-	(22,669)	-	(22,669)	-	(22,669)
Foreign exchange differences on translation of foreign operations	-	-	-	(362)	-	(362)	(25)	(387)
<i>Other comprehensive income</i>	-	-	-	92,122	-	92,122	11	92,133
<i>Profit for the year</i>	-	-	-	-	253,103	253,103	488	253,591
Total comprehensive income for the year	-	-	-	92,122	253,103	345,225	499	345,724
Transactions with owners, recognised in equity								
Dividends paid	-	-	-	-	(1,098)	(1,098)	(206)	(1,304)
Distribution of profit for the previous year	-	-	2,576	-	(2,576)	-	-	-
Purchase of non-controlling interest	-	-	-	-	(596)	(596)	(1,540)	(2,136)
Other transactions	-	-	-	1,432	(1,164)	268	62	330
Transfer due to depreciation of revalued property for own use (Note 16)	-	-	-	(2,385)	2,385	-	-	-
Deferred tax on change in value of property for own use (Note 21)	-	-	-	418	-	418	-	418
At 31 December 2017	601,576	681,483	400,450	380,036	859,555	2,923,100	12,493	2,935,593

The notes on pages 35 and 156 are an integral part of these financial statements.

Cash flow statement
for 2017

	Note	Company	Company	Group	Group
		2017	2016	2017	2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from operating activities					
Profit before tax		184,525	93,720	303,502	257,163
<i>Adjustments for:</i>					
Depreciation and amortisation	15, 16	40,515	38,265	54,158	55,057
Change in deferred acquisition costs	15.1	(63,416)	(46,133)	(73,694)	(59,956)
Net impairment of loans	12.1, 6	39,678	(2,396)	39,369	(1,775)
Impairment of property and equipment	11	11,748	96,109	11,958	96,470
Impairment of shares in subsidiaries and associates	12.1	21,147	27,131	1,704	-
Interest income	6	(127,958)	(138,534)	(125,650)	(141,781)
Dividend income and share in profit of associates		(28,527)	(65,713)	(30,875)	(30,148)
Losses/(gains) on sale of investment property and tangible assets and changes in fair value of investment property		18,797	19,380	18,374	25,498
Net provisions for court cases, termination benefits, etc.		39,133	48,402	35,565	49,215
Losses/(gains) on disposal of subsidiaries and associates	6.3, 12.2	(7,299)	(11,236)	(4,615)	10,107
Gain from bargain purchase	6	-	-	(20,554)	-
Other adjustments		8,394	6,859	18,993	8,355
Cash flows before changes in operating assets and liabilities		136,737	65,854	228,235	268,205
Changes in available-for-sale financial assets		(910,004)	(322,351)	(968,788)	(341,718)
Changes in financial assets at fair value through profit or loss		(29,708)	(275,245)	(2,726)	(247,557)
Changes in loans and receivables		516,546	140,144	489,925	116,069
Changes in reinsurance share in technical provisions		(27,470)	124,815	(31,006)	(44,625)
Changes in insurance contract and other receivables		25,430	38,321	(40,140)	26,319
Changes in technical provisions		195,777	131,993	318,089	160,315
Payment of severance payments, jubilee awards and other provisions		(61,795)	(31,931)	(64,173)	(37,293)
Changes in insurance contract and other liabilities and financial liabilities		23,572	(21,115)	26,510	(15,559)
Income tax paid		(17,577)	-	(40,910)	(13,103)
Changes in operating assets and liabilities		(285,229)	(215,369)	(313,219)	(397,152)
Net cash flows used in operating activities		(148,492)	(149,515)	(84,984)	(128,947)

The notes on pages 35 and 156 are an integral part of these financial statements.

Cash flow statement (continued)
for 2017

Continued:

	Note	Company		Group	
		2017	2016	2017	2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from investing activities					
Proceeds from sale of tangible assets		1,010	63	11,043	551
Purchase of tangible assets		(33,729)	(40,866)	(40,184)	(46,508)
Proceeds from sale of intangible assets		-	-	-	24
Purchase of intangible assets		(14,503)	(8,934)	(20,342)	(21,253)
Proceeds from sale of investment property		10,531	12,695	10,542	12,695
Purchase of investment property		(951)	(629)	(15,736)	(100,753)
Proceeds from sale of subsidiaries and associates		17,149	5,618	16,676	5,618
Merger of subsidiaries (acquired cash)	18.3	6,202	-	-	-
Acquisition of subsidiaries (net of cash acquired)	18.3	(73,100)	-	(43,938)	-
Capital increase of subsidiaries	18.3	(200)	-	-	-
Acquisition of additional interest in subsidiaries		(1,136)	(359)	-	-
Proceeds from held- to-maturity investments		276,587	157,493	297,673	265,401
Purchase of held- to-maturity investments		(249,693)	(96,328)	(298,046)	(119,008)
Proceeds from dividends and share in profit		27,777	65,011	16,252	17,240
Proceeds from received short-term and long-term loans		94,012	161,713	93,761	163,394
Short-term and long-term loans granted		(56,322)	(238,776)	(67,252)	(163,356)
Interest income		128,013	142,614	132,750	141,685
Net cash flows from investing activities		131,647	159,315	93,199	155,730
Cash flows from financing activities					
Cash outflows for payment of share in profit (dividend)		(980)	(1,960)	(1,304)	(2,574)
Acquisition of non-controlling interest		-	-	(2,136)	(359)
Net cash flows from financing activities		(980)	(1,960)	(3,440)	(2,933)
Cash and cash equivalents at beginning of period	23	66,199	58,360	160,006	136,156
Cash and cash equivalents at end of period	23	48,375	66,199	164,781	160,006
Net increase /(decrease) in cash and cash equivalents		(17,824)	7,839	4,775	23,850

The notes on pages 35 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 until 12 June 2017 |
| • Mladen Blažević | Vice President until 10 May 2017 |
| • Branko Zec | Member until 15 April 2017 |
| • Roberto Škopac | Member since 22 April 2014, President since 21 June 2017 |
| • Josip Tica, PhD, Professor | Member until 12 June 2017 |
| • Vitomir Palinec | Member |
| • Hrvoje Patajac | Member since 12 June 2017, Vice President from 21 June 2017 until 26 October 2017 |
| • Petar Miladin, PhD, Professor | Member since 12 June 2017 |
| • Mima Kurilić Janušić | Member since 12 July 2017 |
| • Željko Lovrinčević, PhD, | Member since 19 September 2017, Vice President from 26 October 2017 |

Members of the Management Board:

- | | |
|-------------------|-----------------------------------|
| • Damir Vandelić | President of the Management Board |
| • Robert Vučković | Member of the Management Board |
| • Nikola Mišetić | Member of the Management Board |
| • Marijan Kralj | Member of the Management Boards |
| • Miroslav Klepač | Member of the Management Board |
| • Sanel Volarić | Member (until 31 January 2017) |

CROATIA osiguranje d.d., Zagreb
Notes to the financial statements for the year 2017

1.3. Subsidiaries

The Group consolidated the following entities as at 31 December 2017:

Group	Activity	31 December 2017		
		Shares directly held by parent (%)	Shares held by the Group (%)	Shares held by non-controlling interests (%)
Subsidiaries registered in Croatia which are consolidated:				
Croatia premium d.o.o., Zagreb	Real estate	100	100	-
Histria Construct d.o.o., Zagreb	Real estate	100	100	-
Core 1 d.o.o., Zagreb	Real estate	100	100	-
Razne usluge d.o.o. (currently being wound up)		100	100	-
Auto Maksimir Vozila d.o.o.	Insurance agency	100	100	-
Croatia osiguranje kredita d.d.	Insurance	100	100	-
CO Zdravlje d.o.o.	Consulting and services	100	100	-
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT*	100	100	-
<i>Herz d.d., Požega</i>	<i>MOT</i>	-	100	-
<i>Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod</i>	<i>MOT</i>	-	76	24
<i>STP Pitomača, Pitomača</i>	<i>MOT</i>	-	100	-
<i>STP Blato</i>	<i>MOT</i>	-	100	-
<i>- Autoprijevoz d.d.</i>	<i>MOT</i>	-	79.29	20.71
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Fund management	100	100	-
Poliklinika Ars Medica, Pula	Health	100	100	-
Poliklinika Croatia zdravstveno osiguranje, Zagreb	Health	100	100	-
Subsidiaries registered abroad which are consolidated:				
Milenijum osiguranje a.d.o., Beograd	Insurance	100	100	-
Croatia osiguranje d.d., Mostar	Insurance	94.89	94.89	5.11
- <i>Crotehna d.o.o., Ljubuški</i>	<i>MOT</i>	-	100	5.11
- <i>Croatia remont d.d., Čapljina</i>	<i>MOT</i>	-	69.79	33.78
- <i>Croauto d.o.o., Mostar</i>	<i>MOT</i>	-	66.79	36.62
- <i>Hotel Hum d.o.o., Ljubuški</i>	<i>Hospitality</i>	-	100	5.11
- <i>Ponte d.o.o., Mostar</i>	<i>Insurance agency</i>	-	100	5.11
Croatia osiguranje d.d., non-life insurance company, Skopje	Insurance	100	100	-
Croatia osiguranje d.d., life insurance company, Skopje	Insurance	95	100	-

*MOT - Motor vehicle examination stations

1.4 Reclassification

During 2017, the Group and the Company reclassified the staff costs of the claims management sector in the statement of comprehensive income to present more clearly costs according to their function. The reclassification has no effect on the statement of financial position, statement of changes in equity nor the cash flow statement.

Effects on the Statement of comprehensive income for 2016 (Group):

Item	Description of reclassification	2016		2016
		Before reclassification	Reclassification	After reclassification
		in HRK'000	in HRK'000	in HRK'000
Claims incurred (Note 8)	Staff costs of the claims management sector	(1,730,229)	(80,944)	(1,811,173)
Administrative expenses (Note 10)	reclassified as Claims incurred	(623,962)	80,944	(543,018)

Effects on the Statement of comprehensive income for 2016 (Company):

Item	Description of reclassification	2016		2016
		Before reclassification	Reclassification	After reclassification
		in HRK'000	in HRK'000	in HRK'000
Claims incurred (Note 8)	Staff costs of the claims management sector	(1,415,799)	(71,969)	(1,487,768)
Administrative expenses (Note 10)	reclassified as Claims incurred	(409,118)	71,969	(337,149)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies adopted in the preparation of financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

In 2017, the Group and the Company reclassified certain items in the Statement of comprehensive income in order to present the costs more clearly (Note 1.4). Hereinafter, the policies applied by the Group also mean the policies applied by the Company, unless otherwise stated.

2.1. Statement of compliance and basis of presentation

The financial statements for 2017 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 structure and content of the financial statements for insurance or reinsurance companies (Official Gazette 37/16).

These are consolidated financial statements of the Croatia osiguranje Group that also include 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 the company CROATIA osiguranje d.d. have been prepared in conformity 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 amended International Financial Reporting Standards ("IFRSs")

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) New and amended standards adopted by the Group:

The Group has adopted the following new and amended standards for its annual reporting period commencing 1 January 2017 which were endorsed by the European Union and which are relevant for the Group's financial statements:

- *Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12*
- *Disclosure Initiative – Amendments to IAS 7*

The adoption of these improvements did not have any impact on the disclosures in the financial statements of the Company and the Group, nor did it have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- *IFRS 17 Insurance contracts (effective for annual periods beginning on or after January 1, 2021- IASB)* – not yet endorsed in the EU

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 *Insurance Contracts*. The Standard requires a current measurement model, where estimates are remeasured in each reporting period. The contracts are measured by using the following parameters:

- (probability-)weighted discounted cash flows
- explicit risk adjustment and
- contractual service margin - CSM which represents the unearned profit under the contract which is recognised as income over the coverage period.

According to the Standard, the entity may choose where to present the change in the discount rates - either in profit or loss or directly in other comprehensive income. The final choice is likely to reflect the manner in which insurers disclose their financial assets in accordance with IFRS 9.

An alternative, simplified approach to premium allocation is permitted for the liability for remaining coverage for insurance contracts with short-term coverage, frequently drawn up by non-life insurers.

There is an amendment to the general measurement model called "access to variable fee approach" for certain contracts drawn up by life insurers where the policyholders have a share of returns on the underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the results of the insurers using this model will likely be less unstable than with the general model.

At this stage, the Company is not able to estimate the total impact of the standard on the financial statements, it will make more detailed assessments of the impact over the following periods. The Company plans to adopt this standard on its effective date.

- **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).**

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.

In 2016, the IASB adopted an amendment to IFRS 4 that allows insurers to apply IAS 39 instead of IFRS 9 for annual periods beginning on or after 1 January 2021, provided that certain prerequisites are met. These prerequisites applying to entities whose activities are predominantly connected with insurance, are met by the Group, and the Management intends to use this option to defer the application of IFRS 9.

- **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. The application of IFRS 15 will require the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward.

The Management of the Group has assessed the impact of the new IFRS 15 rules and considers that it will not have a significant impact on the business as most of the revenue refers to insurance income.

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)**

IFRS 16 will affect primarily lessee accounting and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. In addition, operating expenses will be replaced by interest and amortization.

Operating cash flows will be lower higher as cash payments for the principal portion of the lease liability will be classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Lessor accounting will not change significantly. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard will affect primarily the accounting for the Group's operating leases.. At this stage, the Group is not able to estimate the total impact of the new standard on the Group's financial statements, it will make more detailed assessments of the impact over the next twelve months. The Group plans to adopt this standard on its effective date.

2.4. Key estimates and estimation uncertainty

In preparing these 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 impairment losses on loans and receivables, calculation of technical provisions and determining fair value of investments in real estate.

Information about the assessments of the Management 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 significant 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 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 and are de-consolidated 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 equity 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 minority 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 subsidiary, such share is measured at fair value at the date that 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.

Merger of entities under common control

A merger or a business combination involving business entities under common control is a business combination in which all of the combining business entities are controlled by the same party (or parties) both before and after the business combination, and that control is not transitory. The predecessor method of accounting is used to account for the mergers of entities under common control. According to the predecessor method of accounting, the carrying amount of the assets (including goodwill, if any) and liabilities of the acquired or merged company (or the company that has ceased to exist as a result of the merger) are transferred to the successor company from the consolidated financial statements of the highest entity that has common control and which prepares consolidated financial statements or a lower level entity if justified.

The merged entity's results and balance sheet are incorporated prospectively from the date on which the merger or business combination between entities under common control occurred.

On the date of the merger, inter-company transactions, balances and unrealised gains and losses on mutual transactions are eliminated.

The difference between the transferred fee and the carrying amount of the net assets of the acquired company is recognised in equity (in retained earnings).

2.6. Presentation currency

The Group's financial statements are presented in Croatian kuna (HRK) as the functional currency of the Company and subsidiaries in Croatia 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 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 rate differences resulting from the conversion of monetary assets and liabilities are recognised through profit or loss, and are presented within finance income or finance cost. As at 31 December 2017, the official HRK exchange rate was HRK 7.513648 for EUR 1 and (31 December 2016: HRK 7.557787).

2.8. Gross premium written

/i/ Gross written premiums represent basic operating revenue and they comprise the 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 the 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 policyholder as a result of insurance termination. Net impairment losses on receivables for premium of the insured party are recognised as a deduction of gross written premium.

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, land and buildings rental income and other investment income from land and buildings. Land and buildings rental income and other operating leases are 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. Interest on monetary assets at fair value through profit or loss is recognized using the effective interest rate method and is presented in interest income. Dividend income is recognised in the income statement on the date that the dividend is declared. The accounting policy in relation to the finance income recognition is disclosed in Note 2.16. "Financial instruments".

/ii/ Investment expenses include interest expense, investment 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 portion 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 claims paid, gross claims paid include the costs related to claims payment (appraisals, attorneys' fees, staff costs of the claims management sector etc.), surrenders and recourse claims expenditures.

2.11. Operating expenses

Operating expenses include the costs of insurance sale and administration costs. The sales costs include all direct costs incurred in concluding insurance contracts, such as agents' costs, costs of salaries of sales staff, commissions and marketing costs.

Non-life insurance commission expenses are recognised on a straight-line basis over the accounting period in accordance with the recognition of the premium income to which they relate. Commission expenses for non-life insurances are recognised on a pay-as-you-go basis. 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.

The 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. The amortisation of assets ceases when the assets are fully amortised or classified as assets held for sale. The 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 comprise commissions calculated for the internal and external sales network incurred in concluding insurance policies during the financial year. In this regard, the commission charged to the sales network represents the total acquisition commission for each insurance policy. Indirect or general sales costs are not deferred.

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

By introducing the accounting policy of deferral of acquisition costs, the Group has also introduced recording liabilities for undue commission. Liabilities for undue commission is the difference between the total commission to be calculated for a particular insurance policy and the accrued commission. The basis for calculating the total commission is the value of the written (charged) premium, while the basis for calculating the accrued commission is the amount of the charged premium by each policy.

The recoverable amount of deferred acquisition costs is assessed at each reporting date as part of the liability adequacy test of non-life insurance.

2.13. Property and equipment

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

After 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 the 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, equipment and other tangible assets 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 fixed assets are included in the income statement in the period when incurred.

The 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. The 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:

	2017	2016
	Estimated useful life	Estimated useful life
Buildings	40 years	40 years
Furniture and equipment	4-10 years	4-10 years
Computer equipment	3-4 years	3-4 years
Vehicles	5 years	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.14. Investment property

Investment property (land, buildings) that are not used for operations and that are owned by the Group or under a finance lease and that are held to enable the Group to realise rental income and/or increase in the asset market value 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 such 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 in separate financial statements 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 Board 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 is included in debt and equity securities, investments funds and other financial assets held for trading. Derivatives are classified as assets held for trading. 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, loans secured mostly by mortgages and loans given to the insured parties from mathematical provisions for life insurance, secured by 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 state and corporate bonds 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 designated as available for sale are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or equity prices.

Other financial liabilities

Other financial liabilities include all financial liabilities that are not classified in the category at fair value through profit or loss. At the reporting date, the Group had no financial obligations, except for unit-linked products. Liabilities arising from insurance contracts are accounted for in Note 2.21 - "Technical Provisions".

/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 recognised on the trading 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 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 equity risks and benefits to another business entity, or when the rights are exercised, surrendered or expired.

The Group ceases to recognise 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 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 listed equity securities and quoted debt instruments 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 the 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 amortised 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 recognised 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 and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in profit or loss. Foreign exchange differences resulting from revaluation of non-monetary financial assets denominated in or linked to foreign currency that are classified as available for sale are recognised within other comprehensive income, along with all other changes in their fair value, whereas income earned from dividends is recognised 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 recognised 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 financial assets available for sale 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 as little as possible on the specific characteristics of the entity.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Management Board'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, 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 Board'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 recognised 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 indicator 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 recognised 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 recognised 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 advances to 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 investment funds are classified as financial assets at fair value through profit or loss or as financial assets available for sale 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 recognised initially at fair value and subsequently at amortised cost less value impairment.

Trade and other payables

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

Derivative financial instruments

As part of its regular operations, the Group concludes contracts on derivative financial instruments for the purpose of managing currency risk and therefore these financial instruments are classified as Financial assets or liabilities held for trading - derivatives. Derivatives of the Group include foreign exchange forward contracts.

Derivatives are recorded in the off-balance sheet records at the nominal amount of financial instruments and are measured at fair value. Increase / decrease in fair value is recognized as an asset if their fair value is positive and liabilities if their fair value is negative and changes in fair value of derivatives are included in profit or loss i.e. in financial income and expenses.

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 combined instrument vary in a similar way to a stand-alone derivative. Such derivatives are known as embedded derivatives.

Embedded derivatives are separated from their host contract, measured at fair value and changes in their fair value 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 of 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 recognised 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 insured parties 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 premiums 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 basis for payment of claim to the debtor (provision for claims).

/iii/ Receivables under the right to recourse are recognised for all recourse cases from an out-of-court procedure arising from receivables from another insurance company and recourses for which a financial settlement was concluded with the counterparty. Impairment of recourse receivables is made for all receivables where 180 days 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 in hand, as well as deposits with original maturity up to three months.

2.19. Income tax

The tax expense represents the sum of the tax currently payable 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. Such 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 financial assets available for sale.

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 assets and liabilities are 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 for the period

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

2.20. Capital

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

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

/ii/ Revaluation reserve

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

The revaluation reserve of available-for-sale financial assets includes unrealised gains and losses from changes in 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 profit are regulated by the Decisions of the Company's General Assembly.

/iv/ The current year income is presented according to the balance as at 31 December and it 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 reserve for life insurance, provisions for claims, 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 in line with the Company's accounting and internal regulations. 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 cover throughout the contract term is taken into consideration. The reinsurance share of the gross written premium is determined depending on the reinsurance contract and the method used for the calculation of the corresponding gross written premium.

/ii/ Mathematical life insurance provision

Mathematical life insurance provisions 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, 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 provisions for claims incurred is determined in accordance with reinsurance contracts.

/iv/ Provisions for unexpired risks

Provisions for unexpired risks are created where the expected value of claims and costs pertaining to unexpired periods of policies, which are 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, i.e. homogeneous risk groups.

/v/ Provision for bonuses and discounts

The provision for bonuses and discounts is established according to the provisions of insurance contracts and the Ordinance on minimum standards, methods of calculating and guidelines for calculating technical provisions in insurance in line with accounting regulations.

2.22. Technical life insurance provisions where the policy holder bears the investment risk

Since the Group issues life insurance policies where the policy holder bears the investment risk, adequate separate provisions are created for every such 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 insurance 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 insurance risk (financial reinsurance) is not transferred, are recorded as deposits. During 2017 and 2016, 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 and claims paid by 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 value impairment at each reporting date.

2.24. Liabilities and related assets under liability adequacy test

IFRS 4 provides for the implementation of 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 shortage is charged to profit or loss. Estimates of future cash flows are based on realistic actuarial assumptions, taking into account current experience of the occurrence of claims.

2.25. Other liabilities

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

/i/ Liabilities arising from direct reinsurance pertain to liabilities under reinsurance premium.

/iii/ Other liabilities pertain to liabilities toward domestic suppliers, liabilities for advances received, liabilities to employees, commission liabilities etc.

/vi/ The Company makes monthly payments to the guarantee fund of the Croatian Insurance Bureau for the settlement of claims for damages caused by uninsured and unknown vehicles. The monthly fee is determined according to the premium market share of each insurer, expressed in percentage. The guarantee funds of the Croatian Insurance Bureau are utilised to settle claims for 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 recognised 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 recognised for the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the Branch 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 at 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 when the Group has a present obligation as a result of a past event; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. 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 employee benefits for long-term employment and retirement (regular jubilee awards and severance payments) are determined in such a manner that in each year of work, the present value of the proportional part of the expected amount of regular jubilee rewards and severance pay depends on the total time remaining until the jubilee award is paid, less expected employee turnover. The discount rate applied is the yield on the respective bonds.

2.28. Impairment of non-financial assets

The net book value of the Group's assets, other than financial assets (see Note 2.16 - "Financial instruments") and income tax (see Note 2.19 - "Income tax"), are reviewed at each reporting date to determine whether there is any indication of value impairment. If any such indication exists, the asset's recoverable amount of the asset is estimated. For intangible assets with no finite useful life (the Group had no such assets on the date of reporting) 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, the impairment of property measured by using the revaluation model is debited to fair value reserves, 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 value 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 depreciation or amortisation, if no impairment loss had been recognised.

2.29. Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are recognised as a provision in the financial statements when it is more likely than not that there will be a cash outflow. Other contingent liabilities are only disclosed in the notes to the financial statements.

Contingent assets are not recognised in the financial statements, rather they are recognized when an inflow of economic benefits is nearly 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 balance sheet 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 attributable to Company shareholders 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 provision. The provision for discretionary bonus within the mathematical provision may comprise 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 out of this fund.

At the reporting date the amount of provisions for discretionary allocation of profit for the Company amounts to HRK 28,453 thousand (2016: HRK 33,480 thousand), and for the Group of HRK 30,407 thousand (2016: HRK 35,382 thousand).

2.33. Segment reporting

A segment is an integral part of the 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. Segments of the Group and the Company include the life insurance and non-life insurance segments.

Distribution of costs between life and non-life insurance segments

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

Investment income, realised and unrealised profits 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 profits and losses, expenses and compensations arising from the investment of capital and reserves are distributed to life and non-life segments depending on the allocation of the related assets or shares in the Group's provisions.

Throughout the year, a significant amount of direct administrative costs are directly debited to life and non-life insurance segments. The Group allocates administrative costs that cannot be allocated directly to life or non-life insurance on the basis of an analysis of the time spent by the administration employee on life-insurance and non-life insurance matters. The allocation of stated costs within a particular segment to the corresponding type of insurance is made on the basis of the share in the gross premium policy of the appropriate type of insurance. Commissions are recorded separately to the life and non-life insurance segments.

Allocation of capital, reserves and assets

Property and equipment, intangible assets and investment property are allocated to the non-life segment, unless directly related 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 applying the Group's accounting policies

/i/ Impairment losses on loans and receivables

The need for impairment of assets booked by amortised cost is evaluated as described in Note 2.16./iii/ impairment of financial assets. The provision for impairment of a certain receivable is based on the Management's best estimate of the current value of expected future cash flows.

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

The gross amount of loans and receivables, and the rate of recognised impairment loss at the end of the year are as follows:

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Gross exposure (HRK'000)	772,163	494,667	464,682	517,616
Impairment rate (%)	34%	24%	56%	44%

The change in the impairment rate by 1 pp on the gross amount of the above loans and receivables would lead to an increase/reversal of impairment in the amount of HRK 7,772 thousand (31 December 2016: HRK 4,947 thousand) for the Company and HRK 4,647 thousand (2016: HRK 5,176 thousand) for the Group.

/ii/ Uncertainty of estimates pertaining to the forming 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 believes that the current level of technical provisions is sufficient.

The Group 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.

Insurance risk management is described in detail in Note 2.35, while the reserves for insurance contracts are analysed in Note 2.21. The sensitivity analysis of technical provisions is presented in Note 2.35.

2.35. Insurance 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 sales 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 sales risk includes biometrical risk (which involves mortality, longevity, risk of becoming ill or disabled) and the risk of withdrawal. The risk of withdrawal represents a higher or lower rate of withdrawal from policies, interruptions, changes in capitalization (cessation of payments of premium) and surrender.

The Group manages its underwriting risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, through tariff determination, product design and management of reinsurance. The underwriting 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 the actuaries within the scope of their tasks and the Risk Management Department, in agreement with them, takes 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.

Concentration of insurance risk

A key aspect of underwriting risk is that the Group is exposed to is the degree of underwriting risk concentration which determines the extent to which a particular event or a series of events may affect the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts which may result in significant commitments. An important aspect of the insurance risk concentration is that it may arise from the accumulation of risk through different types of insurance.

Concentration risk may arise from events that are not frequent but with considerable consequences such as natural disasters, 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 contracts. The risks underwritten by the Group are primarily located in the Republic of Croatia.

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

Company	31 Dec. 2017			31 Dec. 2016		
	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred	Gross claims incurred	Reinsurance share of claims incurred	Net claims incurred
		in HRK'000			in HRK'000	
Accident insurance	31,407	(33)	31,440	39,142	(310)	39,452
Health insurance	77,909	305	77,604	7,068	1,148	5,920
Road motor vehicle insurance	225,568	254	225,314	215,271	840	214,431
Railroad insurance	790	-	790	1,573	-	1,573
Aircraft insurance	3,807	3,487	320	2,545	1,691	854
Vessel insurance	55,109	10,331	44,778	41,460	8,872	32,588
Insurance for goods in transit	5,369	(1,675)	7,044	27,043	16,680	10,363
Insurance against fire and natural disasters	94,633	36,149	58,484	86,376	46,586	39,790
Other property insurance	267,721	20,660	247,061	249,768	30,699	219,069
Motor liability insurance	229,849	(8,102)	237,951	247,165	(14,287)	261,452
Aircraft liability insurance	2,385	1,454	931	(1,497)	(422)	(1,075)
Vessel liability insurance	(1,004)	3,787	(4,791)	4,108	(449)	4,557
Other types of liability insurance	76,052	18,314	57,738	73,642	17,449	56,193
Loan insurance/credit insurance	(41,801)	259	(42,060)	(6,949)	(9,750)	2,801
Guarantee insurance	113	-	113	(619)	-	(619)
Miscellaneous financial loss insurance	19,724	12,972	6,752	7,414	1,146	6,268
Travel insurance	3,375	-	3,375	3,483	-	3,483
Total non-life insurance	1,051,006	98,162	952,844	996,994	99,893	897,100
Life insurance	287,086	(276)	287,362	375,793	7	375,786
Annuity insurance	9,908	-	9,908	11,397	-	11,397
Additional insurance with life insurance	1,783	-	1,783	913	-	913
Life or annuity insurance where the policyholder bears the investment risk	190,783	-	190,783	102,672	-	102,672
Total life insurance	489,560	(276)	489,836	490,775	7	490,768
Total	1,540,566	97,886	1,442,680	1,487,768	99,900	1,387,868

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The Management believes that the non-life insurance has no significant exposure to any client group insured by social, professional, generation 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.

The table below presents reinsurance coverage and retention of the Company by type of insured event as at 31 December:

	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	3,750	Unlimited	3,750
Fire	433,125	12,375	433,125	12,375
Motor hull insurance	14,438	563	14,438	563
Machinery breakage	150,000	7,500	150,000	7,500
Construction /assembly	150,000	7,500	150,000	7,500
Theft	433,125	12,375	445,500	12,375
Vessels	78,000	4,875	58,500	4,875
Other liability	73,125	1,875	6,900	3,675
Earthquake	1,834,125	22,500	1,834,125	22,500
Flood	433,125	12,375	433,125	12,375

The table below presents reinsurance coverage and retention of the Group by type of insured event as at 31 December:

	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	9,756	Unlimited	9,792
Fire	14,627	731,657	17,968	14,627
Motor hull insurance	1,765	34,238	1,546	1,765
Machinery breakage	9,752	399,407	13,093	9,752
Construction /assembly	9,752	357,839	13,093	9,752
Theft	15,378	525,135	14,778	15,378
Vessels	5,100	58,500	5,253	5,100
Other liability	3,508	13,236	9,437	3,508
Earthquake	31,516	3,396,072	33,939	31,516
Flood	14,627	752,819	17,968	14,627

Non-life insurance

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

Comparison of claims ratio and costs for 2017 and 2016:

Non-life insurance	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Claims ratio	56.24%	58.19%	54.55%	53.93%
Cost ratio	37.15%	37.21%	43.04%	42.12%
Combined ratio	93.39%	95.40%	97.59%	96.05%
Claims ratio, net	58.99%	63.07%	56.57%	55.81%

Note: The fair value estimation is set out in Note 25.8. Analysis of claim (loss) ratios, cost ratios and combined ratios

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.

Analysis of mathematical provisions according to guaranteed interest rate for the Company is as follows:

Interest included in the tariff is in the range of	Mathematical provisions*	Share	Mathematical provisions*	Share
	as at 31 Dec. 2017		as at 31 Dec. 2016	
	in HRK'000	%	in HRK'000	%
[1, 3]	983,422	42%	888,457	38%
[3, 4]	897,565	39%	954,825	41%
[4, 5]	434,999	19%	504,156	21%
[5, 6]	2,437	0%	2,590	0%
	2,318,423	100%	2,350,028	100%

* The mathematical provision is the mathematical provision for agreed sums and mathematical provision for additional sums.

The analysis of mathematical provisions for the Group according to guaranteed interest rate is as follows:

Interest included in the tariff is in the range of	Mathematical provisions*	Share	Mathematical provisions*	Share
	as at 31 Dec. 2017		as at 31 Dec. 2016	
	in HRK'000	%	in HRK'000	%
[1, 3]	1,127,172	42%	943,621	36%
[3, 4]	1,121,655	42%	1,183,252	45%
[4, 5]	436,536	16%	505,503	19%
[5, 6]	2,438	0%	2,590	0%
	2,687,801	100%	2,634,966	100%

* The mathematical provision is the mathematical provision for agreed sums and mathematical provision for additional sums.

The table above shows the mathematical provision 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.

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Yield on mathematical provision

Company	2017	2016	2015
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,334,225	2,308,194	2,169,108
Yield on investment in mathematical provision	128,590	94,062	100,904
Annual yield on mathematical provision	5.51%	4.08%	4.65%
Average annual yield on mathematical provision for the past 3 years	4.75%	4.81%	5.45%

Group	2017	2016	2015
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,742,420	2,570,256	2,393,188
Yield on investment in mathematical provision	143,867	103,833	111,382
Annual yield on mathematical provision	5.25%	4.04%	4.65%
Average annual yield on mathematical provision for the past 3 years	4.65%	4.79%	5.38%

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, rates costs 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.

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Change in liabilities	Change in liabilities	Change in liabilities	Change in liabilities
Interest rate -0.5%	76,916	91,526	76,305	98,326
Mortality +10%	3,137	3,566	2,223	3,800
Expenses +10%	20,940	27,565	19,405	29,166

For life assurance contracts that cover policyholder's death, there is no significant geographical concentration of risk, although the concentration of the amount at risk may impact the ratio of insurance payment on the portfolio level. Amounts at risk for life assurance are as follows:

Company	2017		2016	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	3.184.286	94,21	3.240.941	97,38
Unit-linked life assurance products	195.808	5,79	87.329	2,62
As at 31 December	3.380.094	100,00	3.328.270	100,00

Group	2017		2016	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	5,221,099	96.36	4,947,260	98.26
Unit-linked life assurance products	196,989	3.64	87,456	1.74
As at 31 December	5,418,088	100.00	5,034,716	100.00

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Tables for long-term insurance contracts are presented below, and provide an overview of the concentration of risk through nine groups of contracts grouped by sum insured per policy.

Sum insured per policy	Company		Group	
	Total sum insured before reinsurance		Total sum insured before reinsurance	
	in HRK'000	%	in HRK'000	%
in kn				
< 40.000	1,525,923	27.7	2,325,663	29.5%
40.001 - 60.000	538,317	9.8	893,588	11.3%
60.001 - 80.000	856,383	15.5	1,216,983	15.4%
80.001 - 100.000	526,876	9.6	763,139	9.7%
100.001 - 125.000	620,767	11.3	880,638	11.2%
125.001 - 150.000	308,553	5.6	395,889	5.0%
150.001 - 250.000	794,178	14.4	986,243	12.5%
250.001 - 500.000	225,220	4.1	277,305	3.5%
> 500.001	118,854	2.2	143,544	1.8%
As at 31 December 2017	5,515,071	100.00	7,882,992	100.0%
< 40.000	1,478,951	26.9	2,095,702	28.2%
40.001 - 60.000	573,372	10.4	878,345	11.8%
60.001 - 80.000	720,943	13.1	1,006,075	13.5%
80.001 - 100.000	497,677	9.0	711,579	9.6%
100.001 - 125.000	660,148	12.0	886,558	11.9%
125.001 - 150.000	319,308	5.8	385,113	5.2%
150.001 - 250.000	881,603	16.0	1,073,631	14.4%
250.001 - 500.000	236,774	4.3	261,948	3.5%
> 500.001	133,618	2.5	145,646	2.0%
As at 31 December 2016	5,502,394	100.00	7,444,595	100.0%

The Group applies the calculation of the present value of future profits or PVFP for the purposes of managing insurance risk sensitivity. The base run refers to the calculation of liabilities using assumptions for the best estimate calculation. The base run represents the calculation by applying the assumptions set out in in Note 2.36 during the liability adequacy test. For each policy income from premiums and investments is calculated, and costs are calculated on the basis of administrative costs and claims expenses.

Changes in variables represent reasonable possible changes which, had they occurred, 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. Changes in each variable were analysed, whereby all other assumptions remained unchanged, and changes in value of the underlying assets were ignored.

The sensitivity to changes in mortality was calculated by reduction in mortality for pension products by 10% and an increase in mortality for other products by 10%, while the sensitivity to changes in costs was calculated by increasing the costs of portfolio maintenance by 10%.

The PVFP results show that changes in interest rates have the most significant effect on profit or loss and the amount of technical provisions.

Non-life insurance

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

2.36. Principal assumptions that have the greatest effect on recognised insurance assets, liabilities, income and expenses

/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 such 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 unreported losses (IBNR) are generally subject to a greater degree of uncertainty than the provision for reported losses. IBNR provisions are estimated by the Company's actuaries.

Depending on the feature of each insurance type, the Group's portfolio and the form and quality of available data, IBNR provisions are formed using the most appropriate model which is based on deterministic or stochastic methods whose basis is the claims triangle. In order to describe as best as possible future claims development, the selected model may contain one or a combination of several methods.

IBNR provisions are formed according to the lines of business, i.e. homogeneous risk groups.

For long-tail claims, the level of provision greatly depends on the assessment of claims development for which there is historical data until the final development. The residual factor of claims development is prudently assessed by using mathematical methods of curves which serve as projections of observed factors or which are based on actuarial assessment.

The actual method which is used depends on the year of claim occurrence and the observed historical development of claims. To the extent that these methods use historical claim rates, the past pattern of claim rates is assumed to recur in the future. There are reasons for partial fulfilment of the above so the methods should be modified. Possible reasons may be:

- 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 acquired;
- random variations, including the effect of major losses.

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

Discounting

Except for rental claims, non-life insurance provisions are not discounted. The provisions for liability insurance which are payable in annuities are determined as the current value of future liabilities based on a risk-free interest rate curve (EIOPA_RFR last issued in 2017), the annual rate of adjustment of the rent and the Mortality Tables for the Republic of Croatia for the period from 2010 - 2012.

/ii/ Life insurance

Mathematical provisions are calculated by the net prospective method 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 the Company's 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 the 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 reserves. For the purpose of the calculation of mathematical reserves for insurance contracts concluded before 2010, an interest rate of 3.25% or 3% was used (the maximum rate prescribed by HANFA is 3.3%), for insurance contracts concluded in 2010 the interest rate used was 3% and 2.75% (the maximum rate prescribed by HANFA is 3%), for insurance contracts concluded after 2010 until 30 June 2016, the interest rate used was 2.75%, 2.25%, 1.7%, 1.5% and 1% (the maximum rate prescribed by HANFA is 2.75%) and for insurance contracts concluded after 01/07/2016, the interest rate used was 1.7%, 1.5% and 1% (the maximum rate prescribed by HANFA is 1.75% for contracts with a currency clause and 2% for contracts in HRK).

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 the 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 vehicles, 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 insured events 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 vehicles liability insurance in the Green Card Insurance System member states that have unlimited coverage. Since legal provisions in motor vehicles 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 and underwriting 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 recognizes the importance of having of an efficient and effective risk management system.

Competent regulatory bodies control the Company's and Group 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. 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 fluctuation risk of future cash flows fair value of financial instruments resulting from 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 the risk of exchange rate fluctuations through its transactions in foreign currencies, mostly in euros. The Company is exposed to currency risk through its investments in debt securities, deposits, loans and other investments, and through premiums, claims and technical provisions under insurance policies with a currency clause. The Group manages foreign exchange risk by attempting to reduce the difference between assets and liabilities denominated in foreign currency or with a currency clause. Investments for covering mathematical provisions are mostly denominated in Euro, since most of the mathematical provisions are also denominated in Euro. An analysis of the sensitivity of financial assets to the exchange rate fluctuations is given below:

	2017		2016	
	Impact on profit before tax	Impact on comprehensive income	Impact on profit before tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company				
Change of exchange rate by 0.5%	11,022	1,504	16,762	1,197
Change of exchange rate by 1%	22,044	3,008	33,524	2,394
Group				
Change of exchange rate by 0.5 %	12,504	1,531	18,628	1,967
Change of exchange rate by 1%	25,007	3,061	37,234	3,913

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At the reporting date, the currency structure of the Company's assets and liabilities is as follows:

Company in HRK'000	31 December 2017				31 December 2016			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	315,311	-	-	315,311	394,644	-	-	394,644
Held-to-maturity investments	739,765	1,290,344	-	2,030,109	646,676	1,374,298	-	2,020,974
Available-for-sale financial assets	1,573,966	1,625,966	77,011	3,276,943	555,056	1,363,667	125,046	2,043,769
Financial assets at fair value through profit or loss	68,788	344,232	4,239	417,259	233,344	147,706	-	381,050
Loans and receivables	801,214	523,076	-	1,324,290	878,250	719,351	-	1,597,601
Reinsurance share in technical provisions	168,272	24,735	18,951	211,958	155,455	14,391	12,108	181,954
Insurance contract and other receivables	789,924	112,795	19,161	921,880	623,781	105,473	34,121	763,375
Cash and cash equivalents	44,770	1,977	1,627	48,374	53,630	7,738	4,831	66,199
Total assets	4,502,010	3,923,125	120,989	8,546,124	3,540,836	3,732,624	176,106	7,449,566
Liabilities								
Technical provisions	3,412,909	2,864,773	106,334	6,384,016	3,202,007	2,677,178	85,241	5,964,426
Provisions	101,320	-	-	101,320	123,981	-	-	123,981
Financial liabilities	-	1,999	-	1,999	-	-	-	-
Liabilities arising from insurance contracts, other liabilities and deferred income	522,179	54,241	9,490	585,910	496,896	30,723	16,795	544,414
Total liabilities	4,036,408	2,921,013	115,824	7,073,245	3,822,884	2,707,901	102,036	6,632,821
Foreign currency gap	465,602	1,002,112	5,165	1,472,879	(282,048)	1,024,723	74,070	816,745

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

Group in HRK'000	31 December 2017				31 December 2016			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	78,139	-	1,410	79,549	84,141	-	1,425	85,566
Held-to-maturity investments	739,765	1,386,724	33,484	2,159,973	694,056	1,459,802	15,819	2,169,677
Available-for-sale financial assets	1,669,333	1,880,018	117,393	3,666,744	711,971	1,528,992	199,275	2,440,238
Financial assets at fair value through profit or loss	68,788	373,082	24,409	466,279	233,570	197,827	30,157	461,554
Loans and receivables	498,950	522,440	307,516	1,328,906	863,252	755,956	285,638	1,904,846
Reinsurance share in technical provisions	168,272	24,889	36,140	229,301	155,998	16,053	26,040	198,091
Insurance contract and other receivables	815,123	119,846	81,677	1,016,646	783,805	112,323	86,063	982,191
Cash and cash equivalents	118,431	18,753	27,597	164,781	108,264	24,764	26,978	160,006
Total assets	4,156,801	4,325,752	629,626	9,112,179	3,635,057	4,095,717	671,395	8,402,169
Liabilities								
Technical provisions	3,457,666	3,072,341	678,940	7,208,947	3,368,113	2,818,448	630,682	6,817,243
Provisions	110,465	-	3,516	113,981	136,316	-	4,467	140,783
Financial liabilities	279	4,576	509	5,364	639	222	3,312	4,173
Liabilities arising from insurance contracts, other liabilities and deferred income	543,931	56,611	45,708	646,250	535,479	34,848	46,990	617,317
Total liabilities	4,112,341	3,133,528	728,673	7,974,542	4,040,547	2,853,518	685,451	7,579,516
Foreign currency gap	44,460	1,192,224	(99,047)	1,137,637	(405,490)	1,242,199	(14,056)	822,653

b) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or cash flows under financial instruments resulting from changes in market interest rates. The Group is exposed to interest rate risk on the basis of financial instruments whose value is sensitive to interest rate changes.

Interest rate changes do not affect the level of technical non-life provisions, while the mathematical life reserve is discounted using the technical rate of interest of a particular product or the maximum interest rate stipulated by HANFA, which cannot be higher than the weighted average yield on mathematical reserve assets in the last three years.

The Group monitors this exposure through periodic reviews of its asset and liability positions. The Group intends to harmonize future earnings from such assets with liabilities under insurance by purchasing state bonds. However, considering the relatively short duration of such bonds and longer period of duration of liabilities under life insurance, the Group is exposed to interest rate risk.

An analysis of the sensitivity of financial assets to a change in market interest rates is given below:

	2017		2016	
	Impact on profit/loss before tax	Impact on comprehensive income	Impact on profit/loss before tax	Impact on comprehensive income
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Company				
Change in interest rate by +/- 100 bps	-	(180,748)/180,748	-	(82,350)/82,350
Group				
Change in interest rate by +/- 100 bps	(3,136)/3,136	(186,337)/186,337	(2,655)/2,655	(94,037)/94,037

c) Other price risks

The equity securities risk is caused by the fluctuation of fair value or cash flows in connection with financial instruments resulting from changes in market prices (which are not the result of interest rate risk or foreign exchange risk), whether this involves changes caused by factors relating 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 in any individual company is monitored and limited by legal requirements and the adopted limits.

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

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

Price risk analysis

	2017		2016	
	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
Company				
Change in price by +/- 3%	2,397/(2,397)	14,185/(14,185)	7,281/(7,281)	12,071/(12,071)
Change in price by +/- 5%	3,995(3,995)	23,642/(23,642)	12,135/(12,135)	20,118/(20,118)
Group				
Change in price by +/- 3%	2,702/(2,702)	14,549/(14,549)	7,592/(7,592)	12,470/(12,470)
Change in price by +/- 5%	4,503/(4,503)	24,248/(24,248)	12,653/(12,653)	20,783/(20,783)

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 and regular meetings held to monitor the 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.

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Credit risk exposure	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in debt securities	4,834,213	3,662,374	5,387,305	4,272,812
Investments in bank deposits	813,393	1,221,713	1,125,867	1,615,792
Loans	510,897	375,888	203,039	289,054
Reinsurance share in technical provisions	211,958	181,954	229,301	198,091
Insurance contract and other receivables	921,880	763,375	1,016,646	982,191
Cash and cash equivalents	48,374	66,199	146,781	160,006
	7,340,715	6,271,503	8,108,939	7,517,946

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

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Government bonds	4,644,307	3,389,240	4,807,721	3,663,325
Bonds of other state institutions	107,896	183,362	107,896	183,363
Treasury bills	-	-	-	8,067
Undue interest on bonds	80,904	72,931	82,966	77,471
Other receivables	4,789	4,248	13,675	9,122
	4,837,896	3,649,781	5,012,258	3,941,348

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The table below shows the company's asset analysis by category according to the ratings by the agencies Standard&Poor's (S&P), Moody's and Fitch.

	Company		Rating 2017			Rating 2016		
	31 Dec. 2017	31 Dec. 2016	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	in HRK'000	in HRK'000						
Held-to-maturity investments	2,030,109	2,020,974						
Ministry of Finance of the Republic of Croatia	1,992,611	1,878,608	BB	Ba2	BB	BB	Ba2	BB
Croatian Bank for Reconstruction and Development (CBRD)	37,498	112,366	BB	Ba2	BB	BB	Ba2	BB
No rating	-	30,000		No rating			No rating	
Available-for-sale financial assets	2,804,104	1,641,400						
Ministry of Finance of the Republic of Croatia	2,651,697	1,510,632	BB	Ba2	BB	BB	Ba2	BB
Croatian Bank for Reconstruction and Development (CBRD)	70,397	70,996	BB	Ba2	BB	BB	Ba1	-
Ministry of Finance of Hungary	13,919	-	BBB-	Baa3	BBB-			
Rated corporations	13,531	3,058	BB-	Ba3		BB-	Ba3	-
	13,871	15,089	BB	Ba2		BB	Ba2	-
No rating	40,688	41,625					No rating	
Loans and receivables	1,324,290	1,597,601						
Rated banks	453,824	628,808	BB		BBB-	BB	-	BBB
Rated corporations	85,308	100,000		C		B	B3	-
No rating*	785,157	868,793		No rating			No rating	
Reinsurance share in technical provisions	211,958	181,954						
Rated reinsurers	12,060	11,542	A-	-	-	A-	-	-
	29,795	15,800	A	-	-	A	-	-
	64,140	68,265	A+	-	-	A+	-	-
	90,388	70,472	AA-	-	-	AA-	-	-
	1,912	1,282	AA	-	-	AA	-	-
	788	1,267	AA+	-	-	AA+	-	-
	60	247	-	-	A-	-	A1	-
	508	46	-	-	BBB-	-	Aa1	-
	2,243	68	-	Baa1	A-	-	-	BBB+
Reinsurers rated by another agency	7,065	9,490	-	-	-	-	-	-
No rating	3,001	3,475		No rating			No rating	
Insurance contract and other receivables	921,880	763,375						
No rating	921,880	763,375		No rating			No rating	
Cash and cash equivalents	48,374	66,199						
Rated banks	419	883	BB		BBB-	BB	-	BBB-
Other banks of reputable banking groups in the EU**	47,955	65,316		No rating			No rating	
	7,340,715	6,271,503						

* Loans and receivables with no rating relate to loans to related parties, domestic companies with no rating and retail loans that are insured.

**Other banks of reputable banking groups in the EU relate to local banks that have no rating, but their parent companies which are EU banks have the following ratings for 2017: BBB, BBB+, BBB-, A (2016: BBB-, BBB, BB+, BBB+).

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	Group		Rating 2017			Rating 2016		
	31 Dec.2017	31 Dec.2016	S&P	Moody's	Fitch	S&P	Moody's	Fitch
	in HRK'000	in HRK'000						
<i>Held-to-maturity investments</i>	2,159,973	2,169,677						
Ministry of Finance of the Republic of Croatia	1,998,640	1,933,134	BB	Ba2	BB	BB	Ba2	BB
Croatian Bank for Reconstruction and Development (CBRD)	37,498	112,366	BB	Ba2	BB	BB	Ba2	BB
Ministry of Finance of Macedonia	81,083	82,881	BB-	-	BB	BB-	-	BB
Republic of Bosnia and Herzegovina	-	39	-	-	-	B	B3	B-
Ministry of Finance of Serbia	42,752	9,469	BB	BA3	BB	BB-	B1	BB-
No rating	-	31,788	-	-	-	-	-	-
<i>Available-for-sale financial assets</i>	3,193,133	2,035,431						
Ministry of Finance of the Republic of Croatia	2,809,081	1,725,543	BB	Ba2	BB	BB	Ba2	BB
Croatian Bank for Reconstruction and Development (CBRD)	70,397	70,996	BB	Ba2	BB	BB	Ba2	BB
Ministry of Finance of Hungary	13,919	-	BBB	Baa3	BBB-	-	-	-
Rated corporations	13,531	15,089	BB-	Ba3	-	BB	Ba2	-
Ministry of Finance of Macedonia	13,871	3,058	BB	Ba2	-	BB-	Ba3	-
Ministry of Finance of Macedonia	145,145	104,753	BB-	-	BB	BB-	-	BB
Ministry of Finance of Serbia	86,501	66,668	BB	Ba3	BB	BB-	B1	BB-
No rating	40,688	49,324	-	-	-	-	-	-
<i>Financial assets at fair value through profit or loss</i>	34,200	67,704						
Ministry of Finance of Serbia	34,200	67,704	BB	BA3	BB	BB-	B1	BB-
<i>Loans and receivables</i>	1,328,906	1,904,846						
Rated banks	453,824	637,878	BB	-	BBB-	BB	-	BBB-
Rated banks	-	209,466	-	-	-	B	B2	B-
Rated corporations	85,308	100,000	-	C	-	B	B3	-
Other banks and financial institutions	-	24,703	-	-	-	BB-	-	BB
No rating*	789,773	932,799	-	-	-	-	-	-
<i>Reinsurance share in technical provisions</i>	229,301	198,091						
Rated reinsurers	29,795	16,547	A	-	-	A	-	-
	12,060	11,733	A-	-	-	A-	-	-
	64,140	68,384	A+	-	-	A+	-	-
	-	1,267	-	-	-	A++	-	-
	1,912	-	AA	-	-	-	-	-
	90,388	70,557	AA-	-	-	AA-	-	-
	-	1,282	-	-	-	AA	-	-
	788	-	AA+	-	-	-	-	-
	60	761	-	-	A-	AA-	Aa3	AA-
	508	247	-	-	BBB-	-	A1	-
	2,243	46	-	Baa1	A-	-	Aa1	-
	-	68	-	-	-	-	-	BBB+
	-	31	-	-	-	A+	A1	-
	-	24	-	-	-	A-	-	A-
	-	20	-	-	-	-	Baa1	-
	-	12,906	-	-	-	BB	Ba2	BB
Reinsurers rated by another agency	7,065	9,490	-	-	-	-	-	-
No rating	20,343	4,728	-	-	-	-	-	-
<i>Insurance contract and other receivables</i>	1,016,646	982,191						
No rating	1,016,646	982,191	-	-	-	-	-	-
<i>Cash and cash equivalents</i>	164,781	160,006						
Rated banks	17,690	4,474	BB	-	BBB-	BB	-	BBB-
	-	13,994	-	-	-	B	B3	B-
	-	157	-	-	-	A	-	-
	-	10,906	-	-	-	BBB-	-	-
	-	3,431	-	-	-	BB	-	-
Other banks of reputable banking groups in the EU**	147,091	127,044	-	-	-	-	-	-
	8,126,940	7,517,946						

* Loans and receivables with no rating relate to loans to related parties, domestic companies with no rating and retail loans that are insured.

**Other banks of reputable banking groups in the EU relate to local banks that have no rating, but their parent companies which are EU banks have the following ratings for 2017: BBB, BBB+, BBB-, A (2016: BBB-, BBB, BB+, BBB+).

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 from the Group's financial activities and 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 timeframe. The Group has a portfolio of liquid assets as a part of liquidity risk management strategy, which ensures continuation of business and satisfies legal requirements.

Legal claims for damages have been met in a timely manner. 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 shows the amounts of contracted discounted cash flows for financial assets and, for insurance liabilities, the estimated maturity of the amounts recognized in the statement of financial position.

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The maturity analysis on the reporting date is as follows:

Company in HRK'000	31 December 2017						31 December 2016					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
Assets												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	315,311	315,311	-	-	-	-	394,644	394,644
Held-to-maturity investments	343,815	557,012	366,633	515,111	247,538	2,030,109	272,302	588,225	338,486	821,961	-	2,020,974
Available-for-sale financial assets	25,789	390,141	491,862	1,235,664	1,133,487	3,276,943	-	358,016	410,844	1,272,910	1,999	2,043,769
Financial assets at fair value through profit or loss	67,380	31,730	241,356	65,618	11,175	417,259	230,569	157	89,296	60,969	59	381,050
Loans and receivables	811,416	164,565	168,776	124,374	55,159	1,324,290	1,064,077	329,065	128,560	27,313	48,586	1,597,601
Reinsurance share in technical provisions	106,704	38,658	15,375	18,430	32,791	211,958	84,808	35,502	14,210	19,222	28,212	181,954
Insurance contract and other receivables	921,880	-	-	-	-	921,880	756,370	7,005	-	-	-	763,375
Cash and cash equivalents	48,374	-	-	-	-	48,374	66,199	-	-	-	-	66,199
Total	2,325,358	1,182,106	1,284,002	1,959,197	1,795,461	8,546,124	2,474,325	1,317,970	981,396	2,202,375	473,500	7,449,566
Liabilities												
Technical provisions	2,110,205	1,106,000	902,445	1,036,081	1,229,285	6,384,016	1,695,621	1,029,678	903,233	1,014,470	1,321,424	5,964,426
Provisions	31,960	27,684	23,906	9,268	8,502	101,320	69,531	20,600	17,799	8,638	7,413	123,981
Financial liabilities	1,999	-	-	-	-	1,999	-	-	-	-	-	-
Liabilities arising from insurance contracts, other liabilities and deferred income	557,871	10,391	4,605	5,272	7,771	585,910	510,700	12,084	6,950	8,917	5,763	544,414
Total	2,702,035	1,144,075	930,956	1,050,621	1,245,558	7,073,245	2,275,852	1,062,362	927,982	1,032,025	1,334,600	6,632,821
Maturity mismatch	(376,677)	38,031	353,046	908,576	549,903	1,472,879	198,473	255,608	53,414	1,170,350	-861,100	816,745

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The maturity analysis at the Group's reporting date is as follows:

Group in HRK'000	31 December 2017						31 December 2016					
	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total	No later than 1 year	1-3 years	3-5 years	5-10 years	More than 10 years	Total
Assets												
Investments in subsidiaries, associates and participation in joint ventures	-	-	-	-	79,549	79,549	-	-	-	-	85,566	85,566
Held-to-maturity investments	372,314	612,122	369,892	541,850	263,795	2,159,973	296,249	647,633	360,522	842,764	22,509	2,169,677
Available-for-sale financial assets	82,725	504,217	526,192	1,302,310	1,251,300	3,666,744	22,837	448,081	474,647	1,406,886	87,787	2,440,238
Financial assets at fair value through profit or loss	90,547	56,347	242,575	65,636	11,174	466,279	278,975	31,782	89,521	61,217	59	461,554
Loans and receivables	899,284	269,038	159,096	-	1,488	1,328,906	1,186,905	570,466	137,475	10,000	-	1,904,846
Reinsurance share in technical provisions	123,365	38,928	15,530	18,687	32,791	229,301	98,880	36,297	14,524	19,709	28,681	198,091
Insurance contract and other receivables	1,015,580	1,066	-	-	-	1,016,646	972,571	9,390	230	-	-	982,191
Cash and cash equivalents	164,781	-	-	-	-	164,781	160,006	-	-	-	-	160,006
Total	2,748,596	1,481,718	1,313,285	1,928,483	1,640,097	9,112,179	3,016,423	1,743,649	1,076,919	2,340,576	224,602	8,402,169
Liabilities												
Technical provisions	2,501,324	1,204,493	996,569	1,165,631	1,340,930	7,208,947	2,191,240	1,101,274	979,338	1,124,974	1,420,417	6,817,243
Provisions	33,969	32,669	25,099	12,728	9,517	113,982	73,687	28,319	18,649	10,605	9,523	140,783
Financial liabilities	2,460	2,753	150	-	-	5,363	832	3,223	118	-	-	4,173
Liabilities arising from insurance contracts, other liabilities and deferred income	613,520	12,731	6,081	6,145	7,772	646,249	583,603	12,084	6,950	8,917	5,763	617,317
Total	3,151,273	1,252,646	1,027,899	1,184,504	1,358,219	7,974,541	2,849,362	1,144,900	1,005,055	1,144,496	1,435,703	7,579,516
Maturity mismatch	(402,677)	229,072	285,386	743,979	281,878	1,137,638	167,061	598,749	71,864	1,196,080	(1,211,101)	822,653

Fair value

Fair value is the amount that should be received for an asset sold or paid to settle a liability in an arm's length transaction between market participants at the value 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. The fair value of investments at amortised cost is presented below:

	31 Dec. 2017			31 Dec. 2016		
	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
Company						
Debt securities	2,030,109	2,288,591	258,482	2,020,974	2,267,958	246,984
Loans	510,897	510,897	-	375,888	375,888	-
Deposits	813,393	813,393	-	1,221,713	1,221,713	-
	3,354,399	3,612,881	258,482	3,618,575	3,865,559	246,984
Group						
Debt securities	2,159,973	2,419,213	259,241	2,169,677	2,421,526	251,849
Loans	203,039	203,039	-	289,054	289,054	-
Deposits	1,125,867	1,125,867	-	1,615,792	1,615,792	-
	3,488,879	3,748,119	259,241	4,074,523	4,326,372	251,849

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 reflect 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 using the valuation method. 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 (unobservable inputs) (Level 3).

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The Company's assets measured at fair value as at 31 December 2017 are presented as follows:

	Level 1 in HRK'000	Level 2 in HRK'000	Level 3 in HRK'000	Total in HRK'000
Property for own use	-	-	435,945	435,945
Investment property	-	-	414,923	414,923
Equity securities	433,265	-	2,140	435,405
Debt securities	2,700,975	100,990	2,139	2,804,104
Investment funds	36,742	-	692	37,434
Available-for-sale financial assets	3,170,982	100,990	4,971	3,276,943
Equity securities	14,385	-	-	14,385
Debt securities	-	-	-	-
Investment funds	401,181	-	-	401,181
Foreign currency forward contracts	-	1,692	-	1,692
Financial assets at fair value through profit or loss	415,566	1,692	-	417,258
Total assets at fair value	3,586,548	102,682	855,839	4,545,069

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

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, under the assumption that all payments arising from exposures without impaired value will be collected as agreed and without taking into account any future losses.

Financial liabilities are recorded 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 majority of liabilities within 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 is 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 fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The fair value of held-to-maturity investments is based on the available market prices and is classified as level 1 in accordance with IFRS 13.

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The Group's assets measured at fair value as at 31 December 2017 are presented as follows:

	Level 1	Level 2	Level 3	Total
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	-	-	617,211	617,211
Investment property	-	-	903,386	903,386
Equity securities	433,980	-	2,197	436,177
Debt securities	3,087,269	103,724	2,139	3,193,132
Investment funds	36,742	-	692	37,434
Available-for-sale financial assets	3,557,991	103,724	5,028	3,666,743
Equity securities	14,385	-	-	14,385
Debt securities	34,200	-	-	34,200
Investment funds	416,002	-	-	416,002
Foreign currency forward contracts	-	1,692	-	1,692
Financial assets at fair value through profit or loss	464,587	1,692	-	466,279
Total assets at fair value	4,022,578	105,416	1,525,625	5,653,619

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

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

Fair value of properties

An independent valuation of the Company's investment property was conducted by external valuers in order to determine the fair value as at 31 December 2017 and 31 December 2016.

Estimates of fair value for real estate activities were carried out by external valuers in 2014, whereas in 2017 the Group reviewed whether there were any impairment indications and recognized impairment of the property for activities where there was a significant difference in its net book value relative to the recoverable amount .

Valuation techniques used for determining fair value on Level 3

The fair value of investment property is derived primarily by applying a sales comparison and income approach, and sometimes lacking information on market parameters by applying the cost method, depending on a particular property.

The fair value of the property for own use for was carried out primarily by applying the income method.

The most significant inputs in the valuations were prices or rental income per square meter, generated based on comparable properties in the immediate vicinity and then adjusted by differences in key characteristics.

Information on fair value measurement of investment property which included significant parameters that are not available on the market (level 3)

Description	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2017	2016
Company	414,923	448,528	Income approach	Capitalization rate	6.5%-10%	6.5%-10%
			Cost approach	Building unit price per m2 (HRK)	61-6,981	45-5,200
				Sales comparison approach	Average price per m2 (HRK)	1-24,731
Other Group companies	488,464	335,631	Income approach	Capitalization rate	6.5%-11%	6.5%-11%
			Cost approach	Discount rate	10%-11%	10%
				Building unit price (HRK)	5,453-5,723	6,330
				Sales comparison approach	Building unit price per m2 (HRK)	469-8,555
Total	903,386	784,159				

A significant increase (decrease) in the average price per m2, with other variables held constant, would have an impact on a significant increase (decrease) in the fair value of investment property. A significant increase (decrease) in the discount rate, with other variables held constant, would have an impact on a significant decrease (increase) in the fair value of investment property.

There is no significant interaction between invisible inputs used in estimates that would have a significant effect on fair value.

2.38. Capital management

The Company's objectives when managing capital are:

- Ensuring the Company's going concern;
- Compliance with Croatian and EU laws and subordinate legislation, 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 insurers and the insured party;
- Achieving efficient and optimal capital allocation as well as maximizing return on capital;
- Ensuring continuous compliance of the Company's and the Group's business strategy with risk appetite and targeted levels of capital adequacy;
- Providing a high level of capitalization or sufficient surplus capital for further investment in the development and growth of the Company and the Group.

The Company and the Group are subject to the statutory and subordinate regulations of the Republic of Croatia and the EU governing capital management, which also define the minimum levels of capital that the Company and the Group must maintain (regulatory framework Sovereignty 2 applied since 2016). The above-mentioned regulatory framework defines the rules governing the method of calculation and reporting on capital adequacy. In particular, it stipulates that the Company and the Group must at all times maintain acceptable own funds (available capital) in such a manner as to cover the Minimum Capital Requirement (the so-called MCR), as well as the Solvency Capital Requirement SCR).

The Company and the Group comply with the legal and subordinate regulations governing the capital adequacy, as follows:

	Regulatory requirement	Company	Company
		31 Dec. 2017*	31 Dec. 2016**
SCR ratio***	>100%	261%	236%
MCR ratio***	>100%	905%	827%

	Regulatory requirement	Group	Group
		31 Dec. 2017*	31 Dec. 2016**
SCR ratio***	>100%	215%	194%
MCR ratio***	>100%	631%	541%

* Temporary data for the last reference date for which the data is available at the time of this Report are presented. The Company and the Group will disclose the final data for 31 December 2017 as part of the Solvency and Financial Condition Report, which will be published on the Company's website no later than 6 May 2018 for the Company, or by 17 June 2018 for the Group.

** Data presented for 31 December 2016 the data are published in the Solvency and Financial Condition Report of CROATIA osiguranje for 2016 and the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2016.

*** The SCR ratio is defined as the ratio of the amount of total eligible own funds to cover the required solvency capital (SCR) and the amount of solvent capital required. 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 capital adequacy and conduct stress tests of capital and its adequacy in order to prevent the possibility of capital shortages in time.

3. Segment reporting

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

	2017	2017	2017	2016	2016	2016
	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	1,931,308	533,541	2,464,849	1,741,690	533,428	2,275,118
Premiums ceded to reinsurance	(249,196)	52	(249,144)	(243,559)	(249)	(243,808)
Written premiums, net of reinsurance and coinsurance	1,682,112	533,593	2,215,705	1,498,131	533,179	2,031,310
Change in gross provisions for unearned premiums	(67,872)	(8)	(67,880)	(30,430)	(654)	(31,084)
Change in provision for unearned premiums, reinsurance share	9,778	(1)	9,777	(13,915)	-	(13,915)
Earned premiums, net of reinsurance and coinsurance	1,624,018	533,584	2,157,602	1,453,786	532,525	1,986,311
Commission and fee income	34,138	1,276	35,414	32,392	488	32,880
Finance income	269,707	150,970	420,677	247,306	121,664	368,970
Other operating income	39,656	251	39,907	56,138	60	56,198
Net operating income	1,967,519	686,081	2,653,600	1,789,622	654,737	2,444,359
Claims incurred	(1,051,006)	(489,560)	(1,540,566)	(997,220)	(490,548)	(1,87,768)
Reinsurance share of claims incurred	98,163	(277)	97,886	99,893	7	99,900
Claims incurred, net of reinsurance and coinsurance	(952,843)	(489,837)	(1,442,680)	(897,327)	(490,541)	(1,387,868)
Acquisition costs	(350,877)	(57,454)	(408,331)	(336,446)	(67,209)	(403,655)
Administrative expenses	(343,877)	(57,351)	(401,228)	(286,950)	(50,199)	(337,149)
Other operating expenses	(47,906)	(508)	(48,414)	(122,552)	(353)	(122,905)
Finance costs	(146,236)	(22,186)	(168,422)	(73,712)	(25,350)	(99,062)
Profit before tax	125,780	58,745	184,525	72,635	21,085	93,720
Taxation	(24,261)	(9,321)	(33,582)	(37,229)	(4,963)	(42,192)
Profit for the year	101,519	49,424	150,943	35,406	16,122	51,528

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

	31 Dec. 2017	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Property and equipment	27,168	-	27,168	16,281	-	16,281
Deferred acquisition costs	173,912	-	173,912	110,496	-	110,496
Intangible assets	474,369	2	474,371	634,905	-	634,905
Investment property	414,923	-	414,923	448,528	-	448,528
Investments in subsidiaries, associates and participation in joint ventures	315,311	-	315,311	394,644	-	394,644
Held-to-maturity investments	817,969	1,212,140	2,030,109	791,578	1,229,396	2,020,974
Available-for-sale financial assets	2,102,466	1,174,477	3,276,943	1,049,814	993,955	2,043,769
Financial assets at fair value through profit or loss	81,595	335,664	417,259	202,592	178,458	381,050
Loans and receivables	1,066,668	257,622	1,324,290	1,279,102	318,499	1,597,601
Reinsurance share in technical provisions	211,957	1	211,958	181,675	279	181,954
Deferred tax assets	45,980	-	45,980	53,386	-	53,386
Insurance contract and other receivables	876,635	52,084	928,719	724,856	49,954	774,810
Cash and cash equivalents	39,243	9,131	48,374	45,977	20,222	66,199
Total assets	6,648,197	3,041,119	9,689,317	5,933,836	2,790,761	8,724,597
Capital and reserves						
Subscribed share capital	557,287	44,289	601,576	557,287	44,289	601,576
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	315,742	84,708	400,450	313,972	83,902	397,874
Revaluation reserve	251,939	82,286	334,225	170,981	57,547	228,528
Retained earnings	482,476	81,921	564,397	110,757	33,303	144,060
Total capital and reserves	2,288,927	293,204	2,582,131	1,834,480	219,041	2,053,521
Liabilities						
Technical provisions	3,686,201	2,697,815	6,384,016	3,436,139	2,528,287	5,964,426
Provisions	95,962	5,358	101,320	113,307	10,674	123,981
Deferred tax liability	-	17,552	17,552	-	10,281	10,281
Financial liabilities	1,700	299	1,999	-	-	-
Liabilities arising from insurance contracts, other liabilities and deferred income	565,858	26,891	592,749	533,371	22,478	555,849
Current income tax liabilities	9,550	-	9,550	16,539	-	16,539
Total liabilities	4,359,271	2,747,915	7,107,186	4,099,356	2,571,720	6,671,076
Total capital, reserves and liabilities	6,648,198	3,041,119	9,689,317	5,933,836	2,790,761	8,724,597

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

	2017	2017	2017	2016	2016	2016
	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	2,497,359	639,376	3,136,735	2,396,235	629,583	3,025,818
Premiums ceded to reinsurance	(277,357)	(39)	(277,396)	(283,966)	(379)	(284,345)
Written premiums, net of reinsurance and coinsurance		639,337	2,859,339	2,112,269	629,204	2,741,473
Change in gross provisions for unearned premiums	(151,252)	11	(151,241)	(92,348)	(722)	(93,070)
Change in provision for unearned premiums, reinsurance share	11,978	(24)	11,954	3,336	(23)	3,313
Earned premiums, net of reinsurance and coinsurance	2,080,728	639,324	2,720,052	2,023,257	628,459	2,651,716
Commission and fee income	35,862	1,276	37,138	42,158	486	42,644
Finance income	334,254	166,105	500,359	257,691	133,774	391,465
Other operating income	164,662	1,376	166,038	170,528	179	170,707
Net operating income	2,615,506	808,081	3,423,587	2,493,634	762,898	3,256,532
Claims incurred	(1,274,049)	(574,433)	(1,848,482)	(1,244,452)	(566,721)	(1,811,173)
Reinsurance share of claims incurred	107,061	(277)	106,784	141,488	7	141,495
Claims incurred, net of reinsurance and coinsurance	(1,166,988)	(574,710)	(1,741,698)	(1,102,964)	(566,714)	(1,669,678)
Acquisition costs	(483,410)	(76,993)	(560,403)	(461,992)	(84,582)	(546,574)
Administrative expenses	(520,672)	(63,980)	(584,652)	(486,063)	(56,955)	(543,018)
Other operating expenses	(76,196)	(978)	(77,174)	(154,071)	(762)	(154,833)
Finance costs	(151,171)	(19,610)	(170,781)	(71,726)	(26,448)	(98,174)
Share in profit of associates	14,623	-	14,623	12,908	-	12,908
Profit before tax	231,692	71,810	303,502	229,726	27,437	257,163
Income tax	(39,805)	(10,106)	(49,911)	(76,166)	(5,787)	(81,953)
Profit for the year	191,887	61,704	253,591	153,560	21,650	175,210

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

	31 Dec.2017	31 Dec.2017	31 Dec.2017	31 Dec.2016	31 Dec.2016	31 Dec.2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Intangible assets	36,886	401	37,287	33,278	216	33,494
Deferred acquisition costs	203,132	-	203,132	128,331	-	128,331
Property and equipment	659,663	17,695	677,358	815,662	17,730	833,392
Investment property	901,778	1,608	903,386	783,135	1,024	784,159
Investments in subsidiaries, associates and participation in joint ventures	79,549	-	79,549	85,566	-	85,566
Held-to-maturity investments	881,767	1,278,206	2,159,973	873,729	1,295,948	2,169,677
Available-for-sale financial assets	2,349,858	1,316,886	3,666,744	1,343,418	1,096,820	2,440,238
Financial assets at fair value through profit or loss	125,732	340,547	466,279	279,275	182,279	461,554
Loans and receivables	940,018	388,888	1,328,906	1,456,000	448,846	1,904,846
Reinsurance share in technical provisions	229,266	35	229,301	197,755	336	198,091
Deferred tax assets	40,022	-	40,022	65,368	-	65,368
Insurance contract and other receivables	999,135	77,873	1,077,008	978,626	73,323	1,051,949
Cash and cash equivalents	138,610	26,171	164,781	123,146	36,860	160,006
Total assets	7,585,416	3,448,310	11,033,726	7,163,289	3,153,382	10,316,671
Capital and reserves						
Subscribed share capital	557,287	44,289	601,576	557,287	44,289	601,576
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	315,742	84,708	400,450	313,972	83,902	397,874
Fair value reserve	297,318	82,718	380,036	230,180	58,269	288,449
Retained earnings	738,279	121,276	859,555	548,920	60,581	609,501
Equity attributable to owners of the parent	2,590,109	332,991	2,923,100	2,331,842	247,041	2,578,883
Non-controlling interest	10,984	1,509	12,493	12,168	1,510	13,678
Total capital and reserves	2,601,093	334,500	2,935,593	2,344,010	248,551	2,592,561
Liabilities						
Technical provisions	4,185,739	3,023,208	7,208,947	4,001,070	2,816,173	6,817,243
Provisions	108,604	5,378	113,982	130,090	10,693	140,783
Deferred tax liability	23,974	17,853	41,827	19,667	10,360	30,027
Financial liabilities	4,840	523	5,363	3,951	222	4,173
Liabilities arising from insurance contracts, other liabilities and deferred income	640,555	66,056	706,611	620,521	66,554	687,075
Current income tax payable	20,612	791	21,403	43,980	829	44,809
Total liabilities	4,984,324	3,113,809	8,098,133	4,819,279	2,904,831	7,724,110
Total capital, reserves and liabilities	7,585,417	3,448,309	11,033,726	7,163,289	3,153,382	10,316,671

The measurement of the assets and liabilities segment and the revenues and result segment is based on the accounting policies set out in the notes on accounting policies. Based on the internal management reports, the key performance measure for measurement of profitability of each segment and insurance type identify by the Group is gross written premium and profit before tax.

The Group's main segments are non-life and life. The Group is performing insurance business in segments of non-life and life insurance. Among other important activities, the Group also carries out the operations of managing pension funds, technical examinations and providing medical services of clinics within the segment of non-life.

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 segments include:

Non-life:

- Accident insurance
- Health insurance
- Road motor vehicle insurance
- Railroad rolling stock insurance
- Aircraft insurance
- Vessel insurance
- Goods-in-transit insurance
- 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
- Various 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

4. Premiums

	Company	Company	Group	Group
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Gross written premiums	2,463,322	2,268,662	3,141,160	3,020,718
Impairment and charged premium adjustment	1,527	6,456	(4,425)	5,100
Gross premiums written	2,464,849	2,275,118	3,136,735	3,025,818
Reinsurance premium in the country	125	15,349	(5,638)	1,829
Reinsurance premium abroad	(246,296)	(253,033)	(268,316)	(279,822)
Co-insurance premium in the country	(1,633)	(1,813)	(2,102)	(2,041)
Co-insurance premium abroad	(1,340)	(4,311)	(1,340)	(4,311)
Gross premiums ceded to reinsurance and co-insurance	(249,144)	(243,808)	(277,396)	(284,345)
Written premiums, net of reinsurance and co-insurance	2,215,705	2,031,310	2,859,339	2,741,473
Gross provisions for unearned premiums	(67,880)	(31,084)	(151,241)	(93,070)
Provisions for unearned premiums, reinsurance share	9,773	(13,950)	11,808	2,497
Provisions for unearned premiums, coinsurance share	4	35	146	816
Change in provisions for unearned premiums	(58,103)	(44,999)	(139,287)	(89,757)
Earned premiums, net of reinsurance and co-insurance	2,157,602	1,986,311	2,720,052	2,651,716
	Company	Company	Group	Group
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Gross written premiums	533,541	533,428	639,376	629,583
Reinsurance premium in the country	-	(1)	-	(1)
Reinsurance premium abroad	52	(248)	(39)	(378)
Premium ceded to reinsurance	52	(249)	(39)	(379)
Written premiums, net of reinsurance	533,593	533,179	639,337	629,204
Gross provisions for unearned premiums	(8)	(654)	11	(722)
Provisions for unearned premiums, reinsurance share	(1)	-	(24)	(23)
Change in provisions for unearned premiums	(9)	(654)	(13)	(745)
Earned premiums, net of reinsurance	533,584	532,525	639,324	628,459

4. Premiums (continued)

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Gross written premiums	1,929,781	1,735,234	2,501,784	2,391,135
Impairment and charged premium adjustment	1,527	6,456	(4,425)	5,100
Gross premiums written	1,931,308	1,741,690	2,497,359	2,396,235
Reinsurance premium in the country	125	15,350	(5,638)	1,830
Reinsurance premium abroad	(246,348)	(252,785)	(268,277)	(279,444)
Co-insurance premium in the country	(1,633)	(1,813)	(2,102)	(2,041)
Coinsurance premium abroad	(1,340)	(4,311)	(1,340)	(4,311)
Premium ceded to reinsurance	(249,196)	(243,559)	(277,357)	(283,966)
Written premiums, net of reinsurance	1,682,112	1,498,131	2,220,002	2,112,269
Gross provisions for unearned premiums	(67,872)	(30,430)	(151,252)	(92,348)
Provisions for unearned premiums, reinsurance share	9,774	(13,950)	11,831	2,520
Provisions for unearned premiums, coinsurance share	4	35	147	816
Change in provisions for unearned premiums	(58,094)	(44,345)	(139,274)	(89,012)
Earned premiums, net of reinsurance	1,624,018	1,453,786	2,080,728	2,023,257

5. Commission and fee income

Commission and fee income in the amount of HRK 35,415 thousand (2016: HRK 32,880 thousand) for the Company and HRK 37,138 thousand (2016: HRK 42,644 thousand) for the Group relate to commissions from reinsurance companies under reinsurance contracts.

6. Finance income

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income	228,442	232,719	248,180	264,888
Dividend income	28,527	65,713	16,252	17,240
Gains on investment property	33,390	38,153	77,309	72,460
Gain from bargain purchase	-	-	20,554	-
Foreign exchange gains	19,404	6,051	23,514	10,487
Realised gains from financial assets	70,787	18,220	69,015	14,312
Unrealised gains from financial assets at fair value through profit or loss	2,026	1,043	5,213	2,218
Unrealised gains on change in fair value of derivative financial instruments	1,692	-	1,692	-
Collection of amounts previously written off - loans	18,823	2,468	19,135	3,410
Collection of amounts previously written off	1,081	783	1,084	792
Other income	16,504	3,820	18,411	5,658
	420,676	368,970	500,359	391,465

6.1. Interest income

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Interest income</i>				
Interest on held-to-maturity investments	110,056	114,480	115,871	122,428
Interest on available-for-sale financial assets:	70,280	55,122	82,317	70,413
Interest on financial assets at fair value through profit or loss	-	-	2,205	2,847
Given deposits	30,204	39,063	38,008	49,665
Given loans and other placements	17,902	24,054	9,779	19,535
	228,442	232,719	248,180	264,888

6.2. Gains on investment property

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Gains on investment property</i>				
Rental income	30,796	31,079	70,564	59,437
Income from increase in the value of land and buildings (Note 17)	3,472	6,907	8,083	12,894
Net (expenses) / income from the sale of land and buildings	(878)	167	(1,338)	129
	33,390	38,153	77,309	72,460

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Table below presents future minimum lease payments from uncancellable operating lease contracts:

	Company	Company	Group	Group
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Up to 1 year	12,649	4,045	20,060	11,044
from 1-5 year	37,050	5,650	66,401	34,834
Over 5 years	4,261	1,095	105,705	109,978
	53,961	10,790	192,166	155,856

6.3. Realised gains from financial assets

	Company	Company	Group	Group
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Realised gains from financial assets</i>				
Financial assets at fair value through profit or loss	161	779	305	884
Available-for-sale financial assets	62,876	6,205	63,644	13,428
Held-to-maturity investments	-	-	-	-
Derivative financial instruments	451	-	451	-
Investments in subsidiaries and associates	7,299	11,236	4,615	-
	70,787	18,220	69,015	14,312

6.4. Foreign exchange gains

	Company	Company	Group	Group
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Foreign exchange gains</i>				
Held-to-maturity investments	3,317	8	4,566	871
Available-for-sale financial assets	6,130	2,949	8,680	4,115
Financial assets at fair value through profit or loss	-	-	-	718
Deposits	4,755	-	4,779	304
Borrowings	755	642	811	735
Foreign currency accounts	4,447	2,452	4,588	3,043
Other	-	-	90	701
	19,404	6,051	23,514	10,487

7. Other operating income

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Income from liabilities and collected receivables written off	1,553	3,085	3,216	5,194
Income from guarantee fund	7,313	1,838	7,313	1,838
Income from penalty interest	10,083	12,387	10,530	12,997
Net recourse income	(5,745)	6,826	(2,036)	10,786
Income from claims incurred abroad	4,416	6,802	4,703	7,243
Income on insolvency procedure of a partner	-	5,372	-	5,372
Income from assessment services	3,814	4,207	3,748	4,156
Income from tax refund	3,367	-	3,367	-
Income from reversal of long-term provisions	-	1,489	1,911	1,945
Income from fees for border security	161	310	161	310
Gain on sale of tangible assets	439	16	7,063	276
Other income - insurance	14,506	13,819	28,523	30,976
Income from motor vehicle examination	-	-	72,853	67,361
Revenue from the provision of polyclinic medical services	-	-	15,739	14,397
Income from entry and management fees	-	-	8,947	7,856
	39,907	56,198	166,038	170,707

8. Claims incurred, net of reinsurance

	Company		Group	
	2017	Restated 2016	2017	Restated 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Claims incurred	1,540,566	1,487,768	1,848,482	1,811,173
Reinsurance and coinsurance share in claims incurred	(97,886)	(99,900)	(106,784)	(141,495)
	1,442,680	1,387,868	1,741,698	1,669,678

TOTAL LIFE AND NON-LIFE	Company		Group	
	2017	Restated 2016	2017	Restated 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Expenditure for insured events, net:	1,298,346	1,220,205	1,569,359	1,454,542
Claims paid	1,343,425	1,179,333	1,609,924	1,638,978
<i>Gross amount</i>	1,423,618	1,390,134	1,697,643	1,747,936
<i>Coinsurance share</i>	(1,589)	(2,659)	(849)	(3,145)
<i>Reinsurance share</i>	(78,604)	(208,142)	(86,870)	(105,813)
Change in claims provisions	(45,079)	40,872	(40,565)	(184,436)
<i>Gross amount</i>	(27,109)	(70,036)	(21,141)	(151,906)
<i>Coinsurance share</i>	42	(14,846)	42	(14,969)
<i>Reinsurance share</i>	(18,012)	125,754	(19,466)	(17,561)
Change in mathematical provision and other technical provisions, net of reinsurance	(42,029)	67,169	(15,009)	114,396
Change in insurance mathematical provisions	(31,327)	83,659	(4,625)	129,120
<i>Gross amount</i>	(31,604)	83,666	(4,984)	129,127
<i>Reinsurance share</i>	277	(7)	359	(7)
Change in other technical provisions, net of reinsurance	(10,702)	(16,490)	(10,384)	(14,724)
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	186,363	100,494	187,348	100,740
<i>Gross amount</i>	1,540,566	1,487,768	1,848,482	1,811,173
<i>Reinsurance and coinsurance share</i>	(97,886)	(99,900)	(106,784)	(141,495)

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	Company		Group	
	2017	Restated 2016	2017	Restated 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Expenditure for insured events, net	964,237	913,817	1,187,605	1,117,688
Claims paid	1,012,436	878,344	1,232,855	1,307,741
<i>Gross amount</i>	1,092,629	1,089,145	1,320,574	1,416,699
<i>Coinsurance share</i>	(1,589)	(2,658)	(849)	(3,145)
<i>Reinsurance share</i>	(78,604)	(208,143)	(86,870)	(105,813)
Change in claims provisions	(48,199)	35,473	(45,250)	(190,053)
<i>Gross amount</i>	(30,229)	(75,435)	(25,826)	(157,523)
<i>Coinsurance share</i>	42	(14,846)	42	(14,969)
<i>Reinsurance share</i>	(18,012)	125,754	(19,466)	(17,561)
Change in mathematical provision and other technical provisions, net of reinsurance	(11,394)	(16,490)	(20,617)	(14,724)
Change in insurance mathematical provisions	-	-	(9,541)	-
<i>Gross amount</i>	-	-	(9,623)	-
<i>Reinsurance share</i>	-	-	82	-
Change in other technical provisions, net of reinsurance	(11,394)	(16,490)	(11,076)	(14,724)
<i>Gross amount</i>	(11,394)	(16,490)	(11,076)	(14,724)
Gross amount	1,051,006	997,220	1,274,049	1,244,452
Reinsurance and co-insurance share	(98,163)	(99,893)	(107,061)	(141,488)
	Company	Company	Group	Group
	2017	Restated 2016	2017	Restated 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Expenditure for insured events, net	334,108	306,388	381,754	336,854
Claims paid, gross	330,989	300,989	377,069	331,237
Change in claims provisions, gross amount	3,119	5,399	4,685	5,617
Change in mathematical provision and other technical provisions, net of reinsurance	(30,635)	83,659	5,607	129,120
Change in insurance mathematical provisions	(31,327)	83,659	4,915	129,120
<i>Gross amount</i>	(31,604)	83,666	4,638	129,127
<i>Reinsurance share</i>	277	(7)	277	(7)
Change in other technical provisions, net of reinsurance	692	-	692	-
<i>Gross amount</i>	692	-	692	-
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	186,364	100,494	187,349	100,740
Gross amount	489,560	490,548	574,433	566,721
Reinsurance share	277	(7)	277	(7)

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	Company		Group	
	2017	Company Restated 2016	2017	Group Restated 2016
Claims paid - gross amount	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Expenses for claims	1,398,606	1,345,618	1,662,670	1,694,676
Staff costs	65,034	71,969	73,933	80,944
Interest expense on claims	20,116	23,828	20,116	23,828
Claims paid	47,690	51,419	51,738	55,550
Collected recourses	(119,629)	(114,911)	(122,615)	(119,273)
Recourse costs	11,801	12,211	11,801	12,211
	1,423,618	1,390,134	1,697,643	1,747,936

9. Acquisition costs

	Company		Group	
	2017	Company 2016	2017	Group 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission	270,945	247,999	310,182	310,959
Other acquisition costs	143,347	134,580	246,922	210,989
Change in deferred acquisition costs	(63,416)	(46,133)	(73,694)	(59,956)
NON-LIFE	350,876	336,446	483,410	461,992
Commission	33,969	40,573	48,475	49,400
Other acquisition costs	23,486	26,636	28,518	35,182
LIFE	57,455	67,209	76,993	84,582
Commission	304,914	288,572	358,657	360,359
Other acquisition costs	166,833	161,216	275,440	246,171
Change in deferred acquisition costs (Note 15.1)	(63,416)	(46,133)	(73,694)	(59,956)
TOTAL LIFE AND NON-LIFE	408,331	403,655	560,403	546,574

9.1. Commission

	Company		Group	
	2017	Company 2016	2017	Group 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission expenses - agents	7,094	6,865	16,899	11,886
Commission expenses - employees	106,389	122,862	114,482	138,200
Commission for banks, agencies and brokers	191,431	158,845	227,276	210,273
	304,914	288,572	358,657	360,359

9.2. Other acquisition costs

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Marketing costs	38,679	33,773	47,406	44,439
Sales staff costs	116,941	104,135	194,285	164,931
Other direct sales costs	11,213	23,308	33,749	36,801
	166,833	161,216	275,440	246,171

10. Administrative expenses

	Company		Group	
	2017	Restated 2016	2017	Restated 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation and depreciation of assets	40,515	38,265	54,158	55,057
Salaries, taxes and contributions from and on salaries	131,404	127,657	199,742	199,716
Other administrative expenses	229,309	171,227	330,752	288,245
	401,228	337,149	584,652	543,018

10.1 Amortisation and depreciation

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation (Note 15)	10,461	6,932	14,526	13,251
Depreciation (Note 16)	30,054	31,333	39,632	41,806
	40,515	38,265	54,158	55,057

10.2 Salaries, taxes and contributions from and on salaries

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	78,261	73,201	121,255	116,846
Contributions from salaries	19,304	19,619	30,671	31,819
Taxes and surtaxes	15,954	16,905	21,753	24,362
Contributions on salaries	17,885	17,932	26,063	26,689
	131,404	127,657	199,742	199,716

10.3 Other administrative expenses

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Services	129,555	108,226	172,397	157,472
Vacation allowance to employees	450	-	1,107	678
Net provision for/(reversal of) jubilee awards and termination benefits	12,086	(8,152)	13,309	(7,026)
Other employee benefits in line with collective agreement	5,069	4,415	6,280	7,027
Provisions for unused vacation days	(2,677)	(8,964)	(545)	(9,302)
Other provisions	2,929	3,237	4,665	6,839
Provisions for legal disputes (Note 26)	8,694	2,018	8,674	3,100
Materials used	2,995	5,789	10,689	15,638
Energy consumed	11,712	11,736	17,972	17,994
Transportation to and from work	3,621	3,716	5,531	5,599
Insurance premiums	10,059	11,789	7,540	8,501
Entertainment	5,891	3,923	8,161	6,141
Commission expenses of credit card companies	9,081	9,584	9,312	9,798
Other contributions and fees	17,881	16,245	28,331	27,520
Daily allowances and transportation expenses	2,976	2,518	4,160	3,579
Bank services	428	541	4,957	5,917
Other various costs and expenditures	8,559	4,606	28,212	28,770
	229,309	171,227	330,752	288,245

11. Other operating expenses

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Guarantee fund fee	4,457	2,776	11,382	11,261
Fee to Croatian Insurance Bureau	1,561	1,704	1,621	2,302
Fire Department fee	5,273	5,420	6,410	6,463
Fee to Croatian Financial Services Supervisory Agency	1,416	1,274	2,604	2,441
Contributions for health insurance from motor liability premium	9,717	9,234	17,627	16,627
Other insurance-technical expenses	2,691	1,423	9,276	7,692
Other expenses	293	148	1,665	6,612
Impairment of property and equipment (Note 16)	11,748	96,109	11,958	96,470
Other impairment	11,258	4,817	14,631	4,965
	48,414	122,905	77,174	154,833

12. Finance costs

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Impairment of investments	101,568	57,861	90,446	40,081
Realised losses on investments	16,225	757	16,247	11,863
Foreign exchange losses	41,640	34,395	51,669	37,051
Unrealised losses on investments in financial assets at fair value through profit or loss	-	-	1,527	926
Unrealised losses on changes in fair value of derivative financial instruments	1,999	-	1,999	-
Payment transactions	5,245	4,238	5,587	4,554
Interest expense - leasing	-	-	609	571
Other investment costs	1,745	1,811	2,697	3,128
	168,422	99,062	170,781	98,174

12.1. Impairment of investments

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries and associates (Note 18.3)	21,147	27,131	1,704	-
Available-for-sale financial assets	90	4,424	146	4,477
Other impairment	-	-	-	121
Impairment of loans given	58,501	72	58,504	1,635
Losses from changes in fair value of property (Note 17)	21,830	26,234	30,092	33,848
	101,568	57,861	90,446	40,081

12.2. Realised losses on investments

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Realised losses on available-for-sale financial assets	15,874	684	15,896	1,653
Realised losses on investments at fair value through profit or loss	14	73	14	103
Realised losses on derivative financial instruments	337	-	337	-
Realised losses on disposal of subsidiary (Note 18.3)	-	-	-	10,107
	16,225	757	16,247	11,863

12.3. Foreign exchange losses

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	9,107	13,419	12,375	13,828
Available-for-sale financial assets	13,398	8,474	19,160	9,224
Financial assets at fair value through profit or loss	55	91	55	91
Deposits	11,961	7,645	12,536	7,816
Loans	1,033	1,013	1,089	1,185
Foreign currency accounts	6,086	3,753	6,254	4,881
Other	-	-	200	26
	41,640	34,395	51,669	37,051

13. Income tax

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

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net deferred tax expense (Note 21)	13,850	25,317	13,930	26,613
Current tax expense	19,732	16,875	35,981	55,340
Net income tax expense for the year	33,582	42,192	49,911	81,953

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

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Profit before tax	184,525	93,720	303,502	257,163
Income tax at 18% (2016: 20%)	33,214	18,744	54,630	51,433
Non-deductible expenses	23,958	45,092	28,192	50,742
Tax incentives and income not subject to tax	(23,590)	(21,644)	(32,911)	(20,222)
Tax expense for the year	33,582	42,192	49,911	81,953
Effective interest rate	18.20%	45.02%	16.45%	31.87%

As at 31 December 2017, the Company has no tax losses that can be carried forward for covering the Company's future profits. The remaining Group companies have no significant tax losses that can be carried forward to cover future profits.

In accordance with local regulations, the Tax Administration may at any time inspect the Company's books and records within 3 years following the year in which the tax liability is reported and may impose additional tax liabilities and penalties. The Company's Management Board is not aware of any circumstances, which may give rise to a potential material liability in this respect.

14. Earnings per share

	Group	Group
	2017	2016
	in HRK'000	in HRK'000
Profit for the year attributable to the Company's shareholders	253,103	175,835
Dividends of preference shares	(980)	(980)
Profit for the year - ordinary shares	252,123	174,855
Weighted average of ordinary shares	420,947	420,947
Earnings per share attributable to the Company's shareholders		
Basic and diluted loss per share in HRK	598.94	415.38

For the purpose of calculating earnings per share, earnings are calculated as the profit for the period attributable to the Company's shareholders less dividends of preference shares. 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 (2016: 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	Total
Cost			
At 31 December 2015	6,521	77,464	83,985
Additions	-	8,846	8,846
At 31 December 2016	6,521	86,310	92,831
Additions	-	14,503	14,503
Effect of merger (Note 18.3 /i/)	-	14,028	14,028
Transfer to tangible assets (Note 16)	-	(66)	(66)
Disposals or retirements	-	(1,522)	(1,522)
At 31 December 2017	6,521	113,253	119,774
Accumulated amortisation			
At 31 December 2015	6,225	63,426	69,651
Amortisation charge for 2016	124	6,808	6,932
Transfer to tangible assets (Note 16)	-	(33)	(33)
At 31 December 2016	6,349	70,201	76,550
Effect of merger (Note 18.3 /i/)	-	5,625	5,625
Amortisation charge for 2017	116	10,345	10,461
Disposals or retirements	-	(30)	(30)
At 31 December 2017	6,465	86,141	92,606
Net book amount			
At 31 December 2017	56	27,112	27,168
At 31 December 2016	172	16,109	16,281

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Group	in HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
At 31 December 2015	8,818	105,624	178	114,620
Additions	-	21,086	178	21,264
Transfer from 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)
At 31 December 2016	8,818	128,307	134	137,259
Additions	745	17,441	1,515	19,701
Effect of the acquisition	-	1,473	-	1,473
Transfer to tangible assets	-	(731)	-	(731)
Transfer to use	-	804	(804)	-
Disposals or retirements	-	(1,245)	-	(1,245)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	3	15	18
At 31 December 2017	9,563	146,052	860	156,475
Accumulated amortisation				
At 31 December 2015	8,522	80,589	-	89,111
Amortisation charge for 2016	124	13,127	-	13,251
Disposals or retirements	-	(100)	-	(100)
Sale of companies	-	(503)	-	(503)
Other transfers	-	2,124	-	2,124
Transfer from tangible assets (Note 16)	-	(30)	-	(30)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(88)	-	(88)
At 31 December 2016	8,646	95,119	-	103,765
Acquisition	-	1,362	-	1,362
Amortisation charge for 2017	116	14,410	-	14,526
Impairment	745	-	-	745
Transfer to tangible assets (Note 16)	-	(616)	-	(616)
Disposals or retirements	-	(597)	-	(597)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	3	-	3
At 31 December 2017	9,507	109,681	-	119,188
Net book amount				
At 31 December 2017	56	36,371	860	37,287
At 31 December 2016	172	33,188	134	33,494

15.1. Deferred acquisition costs

	Company		Group	
	2017	2016	2017	2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 31 December	110,496	64,363	128,331	68,375
Acquisition (Note 18.3. /iii/)	-	-	1,107	-
Increase	63,416	46,133	73,789	60,750
Decrease	-	-	(80)	(794)
Foreign exchange differences	-	-	(15)	-
At 31 December	173,912	110,496	203,132	128,331

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16. Property and equipment

Company	in HRK'000					
Cost	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Total
As at 31 December 2015	82,407	926,597	155,484	14,160	13,348	1,191,996
Change in fair value (through OCI)	(1,129)	-	-	-	-	(1,129)
Additions	33	9,146	20,493	4,415	6,776	40,863
Transfer from assets under construction to use	643	12,217	-	-	(12,860)	-
Transfer from other assets to equipment and furniture	-	-	88	-	-	88
Decrease in fair value recognized through P&L	-	(204,298)	-	-	-	(204,298)
Disposals or retirements	-	(746)	(14,267)	(2,780)	-	(17,793)
At 31 December 2016	81,954	742,916	161,798	15,795	7,264	1,009,727
Change in fair value (through OCI)	(1,143)	(3,116)	-	-	-	(4,259)
Change in fair value (P&L)(Note 11)	(932)	(10,816)	-	-	-	(11,748)
Additions	23	20,391	9,411	878	3,026	33,729
Effect of merger (Note 18.3 /i/)	-	-	18,839	1,681	-	20,520
Transfer from assets under construction to use	-	6,626	-	-	(6,626)	-
Transfer from intangible assets (Note 15)	-	-	66	-	-	66
Transfer to investment property (Note 17)	(9,563)	(143,454)	-	-	-	(153,017)
Disposals or retirements	-	(301)	(11,568)	(339)	-	(12,208)
At 31 December 2017	70,339	612,246	178,546	18,015	3,664	882,810
Accumulated depreciation and impairment						
At 31 December 2015	-	308,135	141,648	10,022	-	459,805
Depreciation charge for 2016	-	22,680	6,853	350	-	29,883
Depreciation on revaluation effect	-	1,450	-	-	-	1,450
Decrease in fair value through P&L (Note 11)	-	(108,189)	-	-	-	(108,189)
Decrease in revaluation reserves	-	9,412	-	-	-	9,412
Transfer from intangible assets to equipment and furniture	-	-	33	-	-	33
Disposals or retirements	-	(643)	(14,175)	(2,754)	-	(17,572)
At 31 December 2016	-	232,850	134,359	7,618	-	374,822
Effect of merger (Note 18.3 /i/)	-	-	18,696	717	-	19,413
Depreciation charge for 2017	-	17,310	10,622	974	-	28,906
Depreciation on revaluation effect	-	1,148	-	-	-	1,148
Transfer to investment property (Note 17)	-	(4,446)	-	-	-	(4,446)
Disposals or retirements	-	(216)	(11,141)	(47)	-	(11,404)
At 31 December 2017	-	246,641	152,531	9,262	-	408,439
Net book amount						
At 31 December 2017	70,339	365,600	26,015	8,753	3,664	474,371
At 31 December 2016	81,954	510,066	27,444	8,177	7,264	634,905

The Company and the Group restated cost and accumulated depreciation and impairment amount as of 31 December 2016 for the effect of change in fair value of the property for own use recognized in 2016. The restatement does not have an impact on the net book value of property and equipment as at 31 Decemebr 2016.

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Group	in HRK'000					
	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Total
Cost						
At 31 December 2015	110,935	1,115,369	258,321	57,882	13,487	1,555,994
Change in fair value (through OCI)	(2,746)	(2,553)	-	-	-	(5,299)
Change in fair value (P&L) (Note 11)	(152)	(204,222)	-	-	-	(204,374)
Additions	41	9,285	21,729	9,666	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 to intangible assets (Note 15)	-	-	(155)	-	-	(155)
Other transfers	(604)	604	-	(5,580)	-	(5,580)
Foreign exchange differences arising on translation of financial statements of foreign operations	(66)	(810)	(353)	(392)	-	(1,621)
Disposals or retirements	-	(4,990)	(17,753)	(6,117)	-	(28,860)
Disposal of subsidiary (Note 18.3)	-	-	(1,162)	(3,180)	-	(4,342)
At 31 December 2016	108,051	925,247	261,044	53,097	8,298	1,355,737
Change in fair value (through OCI)	(1,143)	(3,048)	-	-	-	(4,191)
Change in fair value (P&L) (Note 11)	(932)	(11,043)	-	-	-	(11,975)
Additions	23	20,536	10,226	2,225	6,734	39,744
Acquisition	-	-	2,585	239	-	2,824
Transfer from assets under construction to use	-	6,714	3,806	740	(11,260)	-
Transfer to investment property (Note 17)	(9,563)	(132,339)	-	-	-	(141,902)
Transfer from intangible assets (Note 15)	-	-	66	665	-	731
Foreign exchange differences arising on translation of financial statements of foreign operations	(31)	(107)	57	66	22	7
Disposals or retirements	-	(2,589)	(15,993)	(2,717)	-	(21,299)
At 31 December 2017	96,405	803,371	261,791	54,315	3,794	1,219,676
Accumulated depreciation and impairment						
At 31 December 2015	46	337,993	228,130	46,245	-	612,414
Depreciation charge for 2016	-	25,076	11,715	2,233	-	39,024
Depreciation on revaluation effect	-	2,782	-	-	-	2,782
Change in fair value (P&L) (Note 11)	-	(107,904)	-	-	-	(107,904)
Impairment through OCI	-	9,884	-	-	-	9,884
Transfer to investment property (Note 17)	-	(7)	(8)	9	-	(6)
Transfer to intangible assets (Note 15)	-	-	30	-	-	30
Other transfers	(45)	45	-	(5,580)	-	(5,580)
Foreign exchange differences arising on translation of financial statements of foreign operations	(1)	(116)	(335)	(554)	-	(1,006)
Disposals or retirements	-	(1,851)	(17,610)	(3,991)	-	(23,452)
Disposal of subsidiary (Note 18.3)	-	-	(830)	(3,011)	-	(3,841)
At 31 December 2016	-	265,902	221,092	35,351	-	522,345
Acquisition	-	-	2,496	190	-	2,686
Depreciation charge for 2017	-	19,651	14,721	2,875	-	37,247
Depreciation on revaluation effect	-	2,385	-	-	-	2,385
Change in fair value (P&L) (Note 11)	-	(17)	-	-	-	(17)
Impairment through equity	-	69	-	-	-	69
Transfer to investment property (Note 17)	-	(4,499)	-	-	-	(4,499)
Transfer from intangible assets (Note 15)	-	-	-	616	-	616
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(57)	29	(110)	-	(138)
Disposals or retirements	-	(864)	(15,606)	(1,906)	-	(18,376)
At 31 December 2017	-	282,570	222,732	37,016	-	542,318
Net book amount						
At 31 December 2017	96,405	520,801	39,059	17,299	3,794	677,358
At 31 December 2016	108,051	659,345	39,952	17,746	8,298	833,392

The carrying amount of land and buildings that would have been recognised had the assets been carried under the cost method would have amounted to HRK 377,108 thousand (31 December 2016: HRK 525,528 thousand) for the Company and HRK 476,371 thousand (31 December 2016: HRK 620,353 thousand) for the Group.

17. Investment property

	Company	Group
	in HRK'000	in HRK'000
At 31 December 2015	479,755	718,459
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)
At 31 December 2016	448,528	784,159
Foreign exchange differences arising on translation of financial statements of foreign operations	-	76
Transfer from property and equipment (Note 16)	148,571	137,403
Increase in fair value credited to the income statement (Note 6.2)	3,472	8,083
Decrease in fair value charged to the income statement (Note 12.1)	(21,830)	(30,092)
Assets under construction	-	1,450
Additions	951	14,285
Effect of merger (Note 18.3 /i/)	27,990	-
Disposals	(192,759)	(11,978)
At 31 December 2017	414,923	903,386

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. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries	525,019	569,619	-	-
Impairment of investments in subsidiaries	(243,396)	(207,234)	-	-
	281,623	362,385	-	-
Investments in joint ventures	28,000	28,000	70,694	68,948
Investments in associates	8,601	8,709	11,768	22,415
Impairment of investments in associates	(2,913)	(4,450)	(2,913)	(5,797)
	5,688	4,259	8,855	16,618
	315,311	394,644	79,549	85,566

18.1. The Company's investments in subsidiaries and associates and participation in joint ventures

Activity	Country	31 Dec. 2017		31 Dec. 2016		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Subsidiaries						
Croatia Lloyd d.d., Zagreb	Reinsurance	Croatia	-	-	100.0	125,689
Croatia zdravstveno osiguranje d.d., Zagreb	Insurance	Croatia	-	-	66.2	29,363
Poliklinika Ars Medica, Pula	Healthcare	Croatia	100.0	6,144	-	-
Poliklinika CROATIA zdravstveno osiguranje	Healthcare	Croatia	100.0	20	-	-
CO Zdravlje d.o.o.	Consulting and services	Croatia	100.0	18,000	-	-
Croatia Premium d.o.o.	Services	Croatia	100.0	8,423	-	-
Milenijum osiguranje a.d., Belgrade	Insurance	Serbia	100.0	19,405	100.0	19,405
Croatia osiguranje d.d., Mostar	Insurance	Bosnia and Herzegovina	94.89	37,881	94.7	50,889
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	26,105	100.0	32,204
Croatia osiguranje kredita d.d.	Insurance	Croatia	100.0	55,000	-	-
Core 1	Real estate	Croatia	100.0	20	-	-
Histria construct d.o.o	Real estate	Croatia	100.0	5,690	-	-
Croatia-Tehnički pregledi d.o.o., Zagreb	Motor vehicle services	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	-
Auto Maksimir Vozila	Insurance representation	Croatia	100.0	100	-	-
				281,623		362,385
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50	28,000	50	28,000
Associates						
Brioni d.d., Pula	Transport	Croatia	-	-	25.6	4,259
Strmec projekt d.o.o., Samobor	Real estate	Croatia	49.76	5,688	-	-
Autoprijevoz d.d., Otočac	Transport	Croatia	-	-	28.3	-
				5,688		4,259
				315,311		394,644

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The Company is merging companies of Croatia Lloyd d.d. and Croatia zdravstveno osiguranje d.d. gained direct share in the following companies:

	Croatia Lloyd		Croatia zdravstveno osiguranje	
	3 April 2017		3 July 2017	
	% of ownership	Amount	% of ownership	Amount
	in 000 HRK		in 000 HRK	
Subsidiaries				
Croatia Premium d.o.o.	100	8,423	-	-
Core 1	100	20	-	-
Histria construct d.o.o	100	5,690	-	-
Poliklinika Ars Medica, Pula	-	-	100	4,144
Poliklinika CROATIA zdravstveno osiguranje	-	-	100	20
Associate Companies				
Strmec projekt d.o.o., Samobor	49.76	7,253	-	-
Croatia zdravstveno osiguranje d.d., Zagreb	33.8	15,000	-	-
Joint venture				
Potraživanja od zajedničkih fondova – HUO	-	139	-	-
TOTAL (Note 18.3 (i))		36,525		4,164

18.2. The Group's investments in subsidiaries and associates and participation in joint ventures

Group

Activity	Country	31 Dec. 2017		31 Dec. 2016		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Management company of pension fund	Croatia	50.0	69,284	50.0	67,384
Receivables from joint funds - HUO	Insurance	Croatia	-	-	-	139
Nacionalni biro za osiguranje Skopje	Insurance	Macedonia	-	1,410	-	1,425
			70,694	68,948		
Associates						
Brioni d.d., Pula	Transport	Croatia	-	-	25.6	6,613
Autoprijevoz d.d., Otočac	Transport	Croatia	-	-	28.3	-
Strmec projekt d.o.o., Samobor	Real estate	Croatia	49.76	5,688	49.76	7,254
STP Agroservis d.o.o., Virovitica	Technical testing and analysis	Croatia	37	3,167	37.0	2,751
			8,855	16,618		
			79,549	85,566		

Condensed financial information for joint ventures

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

Condensed statement of financial position	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000
Financial assets	131,526	114,735
Other assets	13,943	28,008
Total assets	145,469	142,743
Liabilities	6,902	7,975
Capital and reserves	138,567	134,768
Total equity and liabilities	145,469	142,743
Condensed statement of comprehensive income		
Income	69,156	63,561
Expenses	(34,158)	(32,367)
Profit before tax	34,998	31,194
Income tax	(6,298)	(6,226)
Profit for the year	28,700	24,968
Share in profit of joint venture @ 50%	14,350	12,484

Reconciliation of the presented condensed financial information with the carrying amount of shares in the joint venture.

Condensed financial information	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000
Opening balance of net assets at 1 January	134,768	127,800
Profit for the period	28,700	24,968
Dividends	(24,900)	(18,000)
Closing balance of net assets	138,568	134,768
Share in profit of joint venture @ 50%	69,284	67,384
Carrying amount	69,284	67,384

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

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	394,644	421,416	85,566	81,653
Effect of merger - Elimination of carrying amount of investments in subsidiaries (i)	(170,052)	-	-	-
Effect of merger - subsidiaries and associates of merged companies (i)	40,689	-	-	-
Increase in investments through purchase of non-controlling interest (iii)	2,136	359	-	-
Increase in investments (purchase, establishment or capital increase of companies) (ii)	73,300	-	-	-
Increase/decrease using the equity method	-	-	2,173	3,970
Sale of shares (iv)	(4,259)	-	(6,469)	-
Decrease (impairment of investment) (vi)	(21,147)	(27,131)	(1,704)	(57)
Foreign exchange differences	-	-	(17)	-
At 31 December	315,311	394,644	79,549	85,566

/i/ In 2017, the company CROATIA osiguranje d.d. has merged with its two direct subsidiaries:

- Based on the Merger Agreement, the decision of the General Assembly and the Commercial Court Decision, and following the prior approval of the Croatian Financial Services Supervisory Agency, the company CROATIA Lloyd d.d. was merged with the company CROATIA osiguranje d.d. as of 3 April 2017.
- Furthermore, based on the Merger Agreement, the decision of the General Assembly and the Commercial Court Decision, and following the prior approval of the Croatian Financial Services Supervisory Agency, the company CROATIA zdravstveno osiguranje d.d. was merged with the company CROATIA osiguranje d.d. as of 3 July 2017.

CROATIA osiguranje d.d. is the entity that has survived the merger. This is a business combination transaction under common controls as all merging companies are businesses in the meaning of IFRS 3, are controlled by the same party and the control is not transitory. No consideration was transferred for this merger as CROATIA osiguranje d.d. holds 100% interest in both subsidiaries.

The transaction is a business combination under common control and was accounted for using the predecessor value method (in accordance with the policy stated in Note 2.5 Consolidation). The carrying amounts of assets and liabilities of CROATIA zdravstveno osiguranje d.d. and Croatia Lloyd d.d. from the consolidated financial statements of CROATIA osiguranje d.d. were used to account for this transaction. The difference between the carrying amount of the investment in subsidiaries (recognised before the merger at cost in the separate FS of CROATIA osiguranje d.d.) and the carrying amount of the net assets of the acquired companies is recognised in equity (in Retained earnings).

The merger was accounted for prospectively from the date of the transaction. The comparatives are not restated, thus the comparatives present only the assets, liabilities, income, expenses of the acquirer CROATIA osiguranje d.d., whereas assets, liabilities, income, expenses of the acquirees (CROATIA zdravstveno osiguranje d.d. and CROATIA Lloyd d.d.) are incorporated only from the date of the merger (3 April 2017 and 7 July 2017 for CROATIA Lloyd and CROATIA zdravstveno osiguranje, respectively).

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	Croatia Lloyd	Croatia zdravstveno osiguranje	Effect of merger
	3 April 2017	3 July 2017	
	in HRK'000	in HRK'000	in HRK'000
Intangible assets (Note 15)	7,790	613	8,403
Property and equipment (Note 16)	920	187	1,107
Investment property (Note 17)	21,600	6,390	27,990
Investments in subsidiaries, associates and participation in joint ventures	36,525	4,164	40,689
Held-to-maturity investments	44,302	1,014	45,316
Available-for-sale financial assets	112,377	90,784	203,161
Financial assets at fair value through profit or loss	-	4,502	4,502
Loans and deposits	144,498	16,503	161,001
Reinsurance share in technical provisions	2,049	485	2,534
Deferred tax assets (Note 21)	20,826	1,549	22,375
Insurance contract and other receivables	2,993	184,040	187,033
Cash and cash equivalents	2,766	3,436	6,202
Technical provisions	(30,644)	(193,169)	(223,813)
Deferred tax liabilities (Note 21)	(2,265)	(559)	(2,824)
Current tax liability	(183)	(2,972)	(3,155)
Liabilities arising from insurance contracts, other liabilities and deferred income	(2,984)	(22,824)	(25,806)
Elimination of carrying amount of investments in subsidiaries	(125,689)	(44,363)	(170,052)
Difference recognised in capital and reserves	234,883	49,780	284,663
- Accumulated other comprehensive income arising from re-measurement of available-for-sale financial assets at fair value and properties	10,315	2,546	12,861
Retained earnings	224,568	47,234	271,802

/iii/ At 18 October 2017, the Company acquired 100% of shares with voting rights of the company BNP Paribas Cardif osiguranje d.d. The principal activity of the acquired company is non-life insurance and as part of its portfolio offers services of asset insurance, loan insurance and insurance of various financial losses. By acquiring shares in BNP Paribas Cardif osiguranje d.d., the Company strengthened its business and market position on the Croatian market in accordance with the business strategy of market growth.

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Details on the fair value of identifiable assets and liabilities of BNP Paribas Cardif osiguranje d.d. at the acquisition date, gain on bargain purchase and the purchase consideration are shown below:

	in HRK'000
Assets	
Intangible assets	109
Deferred acquisition costs	1,107
Property and equipment	127
Available-for-sale investments	140,804
Reinsurance share in technical provisions	203
Receivables from direct insurance business	3,483
Other receivables	1,056
Cash at bank and cash in hand	10,947
Liabilities	
Unearned premiums, gross amount	(4,410)
Mathematical provisions, gross amount	(59,085)
Claims provisions, gross amount	(10,105)
Provisions for bonuses and discounts, gross amount	(15)
Deferred and current tax liability	(1,128)
Liabilities from direct insurance business	(1,342)
Other liabilities	(1,472)
Other accrued expenses and deferred income	(4,726)
Total net assets at fair value	75,554
Gain on bargain purchase	(20,554)
Purchase consideration	55,000
<i>Cash flow on acquisition:</i>	in HRK'000
Cash and cash equivalents acquired	10,947
Purchase consideration paid in cash	(55,000)
Cash flow on acquisition	(44,053)

Within the Company's strategy and efforts to strengthen the insurance business, the Company has acquired the 100% stake in BNP Paribas Cardif Insurance d.d. The purchase of the acquired company resulted in a gain on bargain purchase, since the fair value of the acquired assets and liabilities exceeds the purchase consideration. The gain on bargain purchase in the amount of HRK 20,554 thousand is recognised in the consolidated statement of comprehensive income within *Finance income*.

In the consolidated income statement of the Group, in the period from 1 October to 31 December 2017, BNP Paribas Cardif osiguranje d.d. contributed HRK 4,825 thousand in revenue and HRK 8,792 thousand in profit before tax. If BNP Paribas Cardif Insurance d.d. has been consolidated on January 1, 2017, the consolidated profit and loss statement would show higher revenues by HRK 19,196 thousand and profit before tax by HRK 19,608 thousand.

In November 2017, BNP Paribas Cardif osiguranje d.d. changed its name to CROATIA osiguranje kredita d.d.

Also, in 2017, the Company acquired 100% of shares with voting rights in the company Auto Maksimir Vozila d.o.o. whose principal activity is insurance representation.

The purchase consideration amounted to HRK 100 thousand and approximately equals the fair value of the acquired company.

During 2017, the Company made a capital contribution to the company Histrina Construct d.o.o. in the amount of HRK 200 thousand.

In December 2017, the Company established the company CO Zdravlje d.o.o. by paying registered share capital in the amount of HRK 18 million. The Company's principal activity is providing consultancy and similar services.

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/iii/ During the year ended 31 December 2017, the Group purchased the remaining portion of the non-controlling interest, i.e. 26% in the subsidiary Poliklinika Ars Medica, Pula. The repurchase of the non-controlling interest had no effect on the change in control in the subsidiary.

The impact of the change in ownership percentage on the equity attributable to the Company's shareholders during the year is as follows:

	<u>in HRK'000</u>
Carrying amount of non-controlling interests acquired	1,317
Consideration paid	(2,000)
Excess of consideration paid recognised in equity	(683)

The Group also purchased an additional 0.6% share in the subsidiary Croatia osiguranje d.d., Mostar in the amount of HRK 136 thousand.

/iv/ During the year ended 31 December 2017, the Group sold its 25.6% share in the associate Brioni d.d., Pula.

The carrying amount of the assets and liabilities of Brioni d.d. at the reporting date preceding the sale was as follows:

	<u>in HRK'000</u>
Current assets	19,448
Non-current assets	26,154
Current liabilities	(9,664)
Non-current liabilities	(10,637)
Net assets of associate	25,301
Attributable to the Group - 25.6%	6,469

Effect of sale on the financial position and profit of the Company and the Group in 2017:

	<u>Company</u>	<u>Group</u>
	<u>in HRK'000</u>	<u>in HRK'000</u>
Sales price (consideration received in cash)	11,074	11,074
Investment cost of the Company/Net assets of associate attributable to the Group at the date of sale	(4,259)	(6,469)
Gain on sale	6,815	4,605

/v/ During the year ended 31 December 2017, the Company sold its 28.34% share in the associate Autoprijevoz d.d. to the company Croatia-Tehnički pregledi d.o.o.

The share was purchased by the company Croatia-Tehnički pregledi d.o.o. which performs the same operating activity as the company being sold. The purpose of the sale is intra-group restructuring for the purpose of better coordination and management of the Group's activities. The sales price is defined on the basis of an independent assessment of the Autoprijevoz d.d. and amounted to HRK 473 thousand, and the Company realised a gain on sale in the amount of HRK 473 thousand.

During 2017, the company Croatia-Tehnički pregledi d.o.o. also purchased a 50.95% share in Autoprijevoz d.d. from a third party in the amount of HRK 854 thousand, whereby the company Autoprijevoz d.d. became a subsidiary at the Group level with a total share of 79.29%.

/vi/ In 2017, a lower value was determined as a result of the fair value estimation, and therefore the investments in the following subsidiaries were impaired: Croatia osiguranje d.d., Mostar by an amount of HRK 13,144 thousand, Croatia osiguranje - neživot a.d., Skopje, by an amount of HRK 6,099 thousand and Histrina Construct by an amount of HRK 200 thousand. Additionally, investment in associates and participation in joint ventures were impaired in total amount of HRK 1,704 thousand (Note 12.1). Impairment is determined by calculating the recoverable amount of cash flows of an individual subsidiary as a cash-generating unit.

19. Financial assets

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	2,030,109	2,020,974	2,159,973	2,169,677
Available-for-sale financial assets	3,276,943	2,043,769	3,666,744	2,440,238
Financial assets at fair value through profit or loss - for trading	417,259	381,050	466,279	461,554
Loans and receivables	1,324,290	1,597,601	1,328,906	1,904,846
	7,048,601	6,043,394	7,621,902	6,976,315

19.1. Overview of investments

The Company's investment structure as at 31 December 2017 was as follows:

	Company				
	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
Shares					
Shares, listed on stock exchange	-	433,688	14,385	-	448,073
Shares, not listed on stock exchange	-	1,717	-	-	1,717
	-	435,405	14,385	-	449,790
Debt securities					
Government bonds	2,030,109	2,736,013	-	-	4,766,122
Domestic corporate bonds	-	68,091	-	-	68,091
	2,030,109	2,804,104	-	-	4,834,213
Derivative financial instruments					
Foreign currency forward contracts	-	-	1,692	-	1,692
	-	-	1,692	-	1,692
Investment funds					
Open-ended investment funds	-	37,434	65,518	-	102,952
Open-ended investment funds - assets for coverage of unit-linked products	-	-	335,664	-	335,664
	-	37,434	401,182	-	438,616
Loans and receivables					
Deposits with credit institutions	-	-	-	813,393	813,393
Loans	-	-	-	510,897	510,897
	-	-	-	1,324,290	1,324,290
	2,030,109	3,276,943	417,259	1,324,290	7,048,601

19.1 Overview of investments (continued)

The Company's investment structure as at 31 December 2016 was as follows:

	Company				
	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
Shares					
Shares, listed on stock exchange	-	369,104	12,431	-	381,535
Shares, not listed on stock exchange	-	4,782	-	-	4,782
	-	373,886	12,431	-	386,317
Debt securities					
Government bonds	1,990,974	1,581,628	-	-	3,572,602
Domestic corporate bonds	30,000	59,772	-	-	89,772
	2,020,974	1,641,400	-	-	3,662,374
Investment funds					
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
	-	28,483	368,619	-	397,102
Loans and receivables					
Deposits with credit institutions	-	-	-	1,221,713	1,221,713
Loans	-	-	-	375,888	375,888
	-	-	-	1,597,601	1,597,601
	2,020,974	2,043,769	381,050	1,597,601	6,043,394

19.1 Overview of investments (continued)

The Group's investment structure as at 31 December 2017 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
Shares					
Shares, listed on stock exchange	-	434,403	14,385	-	448,788
Shares, not listed	-	1,775	-	-	1,775
	-	436,178	14,385	-	450,563
Debt securities					
Government bonds	2,152,783	3,125,042	34,200	-	5,312,025
Domestic corporate bonds	-	68,091	-	-	68,091
Treasury bills	7,190	-	-	-	7,190
	2,159,973	3,193,133	34,200	-	5,387,306
Derivative financial instruments					
Foreign currency forward contracts	-	-	1,692	-	1,692
	-	-	1,692	-	1,692
Investment funds					
Open-ended investment funds	-	37,433	79,101	-	116,534
Open-ended investment funds - assets for coverage of unit-linked products	-	-	336,901	-	336,901
	-	37,433	416,002	-	453,435
Loans and receivables					
Deposits with credit institutions	-	-	-	1,125,867	1,125,867
Loans	-	-	-	203,039	203,039
	-	-	-	1,328,906	1,328,906
	2,159,973	3,666,744	466,279	1,328,906	7,621,902

19.1 Overview of investments (continued)

The Group's investment structure as at 31 December 2016 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
Shares					
Shares, listed on stock exchange	-	371,262	12,656	-	383,918
Shares, not listed on stock exchange	-	5,062	-	-	5,062
	-	376,324	12,656	-	388,980
Debt securities					
Government 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
	2,169,677	2,035,431	67,704	-	4,272,812
Investment funds					
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
	-	28,483	381,194	-	409,677
Loans and receivables					
Deposits with credit institutions	-	-	-	1,615,792	1,615,792
Loans	-	-	-	289,054	289,054
	-	-	-	1,904,846	1,904,846
	2,169,677	2,440,238	461,554	1,904,846	6,976,315

19.2. Financial investments exposed to credit risk

Company	31 Dec. 2017					31 Dec. 2016				
	in HRK'000					in HRK'000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total
Held-to-maturity investments	2,030,109	-	58,425	(58,425)	2,030,109	2,020,974	-	65,908	(65,908)	2,020,974
Available-for-sale debt securities	2,804,104	-	-	-	2,804,104	1,641,400	-	-	-	1,641,400
Deposits	813,393	-	-	-	813,393	1,221,713	-	-	-	1,221,713
Loans	345,640	165,257	261,265	(261,265)	510,897	362,270	13,618	118,779	(118,779)	375,888
	5,993,246	165,257	319,690	(319,690)	6,158,503	5,246,357	13,618	184,687	(184,687)	5,259,975

Group	31 Dec. 2017					31 Dec. 2016				
	in HRK'000					in HRK'000				
	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total	Neither past due nor impaired	Past due but not impaired	Impaired	Impairment	Total
Held-to-maturity investments	2,159,973	-	58,425	(58,425)	2,159,973	2,169,677	-	65,908	(65,908)	2,169,677
Available-for-sale debt securities	3,193,133	-	-	-	3,193,133	2,035,431	-	-	-	2,035,431
Debt securities at fair value through profit or loss	34,200	-	-	-	34,200	67,704	-	-	-	67,704
Deposits	1,125,867	-	-	-	1,125,867	1,615,792	-	-	-	1,615,792
Loans	38,438	164,601	261,643	(261,643)	203,039	242,531	46,523	228,561	(228,561)	289,054
	6,551,611	164,601	320,068	(320,068)	6,716,212	6,131,135	46,523	294,469	(294,469)	6,177,658

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19.3. Held-to-maturity investments

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Movement in impairment losses				
At 1 January	65,908	65,908	65,908	65,908
Decrease	(7,483)	-	(7,483)	-
At 31 December	(58,425)	65,908	(58,425)	65,908

19.4. Loans

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
The maturity dates of granted loans are presented as follows:				
Up to 1 year	218,106	248,985	189,139	270,301
From 1 to 5 years	113,260	61,003	13,900	18,322
More than 5 years	179,531	65,900	-	431
	510,897	375,888	203,039	289,054

Analysis of due not impaired loan receivables is as follows:

	Društvo				Grupa			
	<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
31 December 2016	2,510	932	10,176	13,618	2,697	932	10,176	13,805
31 December 2017	3,370	611	161,276	165,257	3,167	158	161,276	164,601

Movement in impairment of loans:

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	118,779	121,189	228,561	230,705
Additions	56,267	58	56,270	1,247
Effect of merger	109,247	-	-	-
Write off	(4,205)	-	(4,205)	-
Decrease	(18,823)	(2,468)	(18,981)	(3,363)
Foreign exchange differences	-	-	(2)	(28)
At 31 December	261,265	118,779	261,643	228,561

19.5. Derivative financial instruments

The following table presents the fair value of derivative financial instruments at the balance sheet date:

	31 Dec. 2017			31 Dec. 2016		
	Nominal amount off-balance sheet	Fair value balance sheet		Nominal amount off-balance sheet	Fair value balance sheet	
		Assets	Liabilities		Assets	Liabilities
	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000	HRK'000
Company						
Foreign currency forward contracts	1,022,027	1,692	(1,999)	-	-	-
Group						
Foreign currency forward contracts	1,022,027	1,692	(1,999)	-	-	-

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The structure of loans according to collaterals for the Company:

	31 Dec. 2017				31 Dec. 2016			
	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	24,065	2,710	28	26,803	38,521	4,000	35	42,556
Mortgages and real estate fiduciaries	314,616	161,408	220,264	696,288	317,417	6,598	112,741	436,756
Other collaterals	6,959	1,139	40,973	49,071	6,332	3,020	6,003	15,355
	345,640	165,257	261,265	772,162	362,270	13,618	118,779	494,667

The structure of loans according to collaterals for the Group:

	31 Dec. 2017				31 Dec. 2016			
	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	29,783	3,268	85	33,136	44,889	4,139	213	49,241
Mortgages and real estate fiduciaries	8,463	161,327	220,264	390,054	196,973	39,317	182,813	419,103
Other collaterals	192	6	41,294	41,492	669	3,067	45,535	49,271
	38,438	164,601	261,643	464,682	242,531	46,523	228,561	517,615

The quality of loans mainly depends on the quality of the collateral. The best security instrument is considered the vinculated life insurance policy issued by the Group. Vinculated life insurance policies almost fully cover the loan exposure.

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

20. Reinsurance share in technical provisions

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance share in unearned premium reserve	28,309	18,047	38,892	26,949
Reinsurance share in reported but not settled claims reserve	161,698	141,668	168,337	148,183
Reinsurance share in mathematical provisions	-	277	121	277
Reinsurance share in provisions for incurred, but not reported claims (IBNR)	21,951	21,962	21,951	22,682
	211,958	181,954	229,301	198,091

21. Deferred tax assets

(i) Movements in deferred tax assets:

Company	in HRK'000								
	Impairment of investments 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 investments	Impairment of loans and deposits	Fair valuation losses on investment property	Tax losses available for carry forward in future periods	Other	TOTAL
At 1 January 2016	8,658	2,362	26,450	15,829	-	55,410	18,581		127,290
Reclassifications	593	-	(3,958)	2,638	-	-	-		(727)
Utilised deferred tax assets through profit or loss	(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
At 31 December 2016	7,982	1,971	20,540	16,620	-	46,157	-		93,270
Reclassifications									
Utilised deferred tax assets through profit or loss	(3,254)	(294)	(7,542)	(6,521)	(294)	(11,455)	-	(476)	(29,836)
Deferred tax assets recognised in profit or loss	-	1,391	16	-	10,190	4,389	-	-	15,986
Effect of merger (Note 18.3 /i/)	3,254	3,210	41	-	14,518	876	-	476	22,375
At 31 December 2017	7,982	6,278	13,055	10,099	24,414	39,967	-	-	101,795

	in HRK'000			
	Property for own use za djelatnost	Financial assets available for sale	Deferred acquisition costs	Total
(ii) Movements in deferred tax liabilities:				
At 1 January 2016	16,426	19,795	7,976	44,196
Reclassification of deferred tax assets	(727)	-	-	(727)
Utilisation through equity	(290)	-	-	(290)
Effect of change in income tax rate recognised in comprehensive income	(1,330)	(4,244)	-	(5,574)
Change in fair value of available-for-sale financial assets	-	22,644	-	22,644
Impairment of property through equity	(2,108)	-	-	(2,108)
Change in deferred acquisition costs	-	-	(7,976)	(7,976)
At 31 December 2016	11,970	38,195	-	50,165
Effect of merger (Note 18.3 /i/)	802	2,022	-	2,824
Utilisation through equity	(207)	-	-	(207)
Change in fair value of available-for-sale financial assets	-	21,352	-	21,352
Impairment of property through equity	(767)	-	-	(767)
At 31 December 2017	11,798	61,569	-	73,367
(iii) Netting deferred taxes:				
	31 Dec. 2017	31 Dec. 2016		
	in HRK'000	in HRK'000		
Balance of deferred tax assets	101,795	93,270		
Balance of deferred tax liabilities	(73,367)	(50,165)		
Net deferred tax assets at 31 December	28,428	43,105		

The deferred tax liability is recognised on the basis of fair value adjustment of available-for-sale financial assets, land and buildings used for business activities, as well as the part of land and buildings not used for business activities and deferred acquisition costs.

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 investments	Impairment of loans and deposits	Fair valuation losses on investment property	Tax losses available for carry forward in future periods	Other	TOTAL
At 1 January 2016	8,537	26,506	15,926	16,152	56,173	18,581	721	142,596
Reclassifications	(879)	(3,418)	2,638	-	179	-	709	(771)
Foreign exchange differences arising on translation of financial statements of foreign operations	(2)	-	-	-	2	-	(1)	(1)
Utilised deferred tax assets through 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
Recognised deferred tax assets in other comprehensive income	-	-	-	-	-	-	203	203
At 31 December 2016	5,806	21,151	16,777	14,590	47,179	-	1,320	106,823
Reclassifications	(152)	144	-	-	(180)	-	25	(162)
Foreign exchange differences arising on translation of financial statements of foreign operations	(2)	5	-	-	(7)	-	4	-
Utilised deferred tax assets through profit or loss	(624)	(7,542)	(6,553)	(294)	(11,455)	-	(298)	(26,766)
Deferred tax assets recognised in profit or loss	1,476	16	-	10,190	4,346	-	317	16,345
At 31 December 2017	6,504	13,774	10,224	24,486	39,883	-	1,368	96,239

21. Deferred tax assets (continued)

(ii) Movements in deferred tax liabilities:

in HRK'000

	Property for own use	Investment property	Financial assets available for sale	Defered acquisition costs	Other	Total
At 1 January	30,043	11,374	19,828	7,976	79	69,299
Reclassification of deferred tax assets	(972)	201				(771)
Utilisation through profit or loss	526					526
Utilisation through equity	(546)					(546)
Utilisation through retained earnings		(708)				(708)
Effect of change in income tax rate recognised in comprehensive income	(2,495)		(4,212)			(6,707)
Change in fair value of available-for-sale investments			22,658			22,658
Impairment of property fro own use recognised in profit or loss	(1,140)					(1,140)
Impairment of property for own use through equity	(3,152)					(3,152)
Change in deferred acquisition costs				(7,976)		(7,976)
At 31 December	22,264	10,867	38,274	-	79	71,483
Reclassification of deferred tax assets	354	47	(563)			(162)
Effect of merger (Note 18.3 /iii/)			1,128			1,128
Utilisation through profit or loss	448	648			3,700	4,796
Utilisation through equity	(418)					(418)
Change in fair value of available-for-sale investments			22,669			22,669
Impairment of property fro own use recognised in profit or loss		(685)				(685)
Impairment of property for own use through equity	(767)					(767)
Change in deferred acquisition costs						-
At 31 December	21,881	10,877	61,508	-	3,778	98,044

(iii) Netting deferred taxes:

	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000
Total deferred tax assets	96,239	106,823
Netting deferred taxes (i)	(73,769)	(51,738)
Net movement in deferred tax assets	22,470	55,085
Total deferred tax liabilities	98,044	71,483
Netting deferred taxes (i)	(73,769)	(51,738)
Net movement in deferred tax liabilities	24,275	19,745

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

22. Insurance contract and other receivables

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from policyholders, net	487,979	325,840	521,371	501,613
Receivables from reinsurance and coinsurance	29,773	36,692	30,767	40,797
Receivables from other insurance business, net	250,035	247,491	253,514	253,282
Receivables for return on investments, net	5,442	8,493	4,368	9,775
Other receivables, net	55,593	62,184	89,453	78,530
	828,822	680,700	899,473	883,997
Interest receivable not due	83,044	73,357	91,673	83,090
Prepaid expenses	9,476	8,925	14,949	8,409
Other assets	538	393	10,551	6,695
	921,880	763,375	1,016,646	982,191

22.1. Receivables from policyholders

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Written but not invoiced premium	203,883	145,335	245,938	247,917
Invoiced uncollected premium	545,562	447,046	560,232	560,357
Receivables from policyholders, gross	749,445	592,381	806,170	808,274
Impairment	(261,466)	(266,541)	(284,799)	(306,661)
Receivables from policyholders, net	487,979	325,840	521,371	501,613

22.2. Receivables from reinsurance and coinsurance

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from reinsurance provision	267	-	267	-
Receivables from reinsurance claims	20,260	29,406	21,254	33,510
Receivables from coinsurance claims	9,246	7,286	9,246	7,287
	29,773	36,692	30,767	40,797

22.3. Receivables from other insurance business

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Recourse receivables	314,659	326,802	322,206	332,579
Impairment	(81,053)	(89,400)	(86,761)	(93,388)
Net receivables	233,606	237,402	235,445	239,191
Receivables for foreign claims	14,412	9,269	15,421	12,735
Impairment	(381)	(787)	(381)	(787)
Net receivables	14,031	8,482	15,040	11,948
Other receivables	2,398	1,607	3,029	2,143
	2,398	1,607	3,029	2,143
Receivables from other insurance business, gross	331,469	337,678	340,656	347,457
Impairment	(81,434)	(90,187)	(87,142)	(94,175)
Receivables from other insurance business, net	250,035	247,491	253,514	253,282

22.4. Receivables for returns on investments

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for regular interest on given loans	26,866	10,470	24,757	24,547
Receivables for regular interest on deposits	5,918	7,635	6,958	9,212
Receivables for default interest	1,417	3,509	1,418	3,607
Receivables for returns on investments, gross	34,201	21,614	33,133	37,366
Impairment	(28,759)	(13,121)	(28,765)	(27,591)
Receivables for returns on investments, net	5,442	8,493	4,368	9,775

22.5. Other receivables

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for sold flats	8,567	10,324	8,571	10,543
Receivables for advances given	5,098	5,621	8,310	6,640
Trade receivables	6,293	11,323	25,441	23,919
Receivables from the state and state institutions	4,789	4,248	13,675	9,122
Receivables from credit card companies	12,770	11,044	14,150	12,391
Receivables obtained through cession	4,444	4,482	4,444	4,482
Receivables under court decisions	329	289	329	289
Receivables from employees	3,596	3,508	4,394	4,359
Receivables from agents	3,791	3,001	7,391	3,078
Receivables for funds on blocked accounts	25,373	25,368	25,373	25,368
Other receivables	30,852	28,036	35,067	26,633
Other receivables, gross	105,902	107,244	147,145	126,824
Impairment	(50,309)	(45,060)	(57,692)	(48,294)
Other receivables, net	55,593	62,184	89,453	78,530

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

Company	Receivables from policyholders	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
				Recourse receivables	Receivables for 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
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	-	45,060	414,909
Impaired	(266,541)	-	(13,121)	(89,400)	(787)	-	(45,060)	(414,909)
31 December 2016	325,840	36,692	8,493	237,402	8,482	1,607	62,184	680,700
Neither past due nor impaired	353,193	23,002	36	233,351	8,271	-	27,851	645,703
Past due but not impaired	134,786	6,771	5,406	255	5,760	2,398	27,742	183,118
Past due and impaired	261,466	266	28,759	81,053	381	-	50,309	422,234
Impaired	(261,466)	(266)	(28,759)	(81,053)	(381)	-	(50,309)	(422,234)
31 December 2017	487,979	29,773	5,442	233,606	14,031	2,398	55,593	828,822

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

Group	Receivables from policyholders in HRK'000	Receivables from coinsurance and reinsurance business in HRK'000	Receivables for returns on investments in HRK'000	Receivables from other insurance business			Other receivables in HRK'000	TOTAL in HRK'000
				Recourse receivables in HRK'000	Receivables for foreign claims in HRK'000	Other receivables in HRK'000		
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)
31 December 2016	501,613	40,797	9,776	239,191	11,948	2,143	78,530	883,997
Neither past due nor impaired	372,751	23,002	1,042	233,730	8,271	631	49,574	689,001
Past due but not impaired	148,620	7,765	3,326	1,715	6,769	2,398	39,879	210,472
Past due and impaired	284,799	266	28,765	86,761	381	-	57,692	458,664
Impaired	(284,799)	(266)	(28,765)	(86,761)	(381)	-	(57,692)	(458,664)
31 December 2017	521,371	30,767	4,368	235,445	15,040	3,029	89,453	899,473

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

	Company							TOTAL in HRK'000
	Insurance receivables in HRK'000	Receivables from coinsurance and reinsurance business in HRK'000	Receivables for returns on investments in HRK'000	Receivables from other insurance business			Other receivables in HRK'000	
				Recourse receivables in HRK'000	Receivables for foreign claims in HRK'000	Other receivables in HRK'000		
High quality	-	35,909	-	-	-	-	-	35,909
Standard quality	145,335	-	-	234,082	-	-	31,724	411,141
31 December 2016	145,335	35,909	-	234,082	-	-	31,724	447,050
High quality	-	-	-	-	-	-	-	-
Standard quality	353,193	23,002	36	233,351	8,271	-	27,851	645,703
31 December 2017	353,193	23,002	36	233,351	8,271	-	27,851	645,703

	Group							TOTAL in HRK'000
	Insurance receivables in HRK'000	Receivables from coinsurance and reinsurance business in HRK'000	Receivables for returns on investments in HRK'000	Receivables from other insurance business			Other receivables in HRK'000	
				Recourse receivables in HRK'000	Receivables for foreign claims in HRK'000	Other receivables in HRK'000		
High quality	2	35,909	201	-	-	-	335	36,447
Standard quality	288,480	-	1,131	234,137	2,628	-	48,878	575,254
31 December 2016	288,482	35,909	1,332	234,137	2,628	-	49,213	611,701
High quality	-	-	784	-	-	-	1,110	1,894
Standard quality	372,751	23,002	258	233,730	8,271	631	48,464	687,108
31 December 2017	372,751	23,002	1,042	233,730	8,271	631	49,574	689,002

High quality means receivables from companies that have a high credit rating and the possibility that receivables become uncollectable extremely low.

22.8. Analysis of receivables 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	133,302	45,570	1,633	180,505	159,564	51,246	2,321	213,131
Receivables from coinsurance and reinsurance business	783	-	-	783	4,884	56	(52)	4,888
Receivables for returns on investments	5,793	10	2,690	8,493	5,865	9	2,569	8,443
Receivables from other insurance business:	12,785	624	-	13,409	15,305	657	555	16,517
recourse receivables	2,696	624	-	3,320	4,430	624	0	5,054
receivables for foreign claims	8,482	-	-	8,482	9,268	33	19	9,320
other receivables	1,607	-	-	1,607	1,607	0	536	2,143
Other receivables	17,160	4,411	8,888	30,460	17,882	4,336	7,098	29,317
31 December 2016	169,823	50,615	13,211	233,650	203,499	56,304	12,492	272,296
Receivables from insurance business	96,911	37,875	-	134,786	107,096	39,816	1,708	148,620
Receivables from coinsurance and reinsurance business	-	6,671	100	6,771	261	7,394	110	7,765
Receivables for returns on investments	4,665	458	283	5,406	2,997	46	283	3,326
Receivables from other insurance business:	7,968	445	-	8,413	9,494	503	885	10,882
recourse receivables	59	196	-	255	592	254	869	1,715
receivables for foreign claims	5,511	249	-	5,760	6,504	249	16	6,769
other receivables	2,398	-	-	2,398	2,398	-	-	2,398
Other receivables	27,742	-	-	27,742	38,047	1,067	764	39,879
31 December 2017	137,286	45,449	383	183,118	157,896	48,826	3,750	210,472

22.9. Movements in impairment of receivables

Company	Receivables from other insurance business						TOTAL
	Receivables from insurance business	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business		Other receivables	
				Recourse receivables	Receivables for foreign claims		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 31 December 2015	295,634	-	13,496	46,592	553	38,048	394,323
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	(23,620)	-	(838)	(215)	-	(115)	(24,788)
At 31 December 2016	266,541	-	13,121	89,400	787	45,060	414,909
Effect of merger	21,701	273	13,974	-	-	5	35,953
Increase in impairment	147,410	159	8,094	3,639	563	6,946	166,811
Collection of previously impaired amounts	(147,098)	(166)	(5,445)	(11,046)	(963)	(1,198)	(165,916)
Write-offs	(27,088)	-	(985)	(940)	-	(504)	(29,517)
Foreign exchange differences	-	-	-	-	(6)	-	(6)
At 31 December 2017	261,466	266	28,759	81,053	381	50,309	422,234

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Group	Receivables from insurance business	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	TOTAL
	in HRK'000	in HRK'000	in HRK'000	Recourse receivables in HRK'000	Receivables for foreign claims in HRK'000	Other receivables in HRK'000	in HRK'000	in HRK'000
At 31 December 2015	343,779	1,536	27,386	48,935	553	-	41,453	463,642
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)	(578)
Disposal of subsidiary	(6,832)	-	-	-	-	-	-	(6,832)
At 31 December 2016	306,661	636	27,591	93,388	787	-	48,294	477,357
Increase in acquisition	-	-	-	-	-	-	211	211
Increase in impairment	159,708	158	8,095	5,357	545	-	10,866	184,730
Collection of previously impaired amounts	(153,444)	(528)	(5,448)	(11,055)	(963)	-	(1,003)	(172,441)
Write-offs	(28,199)	(1)	(1,473)	(1,000)	-	-	(630)	(31,353)
Foreign exchange differences	73	-	-	71	12	-	4	160
At 31 December 2017	284,799	266	28,765	86,761	381	-	57,692	458,664

23. Cash and cash equivalents

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash on bank accounts	42,286	53,566	113,631	110,671
Cash on foreign currency accounts	6,018	12,569	34,976	21,387
Cash on hand	70	64	522	339
Deposits with maturity up to three months	-	-	15,652	27,609
Total cash and cash equivalents	48,374	66,199	164,781	160,006

24. Capital and reserves

24.1. Subscribed share capital

The Company's share capital with a nominal value of HRK 601,576 thousand (31 December 2016: HRK 601,576 thousand) is divided among 429,697 shares with a nominal value of HRK 1,400, which have been paid entirely in cash, entered into the register of the Commercial Court in Zagreb.

The shares are marked as follows:

- 307,598 ordinary shares with ticker CROS-R-A;
- 113,349 ordinary shares of the 2nd issue with ticker CROS-R-A;
- 8,750 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 revalued 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 2017 and 31 December 2016 was as follows:

Shareholder	31 Dec. 2017			31 Dec. 2016		
	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	131,587	184,222	30.6	131,587	184,222	30.6
Raiffeisenbank Austria d.d. - custodian account	19,473	27,262	4.5	19,464	27,250	4.5
Other shareholders	15,218	21,305	3.6	15,227	21,317	3.6
	429,697	601,576	100.0	429,697	601,576	100

The total majority shareholder percentage as at 31 December 2017 consists of the own share of 61.3% increased by another custodian account owned by the majority shareholder of 4.8%. The percentage of ownership of the majority shareholder did not change compared to 31 December 2016.

24.2. Reserves

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000		in HRK'000	
Legal reserves	28,490	25,915	28,490	25,915
Statutory reserves	147,220	147,220	147,220	147,220
Other reserves	224,740	224,739	224,740	224,739
	400,450	397,874	400,450	397,874

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. Revaluation reserve

The revaluation reserve is presented as follows:

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	65,546	66,497	126,474	130,901
Deferred tax from change in revaluation reserve of property for own use	(11,798)	(11,970)	(21,881)	(22,264)
Available-for-sale financial assets	342,046	212,196	345,126	225,900
Deferred tax from change in revaluation reserve of available-for-sale financial assets	(61,568)	(38,195)	(61,508)	(38,275)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(8,175)	(7,813)
	334,226	228,528	380,036	288,449

/i/ Revaluation reserve of property for own use

	Company		Group	
	in HRK'000		in HRK'000	
1 January 2016	62,790	120,440		
Decrease in revaluation reserve	-	2,557		
Release of revaluation reserve, realised portion	(7,103)	(12,151)		
Release of revaluation reserve, realised portion (depreciation)	(1,160)	(2,209)		
31 December 2016	54,527	108,637		
Increase in revaluation reserve	-	1,424		
Decrease in revaluation reserve	(3,492)	(3,502)		
Release of revaluation reserve, realised portion (depreciation)	(941)	(1,967)		
Effect of merger	3,654	-		
31 December 2017	53,748	104,593		

/ii/ Revaluation reserve of available-for-sale financial assets

	Company		Group	
	in HRK'000		in HRK'000	
1 January 2016	79,180	79,017		
Changes in fair value of available-for-sale financial assets	95,698	106,515		
Impairment of financial assets, net of tax	3,540	3,700		
Realised losses on available-for-sale financial assets	(4,417)	(9,420)		
31 December 2016	174,001	179,812		
Changes in fair value of available-for-sale financial assets	135,738	123,199		
Impairment of financial assets, net of tax	74	323		
Realised gains of available-for-sale financial assets, net of tax (through profit)	(38,542)	(27,891)		
Effect of merger	9,207	-		
31 December 2017	280,478	275,443		

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25. Technical provisions

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Claims provisions, gross</i>				
Provisions for reported but not settled claims	1,530,081	1,533,899	1,602,911	1,621,849
Provisions for incurred, but not reported claims (IBNR)	957,232	948,437	1,063,776	1,071,045
Provisions for costs of claims handling	137,782	120,077	151,576	137,682
	2,625,095	2,602,413	2,818,263	2,830,576
Unearned premiums, gross	1,059,561	821,857	1,308,560	1,150,010
Mathematical insurance provisions, gross	2,318,423	2,350,028	2,687,801	2,634,966
Other insurance-technical provisions, gross	45,273	51,777	57,422	63,092
Technical provisions for life insurance where the policyholder bears the investment risk	335,664	138,351	336,901	138,599
Total technical provisions	6,384,016	5,964,426	7,208,947	6,817,243

Other insurance-technical provisions include unexpired risk reserves.

25.1. Movements in provision for reported but not settled claims, gross

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	31,711	24,288	32,708	24,994
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	6	(6)
Claims incurred in the current year	20,506	21,304	24,307	23,409
Transfer from provisions for incurred, but not reported claims	406	787	423	798
Change in claims from the previous year	(3,786)	(3,903)	(3,809)	(3,999)
Settled claims	(13,692)	(10,765)	(15,843)	(12,488)
At 31 December	35,145	31,711	37,791	32,708
NON-LIFE				
At 1 January	1,502,188	1,557,043	1,589,141	1,676,623
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	802	(1,796)
Claims incurred in the current year	278,620	258,195	302,879	295,198
Transfer from provisions for incurred, but not reported claims	119,773	105,487	133,580	136,201
Change in claims from the previous year	(102,252)	(74,356)	(97,891)	(83,039)
Settled claims	(326,088)	(344,181)	(366,459)	(394,688)
Disposal of subsidiary	-	-	-	(39,358)
Effect of merger	22,695	-	-	-
Effect of acquisition	-	-	3,067	-
At 31 December	1,494,936	1,502,188	1,565,119	1,589,141
TOTAL LIFE AND NON-LIFE				
At 31 December	1,530,081	1,533,899	1,602,911	1,621,849

25.2. Movements in provision for incurred but not reported claims

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000		in HRK'000	
LIFE				
At 1 January	2,534	4,410	3,067	5,020
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(5)	(6)
Increases recognised during the year	849	14	764	56
Transfer to provisions for reported claims	(406)	(787)	(423)	(795)
Settled claims	(1,032)	(1,103)	(1,146)	(1,210)
At 31 December	1,945	2,534	2,257	3,065
NON-LIFE				
At 1 January	945,903	962,894	1,067,978	1,156,829
Foreign exchange differences	-	-	1,989	(1,937)
Increases recognised during the year	222,215	209,389	272,917	286,368
Transfer to provisions for reported claims	(119,773)	(105,487)	(133,611)	(136,201)
Settled claims	(118,068)	(120,893)	(153,718)	(229,405)
Effect of acquisition	-	-	5,964	-
Disposal of subsidiary	-	-	-	(7,674)
Effect of merger	25,009	-	-	-
At 31 December	955,287	945,903	1,061,519	1,067,980
TOTAL LIFE AND NON-LIFE				
At 31 December	957,232	948,437	1,063,776	1,071,045

25.3. Movements in provisions for unearned premiums

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000		in HRK'000	
LIFE				
At 1 January	4,376	3,722	5,511	4,799
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(7)	(10)
Written premiums during the year	533,541	533,428	639,376	629,583
Earned premiums during the year	(533,533)	(532,774)	(639,386)	(628,861)
At 31 December	4,384	4,376	5,494	5,511
NON-LIFE				
At 1 January	817,481	787,051	1,144,499	1,064,375
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	2,906	(3,514)
Written premiums during the year	1,929,781	1,735,234	2,501,784	2,391,135
Earned premiums during the year	(1,861,909)	(1,704,804)	(2,350,532)	(2,298,787)
Increase through acquisition (Note 18.3. /iii/)	-	-	4,410	-
Disposal of subsidiary	-	-	-	(8,710)
Effect of merger	169,824	-	-	-
At 31 December	1,055,177	817,481	1,303,066	1,144,499
TOTAL LIFE AND NON-LIFE				
At 31 December	1,059,561	821,857	1,308,560	1,150,010

25.4. Movements in mathematical insurance provisions, gross

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	2,350,028	2,266,361	2,634,966	2,507,339
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(1,398)	(2,026)
Allocated premium	215,187	290,718	288,609	354,869
Reversal of liabilities due to benefits paid, surrenders and other terminations	(324,545)	(290,960)	(362,370)	(309,258)
Capitalised technical interest	72,726	75,914	64,688	75,914
Change in discretionary bonus	5,027	7,995	4,221	8,128
Effect of acquisition (Note 18.3. /iii/)	-	-	59,085	-
At 31 December	2,318,423	2,350,028	2,687,801	2,634,966

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

	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Group</u>
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	138,351	34,582	138,599	34,582
Foreign exchange differences		-	7	-
Allocated premium	192,349	103,394	193,297	103,641
Reversal of liabilities due to benefits paid, surrenders and other terminations	(5,985)	(2,900)	(5,985)	(2,900)
Unrealised gains on assets in which the policyholders' funds are invested	10,949	3,275	10,983	3,276
At 31 December	335,664	138,351	336,901	138,599

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

Company

	in HRK'000								
	Before 2011	2011	2012	2013	2014	2015	2016	2017	Total
Assessment of cumulative claims at the end of the year of the accident	-	1,664,547	1,508,800	1,406,818	1,244,991	1,192,854	1,148,645	1,229,855	-
One year later	-	1,552,097	1,421,351	1,351,615	1,216,132	1,134,791	1,101,945	-	-
Two years later	-	1,525,994	1,406,404	1,338,872	1,191,619	1,123,941	-	-	-
Three years later	-	1,516,011	1,417,595	1,330,694	1,192,149	-	-	-	-
Four years later	-	1,534,264	1,409,194	1,327,336	-	-	-	-	-
Five years later	-	1,532,255	1,402,008	-	-	-	-	-	-
Six years later	-	1,530,429	-	-	-	-	-	-	-
Assessment of cumulative claims	-	1,530,429	1,402,008	1,327,336	1,192,149	1,123,941	1,101,945	1,229,855	8,907,662
Cumulative payments	-	1,422,559	1,276,295	1,211,822	1,074,131	955,326	898,506	689,659	7,528,298
Provision for previous years	1,070,859								1,070,859
Claims handling costs	55,440	5,911	6,930	6,823	7,168	9,702	12,175	32,071	136,220
Amount recognised in the statement of financial position	1,126,299	113,781	132,644	122,337	125,186	178,317	215,614	572,266	2,586,443

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
2017					
Unearned premiums, gross	896,271	134,771	24,927	3,592	1,059,561
Mathematical insurance provisions, gross	350,160	948,877	554,417	464,969	2,318,423
Claims provisions, gross	823,282	650,860	390,396	760,557	2,625,095
Other insurance-technical provisions, gross	40,322	4,121	723	108	45,273
Technical provisions for life insurance where the policyholder bears the investment risk	171	269,816	65,618	60	335,664
	2,110,205	2,008,445	1,036,081	1,229,285	6,384,016
2016					
Unearned premiums, gross	629,923	132,841	48,589	10,504	821,857
Mathematical insurance provisions, 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
	1,695,621	1,932,912	1,014,470	1,321,423	5,964,426

Group	in HRK'000				
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
2017					
Unearned premiums, gross	1,075,785	176,986	52,172	3,617	1,308,534
Mathematical insurance provisions, gross	396,501	1,064,207	652,400	574,693	2,687,801
Claims provisions, gross	976,398	684,714	394,701	762,450	2,818,289
Other insurance-technical provisions, gross	52,469	4,120	722	109	57,422
Technical provisions for life insurance where the policyholder bears the investment risk	171	271,035	65,636	59	336,901
	2,501,324	2,201,062	1,165,631	1,340,930	7,208,947
2016					
Unearned premiums, gross	916,502	151,340	71,665	10,503	1,150,010
Mathematical insurance provisions, 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
	2,191,240	2,080,612	1,124,973	1,420,418	6,817,243

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
	2017	2017	2017	Restated 2016	Restated 2016	Restated 2016
Accident insurance	26.82%	37.91%	64.73%	32.88%	40.65%	73.53%
Health insurance	52.68%	20.59%	73.27%	102.23%	36.80%	139.03%
Road vehicle insurance	81.71%	38.59%	120.30%	81.62%	34.63%	116.25%
Railroad rolling stock insurance	13.06%	36.37%	49.43%	24.56%	42.36%	66.92%
Aircraft insurance	64.06%	25.32%	89.38%	39.28%	29.75%	69.03%
Vessel insurance	92.74%	36.76%	129.50%	61.58%	43.21%	104.79%
Insurance for goods in transit	29.35%	39.28%	68.63%	128.40%	38.63%	167.03%
Insurance against fire and natural disasters	43.08%	41.47%	84.55%	40.62%	40.48%	81.10%
Other types of property insurance	84.94%	35.16%	120.10%	80.50%	35.28%	115.78%
Motor liability insurance	49.79%	38.68%	88.47%	51.58%	36.82%	88.40%
Aircraft liability insurance	63.13%	30.68%	93.81%	-38.74%	31.80%	-6.94%
Vessel liability insurance	6.02%	42.40%	36.38%	21.61%	40.67%	62.28%
Other types of liability insurance	68.91%	35.16%	104.07%	71.23%	36.08%	107.31%
Loan insurance/credit insurance	-54.23%	47.57%	-6.66%	-13.73%	38.42%	24.69%
Surety insurance	12.72%	39.32%	52.04%	-60.36%	27.85%	-32.51%
Miscellaneous financial loss insurance	83.73%	49.11%	132.84%	22.40%	32.27%	54.67%
Travel insurance	35.13%	45.90%	81.03%	37.68%	50.34%	88.02%
Total non-life insurance	56.24%	37.15%	93.39%	58.19%	37.21%	95.40%

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 insurance or reinsurance companies by the Croatian Financial Services Supervisory Agency.

The claims ratio, cost ratio and combined ratio by types of non-life insurance are calculated as follows:

- 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 realised 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 the movements in the annual return realised from investment of assets covering mathematical provisions for 2017, 2016 and 2015:

	2015	2016	2017
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provisions	2,169,108	2,308,194	2,334,225
Return on investments from mathematical provisions	100,904	94,062	128,590
Rate of annual return on mathematical provisions	4.65%	4.08%	5.51%
Average return on mathematical provisions for the past 3 years	5.45%	4.81%	4.75%

26. Provisions

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Provisions for termination benefits	26,697	59,382	27,232	60,993
Provisions for jubilee awards and termination benefits (retirement) /i/	31,479	30,150	38,741	40,912
Provisions for legal disputes	43,143	34,449	48,009	38,878
	101,319	123,981	113,982	140,783

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

Company	Other long-term provisions	Provisions for legal disputes	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
At 1 January 2016	400	32,431	31,261	43,418	107,510
Additional provisions	-	15,652	608	32,542	48,802
Decrease in provisions (utilisation)	-	(13,634)	(1,719)	(16,578)	(31,931)
Decrease in provisions (reversal)	(400)	-	-	-	(400)
At 31 December 2016	-	34,449	30,150	59,382	123,981
Additional provisions	-	17,336	187	17,007	34,530
Effect of merger	-	-	3,224	1,379	4,603
Decrease in provisions (utilisation)	-	(8,642)	(2,082)	(51,070)	(61,794)
At 31 December 2017	-	43,143	31,479	26,697	101,320

Group	Other long-term provisions	Provisions for legal disputes	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
At 1 January 2016	400	35,780	42,808	49,900	128,888
Foreign exchange differences	-	(4)	(78)	55	(27)
Additional provisions	-	16,738	1,056	33,485	51,279
Decrease in provisions (utilisation)	-	(13,635)	(1,797)	(21,861)	(37,293)
Decrease in provisions (reversal)	(400)	(1)	(1,077)	(586)	(2,064)
At 31 December 2016	-	38,878	40,912	60,993	140,783
Effect of acquisition	-	437	-	1,371	1,808
Foreign exchange differences	-	19	(13)	-	5
Additional provisions	-	17,607	1,780	17,790	37,177
Decrease in provisions (utilisation)	-	(8,932)	(2,568)	(52,673)	(64,173)
Decrease in provisions (reversal)	-	-	(1,370)	(248)	(1,618)
At 31 December 2017	-	48,009	38,741	27,232	113,982

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

- The employment termination rate for the Company is 5.34% (2016: 5.34%), while for the Group the average is 4.91% (2016: 4.53%)
- An annual salary increase is not expected;
- The present value of the liability is calculated using the discount rate of 1.52% (2016: 2.36%) for the Company and 1.52%-2.75% for the Group (2016: 2.36%-6.15%).

27. Financial liabilities

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Other financial liabilities	-	-	3,364	4,173
Derivative financial instruments (Note 19.5)	1,999	-	1,999	-
	1,999	-	5,363	4,173

27.1. Maturity of non-current liabilities

	Company	Company	Group	Group
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
2018	-	-	461	-
2019	-	-	2,541	832
2020	-	-	212	1,149
2021	-	-	117	1,045
2022	-	-	33	1,029
2023 and thereafter	-	-	-	118
	-	-	3,364	4,173

28. Insurance contract and other liabilities and deferred income

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Insurance contract liabilities	90,146	83,273	100,227	110,456
Reinsurance liabilities	54,067	46,063	54,846	46,316
Other liabilities	90,207	91,627	120,114	121,189
Accrued expenses	102,912	86,877	116,325	97,180
Deferred income	248,578	236,574	254,737	242,176
	585,910	544,414	646,249	617,317

/i/ Insurance contract liabilities

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Liabilities for claims and contracted insurance amounts	30,778	22,901	35,837	39,073
Liabilities for contribution to the Fire Department	501	426	968	854
Liabilities for the guarantee fund	30,033	36,695	30,445	37,508
Liabilities for advances received for the insurance premium	13,314	11,493	13,758	15,382
Liabilities to the Croatian Insurance Bureau	168	155	168	155
Fee payable to the Croatian Financial Services Supervisory Agency	100	78	309	88
Liabilities for health insurance under motor liability premium	1,290	719	1,964	1,321
Other liabilities	13,962	10,806	16,778	16,075
	90,146	83,273	100,227	110,456

/ii/ Liabilities from coinsurance and reinsurance

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance premiums payable - domestic	52,259	45,699	52,724	45,954
Reinsurance premiums payable - foreign	1,274	-	1,274	-
Coinsurance premiums payable - domestic	534	364	534	362
Coinsurance premiums payable - foreign	-	-	314	-
	54,067	46,063	54,846	46,316

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/iii/ Other liabilities

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Trade payables	42,046	43,584	52,341	48,632
Advances received	1,943	1,989	3,674	3,169
Liabilities for net salaries	16,892	9,006	23,272	16,626
Liabilities for contributions from salaries	5,068	9,431	5,977	10,715
Liabilities for tax and surtax from salaries	3,197	5,447	3,590	6,207
Liabilities for contributions on salaries	4,476	8,267	5,394	9,560
Deductions from salaries and wages	92	114	210	229
Dividends payable	257	268	279	296
Liability to the state for sold flats	1,759	2,354	1,759	2,356
Due to employees	329	663	2,025	2,402
Liabilities for tax on motor liability and motor hull insurance	6,536	6,549	7,288	7,204
Other liabilities	7,612	3,955	14,306	13,793
	90,207	91,627	120,114	121,189

/iv/ Accrued expenses and deferred income

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accrued expenses for unused vacation days	14,189	15,132	16,497	16,670
Other accrued expenses	88,723	71,745	99,828	80,510
Total accrued expenses	102,912	86,877	116,325	97,180
Deferred income from recourses /i/	237,469	234,082	237,469	234,082
Other deferred income	11,108	2,492	17,268	8,094
Total deferred income	248,578	236,574	254,737	242,176
	351,490	323,451	371,062	339,356

/i/ Deferred income from recourse, due to uncertainty of collection, in the amount of HRK 237,469 thousand (31 December 2016: HRK 234,082 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		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Forward contracts	1,022,027	-	1,022,027	-
Premium receivables from companies in bankruptcy	175,813	188,868	182,623	202,725
Shares and stakes of companies in bankruptcy	23,547	22,595	31,918	28,637
Placements and interest from companies in bankruptcy	62,005	48,543	71,575	65,257
Default interest on placements	50,194	44,239	50,194	44,438
Other off-balance-sheet items	1,539	-	1,539	-
	1,335,126	304,245	1,359,876	341,057
Recourse receivables not recognised	785,969	804,592	805,165	825,385
	2,121,095	1,108,837	2,165,042	1,166,442

30. Related party transactions

The Company considers that it has an immediate related party relationship with its ultimate parent, the company ADRIS grupa d.d. and the Republic of Croatia (CERP) and companies with majority state ownership, companies under control, under common control or under influence of key management personnel 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 and directors of departments as key management.

Key related party transactions

The Company pays income tax in the Republic of Croatia, as described in Note 13. The Company also pays personal 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 invests in securities of the Republic of Croatia and other state-owned companies as listed in the table below with interest rates ranging from 1.75% to 6.75% and with maturities of 2018-2032.

The Company has given loans to the related company Croatia-tehnički pregled d.o.o. in the total value of HRK 238.4 million at an interest rate of 7% or 5%, to the company Core 1 d.o.o. in the amount of HRK 97.9 million at an interest rate of 5.14% and to the company 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 as well as publicly owned companies are presented in the following tables for 2017 and 2016:

CROATIA osiguranje d.d., Zagreb
Notes to the financial statements for the year 2017

Transactions and balances with the parent company and other related entities of the Company and the Group for 2017:

	Subsidiaries	Associates	Adris grupa d.d. - parent company	Other Adris Group companies
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Loans and receivables	314,291	-	-	-
Receivables from insurance	579	507	3	1,269
Other receivables	4,646	-	81	182
Insurance liabilities	624	-	-	1,235
Technical provisions	32,629	-	-	-
Other liabilities	1,374	-	1,478	113
Written premiums	(3,950)	932	559	11,314
Premiums ceded to reinsurance	125	-	-	-
Change in gross provisions for unearned premiums	17,499	-	-	-
Investment income	25,488	12,613	-	-
Other income	183,342	-	-	-
Claims incurred	8,469	171	20	2,689
Operating expenses	185,689	184	12,065	1,399

Transactions and balances with parties related to the shareholder with significant influence on the Company and the Group (Republic of Croatia and all companies with majority state ownership) for 2017:

	Company	Group
	in HRK'000	in HRK'000
Debt securities	4,786,212	4,801,975
Loans and receivables	47,494	47,494
Receivables from insurance business	19,940	19,940
Other receivables	470	935
Insurance liabilities	281	281
Other liabilities	1,824	1,824
Insurance income	120,518	120,518
Interest income	177,644	178,103
Other income	-	1,274
Insurance expenses	52,664	52,664
Other expenses	23,774	24,174

CROATIA osiguranje d.d., Zagreb
Notes to the financial statements for the year 2017

Transactions and balances with the parent company and other related entities of the Company and the Group for 2016:

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

Transactions and balances with parties related to the shareholder with significant influence on the Company and the Group (Republic of Croatia and all companies with majority state ownership) for 2016:

	Company	Group
	in HRK'000	in HRK'000
Debt securities	3.606.761	3.620.206
Loans and receivables	133.120	133.120
Receivables from insurance business	8.824	8.824
Other receivables	67	156
Insurance liabilities	35	35
Other liabilities	2.251	2.251
Insurance income	107.664	107.664
Interest income	159.282	159.839
Other income	25.402	26.703
Insurance expenses	35.818	35.818
Other expenses	44.633	45.024

/i/ Key management compensation

	Company		Group	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Key management compensation	40,085	38,433	56,160	55,761
Termination benefits	3,118	-	3,118	-

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

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 principal activity, the Group is subject to legal disputes initiated by injured parties. Provisions for legal disputes 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 2017, the Company's contractual liabilities for future investments amount to HRK 3,700 thousand based on binding bids for investments in venture capital funds (31 December 2016: HRK 4,132 thousand).

33. Audit of financial statements

The auditors of the Group's financial statements have provided services in 2017 in the amount of HRK 2,167 thousand plus value added tax (2016: HRK 2,104 thousand plus value added tax). The Company was provided services in the amount of HRK 1,065 thousand plus value added tax (2016: HRK 1,118 thousand plus value added tax). Services in 2017 and 2016 relate to the costs of the statutory audit of annual financial statements and related audit services.

34. Events after the balance sheet date

On 21 March 2018, the Company signed a merger agreement with CROATIA osiguranje kredita d.d., a fully owned subsidiary. The merger agreement will gain validity upon obtaining the approval by the Croatian Financial Services Supervisory Agency.

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 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003	I	INTANGIBLE ASSETS		16,280,649	16,280,649		27,168,186	27,168,186
002		1	Goodwill						
003		2	Other intangible assets		16,280,649	16,280,649		27,168,186	27,168,186
004	005+006+007	II	TANGIBLE ASSETS		635,191,540	635,191,540	1,678	474,800,382	474,802,060
005		1	Land and buildings used for business activities		592,024,994	592,024,994		435,944,520	435,944,520
006		2	Equipment		31,495,882	31,495,882	1,678	29,286,742	29,288,420
007		3	Other tangible assets and inventories		11,670,664	11,670,664		9,569,121	9,569,121
008	009+010+014+033	III	INVESTMENTS	2,630,579,215	4,190,993,095	6,821,572,310	2,692,294,347	4,833,920,055	7,526,214,402
009		A	Investments in land and buildings not used for business activities		448,527,957	448,527,957		414,922,600	414,922,600
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures		394,644,169	394,644,169		315,311,466	315,311,466
011		1	Shares and stakes in subsidiaries		362,384,469	362,384,469		281,623,173	281,623,173
012		2	Shares and stakes in associates		4,259,700	4,259,700		5,688,293	5,688,293
013		3	Shares and stakes in joint ventures		28,000,000	28,000,000		28,000,000	28,000,000
014	015+018+023+029	C	Financial assets	2,630,579,215	3,347,820,968	5,978,400,183	2,692,294,347	4,103,685,989	6,795,980,336
015	016+017	1	Held-to-maturity financial assets	1,256,583,199	806,613,369	2,063,196,568	1,238,341,475	834,672,421	2,073,013,896
016		1.1	Debt financial instruments	1,256,583,199	806,613,369	2,063,196,568	1,238,341,475	834,672,421	2,073,013,896
017		1.2	Other						
018	019+020+021+022	2	Financial assets available for sale	1,015,137,224	1,059,341,313	2,074,478,537	1,196,064,206	2,119,741,543	3,315,805,750
019		2.1	Equity financial instruments	22,950,852	350,935,617	373,886,469	16,398,199	419,006,914	435,405,113
020		2.2	Debt financial instruments	992,186,372	679,922,833	1,672,109,205	1,179,666,008	1,663,300,562	2,842,966,570
021		2.3	Shares in investment funds		28,482,863	28,482,863		37,434,067	37,434,067
022		2.4	Other						

STATEMENT OF FINANCIAL POSITION as at 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
023	024+025+026 +027+028	3	Financial assets at fair value through profit or loss	40,106,292	202,592,449	242,698,741		81,594,547	81,594,547
024		3.1	Equity financial instruments		12,430,703	12,430,703		14,385,082	14,385,082
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments					1,692,205	1,692,205
027		3.4	Shares in investment funds	40,106,292	190,161,746	230,268,038		65,517,261	65,517,261
028		3.5	Other						
029	030+031+032	4	Loans and receivables	318,752,501	1,279,273,837	1,598,026,338	257,888,665	1,067,677,478	1,325,566,143
030		4.1	Deposits with credit institutions	275,983,422	945,757,680	1,221,741,102	230,849,826	582,558,988	813,408,815
031		4.2	Loans	42,769,079	333,516,157	376,285,236	27,038,839	485,118,490	512,157,328
032		4.3	Other						
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	138,351,164		138,351,164	335,664,098		335,664,098
035	036+037+038 +039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	278,488	181,675,121	181,953,609	941	211,957,399	211,958,340
036		1	Unearned premiums, reinsurance share	1,953	18,044,776	18,046,729	941	28,307,977	28,308,919
037		2	Mathematical provisions for insurance, reinsurance share	276,535		276,535			
038		3	Claims provisions, reinsurance share		163,630,345	163,630,345		183,649,422	183,649,422
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 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	2,350,132	90,965,896	93,316,028	511,319	101,824,377	102,335,697
044		1	Deferred tax assets	2,350,132	90,920,081	93,270,214	511,319	101,283,617	101,794,937
045		2	Current tax assets		45,815	45,815		540,760	540,760
046	047+050+05 1	VII	RECEIVABLES	1,331,208	690,757,242	692,088,451	4,027,187	831,092,572	835,119,759
047	048+049	1	Receivables from direct insurance business	155,833	326,936,742	327,092,576	466,174	490,113,094	490,579,268
048		1.1	From policyholders		325,839,683	325,839,683		487,979,188	487,979,188
049		1.2	From agents or insurance brokers	155,833	1,097,059	1,252,892	466,174	2,133,906	2,600,080
050		2	Receivables reinsurance business	765	36,691,184	36,691,949		29,773,156	29,773,156
051	052+053+05 4	3	Other receivables	1,174,610	327,129,316	328,303,926	3,561,013	311,206,322	314,767,336
052		3.1	Receivables from other insurance business		247,491,293	247,491,293		250,034,879	250,034,879
053		3.2	Receivables for returns on investments	984,115	7,509,154	8,493,269	686,245	4,755,792	5,442,037
054		3.3	Other receivables	190,495	72,128,870	72,319,364	2,874,769	56,415,651	59,290,419
055	056-060+061	VIII	OTHER ASSETS	20,222,038	46,083,722	66,305,760	9,131,112	39,349,548	48,480,660
056	057+058+05 9	1	Cash at bank and on hand	20,222,038	45,977,298	66,199,336	9,131,112	39,243,124	48,374,236
057		1.1	Funds in the business account		45,912,681	45,912,681		39,173,083	39,173,083
058		1.2	Funds in the account of assets covering mathematical provisions	20,222,038		20,222,038	9,131,112		9,131,112
059		1.3	Cash on hand		64,617	64,617		70,041	70,041
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other		106,424	106,424		106,424	106,424
062	063+064+06 5	IX	PREPAID EXPENSES AND ACCRUED INCOME		119,420,617	119,420,617		183,388,384	183,388,384
063		1	Accrued interest and rent						
064		2	Deferred acquisition costs		110,496,207	110,496,207		173,911,935	173,911,935
065		3	Other prepaid expenses and accrued income		8,924,410	8,924,410		9,476,449	9,476,449
066	001+004+00 8+034+035+ 043+046+05 5+062	X	TOTAL ASSETS	2,793,112,244	5,971,367,882	8,764,480,126	3,041,630,683	6,703,500,902	9,745,131,585
067		XI	OFF BALANCE-SHEET ITEMS	33,839	1,108,802,833	1,108,836,672	90,282,227	2,030,812,803	2,121,095,030

Statement of financial position (balance sheet) as at 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+072+073+077+081+084	XII	EQUITY	219,042,448	1,834,478,583	2,053,521,031	293,205,091	2,288,926,234	2,582,131,326
069	070+071	1	Share capital	44,288,720	557,287,080	601,575,800	44,288,720	557,287,080	601,575,800
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
072		2	Share premium (capital reserves)		681,482,525	681,482,525		681,482,525	681,482,525
073	074+075+076	3	Revaluation reserves	57,547,684	170,980,772	228,528,456	82,286,918	251,938,612	334,225,530
074		3.1	<i>Land and buildings</i>		54,527,393	54,527,393		53,747,701	53,747,701
075		3.2	<i>Financial assets available for sale</i>	57,547,684	116,453,379	174,001,063	82,286,918	198,190,911	280,477,829
076		3.3	<i>Other revaluation reserves</i>						
077	078+079+080	4	Reserves	83,902,326	313,971,510	397,873,836	84,708,412	315,741,826	400,450,237
078		4.1	<i>Legal reserves</i>	820,825	25,093,225	25,914,050	1,626,910	26,863,541	28,490,451
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
081	082+083	5	Retained earnings or accumulated loss	17,182,006	75,350,382	92,532,388	32,497,633	380,956,656	413,454,289
082		5.1	<i>Retained earnings</i>	17,182,006	75,350,382	92,532,388	32,497,633	380,956,656	413,454,289
083		5.2	<i>Accumulated loss (-)</i>						
084	085+086	6	Profit or loss for the period	16,121,712	35,406,313	51,528,025	49,423,409	101,519,535	150,942,944
085		6.1	<i>Profit for the period</i>	16,121,712	35,406,313	51,528,025	49,423,409	101,519,535	150,942,944
086		6.2	<i>Loss for the period (-)</i>						
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)						
088		XIV	MINORITY INTEREST						

STATEMENT OF FINANCIAL POSITION as at 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,389,935,527	3,436,139,129	5,826,074,656	2,362,150,376	3,686,201,310	6,048,351,686
090		1	Unearned premiums, gross amount	4,376,157	817,480,663	821,856,820	4,383,691	1,055,177,086	1,059,560,777
091		2	Mathematical provisions, gross amount	2,350,027,503		2,350,027,503	2,318,423,035		2,318,423,035
092		3	Claims provisions, gross amount	35,531,867	2,566,880,530	2,602,412,398	38,651,481	2,586,443,042	2,625,094,523
093		4	Provisions for bonuses and discounts, gross amount		934,891	934,891		5,132,300	5,132,300
094		5	Provisions for claims fluctuation, gross amount		7,055,533	7,055,533		7,055,533	7,055,533
095		6	Other technical provisions, gross amount		43,787,512	43,787,512	692,170	32,393,348	33,085,518
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	138,351,164		138,351,164	335,664,098		335,664,098
097	098+099	XVII	OTHER PROVISIONS	10,673,592	115,187,664	125,861,256	5,357,558	100,477,314	105,834,872
098		1	Provisions for pensions and similar obligations	10,673,592	113,307,283	123,980,875	5,357,558	95,961,565	101,319,123
099		2	Other provisions		1,880,381	1,880,381		4,515,749	4,515,749
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	12,632,418	54,071,449	66,703,868	18,062,982	64,853,915	82,916,897
101		1	Deferred tax liabilities	12,632,418	37,532,364	50,164,783	18,062,982	55,303,598	73,366,580
102		2	Current tax liability		16,539,085	16,539,085		9,550,317	9,550,317
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE						

STATEMENT OF FINANCIAL POSITION as at 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
104	105+106+107	XX	FINANCIAL LIABILITIES				298,762	1,700,346	1,999,108
105		1	Loan liabilities						
106		2	Liabilities for issued financial instruments						
107		3	Other financial liabilities				298,762	1,700,346	1,999,108
108	109+110+111+112	XXI	OTHER LIABILITIES	20,861,010	209,655,756	230,516,766	18,765,408	217,978,296	236,743,704
109		1	Liabilities from direct insurance business	3,749,147	79,523,988	83,273,135	6,535,120	83,610,812	90,145,932
110		2	Liabilities from coinsurance and reinsurance	186,625	45,875,960	46,062,585		54,067,073	54,067,073
111		3	Liabilities for disposal and discontinued operations						
112		4	Other liabilities	16,925,238	84,255,807	101,181,046	12,230,288	80,300,411	92,530,699
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	1,616,085	321,835,302	323,451,386	8,126,407	343,363,487	351,489,894
114		1	Deferred reinsurance commission						
115		2	Other accrued expenses and deferred income	1,616,085	321,835,302	323,451,386	8,126,407	343,363,487	351,489,894
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	2,793,112,244	5,971,367,882	8,764,480,126	3,041,630,683	6,703,500,902	9,745,131,585
117		XXIV	OFF-BALANCE-SHEET ITEMS	33,839	1,108,802,833	1,108,836,672	90,282,227	2,030,812,803	2,121,095,030

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
001	002+003+004+005+006	I	Earned premiums (income)	532,524,927	1,453,787,248	1,986,312,175	533,583,877	1,624,018,279	2,157,602,155
002		1	Gross written premiums	533,427,912	1,735,234,225	2,268,662,137	533,540,915	1,929,781,438	2,463,322,353
003		2	Value correction and charged premium value adjustment		6,456,356	6,456,356		1,526,875	1,526,875
004		3	Premiums ceded to reinsurance (-)	-249,005	-243,559,005	-243,808,010	51,507	-249,195,772	-249,144,265
005		4	Change in gross provisions for unearned premiums (+/-)	-653,981	-30,429,664	-31,083,645	-7,534	-67,872,754	-67,880,287
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	1	-13,914,665	-13,914,663	-1,011	9,778,492	9,777,480
007	008+009+010+011+012+013+014	II	Investment income	120,957,340	254,490,063	375,447,403	143,134,968	450,896,466	594,031,434
008		1	Income from subsidiaries, associates and participation in joint ventures		65,713,356	65,713,356	96,749	28,430,517	28,527,265
009		2	Income from investments in land and buildings		50,681,422	50,681,422		226,149,944	226,149,944
010		3	Interest income	116,035,518	116,683,008	232,718,526	112,437,859	116,003,676	228,441,536
011		4	Unrealized gains on investments	70,319	972,675	1,042,994		3,718,037	3,718,037
012		5	Realised gains on investments	2,580,703	15,639,183	18,219,886	30,448,162	40,338,377	70,786,540
013		6	Net foreign exchange gains						
014		7	Other investment income	2,270,800	4,800,419	7,071,219	152,197	36,255,915	36,408,113
015		III	Income from fees and commissions	485,821	32,392,396	32,878,217	1,276,222	34,138,410	35,414,632
016		IV	Other insurance - technical income, net of reinsurance	38,794	30,445,028	30,483,822	191,132	27,686,150	27,877,282
017		V	Other income	21,323	46,378,819	46,400,141	59,858	12,539,524	12,599,383

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
018	019+022	VI	Claims incurred, net	-306,387,605	-912,782,421	-1,219,170,027	-334,108,436	-957,122,334	-1,291,230,771
019	020+021	1	Settled claims	-300,989,239	-876,828,975	-1,177,818,214	-330,988,823	-1,009,449,504	-1,340,438,327
020		1.1	Gross amount (-)	-300,989,239	-1,087,630,374	-1,388,619,614	-330,988,823	-1,089,641,861	-1,420,630,684
021		1.2	Reinsurance share(+)		210,801,400	210,801,400		80,192,357	80,192,357
022	023+024	2	Change in claims provisions (+/-)	-5,398,366	-35,953,447	-41,351,813	-3,119,613	52,327,170	49,207,556
023		2.1	Gross amount (-)	-5,398,366	74,954,637	69,556,271	-3,119,613	34,357,467	31,237,854
024		2.2	Reinsurance share(+)		-110,908,083	-110,908,083		17,969,703	17,969,703
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	-83,658,923	16,970,110	-66,688,813	30,635,764	7,265,655	37,901,419
026	027+028	1	Change in mathematical provisions (+/-)	-83,658,923		-83,658,923	31,327,933		31,327,933
027		1.1	Gross amount (-)	-83,666,024		-83,666,024	31,604,468		31,604,468
028		1.2	Reinsurance share(+)	7,101		7,101	-276,535		-276,535
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)		16,970,110	16,970,110	-692,170	7,265,655	6,573,485
030		2.1	Gross amount (-)		16,970,110	16,970,110	-692,170	7,265,655	6,573,485
031		2.2	Reinsurance share(+)						
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	-100,494,370		-100,494,370	-186,363,995		-186,363,995
033		1	Gross amount (-)	-100,494,370		-100,494,370	-186,363,995		-186,363,995
034		2	Reinsurance share(+)						
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance		-1,514,834	-1,514,834		-2,986,771	-2,986,771
036		1	Dependent of result (bonuses)		-1,514,834	-1,514,834		-2,986,771	-2,986,771
037		2	Independent of result (discounts)						

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
038	039+043	X	Operating expenses (business expenditures), net	-117,406,819	-644,082,320	-761,489,139	-114,805,743	-694,834,652	-809,640,395
039	040+041+042	1	Acquisition costs	-67,208,560	-336,446,310	-403,654,870	-57,454,309	-350,876,219	-408,330,528
040		1.1	Commission	-40,573,058	-247,998,770	-288,571,828	-34,636,635	-285,047,481	-319,684,116
041		1.2	Other acquisition costs	-26,635,502	-134,580,779	-161,216,280	-22,817,675	-129,244,465	-152,062,140
042		1.3	Change in deferred acquisition costs (+/-)		46,133,239	46,133,239		63,415,728	63,415,728
043	044+045+046	2	Administration costs (administrative expenses)	-50,198,259	-307,636,010	-357,834,269	-57,351,434	-343,958,433	-401,309,867
044		2.1	Depreciation	-1,160,124	-37,104,691	-38,264,815	-1,940,039	-38,574,719	-40,514,758
045		2.2	Salaries, taxes and contributions from and on salaries	-20,992,246	-106,664,688	-127,656,935	-21,565,262	-109,839,215	-131,404,477
046		2.3	Other administrative expenses	-28,045,888	-163,866,632	-191,912,520	-33,846,133	-195,544,500	-229,390,632
047	048+049+050+051+052+053+054	XI	Investment expenses	-24,643,724	-80,895,859	-105,539,583	-14,350,825	-333,153,721	-347,504,546
048		1	Depreciation of land and buildings not intended for business activities						
049		2	Interest					-52	-52
050		3	Impairment of investments	-1,959,677	-29,595,968	-31,555,646		-21,097,028	-21,097,028
051		4	Realised losses on investments	-42,814	-714,612	-757,426	-4,814,318	-11,411,077	-16,225,395
052		5	Unrealised losses on investments				-298,762	-1,700,346	-1,999,108
053		6	Net foreign exchange losses	-22,010,905	-6,333,557	-28,344,462	-8,217,600	-14,018,282	-22,235,882
054		7	Other investment expenses	-630,327	-44,251,722	-44,882,049	-1,020,145	-284,926,937	-285,947,081
055	056+057	XII	Other technical expenses, net of reinsurance	-348,299	-23,052,152	-23,400,451	-497,365	-25,182,784	-25,680,149
056		1	Prevention activities expenses						
057		2	Other technical expenses of insurance	-348,299	-23,052,152	-23,400,451	-497,365	-25,182,784	-25,680,149
058		XIII	Other expenses, including value adjustments	-5,067	-99,499,916	-99,504,982	-10,696	-17,484,239	-17,494,935

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	21,083,399	72,636,162	93,719,561	58,744,761	125,779,983	184,524,744
060	061+062	XV	Income or loss tax	-4,961,687	-37,229,849	-42,191,536	-9,321,352	-24,260,447	-33,581,799
061		1	Current tax expense	-6,989,282	-9,884,492	-16,873,774	-7,482,539	-12,249,308	-19,731,847
062		2	Deferred tax expense (income)	2,027,595	-27,345,357	-25,317,762	-1,838,813	-12,011,139	-13,849,952
063	059+060	XVI	Profit or loss for the period after tax (+/-)	16,121,712	35,406,313	51,528,025	49,423,409	101,519,535	150,942,944
064		1	Attributable to equity holders of the parent company						
065		2	Attributable to non-controlling interest						
066	001+007+015+016+017+062	XVII	TOTAL INCOME	656,055,799	1,790,148,197	2,446,203,997	676,407,244	2,137,267,690	2,813,674,934
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-639,934,087	-1,754,741,884	-2,394,675,971	-626,983,835	-2,035,748,155	-2,662,731,990

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Previous year			Current year		
				Life	Non-life	Total	Life	Non-life	Total
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	53,251,252	34,467,436	87,718,688	24,739,234	69,037,853	93,777,088
069		1	Gains / losses on translation of financial statements of foreign operations						
070		2	Gains / losses on revaluation of financial assets available for sale	64,809,563	48,411,637	113,221,200	30,169,798	88,451,191	118,620,989
071		3	Gains / losses on revaluation of land and buildings intended for business activities		-10,540,171	-10,540,171		-4,258,687	-4,258,687
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	-5,430,564	-15,154,651	-20,585,214
077	078+079	XX	Total comprehensive income	69,372,965	69,873,749	139,246,714	74,162,643	170,557,389	244,720,032
078		1	Attributable to equity holders of the parent company						
079		2	Attributable to non-controlling interest						
080		XXI	Reclassification adjustments						

STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Current period	Same period last year
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	-164,525,863	-166,766,379
002	003+004	1	Cash flow before changes in operating assets and liabilities	61,686,454	-32,233,533
003		1.1	Profit/loss before tax	184,524,744	93,719,561
004	005+006+007 +008+009+010 +011+012	1.2	Adjustments:	-122,838,289	-125,953,094
005		1.2.1	<i>Depreciation of property and equipment</i>	30,054,038	31,333,036
006		1.2.2	<i>Amortization</i>	10,460,720	6,931,779
007		1.2.3	<i>Impairment and gains/losses on fair valuation</i>	94,561,538	146,020,880
008		1.2.4	<i>Interest expense</i>	52	
009		1.2.5	<i>Interest income</i>	-228,441,536	-232,718,526
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>	438,889	-180,520
012		1.2.8	<i>Other adjustments</i>	-29,911,990	-77,339,743
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	-208,635,389	-134,532,846
014		2.1	Increase/decrease in investments available for sale	-860,961,195	-283,006,498
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	167,577,148	-170,523,916
016		2.3	Increase/decrease in deposits, loans and receivables	509,352,343	132,504,874
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	-197,312,934	-103,768,847
019		2.6	Increase/decrease in reinsurance share in technical provisions	-27,470,648	124,815,646
020		2.7	Increase/decrease in tax assets	-46,818	726,975
021		2.8	Increase/decrease in receivables	67,752,626	83,808,950
022		2.9	Increase/decrease in other assets	2,194,735	6,664,689
023		2.10	Increase/decrease in prepaid expenses and accrued income	-63,922,078	-48,002,763
024		2.11	Increase/decrease in technical provisions	-1,535,520	28,223,287
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	197,312,934	103,768,847
026		2.13	Increase/decrease in tax liabilities	-14,822,665	-1,062,069
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	1,999,056	
029		2.16	Increase/decrease in other liabilities	-13,561,165	6,102,454
030		2.17	Increase/decrease in accrued expenses and deferred income	24,808,791	-14,784,474
031		3	Income tax paid	-17,576,928	

CROATIA osiguranje d.d., Zagreb
Supplementary statements prescribed by the Ordinance of the Croatian Financial Services
Supervisory Agency

STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2017 – 31 December 2017

in HRK

Position No.	Sum elements	Position marking	Position description	Current period	Same period last year
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	125,444,880	148,141,095
033		1	Proceeds from sale of tangible assets	1,010,170	62,508
034		2	Expenditures for purchases of tangible assets	-33,729,154	-40,865,950
035		3	Proceeds from sale of intangible assets		
036		4	Expenditures for purchases of intangible assets	-14,502,788	-8,934,018
037		5	Proceeds from the sale of land and buildings not used for business activities	10,531,166	12,695,374
038		6	Expenditures for the purchase of land and buildings not used for business activities	-950,933	-628,730
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	-57,287,143	5,268,527
040		8	Proceeds from held-to-maturity investments	389,894,140	264,327,202
041		9	Expenditures for held-to-maturity investments	-249,693,346	-96,327,705
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	27,776,854	65,010,607
045		13	Proceeds from repayment of given short-term and long-term loans	108,718,101	186,309,172
046		14	Expenditure for given long-term and short-term loans	-56,322,186	-238,775,892
047	048+049+050 +051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-980,000	-1,960,000
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)	-980,000	-1,960,000
053	001+032+047		NET CASH FLOW	-40,060,983	-20,585,284
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	22,235,883	28,344,462
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-17,825,099	7,759,178
056		1	Cash and cash equivalents at beginning of period	66,305,760	58,546,582
057	055+056	2	Cash and cash equivalents at end of period	48,480,660	66,305,760

STATEMENT OF CHANGES IN EQUITY for the period 1 January 2017 – 31 December 2017

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		
I.	Balance at 1 January of previous year	601,575,800	681,482,525	141,970,197	395,535,294	44,434,236	50,964,376	1,915,962,428		1,915,962,428
1.	Changes in accounting policies									
2.	Correction of prior periods errors									
II.	Balance at 1 January of previous year	601,575,800	681,482,525	141,970,197	395,535,294	44,434,236	50,964,376	1,915,962,428		1,915,962,428
III.	Comprehensive income or loss of the previous year			87,718,688			51,528,025	139,246,714		139,246,714
1.	Profit or loss for the period						51,528,025	51,528,025		51,528,025
2.	Other comprehensive income or loss of the previous year			87,718,688				87,718,688		87,718,688
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									
IV.	Transactions with owners (previous period)			-1,160,429	2,338,542	48,098,153	-50,964,376	-1,688,111		-1,688,111
1.	Increase/decrease in 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	48,098,153	-49,004,376	271,889		271,889
V.	Balance at the last day of the reporting period in the previous year	601,575,800	681,482,525	228,528,456	397,873,836	92,532,388	51,528,025	2,053,521,031		2,053,521,031

STATEMENT OF CHANGES IN EQUITY for the period 1 January 2017 – 31 December 2017

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		
VI.	Balance at 1 January of current year	601,575,800	681,482,525	228,528,456	397,873,836	92,532,388	51,528,025	2,053,521,031		2,053,521,031
1.	Changes in accounting policies							0		0
2.	Correction of prior periods errors							0		0
VII.	Balance at 1 January of current year	601,575,800	681,482,525	228,528,456	397,873,836	92,532,388	51,528,025	2,053,521,031		2,053,521,031
VIII.	Comprehensive income or loss of the current year			93,777,088			150,942,944	244,720,032		244,720,032
1.	Profit or loss for the period						150,942,944	150,942,944		150,942,944
2.	Other comprehensive income or loss of the current year			93,777,088				93,777,088		93,777,088
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-3,492,123				-3,492,123		-3,492,123
2.2.	Unrealized gains or losses from financial assets available for sale			135,737,811				135,737,811		135,737,811
2.3.	Realized gains or losses from financial assets available for sale			-38,468,601				-38,468,601		-38,468,601
2.4.	Other non-owner changes in equity									
IX.	Transactions with owners (current period)			11,919,987	2,576,401	320,921,900	-51,528,025	283,890,263		283,890,263
1.	Increase/decrease of share capital									
2.	Other payments by owners									
3.	Payment of shares in profit/dividends						-980,000	-980,000		-980,000
4.	Other distributions to owners			11,919,987	2,576,401	320,921,900	-50,548,025	284,870,263		284,870,263
X.	Balance at the last day of the reporting period in the current year	601,575,800	681,482,525	334,225,530	400,450,237	413,454,289	150,942,944	2,582,131,326		2,582,131,326

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 2017

	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	
INTANGIBLE ASSETS	27,168									27,168	Intangible assets
Goodwill											
Other intangible assets	27,168										
				173,912						173,912	Property and equipment
TANGIBLE ASSETS											
Land and buildings used for business activities	474,802	(431)								474,371	
Equipment	435,945									435,945	
Other tangible assets	29,288									29,288	
	9,569	(431)								9,138	
INVESTMENTS											
Investments in land and buildings not intended for business activities	7,526,214		335,664				(83,044)			7,778,834	Investment property
Investments in subsidiaries, associates and joint ventures	414,923									414,923	Investments in subsidiaries and associates and participation in joint ventures
Held-to-maturity investments	315,311									315,311	Held-to-maturity investments
Financial assets available for sale	2,073,014						(42,905)			2,030,109	Financial assets available for sale
Financial assets at fair value through profit or loss	3,315,806						(38,863)			3,276,943	Financial assets at fair value through profit or loss
Loans and receivables	81,595		335,664							417,259	Loans and receivables
	1,325,566						(1,276)			1,324,290	
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER											
Investments for the account and risk of life insurance policyholder	335,664		(335,664)							-	
	335,664		(335,664)							-	

Statement of financial position (balance sheet) as at 31 December 2017

	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	
REINSURANCE SHARE IN TECHNICAL PROVISIONS	211,958									211,958	Reinsurance share in technical provisions
Unearned premiums, reinsurance share	28,309										
Mathematical provisions, reinsurance share											
Claims provisions, reinsurance share	183,649										
DEFERRED AND CURRENT TAX ASSETS	102,336				(73,907)					28,428	Deferred tax assets
Deferred tax assets	101,795				(73,367)					28,428	
Current tax assets	541				(541)						
RECEIVABLES	835,120	431			541	9,476	106	83,044	(6,839)	921,880	Insurance contract and other receivables
Receivables from direct insurance business	490,579									490,579	
Receivables from insurance and reinsurance business	29,773									29,773	
Other receivables	314,767	431			541	9,476	106	83,044	(6,839)	401,528	
CASH AND CASH EQUIVALENTS	48,481						(106)			48,374	Cash and cash equivalents
Cash at bank and on hand	48,374						(106)				
Other	106						(106)				
ACCRUED EXPENSES AND DEFERRED INCOME	183,388			(173,912)						-	
Deferred acquisition costs	173,912			(173,912)							
Other prepaid expenses and accrued income	9,476					(9,476)					
TOTAL ASSETS	9,745,132				(73,367)				(6,839)	9,664,926	

Statement of financial position (balance sheet) as at 31 Dec 2017

	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
<u>EQUITY</u>	2,582,131							2,582,131
Share capital	601,576							601,576 Share capital
Share premiums (capital reserves)	681,483							681,483 Premium on issued shares
Revaluation reserves	334,226							334,226 Fair value reserve
Reserves	400,450							400,450 Reserves
Retained earnings/accumulated loss	413,454	150,943						564,397 Retained earnings
Profit for the year	150,943	(150,943)						
<u>TECHNICAL PROVISIONS</u>	6,048,352		335,664					6,384,016 Technical provisions
Unearned premiums, gross amount	1,059,561							
Mathematical provisions, gross amount	2,318,423							
Claims provisions, gross amount	2,625,095							
Provisions for premium returns dependent and independent of the result (bonuses and discounts), gross amount	5,132							
Provisions for claims fluctuations	7,056							
Other insurance-technical provision, gross amount	33,086							
<u>TECHNICAL PROVISIONS, WHEN THE POLICYHOLDER BEARS THE RISK</u>	335,664		(335,664)					
Technical provisions for life insurance where the policyholder bears the risk	335,664		(335,664)					

Statement of financial position (balance sheet) as at 31 December 2017

	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	
<u>OTHER PROVISIONS</u>	105,835			(4,515)				101,320	Provisions
Provisions for pensions and similar obligations	101,319								
Other provisions	4,516			(4,515)					
<u>DEFERRED AND CURRENT TAX LIABILITY</u>	82,917							9,550	Deferred tax liabilities
Deferred tax liabilities	73,367					(73,367)			
Current tax liability	9,550								
<u>FINANCIAL LIABILITIES</u>	1,999							1,999	Financial liabilities
	1,999								
<u>OTHER LIABILITIES</u>	236,744			4,515	351,490		(6,839)	585,910	Liabilities from insurance contracts, other liabilities and deferred income
Liabilities from direct insurance business	90,146							90,146	
Liabilities from coinsurance and reinsurance business	54,067							54,067	
Liabilities for disposal and discontinued operations									
Other liabilities	92,531			4,515	351,490			448,536	
<u>ACCRUED EXPENSES AND DEFERRED INCOME</u>	351,490				(351,490)				
Accrued expenses and deferred income	351,490				(351,490)				
TOTAL LIABILITIES	9,745,132					(73,367)	(6,839)	9,664,926	

Statement of comprehensive income (profit and loss) for the period 1 January 2017 – 31 December 2017

	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	2,463,322	1,527			2,464,849	Gross written premiums
Impairment and collected insurance / coinsurance premium previously impaired	1,527	(1,527)				
Premiums ceded to reinsurance (-)	(249,144)				(249,144)	Premiums ceded to reinsurance and coinsurance
Change in gross provisions or unearned premiums	(67,880)				(67,880)	Change in gross provisions for unearned premiums
Change in provisions for unearned premiums, reinsurance share	9,777				9,777	Change in provisions of unearned premiums, reinsurance and coinsurance share
Earned premiums (income)	2,157,602				2,157,602	
Income from subsidiaries, associates and participation in joint ventures	28,527				28,527	
Income from investments in land and buildings	226,150			-192,759	33,391	
Interest income	228,442				228,442	
Unrealized gains from investments at fair value through profit and loss	3,718				3,718	
Gains on sale (realization) of financial assets	70,787				70,787	
Net foreign exchange gains			19,404		19,404	
Other investment income	36,408				36,408	
Investment income	594,031		19,404		420,676	Finance income

Statement of comprehensive income (profit and loss) for the period 1 January 2017 – 31 December 2017

	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	
Income from fees and commissions	35,415						35,415	Income from fees and commissions
Other insurance - technical income, net of reinsurance	27,877	12,599			(571)		39,907	Other operating income
Other income	12,599	(12,599)						
Settled claims - gross	(1,420,631)		1,420,631					
Settled claims - reinsurance share (+/-)	80,192			(80,192)				
Change in claims provisions - gross amount	31,238		(31,238)					
Change in claims provisions - reinsurance share (+/-)	17,970			(17,970)				
Change in mathematical provisions - gross amount	31,604		(31,604)					
Change in mathematical provisions - reinsurance share	(277)			277				
Change in other technical provisions, net of reinsurance	6,573		(6,573)					
Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance	(186,364)		186,364					
Expenses for premium refunds (bonuses and discounts)	(2,987)		2,987					
			1,540,566				(1,540,566)	Claims incurred
				(97,886)			97,886	Reinsurance share in claims incurred
Acquisition costs	(408,331)						(408,331)	Acquisition costs
Administration costs	(401,310)						(401,228)	Administrative expenses
Operating expenses (business expenditures), net	(809,640)							

Statement of comprehensive income (profit and loss) for the period 1 January 2017 – 31 December 2017

	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	Netting revenue and expenses on the same basis in HRK'000	Statutory financial statements in HRK'000	
Depreciation (buildings not intended for business activities)							
Interest							
Impairment of investments	(21,097)					(21,097)	
Losses from sale (realization) of investments	(16,225)					(16,225)	
Adjustment of financial assets at fair value through profit or loss	(1,999)					(1,999)	
Net foreign exchange losses	(22,236)	(19,404)				(41,640)	
Other investment expenses	(285,946)			5,726	192,759	(87,461)	
Investment expenses	(347,504)	(19,404)				(168,422)	Finance costs
Other technical expenses, net of reinsurance	(25,680)		(17,495)	(5,726)	487	(48,414)	Other operating expenses
Other costs, including value adjustments	(17,495)		17,495				
Profit or loss for the period before tax	184,525					184,525	Profit before tax
Profit or loss from ordinary course of business	(33,582)					(33,582)	Income tax
Profit or loss for the period after tax	150,943					150,943	Profit after tax

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.