



**Annual Report
for 2018**

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Croatia osiguranje d.d.

Management Report for 2018

Insurance market of the Republic of Croatia in 2018

The insurance market of the Republic of Croatia in 2018 was extremely dynamic with a total increase of gross written premium of 9% (HRK 826m). Part of this increase (HRK 174m or 265.6%) refers to an increase of premium realized on the European Union market, where eight insurance companies operate, including CROATIA osiguranje d.d. On the market of the Republic of Croatia (including EU-based operating in the Republic of Croatia directly or through its subsidiaries), the increase in premiums amounted to 7.1% or HRK 652m. Growth was recorded of all product lines, except transport insurance, while credit insurance and casco insurance achieve double-digit growth.

The total life insurance premium on the market of the Republic of Croatia amounted to HRK 3.18 bn, which is by 6.9% or HRK 207m higher than in the previous year. It was realised an increase of classis life products premium in the amount of HRK 289m, while insurance premium where the policyholder bears the investment risks has decreased (UL products) by HRK 94m.

The total non-life insurance premium on the market of the Republic of Croatia in 2018 was HRK 6.6 billion, which is an increase by 7.2% or HRK 445m compared to the previous year. Motor vehicles insurance (liability insurance, casco insurance and automobile assistance) increased by 6% compared to the previous year, property insurance increased by 8%, credit insurance increased by 26%, health insurance increased by 7%, while protection insurance increased by 6% compared to the previous year. Transport insurance achieved a decrease of premium by 1% compared to the previous year.

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 33.2% in the non-life insurance segment and 17.7% in the life insurance segment. The total market share of companies based in the Republic of Croatia amounts to 28.1% and is almost on the same level as in the previous year.

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 for the year 2018 of 259% percent for the Company, based on no revised report. The organisational restructuring began in a situation where only about 23 percent of employees were in sales and by the end of 2018, this amount increased almost twice to 60 percent in sales services. The process continues, so that in the coming years there will be at least 70 percent of those who work in sales services and are directly oriented to the client and the market. 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 significant work improvement. The process of restructuring the corporate culture is also going according to the planned. 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, the merger of CROATIA osiguranje kredita d.d. was completed and at the end of December regulatory authorities of Slovenia issued a decision for the possibility of starting the sale through the CO subsidiary in Slovenia. 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 2018, Croatia osiguranje d.d. reported profit before tax in the amount of HRK 325.1m (profit after tax of HRK 270.4m).

The total gross written premium (before adjustments by the net increase in the provision for premium receivables and related write-offs) increased by 13% and amounted to HRK 2,778m. Earned premiums amounted to HRK 2,456m and increased by 14%. The written premium in non-life insurance amounted to HRK 2,214m, which is an increase of 15% compared to the same period last year.

The largest increase of premium is recorded in casco insurance and property insurance, while the largest decrease of premium is recorded in transport insurance due to unfavourable financial situation in the shipbuilding industry, which lead to decrease of new investments. The written premium in life insurance amounted to HRK 565m which an increase of 6% compared to the previous year.

In the non-life and life insurance investment business, revenues were realised in the amount of HRK 417m, which is at the level of the year 2017. Finance costs in 2018 have decreased and amounted to HRK 130m.

Gross paid claims amounted to HRK 1,549m representing an increase of 9% compared to the same period of the previous year.

Total administrative costs amounted to a total of HRK 407m recording an increase of 1.5% compared to the same period in 2017. Acquisition costs amounted to a total of HRK 486m recording an increase of 19% as a result of continued investments in sales.

The following is a summary of key business indicators in 2018 calculated on the basis of the report to HANFAs, but according to the formulas shown below:

Key performance indicators	31 Dec. 2017	31 Dec. 2018	Change in percentage points (p.p.)
Claims ratio (non-life)*	56.4%	53.3%	-3.1
Cost ratio (non-life)**	42.8%	42.0%	-0.8
Combined ratio (non-life)	99.2%	95.3%	-3.9

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

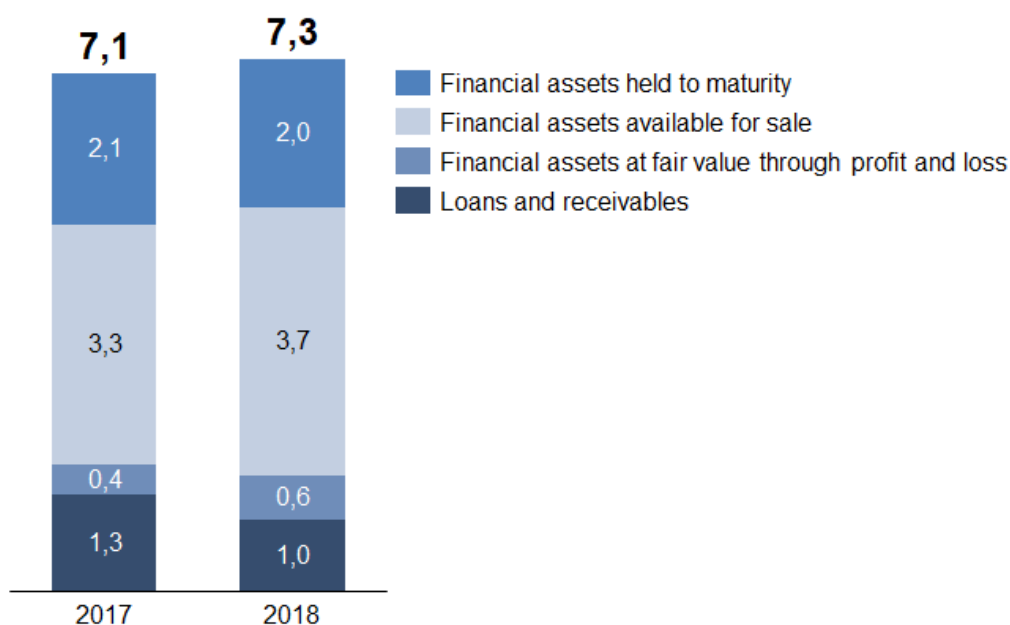
** *Cost ratio = Acquisition costs and administrative expenses / Net Earned premiums*

The combined ratio, as the indicator of success in non-life insurance in 2018, amounted to 95.3%, which is 3.9 percentage points better than in the same period of 2017. The claims ratio has improved by 3.1 percentage points and amounted to 53.3%. The cost ratio amounted to 42% which is 0.8 percentage points lower than in 2017.

Total assets of the Company as at 31 December 2018 amount to HRK 10.1 billion, which represents an increase of 4.9% compared to 31 December 2017.

Technical reserves amounted to HRK 6.6 billion and are 3.5% higher than the technical provisions as of 31 December 2017.

The structure of financial assets (HRK billion)



Group

In 2018, the CROATIA osiguranje d.d. Group (hereinafter: the Group) achieved consolidated profit after tax and non-controlling interest in the amount of HRK 337m.

In 2018, 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 3,323m, which represents an increase by 6%. The gross written premium of non-life insurance amounted to HRK 2,637m which represents an increase by 5%, while gross written premium of life insurance amounted to HRK 686m which represents an increase by 7%.

Earned premiums in the reporting period amounted to HRK 2,933.8m which represents an increase by 7.9% 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 473m which represents a decrease of 5.5%, with an investment cost of HRK 131m which represents a decrease of 23.2%.

Gross claims in 2018 amounted to HRK 1,762m, which is an increase of 4% compared to the same period last year.

Acquisition costs and administrative expenses amounted to a total of HRK 1,211m and represents an increase by 5.8% in which administrative expenses increased by 1.7%, and acquisition cost increased by 10%. The increase in acquisition costs and administrative expenses is the result of, among other things, further business reorganization.

Total assets of the Group as at 31 December 2018 amount to HRK 11.5 billion, which represents an increase by 5% compared to 31 December 2017.

Technical provisions amounted to HRK 7.5 billion, which represents an increase by 3.6% compared to the technical provisions as at 31 December 2017.

Significant business events in the reporting period

On 21 March 2018, CROATIA osiguranje d.d. and CROATIA osiguranje kredita d.d., have signed a merger agreement, whereby CROATIA osiguranje kredita d.d. has been merged to the CROATIA osiguranje d.d. The Croatian Financial Services Supervisory Agency, at a session of the Board of Croatian Financial Services Supervisory Agency held on 22 May 2018 issued a Decision on basis of which it approved merger of the the company CROATIA osiguranje kredita d.d. in accordance with the Merger agreement.

On 2 July 2018, the Commercial Court in Zagreb issued a Decision on registration of merger of the company CROATIA osiguranje kredita d.d. to the company CROATIA osiguranje d.d. With registration on the Commercial Court, the merger process has ended according to the Companies Act.

On the 19 June 2018 the General Assembly of CROATIA osiguranje d.d. issued a Decision on profit distribution of the Croatia osiguranje d.d. for the year 2017. It was declared dividend for 8,750 preference shares in the amount of HRK 112.00 per share, respectively in the total amount of HRK 980,000, which was paid in the July, 2018.

Significant events after the end of the financial year

There was no significant business events after the end of the financial year. This is also described in Note 34 Events after the balance sheet date of the Consolidated and separate financial statements for 2018.

Expected development in the future

In 2018, real GDP growth was achieved in all quarters by the data available from the Central Bureau of Statistics, except in the last quarter. Growth in economic activity is also visible in the insurance market, which also grew by 9%. 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 further growth. 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 2018 at 2.6 percent of the GDP. The Slovenian market is twice as large, and the European is three times larger than the Croatian insurance market. In addition to the relative size of the market, there is also a difference in the structure. In Europe, the premium structure is dominated by personal insurance, life and health, comprising between one-half and two-thirds of the premium.

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 branch

As at 31 December 2018, the Company has one registered branch (Branch Ljubljana). In its legal transactions, the branch operates under CROATIA osiguranje d.d. branch Ljubljana, in Croatian language, and under CROATIA ZAVAROVANJE d.d. branch Ljubljana, in Slovenian language.

Financial risk management

Financial risk management is described in Note 2.37. Financial risk management to the Consolidated and separate financial statements for 2018.

Other

In accordance with the statutory obligation and the permitted exemption pursuant to Art. 21.a 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 2018, PricewaterhouseCoopers d.o.o. (PwC) provided non-audit services comprising a financial, tax and IT due diligence of a targeted company, according to the needs of the Company.

Corporate Governance Statement

CROATIA osiguranje d.d., PIN 26187994862, 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 65/18), 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 is publicly available, for year 2018, 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 responsible 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 66.3% and
- Restructuring and Sales Centre, for 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 2018.

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 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:

- Roberto Škopac President
- Željko Lovrinčević, PhD Vice President
- Vitomir Palinec Member
- Petar Miladin, PhD, Professor Member
- Hrvoje Patajac Member
- Mima Kurilić Janušić Member until 4 October 2018
- Vlasta Pavličević Member since 4 October 2018

Members of the Management Board are:

- Damir Vandelić President
- Nikola Mišetić Member
- Marijan Kralj Member
- Robert Vučković Member
- Miroslav Klepač Member

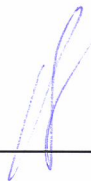
The Supervisory Board established an Audit Committee.

Members of the Audit Committee are:

- Hrvoje Patajac President
- Vitomir Palinec Member
- Željko Lovrinčević, PhD Member
- Marko Pokrajac Member until 29 January 2018
- Aleksandar Radulović Member until 29 January 2018

During 2018, 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. 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, 17 April 2019



Miroslav Klepač
Member of the Management Board



Damir Vandelić
President of the Management Board



Nikola Mišetić
Member of the Management Board



Robert Vučković
Member of the Management Board



Marijan Kralj
Member of the Management Board





**Consolidated and separate financial statements
for 2018**

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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 International Financial Reporting Standards as adopted in the European Union 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.

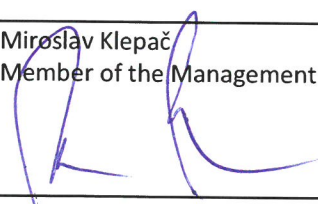
In accordance with Accounting Act, the Management Board is obliged to prepare an Annual report of the Company and the Group comprising the Annual financial statements, Management Report and Corporate Governance Statement. Management Report and Corporate Governance Statement are prepared as requested by articles 21, 22 and 24 of Accounting Act.

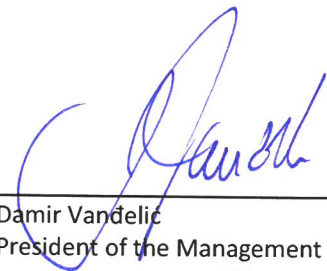
The Management Board is responsible for submitting the Annual report of the Company and the Group, which includes the Annual financial statements, to the Supervisory Board, following which the Supervisory Board should approve these for submitting to the General Assembly for acceptance.

The separate and consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards as adopted in the European Union on the following pages, 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 and 96/18)* adopted by the Croatian Financial Services Supervision Agency were approved by the Management Board on 17 April 2019 and submitted for issue to the Supervisory Board. In acknowledgment, the financial statements are signed by the Company's authorized persons, as follows.

17 April 2019

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


Miroslav Klepač
Member of the Management Board


Damir Vandelić
President of the Management Board


Nikola Mišetić
Member of the Management Board


Robert Vučković
Member of the Management Board


Marijan Kralj
Member of the Management Board

CROATIA osiguranje d.d.

Vatroslava Jagića 33

10 000 Zagreb

Republic of Croatia





*Independent auditor's report
to the Shareholders of CROATIA osiguranje d.d.*

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of CROATIA osiguranje d.d. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

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 which comprise:

- Separate and consolidated statements of financial position as at 31 December 2018;
 - Separate and consolidated statements of comprehensive income for the year then ended;
 - Separate and consolidated statements of changes in equity for the year then ended;
 - Separate and consolidated statements of cash flows for the year then ended; and
 - The notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

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

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

Independence

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

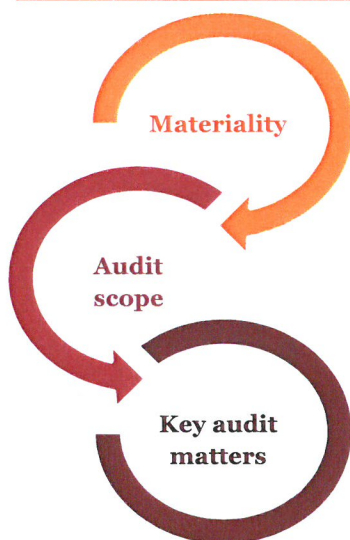
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in Croatia and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2018 to 31 December 2018, are disclosed in the Note 33 to the separate and consolidated financial statements.

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Our audit approach

Overview



- Overall materiality for the financial statements of the Company as a whole: HRK 28 million, which represents 1% of gross written premiums.
- Overall materiality for the financial statements of the Group as a whole: HRK 33 million, which represents 1% of gross written premiums.
- Our audit scope addressed 100% of the Group's gross written premiums and 100% of the Group's absolute value of underlying profit.
- Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)

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. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

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

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

Overall materiality for the financial statements as a whole	The Company: HRK 28 million The Group: HRK 33 million
How we determined it	The Company: 1% of gross written premiums The Group: 1% of gross written premiums
Rationale for the materiality benchmark applied	We chose gross written premium as the appropriate 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 7.5 billion and HRK 6.6 billion, respectively, at 31 December 2018 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. 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. 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. 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. Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the Group and industry experience and specific product features.</p> <p>Based on the evidence obtained, we found that the assumptions and data used within the models calculating technical provisions were reasonable. We consider management’s conclusion to be consistent with the available information.</p> <p>As a result, the technical provisions are within a reasonable range of outcomes in the context of the uncertainties disclosed in the financial statements. We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements and found them appropriate.</p>



How we tailored our 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 consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Reporting on other information including Management Report and Corporate Governance Statement

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

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

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

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company 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 independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

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

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



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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 17 July 2014. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

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, 96/18), "Ordinance", the Management Board of the Company created forms presented in the section *Statements prescribed by the ordinance of the Croatian Financial Services Supervisory Agency*, entitled the Statement of financial position of the Company as at 31 December 2018, and the Statement of comprehensive income, Cash flows statement (indirect method) and the Statement of changes in equity for the period from 1 January until 31 December 2018 together with information of reconciliation the forms to the Company's financial statements, disclosed in the section *Reconciliation of financial statements and statements for the Croatian Financial Services Supervisory Agency*. 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 26 to 157 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.

Heinzlova 70, Zagreb

17 April 2019

Statement of financial position
as at 31 December 2018

	Note	Company	Company	Company	Group	Group	Group
			Restated	Restated		Restated	Restated
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
		in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Assets							
Intangible assets	15	27,375	27,168	16,281	39,135	37,287	33,494
Deferred acquisition costs	15.1	251,403	173,912	110,496	288,703	203,132	128,331
Property and equipment	16	452,327	474,371	634,905	659,905	677,358	833,392
Investment property	17	333,932	414,923	448,528	821,794	903,386	784,159
Investments in subsidiaries, associates and participation in joint ventures	18	246,929	315,311	394,644	79,249	79,549	85,566
Held-to-maturity investments	19	2,041,648	2,073,014	2,063,197	2,205,171	2,206,094	2,219,928
Available-for-sale financial assets	19	3,697,159	3,315,806	2,074,479	4,026,673	3,710,816	2,470,947
Financial assets at fair value through profit or loss	19	605,043	417,259	381,050	641,039	466,279	461,554
Loans and receivables	19	991,972	1,325,566	1,598,026	1,066,165	1,330,131	1,906,624
Reinsurance share in technical provisions	20	215,559	211,958	181,954	234,380	229,301	198,091
Deferred tax assets	21	24,560	28,428	43,105	18,870	22,470	55,086
Insurance contract and other receivables	22	881,700	838,836	690,011	983,120	925,228	899,447
Cash and cash equivalents	23	369,714	48,374	66,205	456,717	164,781	160,012
Total assets		10,139,321	9,664,926	8,702,881	11,520,921	10,955,812	10,236,631
Capital and reserves							
Subscribed share capital	24.1	589,326	589,326	589,326	589,326	589,326	589,326
Premium on issued shares		681,483	681,483	681,483	681,483	681,483	681,483
Reserves	24.2	402,038	400,450	397,874	402,038	400,450	397,874
Revaluation reserve	24.3	273,429	334,225	228,528	340,282	380,036	288,448
Retained earnings		864,948	564,397	144,060	1,195,981	859,555	609,501
Equity attributable to owners of the parent		2,811,224	2,569,881	2,041,271	3,209,110	2,910,850	2,566,632
Non-controlling interests		-	-	-	12,214	12,493	13,678
Total capital and reserves		2,811,224	2,569,881	2,041,271	3,221,324	2,923,343	2,580,310
Liabilities							
Technical provisions	25	6,604,347	6,384,016	5,964,426	7,465,504	7,208,947	6,817,243
Provisions	26	98,864	101,320	123,981	108,015	113,982	140,783
Deferred tax liability	21	-	-	-	26,455	24,275	19,745
Financial liabilities	27	17,290	14,249	12,250	19,748	17,613	16,423
Liabilities arising from insurance contracts, other liabilities and deferred income	28	587,517	585,910	544,414	648,043	646,249	617,318
Current income tax liabilities		20,079	9,550	16,539	31,832	21,403	44,809
Total liabilities		7,328,097	7,095,045	6,661,610	8,299,597	8,032,469	7,656,321
Total capital, reserves and liabilities		10,139,321	9,664,926	8,702,881	11,520,921	10,955,812	10,236,631

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
for 2018

	Note	Company		Group	
		2018	2017	2018	2017
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	4	2,792,780	2,464,849	3,336,751	3,136,735
Premiums ceded to reinsurance	4	(287,717)	(249,144)	(311,057)	(277,396)
Written premiums, net of reinsurance and coinsurance	4	2,505,063	2,215,705	3,025,694	2,859,339
Change in gross provisions for unearned premiums	4	(76,058)	(67,880)	(117,157)	(151,241)
Change in provision for unearned premiums, reinsurance share	4	26,990	9,777	25,298	11,954
Earned premiums, net of reinsurance and coinsurance	4	2,455,995	2,157,602	2,933,835	2,720,052
Commission and fee income	5	40,023	35,415	41,466	37,138
Finance income	6	417,322	420,676	472,628	500,359
Other operating income	7	28,826	39,907	157,786	166,038
Net operating income		2,942,166	2,653,600	3,605,715	3,423,587
Claims incurred	8	(1,639,226)	(1,540,566)	(1,905,882)	(1,848,482)
Reinsurance share of claims incurred	8	86,599	97,886	95,375	106,784
Claims incurred, net of reinsurance and coinsurance		(1,552,627)	(1,442,680)	(1,810,507)	(1,741,698)
Acquisition costs	9	(486,434)	(408,331)	(616,165)	(560,403)
Administrative expenses	10	(407,334)	(401,228)	(594,768)	(584,652)
Other operating expenses	11	(40,412)	(48,414)	(63,584)	(77,174)
Finance costs	12	(130,281)	(168,422)	(131,215)	(170,781)
Share in profit of associates		-	-	13,995	14,623
Profit before tax		325,078	184,525	403,471	303,502
Income tax	13	(54,660)	(33,582)	(66,297)	(49,911)
Profit for the year		270,418	150,943	337,174	253,591

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income (continued)
for 2018

	Note	Company	Company	Group	Group
		2018	2017	2018	2017
		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, net of deferred tax		(2,135)	(3,492)	(1,765)	(3,493)
<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		(58,929)	97,269	(34,128)	96,013
Foreign exchange differences		(1)	-	(2,288)	(387)
Other comprehensive income/(loss) for the year		(61,065)	93,777	(38,181)	92,133
Total comprehensive income for the year		209,353	244,720	298,993	345,724
Profit attributable to:					
- Company shareholders		270,418	150,943	337,080	253,103
- Non-controlling interest		-	-	94	488
		270,418	150,943	337,174	253,591
Total comprehensive income attributable to:					
- Company shareholders		209,353	244,720	298,946	345,225
- Non-controlling interest		-	-	47	499
		209,353	244,720	298,993	345,724
Earnings per share attributable to the Company's shareholders					
Basic and diluted earnings per share (HRK)	14	-	-	798.44	598.94

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity for 2018

Company	Subscribed	Premium on	Reserves	Revaluation	Retained	Total capital
	share capital	issued shares		reserve	earnings	and reserves
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January 2017	601,576	681,483	397,874	228,528	144,060	2,053,521
Reclassification of preference shares (Note 1.4.)	(12,250)	-	-	-	-	(12,250)
Restated at 1 January 2017	589,326	681,483	397,874	228,528	144,060	2,041,271
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
Effect of change in income tax rate on property for own use (Note 21)	-	-	-	118,621	-	118,621
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	(21,352)	-	(21,352)
<i>Other comprehensive loss</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 depreciation of revalued property for own use (Note 21)	-	-	-	207	-	207
At 31 December 2017	589,326	681,483	400,450	334,225	564,397	2,569,881
Restated at 1 January 2018	589,326	681,483	400,450	334,225	564,397	2,569,881
Total comprehensive income for the year						-
Change in fair value of property for own use (Note 16)	-	-	-	(2,603)	-	(2,603)
Deferred tax on change in fair value of property for own use (Note 21)	-	-	-	468	-	468
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	(71,865)	-	(71,865)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realised (Note 21)	-	-	-	12,936	-	12,936
Foreign exchange differences on translation of foreign operations	-	-	-	(1)	-	(1)
<i>Other comprehensive income</i>	-	-	-	(61,065)	-	(61,065)
<i>Profit for the year</i>	-	-	-	-	270,418	270,418
Total comprehensive income for the year	-	-	-	(61,065)	270,418	209,353
Transactions with owners, recognised in equity						
Dividends paid	-	-	-	-	(980)	(980)
Distribution of profit for the previous year	-	-	1,588	-	(1,588)	-
Merger of subsidiaries (Note 18.3 /i/)	-	-	-	1,232	31,527	32,759
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(1,174)	1,174	-
Deferred tax on revalued property for own use (Note 21)	-	-	-	211	-	211
At 31 December 2018	589,326	681,483	402,038	273,429	864,948	2,811,224

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity for the year 2018 (continued)

Group	Subscribed share capital	Premium on issued shares	Reserves	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total capital and reserves
	u 000 HRK	u 000 HRK	u 000 HRK	u 000 HRK	u 000 HRK	u 000 HRK	u 000 HRK	u 000 HRK
At 1 January 2017	601,576	681,483	397,874	288,449	609,501	2,578,883	13,678	2,592,561
Reclassification of preference shares (Note 1.4)	(12,250)	-	-	-	-	(12,250)	-	(12,250)
Restated at 1 January 2017	589,326	681,483	397,874	288,449	609,501	2,566,633	13,678	2,580,311
Total comprehensive income for the year								-
Change in fair value of property for own use (Note 16)	-	-	-	(4,269)	-	(4,269)	9	(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/(loss) 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 depreciation of revalued property for own use (Note 21)	-	-	-	418	-	418	-	418
At 31 December 2017	589,326	681,483	400,450	380,036	859,555	2,910,850	12,493	2,923,343
Restated at 1 January 2018	589,326	681,483	400,450	380,036	859,555	2,910,850	12,493	2,923,343
Total comprehensive income for the year								-
Change in fair value of property for own use (Note 16)	-	-	-	(2,251)	-	(2,251)	18	(2,233)
Deferred tax on change in value of property for own use (Note 21)	-	-	-	468	-	468	-	468
Change in fair value of available-for-sale financial assets, net of amounts realized	-	-	-	(44,065)	-	(44,065)	(5)	(44,070)
Deferred tax on change in fair value of available-for-sale financial assets, net of amounts realized (Note 21)	-	-	-	9,942	-	9,942	-	9,942
Foreign exchange differences on translation of foreign operations	-	-	-	(2,228)	-	(2,228)	(60)	(2,288)
<i>Other comprehensive income</i>	-	-	-	(38,134)	-	(38,134)	(47)	(38,181)
<i>Profit for the year</i>	-	-	-	-	337,080	337,080	94	337,174
Total comprehensive income for the year	-	-	-	(38,134)	337,080	298,946	47	298,993
Transactions with owners, recognised in equity								
Dividends paid	-	-	-	-	(1,542)	(1,542)	(200)	(1,742)
Distribution of profit for the previous year	-	-	1,588	-	(1,588)	-	-	-
Purchase of non-controlling interest	-	-	-	-	206	206	(289)	(83)
Other transactions	-	-	-	363	(133)	230	163	393
Transfer due to depreciation and sale of revalued property for own use	-	-	-	(2,403)	2,403	-	-	-
Deferred tax on revalued property for own use (Note 21)	-	-	-	420	-	420	-	420
At 31 December 2018	589,326	681,483	402,038	340,282	1,195,981	3,209,110	12,214	3,221,324

The accompanying notes form an integral part of these financial statements.

Cash flow statement
for 2018

	Note	Company	Company	Group	Group
		2018	2017	2018	2017
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from operating activities					
Profit before tax		325,078	184,525	403,471	303,502
<i>Adjustments for:</i>					
Depreciation and amortisation	15, 16	42,561	40,515	55,803	54,158
Change in deferred acquisition costs	15.1	(76,574)	(63,416)	(85,572)	(73,694)
Net impairment of loans	6, 12.1	(19,182)	39,678	(19,379)	39,369
Impairment of property and equipment	11	1,830	11,748	1,934	11,958
Impairment of shares in subsidiaries and associates	12.1	13,613	21,147	-	1,704
Interest income		(123,922)	(127,958)	(113,421)	(125,650)
Dividend income and share in profit of associates		(40,030)	(28,527)	(30,909)	(30,875)
Net foreign exchange differences on held-to-maturity investments and loans	6.4 12.3	20,197	6,068	20,246	8,087
(Gains)/losses on sale of investment property and tangible assets and changes in fair value of investment property		(9,671)	18,797	(5,435)	18,374
Net provisions for court cases, termination benefits, etc,		14,063	39,133	15,556	35,565
Losses/(gains) on disposal of subsidiaries and associates	6.3	-	(7,299)	-	(4,615)
Gain from bargain purchase	6	-	-	-	(20,554)
Other adjustments		2,060	2,320	16,955	10,912
Cash flows before changes in operating assets and liabilities		150,023	136,731	259,289	228,241
Changes in available-for-sale financial assets		(320,072)	(910,004)	(359,922)	(968,788)
Changes in financial assets at fair value through profit or loss		(187,054)	(29,708)	(174,030)	(2,726)
Changes in loans and receivables		367,560	516,546	328,548	489,925
Changes in reinsurance share in technical provisions		(3,601)	(27,470)	(5,079)	(31,006)
Changes in insurance contract and other receivables		28,860	25,430	9,708	(40,140)
Changes in technical provisions		170,267	195,777	256,557	318,089
Payment of severance payments, jubilee awards and other provisions		(16,519)	(61,795)	(21,523)	(64,173)
Changes in insurance contract and other liabilities and financial liabilities		(310)	23,572	(2,229)	26,510
Income tax paid		(27,583)	(17,577)	(34,556)	(40,910)
Changes in operating assets and liabilities		11,548	(285,229)	(2,526)	(313,219)
Net cash flows from/(used in) operating activities		161,571	(148,498)	256,763	(84,978)

The accompanying notes form an integral part of these financial statements.

Cash flow statement (continued)
for 2018

Continued:

		Company	Company	Group	Group
	Note	2018	2017	2018	2017
		in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash flows from investing activities					
Proceeds from sale of tangible assets		2,276	1,010	2,625	11,043
Purchase of tangible assets		(20,129)	(33,729)	(34,241)	(40,184)
Purchase of intangible assets		(13,559)	(14,503)	(18,140)	(20,342)
Proceeds from sale of investment property		30,652	10,531	30,652	10,542
Purchase of investment property		(1,017)	(951)	(5,234)	(15,736)
Proceeds from sale of subsidiaries and associates		-	17,149	-	16,676
Merger of subsidiaries (acquired cash)	18.3	6,358	6,202	-	-
Acquisition of subsidiaries (net of cash acquired)	18.3	(147)	(73,100)	-	(43,938)
Capital increase of subsidiaries	18.3	-	(200)	-	-
Acquisition of additional interest in subsidiaries		(83)	(1,136)	-	-
Proceeds from held- to-maturity investments		341,655	276,587	370,500	297,673
Purchase of held- to-maturity investments		(339,343)	(249,693)	(400,401)	(298,046)
Proceeds from dividends and share in profit		39,268	27,777	16,914	16,252
Proceeds from received short-term and long-term loans		77,305	94,012	58,941	93,761
Short-term and long-term loans granted		(93,813)	(56,322)	(106,192)	(67,252)
Interest income		131,326	128,013	121,574	132,750
Net cash flows from investing activities		160,749	131,647	36,998	93,199
Cash flows from financing activities					
Cash outflows for payment of share in profit (dividend)		(980)	(980)	(1,742)	(1,304)
Acquisition of non-controlling interest		-	-	(83)	(2,136)
Net cash flows from financing activities		(980)	(980)	(1,825)	(3,440)
Cash and cash equivalents at beginning of period	23	48,374	66,205	164,781	160,012
Cash and cash equivalents at end of period	23	369,714	48,374	456,717	164,781
Net increase /(decrease) in cash and cash equivalents		321,340	(17,831)	291,936	4,781

The accompanying notes form 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:

- | | |
|---------------------------------|-----------------------------|
| • Robert Škopac | President |
| • Željko Lovrinčević, PhD, | Vice President |
| • Vitomir Palinec | Member |
| • Hrvoje Patajac | Member |
| • Petar Miladin, PhD, Professor | Member |
| • Mima Kurilić Janušić | Member until 4 October 2018 |
| • Vlasta Pavličević | Member since 4 October 2018 |

Members of the Management Board:

- | | |
|-------------------|-----------|
| • Damir Vanđelić | President |
| • Robert Vučković | Member |
| • Nikola Mišetić | Member |
| • Marijan Kralj | Member |
| • Miroslav Klepač | Member |

CROATIA osiguranje d.d., Zagreb
Notes to the financial statements for the year 2018

1.3. Subsidiaries

The Group consolidated the following entities as at 31 December 2018:

Group	Activity	31 December 2018		
		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., Zagreb	Insurance agency	100	100	-
AK Polica d.o.o., Varaždin	Insurance agency			
CO Zdravlje d.o.o., Zagreb	Consulting and services	100	100	-
- CROATIA Poliklinika Zagreb**	Healthcare		100	-
Croatia-Tehnički pregledi d.o.o., Zagreb	MOT*		100	-
- Herz d.d., Požega	MOT	100	100	-
- Slavonijatrans-Tehnički pregledi d.o.o., Sl. Brod	MOT	-	100	-
- STP Pitomača, Pitomača	MOT	-	76	24
- STP Blato	MOT	-	100	-
- Autoprijevoz d.d.	MOT	-	100	-
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Fund management	-	79,29	20,71
Subsidiaries registered abroad which are consolidated:				
Milenijum osiguranje a.d.o., Beograd	Insurance	100	100	-
Croatia osiguranje d.d., Mostar	Insurance	95,02	95,02	4,98
- Crotehna d.o.o., Ljubuški	MOT	-	100	-
- Croatia remont d.d., Čapljina	MOT	-	69,79	30,21
- Croauto d.o.o., Mostar	MOT	-	66,79	33,21
- Hotel Hum d.o.o., Ljubuški	Hospitality	-	100	-
- Ponte d.o.o., Mostar	Insurance agency	-	100	-
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 2018, the Group and the Company reclassified receivables for accrued interests on financial assets in the statement of financial position in order to better presentation of accrued interest in respect of the assets to which they relate.

Also, the Group and the Company reclassified preference shares from the subscribed share capital to the financial liabilities since the essence of the preference shares is such that it guarantees the dividend payment to its holders and is not a discretionary right of the issuer (see Note 24).

Reclassification of accrued interest did not have impact on the Statement of comprehensive income, Statement of changes in equity and the Cash flow statement, while reclassification of preference shares did not have impact on the Statement of comprehensive income and the Cash flow statement

Effects on the Statement of financial position as of 1 January 2017 (Company):

Description	1 January 2017		1 January 2017
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
ASSETS			
Held-to-maturity investments	2,020,975	42,222	2,063,197
Available-for-sale financial assets	2,043,770	30,709	2,074,479
Loans and receivables	1,597,600	426	1,598,026
Insurance contract and other receivables	763,368	(73,357)	690,011
Capital and reserves			
Subscribed share capital	601,576	(12,250)	589,326
Liabilities			
Financial liabilities	-	12,250	12,250

Effects on the Statement of financial position as of 31 December 2017 (Company):

Description	31 December 2017		31 December 2017
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
ASSETS			
Held-to-maturity investments	2,030,109	42,905	2,073,014
Available-for-sale financial assets	3,276,943	38,863	3,315,806
Loans and receivables	1,324,290	1,276	1,325,566
Insurance contract and other receivables	921,880	(83,044)	838,836
Capital and reserves			
Subscribed share capital	601,576	(12,250)	589,326
Liabilities			
Financial liabilities	1,999	12,250	14,249

Effects on the Statement of financial position as of 1 January 2017 (Group):

Description	1 January 2017		1 January 2017
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
ASSETS			
Held-to-maturity investments	2,169,676	50,252	2,219,928
Available-for-sale financial assets	2,440,238	30,709	2,470,947
Loans and receivables	1,904,847	1,777	1,906,624
Insurance contract and other receivables	982,185	(82,738)	899,447
Capital and reserves			
Subscribed share capital	601,576	(12,250)	589,326
Liabilities			
Financial liabilities	4,173	12,250	16,423

Effects on the Statement of financial position as of 31 December 2017 (Group):

Description	31 December 2017		31 December 2017
	Before reclassification	Reclassification	After reclassification
	in 000 HRK	in 000 HRK	in 000 HRK
ASSETS			
Held-to-maturity investments	2,159,973	46,121	2,206,094
Available-for-sale financial assets	3,666,744	44,072	3,710,816
Loans and receivables	1,328,906	1,225	1,330,131
Insurance contract and other receivables	1,016,646	(91,418)	925,228
Capital and reserves			
Subscribed share capital	601,576	(12,250)	589,326
Liabilities			
Financial liabilities	5,363	12,250	17,613

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.

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 2018 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, 96/18).

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 2018 for the first time:

- *IFRS 15 Revenue from Contracts with Customers*
- *Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- *Transfers of Investment Property - Amendments to IAS 40*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The majority of of these improvements did not have any impact on the amounts recognised in previous periods and are not expected to have any significant impact on the current or any t future periods.

(b) Standards and interpretations not yet adopted:

Certain new standards and interpretations have been published that are not mandatory for 31 December 2018 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, 2022- IASB)*

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 Group 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 Group is not able to estimate the total impact of the standard on the financial statements. 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) and Amendment of IFRS 4 – Applying of IFRS 9 Financial instruments with IFRS 4 Insurance contracts**

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.

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, i.e., until IFRS 17 comes into force, 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 16 Leases (effective for annual periods beginning on or after 1 January 2019, early adoption is permitted only if IFRS 15 is adopted at the same time)**

IFRS 16 was issued in January 2016. It resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

In 2018, the Company has set up a project team which has reviewed all of the Company's and the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's and the Group's operating leases. As at 1 January 2019, the Company expects to recognise the assets (right-of-use the assets) of HRK 235 million (Group: HRK 288 million), lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) of HRK 235 million (Group: HRK 288 million).

The Company expects that gross profit before tax will decrease by approximately HRK 3.2 million for 2019 (Group: HRK 4 million) as a result of adopting the new standard.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 investment property.

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 2018, the official HRK exchange rate was HRK 7,417575 for EUR 1 and (31 December 2017: HRK 7,513648).

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 settled amounts for claims, plus claims provisions, mathematical provisions, other technical provisions and special provisions for life insurance where the policyholder bears the investment risk in the accounting period.

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 from 3 to 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 and 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:

	2018	2017
	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 the end of each reporting period.

2.14. Investment property

Investment property (land, buildings) that are not used for operations and that are owned by the Group or 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 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 liabilities, 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 other comprehensive income 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 reporting date 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 of the Group presented in the financial statements pertain to provisions for unearned premiums, mathematical reserve for life insurance, provisions for claims, fluctuation provisions, provisions for bonuses and discounts 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 based on the accounting regulations as well as in accordance with the Company's and the Group's internal regulations. All technical provisions have been granted a positive opinion of the appointed certified actuary.

/i/ Provisions for unearned premiums

Provisions for unearned premiums is calculated 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 and reinsurance 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.

Provisions for 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 provision

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

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

For the 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 2018 and 2017, 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 experience of the occurrence of claims, latest demographic tables, aspects of mortality, deterioration, return on investment, costs and inflation.

2.25. Other liabilities

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

/ii/ 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 Group has a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other employee benefits

Liabilities based on other long-term employee benefits, such as jubilee awards and termination benefits 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 20,539 thousand (2017: HRK 28,453 thousand), and for the Group of HRK 20,650 thousand (2017: HRK 30,407 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.

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 carried at 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. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Gross exposure (HRK'000)	716,292	772,163	438,433	464,682
Impairment rate (%)	24%	34%	39%	56%

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 7,163 thousand (31 December 2017: HRK 7,772 thousand) for the Company and HRK 4,384 thousand (2017: HRK 4,647 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 technical reserves. In the forming of technical reserves the Group applies legal regulations. Actuaries included in valuation of technical provisions have adequate knowledge and experience. 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.

/iii/ Fair valuation of investment property

Fair valuation of investment property of the Company and the Group is subjective in nature due to individual nature of each property, its location and the expected future rental income. The management engages external appraisers to determine the fair value of the property. Fair value techniques, key inputs and sensitivity analysis are presented in Note 2.37.

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 and insurance premium is submitted by the appointed certified actuary, while a report on the adequacy of reinsurance program based on which is confirmed adequacy of its own part is submitted by the actuarial function.

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 a similar liability. 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 concentration of insurance risk before and after reinsurance, or retrocession 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. 2018			31 Dec. 2017		
	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	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	33,436	(2)	33,434	31,407	33	31,440
Health insurance	179,970	-	179,970	77,909	(305)	77,604
Road motor vehicle insurance	240,004	(486)	239,518	225,568	(254)	225,314
Railroad insurance	1,296	-	1,296	790	-	790
Aircraft insurance	9,667	(8,080)	1,587	3,807	(3,487)	320
Vessel insurance	29,385	(22,423)	6,962	55,109	(10,331)	44,778
Insurance for goods in transit	8,493	(1,372)	7,121	5,369	1,675	7,044
Insurance against fire and natural disasters	86,183	(42,374)	43,809	94,633	(36,149)	58,484
Other property insurance	217,378	(4,328)	213,050	267,721	(20,660)	247,061
Motor liability insurance	257,044	2,947	259,991	229,849	8,102	237,951
Aircraft liability insurance	348	19	367	2,385	(1,454)	931
Vessel liability insurance	410	2,473	2,883	(1,004)	(3,787)	(4,791)
Other types of liability insurance	88,689	(2,499)	86,190	76,052	(18,314)	57,738
Loan insurance/credit insurance	(50,688)	(2,049)	(52,737)	(41,801)	(259)	(42,060)
Guarantee insurance	310	-	310	113	-	113
Miscellaneous financial loss insurance	14,625	(8,213)	6,412	19,724	(12,972)	6,752
Legal expenses insurance	272	(201)	71	-	-	-
Assistance insurance	3,623	-	3,623	3,375	-	3,375
Total non-life insurance	1,120,445	(86,588)	1,033,857	1,051,006	(98,162)	952,844
Life insurance	406,833	(11)	406,822	287,086	276	287,362
Annuity insurance	4,868	-	4,868	9,908	-	9,908
Additional insurance with life insurance	2,488	-	2,488	1,783	-	1,783
Life or annuity insurance where the policyholder bears the investment risk	104,592	-	104,592	190,783	-	190,783
Total life insurance	518,781	(11)	518,770	489,560	276	489,836
Total	1,639,226	(86,599)	1,552,627	1,540,566	(97,886)	1,442,680

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Group	31 Dec. 2018			31 Dec. 2017		
	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	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accident insurance	43,815	57	43,872	42,347	45	42,392
Health insurance	170,559	36	170,595	138,402	(286)	138,116
Road motor vehicle insurance	271,449	(794)	270,655	274,940	(112)	274,828
Railroad insurance	1,296	-	1,296	790	-	790
Aircraft insurance	9,667	(8,080)	1,587	3,805	(3,487)	318
Vessel insurance	29,384	(22,423)	6,961	54,901	(10,378)	44,523
Insurance for goods in transit	8,232	(991)	7,241	8,247	(840)	7,407
Insurance against fire and natural disasters	90,151	(45,137)	45,014	100,429	(39,945)	60,484
Other property insurance	225,798	(5,072)	220,726	271,686	(20,699)	250,987
Motor liability insurance	366,840	257	367,097	328,504	6,779	335,283
Aircraft liability insurance	348	19	367	2,345	(1,454)	891
Vessel liability insurance	410	2,473	2,883	(965)	(3,787)	(4,752)
Other types of liability insurance	90,081	(3,078)	87,003	77,061	(18,671)	58,390
Loan insurance/credit insurance	(54,339)	(3,526)	(57,865)	(48,102)	(1,254)	(49,356)
Guarantee insurance	181	-	181	539	-	539
Miscellaneous financial loss insurance	15,456	(8,865)	6,591	8,344	(12,971)	(4,627)
Legal expenses insurance	272	(201)	71	0	-	0
Assistance insurance	12,062	-	12,062	10,777	-	10,777
Total non-life insurance	1,281,662	(95,325)	1,186,337	1,274,050	(107,060)	1,166,990
Life insurance	508,573	(50)	508,523	369,599	276	369,875
Annuity insurance	4,869	-	4,869	9,909	-	9,909
Additional insurance with life insurance	4,208	-	4,208	3,157	-	3,157
Life or annuity insurance where the policyholder bears the investment risk	106,570	-	106,570	191,767	-	191,767
Total life insurance	624,220	(50)	624,170	574,432	276	574,708
Total	1,905,882	(95,375)	1,810,507	1,848,482	(106,784)	1,741,698

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,

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

	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017	31 Dec. 2017
	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	433,125	12,375
Vessels	78,000	4,875	78,000	4,875
Other liability	73,125	1,875	73,125	1,875
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:

	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
	Reinsurance coverage	Retention	Reinsurance coverage	Retention
Motor – third party liability	Unlimited	5,290	Unlimited	9,756
Fire	558,781	13,133	805,050	14,627
Motor hull insurance	16,962	791	28,263	1,765
Machinery breakage	225,389	8,258	374,659	9,752
Construction /assembly	225,389	8,258	374,659	9,752
Theft	468,720	13,145	543,682	15,378
Vessels	78,284	4,898	78,000	5,100
Other liability	76,916	2,000	83,181	3,508
Earthquake	1,915,986	24,075	2,651,609	31,516
Flood	559,182	13,133	830,596	14,627

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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 2018 and 2017:

	Company	Company	Group	Group
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Non-life insurance				
Claims ratio	51.86%	56.24%	50.39%	54.55%
Cost ratio	37.45%	37.15%	43.03%	43.04%
Combined ratio	89.30%	93.39%	93.42%	97.59%
Claims ratio, net	55.76%	58.99%	54.10%	56.57%

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 and non-life insurance for which is formed mathematical provision 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. 2018		as at 31 Dec. 2017	
	in HRK'000	%	in HRK'000	%
[0, 1]	51,205	2%	-	-
[1, 3]	1,170,728	49%	983,422	42%
[3, 4]	828,324	35%	897,565	39%
[4, 5]	314,708	13%	434,999	19%
[5, 6]	2,240	0%	2,437	0%
	2,367,205	100%	2,318,423	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. 2018		as at 31 Dec. 2017	
	in HRK'000	%	in HRK'000	%
[0, 1]	51,205	2%	-	-
[1, 3]	1,315,071	48%	1,127,172	42%
[3, 4]	1,047,137	38%	1,121,655	42%
[4, 5]	315,637	12%	436,536	16%
[5, 6]	2,240	0%	2,438	0%
	2,731,290	100%	2,687,801	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	2018	2017	2016
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,328,189	2,334,225	2,308,194
Yield on investment in mathematical provision	82,791	128,590	94,062
Annual yield on mathematical provision	3.56%	5.51%	4.08%
Average annual yield on mathematical provision for the past 3 years	4.38%	4.75%	4.81%
Group	2018	2017	2016
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provision	2,668,136	2,742,420	2,570,256
Yield on investment in mathematical provision	95,849	143,867	103,833
Annual yield on mathematical provision	3.59%	5.25%	4.04%
Average annual yield on mathematical provision for the past 3 years	4.29%	4.65%	4.79%

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	Company	Group	Group
	2018	2017	2018	2017
	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%	88,429	76,916	101,040	76,305
Mortality +10%	5,848	3,137	8,762	2,223
Expenses +10%	22,887	20,940	28,574	19,405

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	2018		2017	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	2,821,370	91.5%	3,184,286	94.2%
Unit-linked life assurance products	261,711	8.5%	195,808	5.8%
As at 31 December	3,083,081	100%	3,380,094	100%
Group	2018		2017	
	in HRK'000	%	in HRK'000	%
Insurance type				
Life assurance – traditional products	5,764,681	94.6%	5,221,099	96.4%
Unit-linked life assurance products	326,573	5.4%	196,989	3.6%
As at 31 December	6,091,254	100%	5,418,088	100%

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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	1,704,483	30.9%	3,263,124	36.8%
40,001 - 60,000	578,000	10.5%	865,531	9.8%
60,001 - 80,000	837,496	15.2%	1,240,738	14.0%
80,001 - 100,000	494,112	8.9%	715,611	8.1%
100,001 - 125,000	537,104	9.7%	844,414	9.5%
125,001 - 150,000	336,608	6.1%	520,593	5.9%
150,001 - 250,000	660,903	12.0%	896,234	10.1%
250,001 - 500,000	234,318	4.3%	343,337	3.9%
> 500,001	129,274	2.4%	184,106	1.9%
As at 31 December 2018	5,512,298	100%	8,873,688	100%
< 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%	7,882,992	100%

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 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 2018), 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 0 % 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%-1% (the maximum rate prescribed by HANFA is 2.75%) and for insurance contracts concluded after 1 July 2016, the interest rate used was 1.75%-0%, (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 Group 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. In 2018, the Group actively used derivatives in order to hedge against currency risk exposure. An analysis of the sensitivity of financial assets to the exchange rate fluctuations is given below, noting that the stated effects of financial assets and liabilities on profit/loss would be partially compensated by the effects on non-financial liabilities (technical or mathematical provisions):

	2018		2017	
	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 1%	17,699	3,133	22,044	3,008
Group				
Change of exchange rate by 1%	19,182	3,383	25,007	3,061

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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 2018				Restated 31 December 2017			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	246,929	-	-	246,929	315,311	-	-	315,311
Held-to-maturity investments	819,978	1,221,670	-	2,041,648	753,777	1,319,237	-	2,073,014
Available-for-sale financial assets	1,531,646	2,018,562	146,951	3,697,159	1,588,228	1,649,197	78,381	3,315,806
Financial assets at fair value through profit or loss	157,593	348,403	99,047	605,043	68,788	344,232	4,239	417,259
Loans and receivables	743,452	248,520	-	991,972	802,225	523,341	-	1,325,566
Reinsurance share in technical provisions	171,917	21,198	22,444	215,559	168,272	24,735	18,951	211,958
Insurance contract and other receivables	745,520	118,059	18,121	881,700	760,639	60,407	17,790	838,836
Cash and cash equivalents	194,405	148,823	26,486	369,714	44,770	1,977	1,627	48,374
Total assets	4,611,440	4,125,235	313,049	9,049,724	4,502,010	3,923,126	120,988	8,546,124
Liabilities								
Technical provisions	3,474,375	2,937,472	192,500	6,604,347	3,412,909	2,864,773	106,334	6,384,016
Provisions	98,864	-	-	98,864	101,320	-	-	101,320
Financial liabilities	14,561	1,668	1,061	17,290	12,250	1,999	-	14,249
Liabilities arising from insurance contracts, other liabilities and deferred income	523,470	45,633	18,414	587,517	522,179	54,241	9,490	585,910
Total liabilities	4,111,270	2,984,773	211,975	7,308,018	4,048,658	2,921,013	115,824	7,085,495
Foreign currency gap	500,170	1,140,462	101,074	1,741,706	453,352	1,002,113	5,164	1,460,629

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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 2018				Restated 31 December 2017			
	HRK	EUR	Other currencies	Total	HRK	EUR	Other currencies	Total
Assets								
Investments in subsidiaries, associates and participation in joint ventures	77,834	-	1,415	79,249	78,139	-	1,410	79,549
Held-to-maturity investments	819,979	1,317,391	67,801	2,205,171	753,776	1,417,753	34,565	2,206,094
Available-for-sale financial assets	1,547,537	2,281,530	197,606	4,026,673	1,684,518	1,904,505	121,793	3,710,816
Financial assets at fair value through profit or loss	157,592	362,459	120,988	641,039	68,788	373,082	24,409	466,279
Loans and receivables	468,536	253,874	343,755	1,066,165	499,058	522,802	308,271	1,330,131
Reinsurance share in technical provisions	171,916	21,365	41,099	234,380	168,272	24,889	36,140	229,301
Insurance contract and other receivables	773,190	120,819	89,111	983,120	785,818	60,741	78,669	925,228
Cash and cash equivalents	246,262	150,875	59,580	456,717	118,431	18,753	27,597	164,781
Total assets	4,262,846	4,508,313	921,355	9,692,514	4,156,800	4,322,525	632,854	9,112,179
Liabilities								
Technical provisions	3,474,375	3,172,576	818,553	7,465,504	3,457,666	3,072,341	678,940	7,208,947
Provisions	104,282	-	3,733	108,015	110,466	-	3,516	113,982
Financial liabilities	14,689	3,704	1,355	19,748	12,528	4,576	509	17,613
Liabilities arising from insurance contracts, other liabilities and deferred income	544,006	45,735	58,302	648,043	543,930	56,611	45,708	646,249
Total liabilities	4,137,352	3,222,015	881,943	8,241,310	4,124,590	3,133,528	728,673	7,986,791
Foreign currency gap	125,494	1,286,298	39,412	1,451,204	32,210	1,188,997	(95,819)	1,125,388

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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:

	2018		2017	
	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	-	(173,235)/173,235	-	(180,748)/180,748
Group				
Change in interest rate by +/- 100 bps	(561)/561	(198,373)/198,373	(1,065)/1,065	(198,496)/198,496

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 the main document.

Price risk analysis

	2018		2017	
	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 +/- 5%	8,394/(8,394)	21,020/(21,020)	3,995(3,995)	23,642/(23,642)
Group				
Change in price by +/- 5%	8,872/(8,872)	21,465/(21,465)	4,503/(4,503)	24,248/(24,248)

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. 2018	Restated 31 Dec. 2017	31 Dec. 2018	Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in debt securities	5,318,400	4,915,981	5,822,016	5,477,498
Investments in bank deposits	445,849	813,409	798,188	1,126,736
Loans	546,123	512,157	267,977	203,395
Reinsurance share in technical provisions	215,559	211,958	234,380	229,301
Insurance contract and other receivables	881,700	838,836	983,120	925,228
Cash and cash equivalents	369,714	48,374	456,717	164,781
	7,777,345	7,340,715	8,562,398	8,126,939

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

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Government bonds	493,640	4,644,307	4,960,366	4,807,721
Bonds of other state institutions	103,550	107,896	103,550	107,896
Undue interest on bonds	82,553	80,904	82,994	82,743
Other receivables	4,490	4,789	17,856	13,675
	5,121,233	4,837,896	5,164,766	5,012,035

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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).

	2018	2017	Company	Company
	S&P	S&P	31 Dec. 2018	Restated 31 Dec. 2017
			u 000 HRK	u 000 HRK
Held-to-maturity investments			2,041,648	2,073,014
Ministry of Finance of the Republic of Croatia	BB+	BB	1,959,296	2,034,046
Croatian Bank for Reconstruction and Development (CBRD)	BB+	BB	38,499	38,968
No rating	-	-	43,853	-
Available-for-sale financial assets			3,276,752	2,842,967
Ministry of Finance of the Republic of Croatia	BB+	BB	3,050,000	2,687,218
Croatian Bank for Reconstruction and Development (CBRD)	BB+	BB	68,948	72,875
Ministry of Finance of Hungary	BBB-	BBB-	36,855	14,123
Ministry of Finance of Australia	AAA	-	20,789	-
Rated corporations	BB-	BB-	13,927	13,767
	BB	-	13,554	-
	BBB	-	20,705	-
	-	BB	-	14,013
No rating	-	-	51,974	40,971
Loans and receivables			991,972	1,325,566
Rated banks	BB+	BB	44,505	453,824
Rated corporations	-	-	-	85,308
Other banks and financial institutions	-	-	401,344	359,584
No rating*	-	-	546,123	426,850
Reinsurance share in technical provisions			215,559	211,958
Rated reinsurers	A	A-	7,369	12,060
	A-	A	27,331	29,795
	A+	A+	76,975	64,140
	AA	AA-	79,522	90,388
	AA-	AA	4,099	1,912
	AA+	AA+	633	788
Reinsurers rated by another agency	-	-	18,125	9,875
No rating	-	-	1,505	3,000
Insurance contract and other receivables			881,700	838,836
No rating	-	-	881,700	838,836
Cash and cash equivalents			369,714	48,374
Rated banks	BB+	BB	94,143	419
Other banks of reputable banking groups in the EU**	-	-	275,571	47,955
			7,777,345	7,340,715

* 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 2018: BBB+, BBB, A, BBB+ (2017: BBB, BBB+, BBB-, A).

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	2018	2017	Group	Group
	S&P	S&P	31 Dec. 2018	Restated 31 Dec. 2017
			u 000 HRK	u 000 HRK
Held-to-maturity investments			2,205,171	2,206,094
Ministry of Finance of the Republic of Croatia	BB+	BB	1,965,391	2,040,256
Croatian Bank for Reconstruction and Development (CBRD)	BB+	BB	38,499	38,968
Ministry of Finance of Macedonia	BB-	BB-	58,222	83,238
Republic of Bosnia and Herzegovina	-	-	-	-
Ministry of Finance of Serbia	BB+	BB	91,620	43,632
No rating	-	-	51,439	-
Available-for-sale financial assets			3,605,541	3,237,204
Ministry of Finance of the Republic of Croatia	BB+	BB	3,074,072	2,846,261
Croatian Bank for Reconstruction and Development (CBRD)	BB+	BB	68,948	72,875
Ministry of Finance of Hungary	BBB -	BBB-	36,855	14,123
Rated corporations	BB-	BB-	13,927	13,767
	BB	-	13,554	-
	BBB	BB	20,705	14,013
Ministry of Finance of Macedonia	BB-	BB-	249,026	148,644
Ministry of Finance of Serbia	BB+	BB	55,691	86,551
Ministry of Finance of Australia	AAA	-	20,789	-
No rating	-	-	51,974	40,970
Financial assets at fair value through profit or loss			11,304	34,200
Ministry of Finance of Serbia	BB+	BB	11,304	34,200
Loans and receivables			1,066,165	1,330,131
Rated banks	BB+	BB	49,534	485,047
Rated corporations	-	B	-	85,308
Other banks and financial institutions	-	-	435,557	359,584
No rating*	-	-	581,074	400,192
Reinsurance share in technical provisions			234,380	229,301
Rated reinsurers				
	A	-	7,369	-
	A-	A	27,331	29,795
	A+	A-	76,975	12,060
	AA	A+	79,522	64,140
	AA-	-	4,099	-
	AA+	AA	633	1,912
Reinsurers rated by another agency	-	-	18,124	101,051
No rating	-	-	20,327	20,343
Insurance contract and other receivables			983,120	925,228
	BB+	-	1,078	-
	-	-	982,042	925,228
No rating	-	-		
Cash and cash equivalents			456,717	164,781
Rated banks	BB+	BB	135,455	17,690
Other banks of reputable banking groups in the EU**	-	-	321,262	147,091
			8,562,398	8,126,939

* 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 2018: BBB+, BBB, A, BBB+ (2017.: BBB, BBB+, BBB-, A).

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 2018						Restated 31 December 2017					
	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	-	-	-	-	246,929	246,929	-	-	-	-	315,311	315,311
Held-to-maturity investments	295,179	351,182	346,804	529,594	518,889	2,041,648	386,720	557,013	366,633	515,111	247,537	2,073,014
Available-for-sale financial assets	295,338	344,969	782,142	1,945,683	329,027	3,697,159	64,652	390,141	491,863	1,235,664	1,133,486	3,315,806
Financial assets at fair value through profit or loss	2,265	154,118	3,590	445,070	-	605,043	67,380	31,730	241,356	65,618	11,175	417,259
Loans and receivables	398,937	359,149	66,063	117,914	49,909	991,972	812,682	164,567	168,785	124,374	55,158	1,325,566
Reinsurance share in technical provisions	124,700	37,175	13,748	15,430	24,506	215,559	106,704	38,658	15,375	18,430	32,791	211,958
Insurance contract and other receivables	881,700	-	-	-	-	881,700	838,836	-	-	-	-	838,836
Cash and cash equivalents	369,714	-	-	-	-	369,714	48,374	-	-	-	-	48,374
Total	2,367,833	1,246,593	1,212,347	3,053,691	1,169,260	9,049,724	2,325,348	1,182,109	1,284,012	1,959,197	1,795,458	8,546,124
Liabilities												
Technical provisions	2,195,440	1,193,557	1,012,318	1,037,037	1,165,995	6,604,347	2,110,206	1,105,999	902,445	1,036,081	1,229,285	6,384,016
Provisions	19,439	32,560	29,025	9,272	8,568	98,864	31,960	27,684	23,906	9,269	8,501	101,320
Financial liabilities	4,620	420	-	-	12,250	17,290	14,249	-	-	-	-	14,249
Liabilities arising from insurance contracts, other liabilities and deferred income	547,473	22,819	2,115	4,646	10,464	587,517	557,870	10,391	4,605	5,272	7,772	585,910
Total	2,766,972	1,249,356	1,043,458	1,050,955	1,197,277	7,308,018	2,714,285	1,144,074	930,956	1,050,622	1,245,558	7,085,495
Maturity mismatch	(399,139)	(2,763)	168,889	2,002,736	(28,017)	1,741,706	(388,937)	38,035	353,056	908,575	549,900	1,460,629

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

Group in HRK'000	31 December 2018						Restated 31 December 2017					
	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	-	-	-	-	79,249	79,249	-	-	-	-	79,549	79,549
Held-to-maturity investments	338,686	424,152	350,291	557,104	534,938	2,205,171	418,435	612,122	369,893	541,850	263,794	2,206,094
Available-for-sale financial assets	329,383	378,450	789,569	1,987,123	542,148	4,026,673	126,797	504,217	526,192	1,302,309	1,251,301	3,710,816
Financial assets at fair value through profit or loss	25,513	154,391	6,356	454,702	77	641,039	90,547	56,347	242,575	65,636	11,174	466,279
Loans and receivables	492,568	481,846	79,517	10,755	1,479	1,066,165	900,510	269,038	159,096	-	1,487	1,330,131
Reinsurance share in technical provisions	139,843	38,888	15,713	15,430	24,506	234,380	123,365	38,927	15,530	18,687	32,792	229,301
Insurance contract and other receivables	982,115	917	88	-	-	983,120	924,162	1,066	-	-	-	925,228
Cash and cash equivalents	456,717	-	-	-	-	456,717	164,781	-	-	-	-	164,781
Total	2,764,825	1,478,644	1,241,534	3,025,114	1,182,397	9,692,514	2,748,597	1,481,717	1,313,286	1,928,482	1,640,097	9,112,179
Liabilities												
Technical provisions	2,576,707	1,316,375	1,094,267	1,178,583	1,299,572	7,465,504	2,501,324	1,204,493	996,569	1,165,631	1,340,930	7,208,947
Provisions	21,887	36,062	29,940	10,507	9,619	108,015	33,969	32,670	25,099	12,728	9,516	113,982
Financial liabilities	5,224	2,274	-	-	12,250	19,748	14,710	2,753	150	-	-	17,613
Liabilities arising from insurance contracts, other liabilities and deferred income	602,822	25,247	3,935	5,574	10,465	648,043	613,520	12,731	6,081	6,145	7,772	646,249
Total	3,206,640	1,379,958	1,128,142	1,194,664	1,331,906	8,241,310	3,163,523	1,252,647	1,027,899	1,184,504	1,358,218	7,986,791
Maturity mismatch	(441,815)	98,686	113,392	1,830,450	(149,509)	1,451,204	(414,926)	229,070	285,387	743,978	281,879	1,125,388

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. 2018			Restated 31 Dec. 2017		
	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	2,041,648	2,266,101	224,453	2,073,014	2,331,496	258,482
Loans	546,123	569,314	23,191	512,157	521,587	9,430
Deposits	445,849	451,580	5,731	813,409	819,966	6,557
	3,033,620	3,286,995	253,375	3,398,580	3,673,049	274,469
Group						
Debt securities	2,205,171	2,430,183	225,012	2,206,094	2,464,183	258,089
Loans	267,977	268,067	90	203,395	203,460	65
Deposits	798,188	803,919	5,731	1,126,736	1,132,796	6,060
	3,271,336	3,502,169	230,833	3,536,225	3,800,439	264,214

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 2018 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	-	-	418,755	418,755
Investment property	-	-	333,932	333,932
Equity securities	378,185	-	2,025	380,210
Debt securities	2,301,251	966,815	8,686	3,276,752
Investment funds	32,645	-	7,552	40,197
Available-for-sale financial assets	2,712,081	966,815	18,263	3,697,159
Equity securities	13,868	-	-	13,868
Debt securities	-	-	-	-
Investment funds	588,794	-	-	588,794
Foreign currency forward contracts	-	2,381	-	2,381
Financial assets at fair value through profit or loss	602,662	2,381	-	605,043
Total assets at fair value	3,314,743	969,196	770,950	5,054,889

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
		Restated		
Property for own use	-	-	435,945	435,945
Investment property	-	-	414,923	414,923
Equity securities	433,265	-	2,140	435,405
Debt securities	2,738,344	102,365	2,258	2,842,967
Investment funds	36,743	-	691	37,434
Available-for-sale financial assets	3,208,352	102,365	5,089	3,315,806
Equity securities	14,385	-	-	14,385
Debt securities	-	-	-	-
Investment funds	401,182	-	-	401,182
Foreign currency forward contracts	-	1,692	-	1,692
Financial assets at fair value through profit or loss	415,567	1,692	-	417,259
Total assets at fair value	3,623,918	104,057	855,957	4,583,932

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 2 and 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 financial instruments that are classified as level 3 is determined by using discontinued cash flow techniques or other valuation techniques by using

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relevant observable market data, information about current business and estimation of issuer's future business.

There has been no significant reclassifications from level 1 and level 2 to level 3 and vice versa of financial assets at fair value through profit or loss in statement of financial position.

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.

The Group's assets measured at fair value as at 31 December 2018 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	-	-	520,175	520,175
Investment property	-	-	821,794	821,794
Equity securities	378,853	-	2,082	380,935
Debt securities	2,381,014	1,215,841	8,686	3,605,541
Investment funds	32,645	-	7,552	40,197
Available-for-sale financial assets	2,792,512	1,215,841	18,320	4,026,673
Equity securities	13,868	-	-	13,868
Debt securities	11,304	-	-	11,304
Investment funds	613,486	-	-	613,486
Foreign currency forward contracts	-	2,381	-	2,381
Financial assets at fair value through profit or loss	638,658	2,381	-	641,039
Total assets at fair value	3,431,170	1,218,222	1,360,289	6,009,681

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

	Restated			Total
	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	-	2,198	436,178
Debt securities	3,129,834	105,113	2,257	3,237,204
Investment funds	36,742	-	692	37,434
Available-for-sale financial assets	3,600,556	105,113	5,147	3,710,816
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	4,065,143	106,805	1,525,744	5,697,692

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 2018 and 31 December 2017.

Estimates of fair value for the property for own use was carried out by external valuers in 2014, whereas in 2018 the Group reviewed whether there were any impairment indications and recognized impairment of the property for own use where there was a significant difference in its net book value in comparison 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 2018	Fair value as at 31 December 2017	Valuation technique(s)	Unavailable parameters	Range of unavailable parameters	
					2018	2017
Company	333,932	414,923	Income approach	Capitalization rate	6.5%-9%	6.5%-10%
			Cost approach	Building unit price per m2 (HRK)	140-6,734	61-6,981
			Sales comparison approach	Average price per m2 (HRK)	1-26,029	1-24,731
Other Group companies	487,862	488,463	Income approach	Capitalization rate	6.5%-10.5%	6.5%-11%
				Discount rate	10%	10%-11%
			Cost approach	Building unit price (HRK)	5,428-5,391	5,453-5,723
			Sales comparison approach	Building unit price per m2 (HRK)	517-10,244	469-8,555
Total	821,794	903,386				

A significant increase (decrease) in the estimated capitalization rate, average building price and 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 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 comply with the legal and subordinate regulations governing the capital adequacy, as follows:

	Regulatory requirement	Company	Company
		31 Dec. 2018	31 Dec. 2017**
SCR ratio	>100%	259%	262%
MCR ratio	>100%	885%	902%

	Regulatory requirement	Group	Group
		31 Dec. 2018*	31 Dec. 2017**
SCR ratio	>100%	220%	215%
MCR ratio	>100%	673%	643%

* Temporary data for the last reference date for which the data is available at the time of this Report are presented. The Group will disclose the final data for 31 December 2018 as part of the Solvency and Financial Condition Report, which will be published on the Company's website no later 3 June 2019 for the Group.

** Data presented for 31 December 2017 are the data are published in the Solvency and Financial Condition Report of CROATIA osiguranje for 2017 and the Solvency and Financial Condition Report of CROATIA osiguranje Group for 2017.

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.

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3. Segment reporting

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

	2018	2018	2018	2017	2017	2017
	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	2,228,049	564,731	2,792,780	1,931,308	533,541	2,464,849
Premiums ceded to reinsurance and coinsurance	(287,649)	(68)	(287,717)	(249,196)	52	(249,144)
Written premiums, net of reinsurance and coinsurance	1,940,400	564,663	2,505,063	1,682,112	533,593	2,215,705
Change in gross provisions for unearned premiums	(76,096)	38	(76,058)	(67,872)	(8)	(67,880)
Change in provision for unearned premiums, reinsurance and coinsurance share	26,990	(0)	26,990	9,778	(1)	9,777
Earned premiums, net of reinsurance and coinsurance	1,891,294	564,701	2,455,995	1,624,018	533,584	2,157,602
Commission and fee income	37,956	2,067	40,023	34,138	1,277	35,415
Finance income	284,619	132,703	417,322	269,707	150,969	420,676
Other operating income	28,568	258	28,826	39,656	251	39,907
Net operating income	2,242,437	699,729	2,942,166	1,967,519	686,081	2,653,600
Claims incurred	(1,120,444)	(518,782)	(1,639,226)	(1,051,006)	(489,560)	(1,540,566)
Reinsurance share of claims incurred	86,587	12	86,599	98,163	(277)	97,886
Claims incurred, net of reinsurance and coinsurance	(1,033,857)	(518,770)	(1,552,627)	(952,843)	(489,837)	(1,442,680)
Acquisition costs	(439,399)	(47,035)	(486,434)	(350,877)	(57,454)	(408,331)
Administrative expenses	(355,355)	(51,979)	(407,334)	(343,877)	(57,351)	(401,228)
Other operating expenses	(40,356)	(56)	(40,412)	(47,906)	(508)	(48,414)
Finance costs	(90,159)	(40,122)	(130,281)	(146,236)	(22,186)	(168,422)
Profit before tax	283,311	41,767	325,078	125,780	58,745	184,525
Taxation	(49,102)	(5,558)	(54,660)	(24,261)	(9,321)	(33,582)
Profit for the year	234,209	36,209	270,418	101,519	49,424	150,943

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

	31 Dec. 2018			Restated 31 Dec. 2017		
	31 Dec. 2018 in HRK'000	31 Dec. 2018 in HRK'000	31 Dec. 2018 in HRK'000	31 Dec. 2017 in HRK'000	31 Dec. 2017 in HRK'000	31 Dec. 2017 in HRK'000
Assets	NON-LIFE	LIFE	TOTAL	NON-LIFE	LIFE	TOTAL
Intangible assets	27,375	-	27,375	27,168	-	27,168
Deferred acquisition costs	251,403	-	251,403	173,912	-	173,912
Property and equipment	452,319	8	452,327	474,369	2	474,371
Investment property	333,932	-	333,932	414,923	-	414,923
Investments in subsidiaries, associates and participation in joint ventures	246,929	-	246,929	315,311	-	315,311
Held-to-maturity investments	745,529	1,296,119	2,041,648	834,672	1,238,342	2,073,014
Available-for-sale financial assets	2,378,587	1,318,572	3,697,159	2,119,741	1,196,065	3,315,806
Financial assets at fair value through profit or loss	169,995	435,048	605,043	81,595	335,664	417,259
Loans and receivables	840,596	151,376	991,972	1,067,677	257,889	1,325,566
Reinsurance share in technical provisions	215,546	13	215,559	211,957	1	211,958
Deferred tax assets	37,150	-	37,150	45,980	-	45,980
Insurance contract and other receivables	890,086	767	890,853	841,648	4,027	845,675
Cash and cash equivalents	357,894	11,820	369,714	39,243	9,131	48,374
Total assets	6,947,341	3,213,723	10,161,064	6,648,196	3,041,121	9,689,317
Capital and reserves						
Subscribed share capital	545,037	44,289	589,326	545,037	44,289	589,326
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	316,742	85,296	402,038	315,742	84,708	400,450
Revaluation reserve	206,447	66,982	273,429	251,939	82,286	334,225
Retained earnings	747,405	117,543	864,948	482,476	81,921	564,397
Total capital and reserves	2,497,114	314,110	2,811,224	2,276,677	293,204	2,569,881
Liabilities						
Technical provisions	3,758,390	2,845,957	6,604,347	3,686,201	2,697,815	6,384,016
Provisions	95,800	3,064	98,864	95,962	5,358	101,320
Deferred tax liability	-	12,591	12,591	-	17,552	17,552
Financial liabilities	17,069	221	17,290	13,950	299	14,249
Liabilities arising from insurance contracts, other liabilities and deferred income	558,889	37,780	596,669	565,856	26,893	592,749
Current income tax liabilities	20,079	-	20,079	9,550	-	9,550
Total liabilities	4,450,227	2,899,613	7,349,840	4,371,519	2,747,917	7,119,436
Total capital, reserves and liabilities	6,947,341	3,213,723	10,161,064	6,648,196	3,041,121	9,689,317

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

	2018	2018	2018	2017	2017	2017
	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	2,650,285	686,466	3,336,751	2,497,359	639,376	3,136,735
Premiums ceded to reinsurance and coinsurance	(310,806)	(251)	(311,057)	(277,357)	(39)	(277,396)
Written premiums, net of reinsurance and coinsurance	2,339,479	686,215	3,025,694	2,220,002	639,337	2,859,339
Change in gross provisions for unearned premiums	(117,267)	110	(117,157)	(151,252)	11	(151,241)
Change in provision for unearned premiums, reinsurance and coinsurance share	25,298	(0)	25,298	11,978	(24)	11,954
Earned premiums, net of reinsurance and coinsurance	2,247,510	686,325	2,933,835	2,080,728	639,324	2,720,052
Commission and fee income	39,399	2,067	41,466	35,862	1,276	37,138
Finance income	324,732	147,896	472,628	334,254	166,105	500,359
Other operating income	157,224	562	157,786	164,662	1,376	166,038
Net operating income	2,768,865	836,850	3,605,715	2,615,506	808,081	3,423,587
Claims incurred	(1,281,659)	(624,223)	(1,905,882)	(1,274,049)	(574,433)	(1,848,482)
Reinsurance share of claims incurred	95,325	49	95,375	107,061	(277)	106,784
Claims incurred, net of reinsurance and coinsurance	(1,186,334)	(624,173)	(1,810,507)	(1,166,988)	(574,710)	(1,741,698)
Acquisition costs	(546,458)	(69,707)	(616,165)	(483,410)	(76,993)	(560,403)
Administrative expenses	(535,239)	(59,529)	(594,768)	(520,672)	(63,980)	(584,652)
Other operating expenses	(62,996)	(588)	(63,584)	(76,196)	(978)	(77,174)
Finance costs	(90,237)	(40,978)	(131,215)	(151,171)	(19,610)	(170,781)
Share in profit of associates	13,995	-	13,995	14,623	-	14,623
Profit before tax	361,596	41,875	403,471	231,692	71,810	303,502
Income tax	(60,100)	(6,197)	(66,297)	(39,805)	(10,106)	(49,911)
Profit for the year	301,496	35,678	337,174	191,887	61,704	253,591

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

	31 Dec. 2018		31 Dec. 2017		Restated	
	31 Dec. 2018	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017	31 Dec. 2017	31 Dec. 2017
	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	38,747	388	39,135	36,886	401	37,287
Deferred acquisition costs	288,703	-	288,703	203,132	-	203,132
Property and equipment	642,420	17,485	659,905	659,663	17,695	677,358
Investment property	820,174	1,620	821,794	901,778	1,608	903,386
Investments in subsidiaries, associates and participation in joint ventures	79,249	-	79,249	79,549	-	79,549
Held-to-maturity investments	856,857	1,348,314	2,205,171	899,623	1,306,471	2,206,094
Available-for-sale financial assets	2,462,132	1,564,541	4,026,673	2,368,842	1,341,974	3,710,816
Financial assets at fair value through profit or loss	193,619	447,420	641,039	125,732	340,547	466,279
Loans and receivables	779,233	286,932	1,066,165	940,739	389,392	1,330,131
Reinsurance share in technical provisions	234,335	45	234,380	229,266	35	229,301
Deferred tax assets	31,460	(0)	31,460	40,022	-	40,022
Insurance contract and other receivables	1,036,152	30,661	1,066,813	961,574	24,016	985,590
Cash and cash equivalents	440,903	15,814	456,717	138,610	26,171	164,781
Total assets	7,903,984	3,713,220	11,617,204	7,585,416	3,448,310	11,033,726
Capital and reserves						
Subscribed share capital	545,037	44,289	589,326	545,037	44,289	589,326
Premium on issued shares	681,483	-	681,483	681,483	-	681,483
Reserves	316,742	85,296	402,038	315,742	84,708	400,450
Fair value reserve	248,936	91,347	340,282	297,318	82,718	380,036
Retained earnings	1,037,949	158,032	1,195,981	738,279	121,276	859,555
Equity attributable to owners of the parent	2,830,147	378,963	3,209,110	2,577,859	332,991	2,910,850
Non-controlling interest	11,119	1,095	12,214	10,984	1,509	12,493
Total capital and reserves	2,841,266	380,058	3,221,324	2,588,843	334,500	2,923,343
Liabilities						
Technical provisions	4,244,459	3,221,045	7,465,504	4,185,739	3,023,208	7,208,947
Provisions	104,926	3,089	108,015	108,604	5,378	113,982
Deferred tax liability	23,704	15,342	39,046	23,974	17,853	41,827
Financial liabilities	19,367	381	19,748	17,090	523	17,613
Liabilities arising from insurance contracts, other liabilities and deferred income	639,070	92,665	731,735	640,554	66,057	706,611
Current income tax payable	31,192	640	31,832	20,612	791	21,403
Total liabilities	5,062,718	3,333,162	8,395,880	4,996,573	3,113,810	8,110,383
Total capital, reserves and liabilities	7,903,984	3,713,220	11,617,204	7,585,416	3,448,310	11,033,726

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 identified by the Group is gross written premium and profit before tax.

The Group's main operating segments are non-life and life. The Group performs 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		Group	
	2018	2017	2018	2017
TOTAL LIFE AND NON-LIFE	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	2,778,244	2,463,322	3,323,228	3,141,160
Impairment and charged premium adjustment	14,536	1,527	13,523	(4,425)
Gross premiums written	2,792,780	2,464,849	3,336,751	3,136,735
Reinsurance premium in the country	-	125	(5,822)	(5,638)
Reinsurance premium abroad	(282,071)	(246,296)	(299,183)	(268,316)
Co-insurance premium in the country	(5,646)	(1,633)	(6,052)	(2,102)
Co-insurance premium abroad	-	(1,340)	-	(1,340)
Gross premiums ceded to reinsurance and co-insurance	(287,717)	(249,144)	(311,057)	(277,396)
Written premiums, net of reinsurance and co-insurance	2,505,063	2,215,705	3,025,694	2,859,339
Gross provisions for unearned premiums	(76,058)	(67,880)	(117,157)	(151,241)
Provisions for unearned premiums, reinsurance share	26,679	9,773	25,055	11,808
Provisions for unearned premiums, coinsurance share	311	4	243	146
Change in provisions for unearned premiums	(49,068)	(58,103)	(91,859)	(139,287)
Earned premiums, net of reinsurance and co-insurance	2,455,995	2,157,602	2,933,835	2,720,052

	Company		Group	
	2018	2017	2018	2017
LIFE	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gross written premiums	564,731	533,541	686,466	639,376
Reinsurance premium abroad	(68)	52	(251)	(39)
Premium ceded to reinsurance	(68)	52	(251)	(39)
Written premiums, net of reinsurance	564,663	533,593	686,215	639,337
Gross provisions for unearned premiums	38	(8)	110	11
Provisions for unearned premiums, reinsurance share	-	(1)	-	(24)
Change in provisions for unearned premiums	38	(9)	110	(13)
Earned premiums, net of reinsurance	564,701	533,584	686,325	639,324

4. Premiums (continued)

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Gross written premiums	2,213,513	1,929,781	2,636,762	2,501,784
Impairment and charged premium adjustment	14,536	1,527	13,523	(4,425)
Gross premiums written	2,228,049	1,931,308	2,650,285	2,497,359
Reinsurance premium in the country	-	125	(5,822)	(5,638)
Reinsurance premium abroad	(282,003)	(246,348)	(298,932)	(268,277)
Co-insurance premium in the country	(5,646)	(1,633)	(6,052)	(2,102)
Coinsurance premium abroad	-	(1,340)	-	(1,340)
Premium ceded to reinsurance	(287,649)	(249,196)	(310,806)	(277,357)
Written premiums, net of reinsurance	1,940,400	1,682,112	2,339,479	2,220,002
Gross provisions for unearned premiums	(76,096)	(67,872)	(117,267)	(151,252)
Provisions for unearned premiums, reinsurance share	26,679	9,774	25,055	11,831
Provisions for unearned premiums, coinsurance share	311	4	243	147
Change in provisions for unearned premiums	(49,106)	(58,094)	(91,969)	(139,274)
Earned premiums, net of reinsurance	1,891,294	1,624,018	2,247,510	2,080,728

5. Commission and fee income

Commission and fee income in the amount of HRK 40,023 thousand (2017: HRK 35,415 thousand) for the Company and HRK 41,466 thousand (2017: HRK 37,138 thousand) for the Group relate to commissions from reinsurance companies under reinsurance contracts.

6. Finance income

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income	226,080	228,442	235,795	248,180
Dividend income	40,030	28,527	16,914	16,252
Gains on investment property	33,609	33,390	96,776	77,309
Gain from bargain purchase	-	-	-	20,554
Foreign exchange gains	12,695	19,404	15,615	23,514
Realised gains from financial assets	74,038	70,787	74,663	69,015
Unrealised gains from financial assets at fair value through profit or loss	518	2,026	1,044	5,213
Unrealised gains on change in fair value of derivative financial instruments	2,381	1,692	2,381	1,692
Reversal of impairment and collection of amounts previously written off - loans	19,655	18,823	19,856	19,135
Collection of amounts previously written off - other	3,208	1,081	3,209	1,084
Other income	5,108	16,504	6,375	18,411
	417,322	420,676	472,628	500,359

6.1. Interest income

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Interest income				
Interest on held-to-maturity investments	97,580	110,056	103,246	115,871
Interest on available-for-sale financial assets	88,789	70,280	101,043	82,317
Given deposits	13,369	30,204	20,656	38,008
Given loans and other placements	26,342	17,902	10,175	9,779
Interest on financial assets at fair value through profit or loss	-	-	675	2,205
	226,080	228,442	235,795	248,180

6.2. Gains on investment property

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Gains on investment property				
Rental income	19,103	30,796	80,027	70,564
Income from increase in the value of land and buildings (Note 17)	1,575	3,472	3,819	8,083
Net (expenses) / income from the sale of land and buildings	12,931	(878)	12,930	(1,338)
	33,609	33,390	96,776	77,309

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

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Up to 1 year	13,103	12,649	20,137	20,060
from 1-5 year	27,935	37,050	56,577	66,401
Over 5 years	3,968	4,261	97,972	105,705
	45,006	53,960	174,686	192,166

6.3. Realised gains from financial assets

	Company	Company	Group	Group
	2018	2017	2018	2017
	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	16	161	139	305
Available-for-sale financial assets	51,760	62,876	52,262	63,644
Derivative financial instruments	22,262	451	22,262	451
Investments in subsidiaries and associates	-	7,299	-	4,615
	74,038	70,787	74,663	69,015

6.4. Foreign exchange gains

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Foreign exchange gains</i>				
Held-to-maturity investments	-	3,317	432	4,566
Available-for-sale financial assets	3,522	6,130	5,780	8,680
Financial assets at fair value through profit or loss	1	-	189	-
Deposits	1,637	4,755	1,639	4,779
Borrowings	1,165	755	1,180	811
Foreign currency accounts	5,694	4,447	5,699	4,588
Derivative financial instruments	674	-	674	-
Other	2	-	22	90
	12,695	19,404	15,615	23,514

7. Other operating income

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Income from liabilities and collected receivables written off	1,505	1,553	4,588	3,216
Income from guarantee fund	1,264	7,313	1,264	7,313
Income from penalty interest	4,167	10,083	4,277	10,530
Net recourse income	(220)	(5,745)	5,904	(2,036)
Income from claims incurred abroad	3,918	4,416	4,322	4,703
Income from assessment services	3,947	3,814	3,850	3,748
Income from tax refund	-	3,367	-	3,367
Income from reversal of long-term provisions	1,084	-	7,313	1,911
Income from fees for border security	75	161	75	161
Gain on sale of tangible assets	1,222	439	1,466	7,063
Other income - insurance	11,864	14,506	26,212	28,523
Income from motor vehicle examination	-	-	72,145	72,853
Revenue from the provision of polyclinic medical services	-	-	15,160	15,739
Income from entry and management fees	-	-	9,713	8,947
Other income – non insurance	-	-	1,497	-
	28,826	39,907	157,786	166,038

8. Claims incurred, net of reinsurance

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Claims incurred	1,639,226	1,540,566	1,905,882	1,848,482
Reinsurance and coinsurance share in claims incurred	(86,599)	(97,886)	(95,375)	(106,784)
	1,552,627	1,442,680	1,810,507	1,741,698

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
TOTAL LIFE AND NON-LIFE				
Expenditure for insured events, net:	1,456,877	1,298,346	1,671,457	1,569,359
Claims paid	1,438,475	1,343,425	1,645,939	1,609,924
<i>Gross amount</i>	1,548,464	1,423,618	1,762,078	1,697,643
<i>Coinsurance share</i>	(1,222)	(1,589)	252	(849)
<i>Reinsurance share</i>	(108,767)	(78,604)	(116,391)	(86,870)
Change in claims provisions, net	18,402	(45,079)	25,518	(40,565)
<i>Gross amount</i>	(5,000)	(27,109)	4,825	(21,141)
<i>Coinsurance share</i>	(1,369)	42	(550)	42
<i>Reinsurance share</i>	24,771	(18,012)	21,243	(19,466)
Change in mathematical provision and other technical provisions, net	762	(42,029)	42,084	(15,009)
Change in insurance mathematical provisions	11,319	(31,327)	47,031	(4,625)
<i>Gross amount</i>	11,331	(31,604)	46,960	(4,984)
<i>Reinsurance share</i>	(12)	277	71	359
Change in other technical provisions, net of reinsurance	(10,557)	(10,702)	(4,947)	(10,384)
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	94,988	186,363	96,966	187,348
Gross amount	1,639,226	1,540,566	1,905,882	1,848,482
Reinsurance and coinsurance share	(86,599)	(97,886)	(95,375)	(106,784)

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	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
NON-LIFE				
Expenditure for insured events, net	1,052,615	964,237	1,215,676	1,187,605
Claims paid	1,064,428	1,012,436	1,219,772	1,232,855
Gross amount	1,174,417	1,092,629	1,335,911	1,320,574
Coinsurance share	(1,222)	(1,589)	252	(849)
Reinsurance share	(108,767)	(78,604)	(116,391)	(86,870)
Change in claims provisions	(11,813)	(48,199)	(4,096)	(45,250)
Gross amount	(35,215)	(30,229)	(24,789)	(25,826)
Coinsurance share	(1,369)	42	(550)	42
Reinsurance share	24,771	(18,012)	21,243	(19,466)
Change in mathematical provision and other technical provisions, net of reinsurance	(18,758)	(11,394)	(29,342)	(20,617)
Change in insurance mathematical provisions	(8,201)	-	(20,090)	(9,541)
Gross amount	(8,201)	-	(20,211)	(9,623)
Reinsurance share	-	-	121	82
Change in other technical provisions, net of reinsurance	(10,557)	(11,394)	(9,252)	(11,076)
Gross amount	(10,557)	(11,394)	(9,252)	(11,076)
	-	-	-	-
Gross amount	1,120,444	1,051,006	1,281,659	1,274,049
Reinsurance and co-insurance share	(86,587)	(98,163)	(95,325)	(107,061)
	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
Expenditure for insured events, net	404,262	334,108	455,781	381,754
Claims paid, gross	374,047	330,989	426,167	377,069
Change in claims provisions, gross amount	30,215	3,119	29,614	4,685
Change in mathematical provision and other technical provisions, net of reinsurance	19,520	(30,635)	71,426	5,607
Change in insurance mathematical provisions	19,520	(31,327)	67,121	4,915
Gross amount	19,532	(31,604)	67,171	4,638
Reinsurance share	(12)	277	(50)	277
Change in other technical provisions, net of reinsurance	-	692	4,305	692
Gross amount	-	692	4,305	692
Change in special provision for life insurance group where the policyholder bears the investment risk, net of reinsurance	94,988	186,364	96,966	187,349
Gross amount	518,782	489,560	624,223	574,433
Reinsurance share	(12)	277	(50)	277

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	Company		Group	
	2018	2017	2018	2017
Claims paid - gross amount	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Expenses for claims	1,528,134	1,398,606	1,733,828	1,662,670
Staff costs	55,699	65,034	63,470	73,933
Interest expense on claims	15,312	20,116	15,733	20,116
Claims paid	50,589	47,690	56,730	51,738
Collected recourses	(112,744)	(119,629)	(119,157)	(122,615)
Recourse costs	11,474	11,801	11,474	11,801
	1,548,464	1,423,618	1,762,078	1,697,643

9. Acquisition costs

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission	359,714	270,945	383,353	310,182
Other acquisition costs	156,258	143,347	249,032	246,922
Change in deferred acquisition costs	(76,574)	(63,416)	(85,926)	(73,694)
NON-LIFE	439,398	350,876	546,459	483,410
Commission	27,579	33,969	45,129	48,475
Other acquisition costs	19,457	23,486	24,577	28,518
LIFE	47,036	57,455	69,706	76,993
Commission	387,293	304,914	428,482	358,657
Other acquisition costs	175,715	166,833	273,609	275,440
Change in deferred acquisition costs (Note 15,1)	(76,574)	(63,416)	(85,926)	(73,694)
TOTAL LIFE AND NON-LIFE	486,434	408,331	616,165	560,403

9.1. Commission

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Commission expenses - agents	7,589	7,094	13,167	16,899
Commission expenses - employees	124,860	106,389	128,139	114,482
Commission for banks, agencies and brokers	254,844	191,431	287,176	227,276
	387,293	304,914	428,482	358,657

9.2. Other acquisition costs

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Marketing costs	42,115	38,679	52,662	47,406
Sales staff costs	127,937	116,941	192,141	194,285
Other direct sales costs	5,663	11,213	28,806	33,749
	175,715	166,833	273,609	275,440

10. Administrative expenses

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation and depreciation of assets	42,561	40,515	55,803	54,158
Salaries, taxes and contributions from and on salaries	144,639	131,404	213,819	199,742
Other administrative expenses	220,134	229,309	325,146	330,752
	407,334	401,228	594,768	584,652

10.1 Amortisation and depreciation

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Amortisation (Note 15)	14,309	10,461	17,196	14,526
Depreciation (Note 16)	28,252	30,054	38,607	39,632
	42,561	40,515	55,803	54,158

10.2 Salaries, taxes and contributions from and on salaries

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net salaries and fees	86,693	78,261	131,087	121,255
Contributions from salaries	21,706	19,304	32,226	30,671
Taxes and surtaxes	16,839	15,954	23,052	21,753
Contributions on salaries	19,401	17,885	27,454	26,063
	144,639	131,404	213,819	199,742

10.3 Other administrative expenses

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Services	123,941	129,555	165,849	172,397
Vacation allowance to employees	525	450	1,071	1,107
Net provision for/(reversal of) jubilee awards and termination benefits	860	12,086	2,278	13,309
Other employee benefits in line with collective agreement	4,543	5,069	5,959	6,280
Provisions for unused vacation days	19	(2,677)	836	(545)
Other provisions	192	2,929	1,445	4,665
Provisions for legal disputes (Note 26)	6,215	8,694	7,868	8,674
Materials used	3,714	2,995	10,863	10,689
Energy consumed	11,595	11,712	17,952	17,972
Transportation to and from work	4,412	3,621	6,217	5,531
Insurance premiums	9,954	10,059	10,998	7,540
Entertainment	7,539	5,891	9,765	8,161
Commission expenses of credit card companies	9,289	9,081	9,581	9,312
Other contributions and fees	16,172	17,881	26,278	28,331
Daily allowances and transportation expenses	3,039	2,976	3,859	4,160
Bank services	511	428	4,600	4,957
Other various costs and expenditures	17,614	8,559	39,727	28,212
	220,134	229,309	325,146	330,752

11. Other operating expenses

	Company	Company	Group	Group
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Guarantee fund fee	8,462	4,457	12,394	11,382
Fee to Croatian Insurance Bureau	1,578	1,561	1,578	1,621
Fire Department fee	5,321	5,273	6,579	6,410
Fee to Croatian Financial Services Supervisory Agency	1,945	1,416	3,116	2,604
Contributions for health insurance from motor liability premium	10,075	9,717	18,727	17,627
Other insurance-technical expenses	2,794	2,691	9,481	9,276
Other expenses	536	293	1,742	1,665
Impairment of property and equipment (Note 16)	1,830	11,748	1,934	11,958
Other impairment	7,871	11,258	8,033	14,631
	40,412	48,414	63,584	77,174

12. Finance costs

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Impairment of investments	47,128	101,568	40,275	90,446
Realised losses on investments	11,411	16,225	13,211	16,247
Foreign exchange losses	58,611	41,640	62,781	51,669
Unrealised losses on investments in financial assets at fair value through profit or loss	890	-	2,137	1,527
Unrealised losses on changes in fair value of derivative financial instruments	2,729	1,999	2,729	1,999
Payment transactions fees	5,920	5,245	6,312	5,587
Interest expense	1,125	-	1,282	609
Other investment costs	2,467	1,745	2,488	2,697
	130,281	168,422	131,215	170,781

12.1. Impairment of investments

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries and associates (Note 18.3)	13,613	21,147	-	1,704
Available-for-sale financial assets	27,222	90	27,254	146
Impairment of loans given	473	58,501	477	58,504
Losses from changes in fair value of property (Note 17)	5,820	21,830	12,544	30,092
	47,128	101,568	40,275	90,446

12.2. Realised losses on investments

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Realised losses on available-for-sale financial assets	10,161	15,874	11,962	15,896
Realised losses on derivative financial instruments	1,249	337	1,248	337
Realised losses on investments at fair value through profit or loss	1	14	1	14
	11,411	16,225	13,211	16,247

12.3. Foreign exchange losses

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	19,778	9,107	20,256	12,375
Available-for-sale financial assets	17,513	13,398	20,820	19,160
Financial assets at fair value through profit or loss	169	55	414	55
Deposits	9,020	11,961	9,020	12,536
Loans	1,585	1,033	1,603	1,089
Foreign currency accounts	9,822	6,086	9,853	6,254
Derivative financial instruments	717	-	716	-
Other	7	-	99	200
	58,611	41,640	62,781	51,669

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	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Net deferred tax expense (Note 21)	16,583	13,850	15,885	13,930
Current tax expense	38,077	19,732	50,412	35,981
Net income tax expense for the year	54,660	33,582	66,297	49,911

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

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Profit before tax	325,078	184,525	403,471	303,502
Income tax at 18%	58,514	33,214	72,625	54,630
Non-deductible expenses	19,382	23,958	22,589	28,192
Tax incentives and income not subject to tax	(23,236)	(23,590)	(28,917)	(32,911)
Tax expense for the year	54,660	33,582	66,297	49,911
Effective rate	16.81%	18.20%	16.43%	16.45%

As at 31 December 2018, 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
	2018	2017
	in HRK'000	in HRK'000
Profit for the year attributable to the Company's shareholders	337,080	253,103
Dividends of preference shares	(980)	(980)
Profit for the year - ordinary shares	336,100	252,123
Weighted average of ordinary shares	420,947	420,947
Earnings per share attributable to the Company's shareholders		
Basic and diluted earnings per share in HRK	798.44	598.94

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 (2017: 420,947). In addition, since there is no effect of options, convertible bonds or similar effects, the weighted average number of ordinary shares used to calculate diluted earnings per share was the same as the one used to calculate basic earnings per share.

15. Intangible assets

Company	In HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
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
Additions	-	11,915	1,644	13,559
Effect of merger (Note 18.3 /i/)	-	1,471	-	1,471
Transfer from tangible assets (Note 16)	-	1,163	-	1,163
Disposals or retirements	-	(236)	-	(236)
At 31 December 2018	6,521	127,566	1,644	135,731
Accumulated amortisation				
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
Effect of merger (Note 18.3 /i/)	-	1,441	-	1,441
Amortisation charge for 2018	56	14,253	-	14,309
At 31 December 2018	6,521	101,835	-	108,356
Net book amount				
At 31 December 2018	-	25,731	1,644	27,375
At 31 December 2017	56	27,112	-	27,168

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Group	in HRK'000			
	Other intangible assets	Software	Intangible assets in progress	Total
Cost				
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 from tangible assets (Note 16)	-	(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
Additions	2,356	12,811	2,973	18,140
Effect of the acquisition	-	-	-	-
Transfer from tangible assets (Note 16)	-	1,163	-	1,163
Transfer to use	-	355	(355)	-
Reclassification	14,174	(14,174)	-	-
Disposals or retirements	-	(307)	-	(307)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(154)	(8)	(162)
At 31 December 2018	26,093	145,746	3,470	175,309
Accumulated amortisation				
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
Acquisition	-	-	-	-
Amortisation charge for 2018	1,699	15,497	-	17,196
Impairment	7	(19)	-	(12)
Reclassification	7,846	(7,846)	-	-
Disposals or retirements	-	(71)	-	(71)
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(127)	-	(127)
At 31 December 2018	19,059	117,115	-	136,174
Net book amount				
At 31 December 2018	7,034	28,631	3,470	39,135
At 31 December 2017	56	36,371	860	37,287

15.1. Deferred acquisition costs

	Company		Group	
	2018	2017	2018	2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 31 December	173,912	110,496	203,132	128,331
Acquisition (Note 18.3. /iii/)	-	-	-	1,107
Merger	917	-	-	-
Increase	155,056	139,677	164,551	150,050
Decrease	(78,482)	(76,261)	(78,624)	(76,341)
Foreign exchange differences	-	-	(356)	(15)
At 31 December	251,403	173,912	288,703	203,132

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 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
Change in fair value (through OCI)	(531)	(2,072)	-	-	-	(2,603)
Change in fair value (P&L) (Note 11)	(104)	(1,726)	-	-	-	(1,830)
Additions	-	9,903	7,957	383	1,890	20,133
Effect of merger (Note 18.3 /i/)	-	-	1,258	49	-	1,307
Transfer from assets under construction to use	-	1,329	395	112	(1,836)	-
Transfer from intangible assets (Note 15)	-	-	-	-	(1,163)	(1,163)
Transfer to investment property (Note 17)	-	-	-	-	(206)	(206)
Disposals or retirements	(2,029)	(11,186)	(1,277)	(0)	-	(14,492)
At 31 December 2018	67,675	608,494	186,879	18,559	2,349	883,956
Accumulated depreciation and impairment						
At 31 December 2016	-	232,845	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	152,536	9,262	-	408,439
Effect of merger (Note 18.3 /i/)	-	-	1,210	-	-	1,210
Depreciation charge for 2018	-	14,755	11,386	1,088	-	27,229
Depreciation on revaluation effect	-	1,023	-	-	-	1,023
Disposals or retirements	-	(5,004)	(1,268)	-	-	(6,272)
At 31 December 2018	-	257,415	163,864	10,350	-	431,629
Net book amount						
At 31 December 2018	67,675	351,079	23,015	8,209	2,349	452,327
At 31 December 2017	70,339	365,605	26,010	8,753	3,664	474,371

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Group	in HRK'000					
	Land	Buildings	Equipment and furniture	Other tangible assets	Assets under construction	Total
Cost						
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
Change in fair value (through OCI)	(531)	(1,702)	-	-	-	(2,233)
Change in fair value (P&L) (Note 11)	(104)	(1,831)	-	-	-	(1,935)
Additions	-	10,177	18,001	1,772	7,102	37,052
Acquisition	-	-	-	-	-	-
Transfer from assets under construction to use	-	1,459	4,793	525	(6,777)	(0)
Transfer to investment property (Note 17)	-	-	-	-	(206)	(206)
Transfer from intangible assets (Note 15)	-	-	-	-	(1,163)	(1,163)
Foreign exchange differences arising on translation of financial statements of foreign operations	(68)	(998)	(327)	(370)	(2)	(1,765)
Disposals or retirements	(2,029)	(11,186)	(9,530)	(1,477)	-	(24,222)
At 31 December 2018	93,673	799,290	274,728	54,765	2,748	1,225,204
Accumulated depreciation and impairment						
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
Acquisition	-	-	-	-	-	-
Depreciation charge for 2018	-	16,599	16,356	2,878	-	35,832
Depreciation on revaluation effect	-	2,774	-	-	-	2,774
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(161)	(262)	(280)	-	(703)
Disposals or retirements	-	(5,006)	(8,694)	(1,223)	-	(14,923)
At 31 December 2018	-	296,776	230,132	38,391	-	565,299
Net book amount						
At 31 December 2018	93,673	502,514	44,596	16,374	2,748	659,905
At 31 December 2017	96,405	520,801	39,059	17,299	3,794	677,358

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 363,647 thousand (31 December 2017: HRK 377,108 thousand) for the Company and HRK 430,737 thousand (31 December 2017: HRK 476,371 thousand) for the Group.

17. Investment property

	Company	Group
	in HRK'000	in HRK'000
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
Foreign exchange differences arising on translation of financial statements of foreign operations	-	(337)
Transfer from property and equipment (Note 16)	206	206
Increase in fair value credited to the income statement (Note 6.2)	1,575	3,819
Decrease in fair value charged to the income statement (Note 12.1)	(5,820)	(12,544)
Assets under construction	-	3,355
Additions	1,017	1,877
Disposals	(77,969)	(77,968)
At 31 December 2018	333,932	821,794

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. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Investments in subsidiaries	464,269	525,019	-	-
Impairment of investments in subsidiaries	(251,028)	(243,396)	-	-
	213,241	281,623	-	-
Investments in joint ventures	28,000	28,000	70,084	70,694
Investments in associates	8,601	8,601	12,078	11,768
Impairment of investments in associates	(2,913)	(2,913)	(2,913)	(2,913)
	5,688	5,688	9,165	8,855
	246,929	315,311	79,249	79,549

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

Activity	Country	31 Dec. 2018		31 Dec. 2017		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Subsidiaries						
Croatia Premium d.o.o., Zagreb	Services	Croatia	100	8,423	100	8,423
Histria construct d.o.o., Zagreb	Real estate	Croatia	100	5,140	100	5,690
Core 1 d.o.o., Zagreb	Real estate	Croatia	100	20	100	20
Auto Maksimir Vozila d.o.o., Zagreb	Insurance representation	Croatia	100	100	100	100
AK polica d.o.o., Varaždin	Insurance representation	Croatia	100	147		0
Croatia osiguranje kredita d.d., Zagreb	Insurance	Croatia	-	-	100	55,000
CO Zdravlje d.o.o., Zagreb	Consulting and services	Croatia	100	24,164	100	18,000
CROATIA Poliklinika, Zagreb	Healthcare	Croatia	-	-	100	20
Ars Medica, Pula	Healthcare	Croatia	-	-	100	6,144
Milenijum osiguranje a.d., Belgrade	Insurance	Serbia	100	19,405	100	19,405
Croatia osiguranje d.d., Ljubuški	Insurance	Bosnia and Herzegovina	95	34,654	95	37,881
Croatia osiguranje - život a.d., Skopje	Insurance	Macedonia	95	22,271	95	22,271
Croatia osiguranje - neživot a.d., Skopje	Insurance	Macedonia	100	16,352	100	26,105
Croatia-Tehnički pregledi d.o.o., Zagreb	Motor vehicle services	Croatia	100	71,767	100	71,767
Croatia osiguranje mirovinsko društvo d.o.o., Zagreb	Pension fund management	Croatia	100	10,798	100	10,797
Razne usluge d.o.o. – currently being wound up, Zagreb	Services	Croatia	100	-	100	-
				213,241		281,623
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50	28,000	50	28,000
Associates						
Strmec projekt d.o.o., Samobor	Real estate	Croatia	49.76	5,688	49.76	5,688
				5,688		5,688
				246,929		315,311

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

Group

Activity	Country	31 Dec. 2018		31 Dec. 2017		
		Ownership percentage	Amount of investment	Ownership percentage	Amount of investment	
		%	in HRK'000	%	in HRK'000	
Joint ventures						
PBZ Croatia osiguranje d.d., Zagreb	Pension fund management	Croatia	50.0	68,669	50.0	69,284
Nacionalni biro za osiguranje Skopje	Insurance	Macedonia	-	1,415	-	1,410
				70,084	70,694	
Associates						
Strmec projekt d.o.o., Samobor	Real estate	Croatia	49.76	5,688	49.76	5,688
STP Agroservis d.o.o., Virovitica	Technical testing and analysis	Croatia	37.0	3,477	37.0	3,167
				9,165	8,855	
				79,249	79,549	

Condensed financial information for joint ventures

The condensed financial information for PBZ Croatia osiguranje d.d., (where equity method was used) are presented below.

Condensed statement of financial position	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000
Financial assets	90,558	131,526
Other assets	53,040	13,943
Total assets	143,598	145,469
Liabilities	6,260	6,902
Capital and reserves	137,338	138,567
Total equity and liabilities	143,598	145,469
Condensed statement of comprehensive income		
Income	68,458	69,156
Expenses	(35,080)	(34,158)
Profit before tax	33,378	34,998
Income tax	(6,007)	(6,298)
Profit for the year	27,371	28,700
Share in profit of joint venture @ 50%	13,685	14,350

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

Condensed financial information	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000
Opening balance of net assets at 1 January	138,567	134,768
Profit for the period	27,371	28,700
Dividends	(28,600)	(24,900)
Closing balance of net assets	137,338	138,568
Share in profit of joint venture @ 50%	68,669	69,284
Carrying amount	68,669	69,284

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

	Company		Group	
	31 Dec. 2018 in HRK'000	31 Dec. 2017 in HRK'000	31 Dec. 2018 in HRK'000	31 Dec. 2017 in HRK'000
At 1 January	315,311	394,644	79,549	85,566
Effect of merger - Elimination of carrying amount of investments in subsidiaries (i)	(55,000)	(170,052)	-	-
Effect of merger - subsidiaries and associates of merged companies (i)	-	40,689	-	-
Increase in investments (purchase, establishment or capital increase of companies) (ii)	147	73,300	-	-
Increase in investments through purchase of non-controlling interest (iii)	83	2,136	-	-
Increase by using the equity method	-	-	(305)	2,173
Sale of shares (iv)	-	(4,259)	-	(6,469)
Decrease (impairment of investment) (vi)	(13,612)	(21,147)	-	(1,704)
Foreign exchange differences	-	-	5	(17)
At 31 December	246,929	315,311	79,249	79,549

/i/ In 2017 and 2018, the company merged with its subsidiaries:

In 2018, 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 osiguranje kredita d.d. (prior BNP Paribas Cardif osiguranje d.d.) was merged with the company CROATIA osiguranje d.d. as of 2 July 2018.

In 2017, the company CROATIA osiguranje d.d. merged with its two 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 continues exist after the merger. These transactions in both years represent a business combination under common control 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 the subsidiaries merged in 2017 and 2018.

The transactions are a business combination under common control and were 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 osiguranje kredita d.d. (in 2018) and Croatia zdravstveno osiguranje d.d. and Croatia Lloyd d.d. (in 2017) 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 financial statements 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 are included only from the date of the merger (2 July for CROATIA osiguranje kredita d.d., 3 April 2017 for CROATIA Lloyd d.d., and 3 July 2017 for and CROATIA zdravstveno osiguranje d.d.).

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	CROATIA Lloyd d.d.	CROATIA zdravstveno osiguranje d.d.	Effect of merger in 2017
	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	(2,982)	(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

	CROATIA osiguranje kredita d.d.
	2 July 2018
	in HRK'000
Intangible assets (Note 15)	946
Property and equipment (Note 16)	97
Available-for-sale financial assets	133,145
Loans and deposits	141
Insurance contract and other receivables	2,301
Cash and cash equivalents	6,358
Technical provisions	(50,064)
Deferred tax liability (Note 21)	(900)
Liabilities arising from insurance contracts, other liabilities and deferred income	(4,265)
Elimination of carrying amount of investments in subsidiaries	(55,000)
Difference recognised in capital and reserves	32,759
- Accumulated other comprehensive income arising from re-measurement of available-for-sale financial assets at fair value	1,232
Retained earnings	31,527

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Of the total amount of HRK 31,527 recognized in retained earnings, the amount of HRK 20,554 represents the gain on bargain purchase that was recognized when the subsidiary was acquired in 2017 (Note 18.3. /iii/).

* By the merger of companies CROATIA Lloyd d.d. and CROATIA zdravstveno osiguranje d.d. the Company has directly acquired shares in the following companies:

	Croatia Lloyd		Croatia zdravstveno osiguranje d.d.	
	3 April 2017		3 July 2017	
	% of ownership	Amount of investment	% of ownership	Amount of investment
	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, Zagreb	-	-	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 ventures				
Receivables from mutual funds – HUO	-	139	-	-
TOTAL (Note 18.3 (i))		36,525		4,164

/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	(4,725)
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 Histria 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. In 2018, to mentioned company, founder rights in the Poliklinika ARS Medica and Poliklinika CROATIA zdravstveno osiguranje were granted. Also, in 2018, Poliklinika Ars Medica was merged to Poliklinika CROATIA zdravstveno osiguranje.

The Company acquired a 100% share with voting rights in the company AK polica d.o.o. at the beginning of 2018, whose primary activity is insurance representation. The purchase consideration amounted to HRK 147 thousand and approximates the fair value of the acquired company.

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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 in 2017 and an additional 0.13% share in the amount of HRK 83 thousand in 2018.

/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>
Selling 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 selling price was defined on the basis of an independent assessment of 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 2018, 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 3,310 thousand (2017.: HRK 13,144 thousand), Croatia osiguranje - neživot a.d., Skopje, by an amount of HRK 9,753 thousand (2017.: HRK 6,099 thousand) and Histria Construct by an amount of HRK 550 thousand (2017.: 200 thousand). In 2017, investments in associates and joint ventures were additionally impaired in the 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.

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19. Financial assets

	Company		Group	
	31 Dec. 2018	Company Restated 31 Dec. 2017	31 Dec. 2018	Group Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Held-to-maturity investments	2,041,648	2,073,014	2,205,171	2,206,094
Available-for-sale financial assets	3,697,159	3,315,806	4,026,673	3,710,816
Financial assets at fair value through profit or loss - for trading	605,043	417,259	641,039	466,279
Loans and receivables	991,972	1,325,566	1,066,165	1,330,131
	7,335,822	7,131,645	7,939,048	7,713,320

19.1. Overview of investments

The Company's investment structure as at 31 December 2018 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	-	378,601	13,868	-	392,469
Shares, not listed on stock exchange	-	1,609	-	-	1,609
	-	380,210	13,868	-	394,078
Debt securities					
Government bonds	1,997,795	3,176,592	-	-	5,174,387
Domestic corporate bonds	43,853	100,160	-	-	144,013
	2,041,648	3,276,752	-	-	5,318,400
Derivative financial instruments					
Foreign currency forward contracts	-	-	2,381	-	2,381
	-	-	2,381	-	2,381
Investment funds					
Open-ended investment funds	-	40,197	154,003	-	194,200
Open-ended investment funds - assets for coverage of unit-linked products	-	-	434,791	-	434,791
	-	40,197	588,794	-	628,991
Loans and receivables					
Deposits with credit institutions	-	-	-	445,849	445,849
Loans	-	-	-	546,123	546,123
	-	-	-	991,972	991,972
	2,041,648	3,697,159	605,043	991,972	7,335,822

19.1. Overview of investments (continued)

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

	Company				
	Restated				
	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	2,073,014	2,774,216	-	-	4,847,230
Domestic corporate bonds	-	68,751	-	-	68,751
	2,073,014	2,842,967	-	-	4,915,981
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	-	-	-	813,409	813,409
Loans	-	-	-	512,157	512,157
	-	-	-	1,325,566	1,325,566
	2,073,014	3,315,806	417,259	1,325,566	7,131,645

19.1. Overview of investments (continued)

The Group's investment structure as at 31 December 2018 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	-	379,269	13,868	-	393,137
Shares, not listed	-	1,666	-	-	1,666
	-	380,935	13,868	-	394,803
Debt securities					
Government bonds	2,153,732	3,505,381	11,304	-	5,670,417
Domestic corporate bonds	51,439	100,160	-	-	151,599
Treasury bills	-	-	-	-	-
	2,205,171	3,605,541	11,304	-	5,822,016
Derivative financial instruments					
Foreign currency forward contracts	-	-	2,381	-	2,381
	-	-	2,381	-	2,381
Investment funds					
Open-ended investment funds	-	40,197	175,513	-	215,710
Open-ended investment funds - assets for coverage of unit-linked products	-	-	437,973	-	437,973
	-	40,197	613,486	-	653,683
Loans and receivables					
Deposits with credit institutions	-	-	-	798,188	798,188
Loans	-	-	-	267,977	267,977
	-	-	-	1,066,165	1,066,165
	2,205,171	4,026,673	641,039	1,066,165	7,939,048

19.1. Overview of investments (continued)

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

	Group				
	Restated				
	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 on stock exchange	-	1,775	-	-	1,775
	-	436,178	14,385	-	450,563
Debt securities					
Government bonds	2,198,904	3,168,454	34,200	-	5,401,558
Domestic corporate bonds	-	68,750	-	-	68,750
Treasury bills	7,190	-	-	-	7,190
	2,206,094	3,237,204	34,200	-	5,477,498
Derivative financial instruments					
Foreign currency forward contracts	-	-	1,692	-	1,692
	-	-	1,692	-	1,692
Investment funds					
Open-ended investment funds	-	37,434	79,101	-	116,535
Open-ended investment funds - assets for coverage of unit-linked products	-	-	336,901	-	336,901
	-	37,434	416,002	-	453,436
Loans and receivables					
Deposits with credit institutions	-	-	-	1,126,736	1,126,736
Loans	-	-	-	203,395	203,395
	-	-	-	1,330,131	1,330,131
	2,206,094	3,710,816	466,279	1,330,131	7,713,320

19.2. Financial investments exposed to credit risk

Company	31 Dec. 2018					Restated 31 Dec. 2017				
	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	2,041,648	-	18,125	(18,125)	2,041,648	2,073,014	0	58,425	(58,425)	2,073,014
Available-for-sale debt securities	3,276,752	-	-	-	3,276,752	2,842,967	0	0	0	2,842,967
Deposits	445,849	-	-	-	445,849	813,409	0	0	0	813,409
Loans	375,624	170,499	170,169	(170,169)	546,123	346,900	165,257	261,265	(261,265)	512,157
	6,139,873	170,499	188,294	(188,294)	6,310,372	6,076,290	165,257	319,691	(319,691)	6,241,547

Group	31 Dec. 2018					Restated 31 Dec. 2017				
	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	2,205,171	-	18,125	(18,125)	2,205,171	2,206,094	-	58,425	(58,425)	2,206,094
Available-for-sale debt securities	3,605,541	-	-	-	3,605,541	3,237,204	-	-	-	3,237,204
Debt securities at fair value through profit or loss	11,304	-	-	-	11,304	34,200	-	-	-	34,200
Deposits	798,188	-	-	-	798,188	1,126,736	-	-	-	1,126,736
Loans	97,399	170,578	170,456	(170,456)	267,977	38,794	164,601	261,644	(261,644)	203,395
	6,717,603	170,578	188,581	(188,581)	6,888,181	6,643,028	164,601	320,069	(320,069)	6,807,629

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19.3. Held-to-maturity investments

	Company	Company	Group	Group
Movement in impairment losses	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	58,425	65,908	58,425	65,908
Decrease	(40,300)	(7,483)	(40,300)	(7,483)
At 31 December	18,125	58,425	18,125	58,425

19.4. Loans

	Company	Company	Group	Group
The maturity dates of granted loans are presented as follows:	31 Dec. 2018	Restated 31 Dec. 2017	31 Dec. 2018	Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Up to 1 year	234,351	219,366	204,205	189,435
From 1 to 5 years	143,948	113,260	53,017	13,900
More than 5 years	167,824	179,531	10,755	60
	546,123	512,157	267,977	203,395

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
Restated 31 December 2017	3,370	611	161,276	165,257	3,167	158	161,276	164,601
31 December 2018	2,347	421	167,731	170,499	1,675	1,172	167,731	170,578

Movement in impairment of loans:

	Company	Company	Group	Group
At 1 January	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	261,265	118,779	261,643	228,561
Increase	474	56,267	476	56,270
Effect of merger	-	109,247	-	-
Write off	(15,960)	(4,205)	(15,960)	(4,205)
Transfer to off-balance	(55,955)	-	(55,955)	-
Decrease	(19,655)	(18,823)	(19,744)	(18,980)
Foreign exchange differences	-	-	(4)	(2)
At 31 December	170,169	261,265	170,456	261,644

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The structure of loans by type of collateral:

	Company		Group	
	31 Dec. 2018	Restated 31 Dec. 2017	31 Dec. 2018	Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Collateralised loans:				
- vinculated life insurance policies	22,662	27,067	29,669	33,400
- mortgages and real estate fiduciaries	487,079	697,284	300,666	390,087
- other collaterals	206,551	49,071	108,098	41,552
	716,292	773,422	438,433	465,039
Value adjustment	(170,169)	(261,265)	(170,456)	(261,644)
Total	546,123	512,157	267,977	203,395

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.

Company:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2018						
Loans given based on life insurance policies	22,662	22,662	-	-	22,662	22,662
Loans given to legal entities	171,059	1,274,722	-	-	171,059	1,274,722
Loans given to related parties	346,468	836,066	5,934	-	352,402	836,066
	540,189	2,133,450	5,934	-	546,123	2,133,450
31 December 2017						
Loans given based on life insurance policies	27,039	27,039	-	-	27,039	27,039
Loans given to legal entities	169,874	1,426,509	-	-	169,874	1,426,509
Loans given to related parties	309,233	643,646	6,011	-	315,244	643,646
	506,146	2,097,193	6,011	-	512,157	2,097,193

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Group:

	Excessively secured assets		Insufficiently secured assets		Total	
	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals	Net book value of loans	Fair value of collaterals
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
31 December 2018						
Loans given based on life insurance policies	29,382	33,224	-	-	29,382	33,224
Loans given to legal entities	172,073	1,278,982	-	-	172,073	1,278,982
Loans given to related parties	66,522	192,420	-	-	66,522	192,420
	267,977	1,504,626	-	-	267,977	1,504,626
31 December 2017						
Loans given based on life insurance policies	33,235	36,290	-	-	33,235	36,290
Loans given to legal entities	170,160	1,428,594	-	-	170,160	1,428,594
Loans given to related parties	-	-	-	-	-	-
	203,395	1,464,884	-	-	203,395	1,464,884

19.5. Derivative financial instruments

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

	31 Dec. 2018			31 Dec. 2017		
	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	1,634,919	2,381	(2,729)	1,022,027	1,692	(1,999)
Group						
Foreign currency forward contracts	1,634,919	2,381	(2,729)	1,022,027	1,692	(1,999)

20. Reinsurance share in technical provisions

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000		in HRK'000	
Reinsurance share in unearned premium reserve	55,299	28,309	64,036	38,892
Reinsurance share in reported but not settled claims reserve	147,180	161,698	157,164	168,337
Reinsurance share in mathematical provisions	12	-	12	121
Reinsurance share in provisions for incurred, but not reported claims (IBNR)	13,068	21,951	13,168	21,951
	215,559	211,958	234,380	229,301

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	Other	TOTAL
At 31 December 2016	7,982	1,971	20,540	16,620	-	46,157	-	93,270
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
Reclassification	-	(1,138)	2,431	(1,292)	-	(1)	162	162
Utilised deferred tax assets through profit or loss	(534)	(3,314)	(6,130)	(7,205)	(3,973)	(9,701)	(162)	(31,019)
Deferred tax assets recognised in profit or loss	-	928	8,709	417	85	3,817	-	13,956
At 31 December 2018	7,448	2,754	18,065	2,019	20,526	34,082	-	84,894

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in HRK'000

(ii) Movements in deferred tax liabilities:

	Property for own use	Financial assets available for sale	Total
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
Change in fair value (impairment) of property through other comprehensive income	(767)	-	(767)
At 31 December 2017	11,798	61,569	73,367
Reclassification to the deferred tax assets	-	162	162
Effect of merger (Note 18.3 /i/)	-	900	900
Utilisation through profit of loss	-	(480)	(480)
Utilisation through equity	(211)	-	(211)
Change in fair value of available-for-sale financial assets through other comprehensive income	-	(12,936)	(12,936)
Change in fair value (impairment) of property through other comprehensive income	(468)	-	(468)
At 31 December 2018	11,119	49,215	60,334

(iii) Netting deferred taxes:

	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000
Balance of deferred tax assets	84,894	101,795
Balance of deferred tax liabilities	(60,334)	(73,367)
Net deferred tax assets at 31 December	24,560	28,428

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	Other	TOTAL
At 1 January 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
Reclassifications	(1,070)	2,672	(1,292)	-	(1)	78	387
Foreign exchange differences arising on translation of financial statements of foreign operations	1	(2)	-	-	2	(1)	-
Utilised deferred tax assets through profit or loss	(3,313)	(6,543)	(7,205)	(3,973)	(9,701)	(621)	(31,356)
Deferred tax assets recognised in profit or loss	928	8,709	417	85	4,055	153	14,347
At 31 December 2018	3,050	18,610	2,144	20,598	34,238	977	79,617

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	Other	Total
At 1 January 2016	22,264	10,867	38,274	78	71,483
Reclassification to Deferred tax assets	354	47	(563)	-	(162)
Effect of acquisition (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 through other comprehensive income	-	-	22,669	-	22,669
Impairment of property fro own use recognised in profit or loss	-	(685)	-	-	(685)
Impairment of property for own use through other comprehensive income	(767)	-	-	-	(767)
At 31 December 2017	21,881	10,877	61,508	3,778	98,044
Reclassification to Deferred tax assets	-	-	163	224	387
Utilisation through profit or loss	-	1,583	(480)	-	1,103
Utilisation through equity	(420)	-	-	-	(420)
Change in fair value of available-for-sale investments through other omprehensive income	-	-	(9,942)	-	(9,942)
Impairment of property fro own use recognised in profit or loss	-	(676)	-	-	(676)
Impairment of property for own use recognised through otr comprehensive income	(467)	-	-	-	(467)
Foreign exchange differences	-	-	3	(830)	(827)
At 31 December 2018	20,994	11,784	51,252	3,172	87,202

(iii) Netting deferred taxes:

	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000
Total deferred tax assets	79,617	96,239
Netting deferred taxes (i)	(60,747)	(73,769)
Net movement in deferred tax assets	18,870	22,470
Total deferred tax liabilities	87,202	98,044
Netting deferred taxes (i)	(60,747)	(73,769)
Net movement in deferred tax liabilities	26,455	24,275

(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. 2018	Restated 31 Dec. 2017	31 Dec. 2018	Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from policyholders, net	472,001	487,979	510,329	521,371
Receivables from reinsurance and coinsurance	34,685	29,773	35,925	30,767
Receivables from other insurance business, net	224,616	250,035	231,682	253,514
Receivables for return on investments, net	6,277	5,442	4,169	4,368
Other receivables, net	134,066	55,593	179,333	89,453
	871,645	828,822	961,438	899,473
Interest receivable not due	-	-	181	254
Prepaid expenses	9,662	9,476	13,742	14,949
Other assets	393	538	7,759	10,552
	881,700	838,836	983,120	925,228

22.1. Receivables from policyholders

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Written but not invoiced premium	194,814	203,883	239,357	245,938
Invoiced uncollected premium	487,273	545,562	504,150	560,232
Receivables from policyholders, gross	682,087	749,445	743,507	806,170
Impairment	(210,086)	(261,466)	(233,178)	(284,799)
Receivables from policyholders, net	472,001	487,979	510,329	521,371

22.2. Receivables from reinsurance and coinsurance

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables from reinsurance provision	255	267	255	267
Receivables from reinsurance claims	26,712	20,260	27,952	21,254
Receivables from coinsurance claims	7,718	9,246	7,718	9,246
	34,685	29,773	35,925	30,767

22.3. Receivables from other insurance business

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Recourse receivables	285,521	314,659	297,642	322,206
Impairment	(70,906)	(81,053)	(77,387)	(86,761)
Net receivables	214,615	233,606	220,255	235,445
Receivables for foreign claims	10,692	14,412	11,554	15,421
Impairment	(2,743)	(381)	(2,743)	(381)
Net receivables	7,949	14,031	8,811	15,040
Other receivables	2,052	2,398	2,616	3,029
	2,052	2,398	2,616	3,029
Receivables from other insurance business, gross	298,265	331,469	311,812	340,656
Impairment	(73,649)	(81,434)	(80,130)	(87,142)
Receivables from other insurance business, net	224,616	250,035	231,682	253,514

22.4. Receivables for returns on investments

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for regular interest on given loans	21,091	26,866	18,954	24,757
Receivables for regular interest on deposits	4,871	5,918	4,905	6,958
Receivables for default interest	2,224	1,417	2,224	1,418
Receivables for returns on investments, gross	28,186	34,201	26,083	33,133
Impairment	(21,909)	(28,759)	(21,914)	(28,765)
Receivables for returns on investments, net	6,277	5,442	4,169	4,368

22.5. Other receivables

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Receivables for sold tangible assets	92,569	8,567	92,583	8,571
Receivables for advances given	6,125	5,098	8,228	8,310
Trade receivables	3,937	6,293	23,078	25,441
Receivables from the state and state institutions	4,490	4,789	17,856	13,675
Receivables from credit card companies	7,920	12,770	9,110	14,150
Receivables obtained through cession	4,460	4,444	4,460	4,444
Receivables under court decisions	327	329	327	329
Receivables from employees	1,358	3,596	2,350	4,394
Receivables from agents	3,210	3,791	3,210	7,391
Receivables for funds on blocked accounts	25,373	25,373	25,373	25,373
Receivables for default interest	3,474	1,418	3,473	1,418
Other receivables	36,148	29,306	51,491	33,522
Other receivables, gross	189,391	105,774	241,539	147,018
Impairment	(55,325)	(50,181)	(62,206)	(57,565)
Other receivables, net	134,066	55,593	179,333	89,453

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

Company	Receivables from	Receivables from	Receivables for	Receivables from other insurance business			Other receivables	TOTAL
	policyholders	coinsurance and	returns on	Recourse	Receivables for	Other		
	in HRK'000	reinsurance business	investments	receivables	foreign claims	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	353,193	23,002	36	233,351	8,271	-	27,851	645,704
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
Neither past due nor impaired	330,696	25,748	250	214,584	6,206	-	118,446	695,930
Past due but not impaired	141,305	8,938	6,027	30	1,743	2,052	15,620	175,715
Past due and impaired	210,086	1,568	21,909	70,906	2,743	-	55,325	362,537
Impaired	(210,086)	(1,569)	(21,909)	(70,905)	(2,743)	-	(55,325)	(362,537)
31 December 2018	472,001	34,685	6,277	214,615	7,949	2,052	134,066	871,645

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	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
Neither past due nor impaired	354,217	25,772	250	216,094	6,234	-	148,891	751,458
Past due but not impaired	156,112	10,153	3,919	4,161	2,576	2,616	30,443	209,980
Past due and impaired	233,179	1,567	21,914	77,387	2,743	-	62,205	398,995
Impaired	(233,179)	(1,567)	(21,914)	(77,387)	(2,742)	-	(62,206)	(398,995)
31 December 2018	510,329	35,925	4,169	220,255	8,811	2,616	179,333	961,438

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

Company	Company							TOTAL
	Insurance receivables	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	
				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	
High quality	-	-	-	-	-	-	-	-
Standard quality	353,193	23,002	36	233,351	8,271	-	27,851	645,704
31 December 2017	353,193	23,002	36	233,351	8,271	-	27,851	645,704
High quality	-	-	-	-	-	-	-	-
Standard quality	330,696	25,748	250	214,584	6,206	-	118,446	695,930
31 December 2018	330,696	25,748	250	214,584	6,206	-	118,446	695,930

Group	Group							TOTAL
	Insurance receivables	Receivables from coinsurance and reinsurance business	Receivables for returns on investments	Receivables from other insurance business			Other receivables	
				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	
High quality	-	-	784	-	-	-	1,110	1,894
Standard quality	372,751	23,002	258	233,730	8,271	631	48,464	687,107
31 December 2017	372,751	23,002	1,042	233,730	8,271	631	49,574	689,001
High quality	-	-	-	-	-	-	167	167
Standard quality	354,217	25,772	250	216,094	6,234	-	148,724	751,291
31 December 2018	354,217	25,772	250	216,094	6,234	-	148,891	751,458

High quality means receivables from companies that have a high credit rating and the possibility that receivables become uncollectable is extremely low. The Group monitors the collection of receivables and has established a process for issuing reminders, forced collection and possible court claims.

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	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
Receivables from insurance business	104,525	36,780	-	141,305	116,771	38,372	969	156,112
Receivables from coinsurance and reinsurance business	8,564	271	103	8,938	9,720	330	103	10,153
Receivables for returns on investments	2,208	508	3,311	6,027	100	509	3,310	3,919
Receivables from other insurance business:	3,554	241	30	3,825	7,961	1,362	30	9,353
recourse receivables	-	-	30	30	3,574	557	30	4,161
receivables for foreign claims	1,502	241	-	1,743	2,335	241	-	2,576
other receivables	2,052	-	-	2,052	2,052	564	-	2,616
Other receivables	15,620	-	-	15,620	25,875	3,331	1,237	30,443
31 December 2018	134,471	37,800	3,444	175,715	160,427	43,904	5,649	209,980

22.9. Movements in impairment of receivables

Company	Receivables from insurance business	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		
	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000	in HRK'000
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
Effect of merger	333	-	-	-	-	-	333
Increase in impairment	107,215	1,460	-	1,337	3,305	8,413	121,730
Collection of previously impaired amounts	(121,072)	(157)	(2,874)	(10,399)	(935)	(1,493)	(136,930)
Write-offs	(37,856)	-	(3,976)	(1,086)	-	(1,904)	(44,822)
Foreign exchange differences	-	-	-	-	(8)	-	(8)
At 31 December 2018	210,086	1,569	21,909	70,905	2,743	55,325	362,537

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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
				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
At 31 December 2016	306,661	636	27,591	93,388	787	-	48,294	477,357
Effect ofh acquisition	-	-	-	-	-	-	211	211
Increase in impairment	159,708	159	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)	-	-	(680)	(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
Effect of acquisition	-	-	-	-	-	-	-	-
Increase in impairment	110,879	1,460	-	2,270	3,305	-	8,943	126,857
Collection of previously impaired amounts	(123,468)	(159)	(2,875)	(10,474)	(937)	-	(2,255)	(140,168)
Write-offs	(38,744)	-	(3,976)	(1,103)	-	-	(2,136)	(45,959)
Foreign exchange differences	(287)	-	-	(67)	(7)	-	(38)	(399)
At 31 December 2018	233,179	1,567	21,914	77,387	2,742	-	62,206	398,995

23. Cash and cash equivalents

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Cash on bank accounts	194,406	42,286	245,213	113,631
Cash on foreign currency accounts	161,226	6,018	195,225	34,976
Cash on hand	-	70	561	522
Deposits with maturity up to three months	14,082	-	15,718	15,652
Total cash and cash equivalents	369,714	48,374	456,717	164,781

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 2017: 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:

Number of shares	Nominal amount
307,598 ordinary shares I, emission with ticker CROS-R-A/CROS	430,637,200
113,349 ordinary shares II, emission with ticker CROS-R-A/CROS	158,688,600
TOTAL OF ORDINARY SHARES	589,325,800
8,750 preference shares I, emission with ticker CROS-P-A/CROS2	12,250,000
TOTAL OF PREFERENCE SHARES	12,250,000
TOTAL OF ORDINARY AND PREFERENCE SHARES	601,575,800

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.

Due to the guaranteed dividend payment, preference shares are classified as financial liabilities (Note 27).

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The ownership structure as at 31 December 2018 and 31 December 2017 was as follows:

Shareholder	31 Dec. 2018			31 Dec. 2017		
	Number	Nominal amount	Equity	Number	Nominal amount	Equity
	of shares	in HRK'000	share %	of shares	in HRK'000	share %
ADRIS grupa d.d.	263,419	368,787	61.3	263,419	368,787	61.3
CERP/RH	131,633	184,286	30.6	131,587	184,222	30.6
Raiffeisenbank Austria d.d. - custodian account	19,456	27,238	4.5	19,473	27,262	4.5
Other shareholders	15,189	21,265	3.6	15,218	21,305	3.6
	429,697	601,576	100.0	429,697	601,576	100.0

The total majority shareholder percentage as at 31 December 2018 consists of the own share of 61.3% increased by the shares on its custodian accounts of 5%.

24.2. Reserves

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Legal reserves	30,079	28,490	30,079	28,490
Statutory reserves	147,220	147,220	147,220	147,220
Other reserves	224,739	224,740	224,739	224,740
	402,038	400,450	402,038	400,450

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 based on the decision on profit distribution from previous years.

24.3. Revaluation reserve

The revaluation reserve is presented as follows:

	Company	Company	Group	Group
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Property for own use	61,768	65,546	122,879	126,474
Deferred tax from change in revaluation reserve of property for own use	(11,118)	(11,798)	(20,993)	(21,881)
Available-for-sale financial assets	271,683	342,046	300,559	345,126
Deferred tax from change in revaluation reserve of available-for-sale financial assets	(48,903)	(61,569)	(51,759)	(61,508)
Foreign exchange differences arising on translation of financial statements of foreign operations	(1)	-	(10,404)	(8,175)
	273,429	334,225	340,282	380,036

/i/ Revaluation reserve of property for own use, net of deferred tax

	Company	Group
	in HRK'000	in HRK'000
1 January 2017	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)	(1,966)
Effect of merger	3,654	-
31 December 2017	53,748	104,593
Reclassification	-	1,041
Increase in revaluation reserve	-	421
Decrease in revaluation reserve	(2,135)	(2,186)
Release of revaluation reserve, realised portion (depreciation)	(839)	(1,859)
Release of revaluation reserve, realised portion (sale)	(124)	(124)
Effect of merger	-	-
31 December 2018	50,650	101,886

/ii/ Revaluation reserve of available-for-sale financial assets, net of derred tax

	Company	Group
	in HRK'000	in HRK'000
1 January 2017	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 on 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
Changes in fair value of available-for-sale financial assets	(47,139)	(25,254)
Impairment of financial assets, net of tax	22,321	22,319
Realised gains of available-for-sale financial assets, net of tax (through profit)	(34,112)	(34,112)
Effect of merger	1,231	-
Foreign exchange differences	(1)	-
31 December 2018	222,779	238,396

25. Technical provisions

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
<i>Claims provisions, gross</i>				
Provisions for reported but not settled claims	1,544,693	1,530,081	1,620,899	1,602,911
Provisions for incurred, but not reported claims (IBNR)	945,341	957,232	1,048,771	1,063,776
Provisions for costs of claims handling	137,415	137,782	150,525	151,576
	2,627,449	2,625,095	2,820,195	2,818,263
Unearned premiums, gross	1,139,365	1,059,561	1,422,650	1,308,560
Mathematical insurance provisions, gross	2,367,205	2,318,423	2,731,290	2,687,801
Other insurance-technical provisions, gross	35,537	45,273	53,396	57,422
Technical provisions for life insurance where the policyholder bears the investment risk	434,791	335,664	437,973	336,901
Total technical provisions	6,604,347	6,384,016	7,465,504	7,208,947

Other insurance-technical provisions include unexpired risk reserves.

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

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	35,145	31,711	37,792	32,708
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(34)	6
Claims incurred in the current year	47,512	20,506	51,131	24,307
Transfer from provisions for incurred, but not reported claims	120	406	120	423
Change in claims from the previous year	(6,973)	(3,786)	(7,221)	(3,809)
Settled claims	(11,517)	(13,692)	(15,517)	(15,843)
At 31 December	64,287	35,145	66,271	37,792
NON-LIFE				
At 1 January	1,494,936	1,502,188	1,565,119	1,589,141
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(801)	802
Claims incurred in the current year	260,925	278,620	286,334	302,879
Transfer from provisions for incurred, but not reported claims	87,138	119,773	97,306	133,580
Change in claims from the previous year	(45,627)	(102,252)	(29,039)	(97,891)
Settled claims	(319,652)	(326,088)	(364,291)	(366,459)
Disposal of subsidiary	-	-	-	-
Effect of merger	2,686	22,695	-	-
Effect of acquisition	-	-	-	3,067
At 31 December	1,480,406	1,494,936	1,554,628	1,565,119
TOTAL LIFE AND NON-LIFE	1,544,693	1,530,081	1,620,899	1,602,911
At 31 December	1,544,693	1,530,081	1,620,899	1,602,911

25.2. Movements in provision for incurred but not reported claims

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	1,945	2,534	2,257	3,067
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(4)	(5)
Increases recognised during the year	975	849	985	764
Transfer to provisions for reported claims	(120)	(406)	(120)	(423)
Settled claims	(941)	(1,032)	(942)	(1,146)
At 31 December	1,859	1,945	2,176	2,257
NON-LIFE				
At 1 January	955,287	945,903	1,061,519	1,067,978
Foreign exchange differences	-	-	(1,229)	1,989
Increases recognised during the year	205,776	222,216	247,222	272,917
Transfer to provisions for reported claims	(87,138)	(119,773)	(97,306)	(133,611)
Settled claims	(135,449)	(118,068)	(163,611)	(153,718)
Effect of acquisition	-	-	-	5,964
Disposal of subsidiary	-	-	-	-
Effect of merger	5,006	25,009	-	-
At 31 December	943,482	955,287	1,046,595	1,061,519
TOTAL LIFE AND NON-LIFE				
At 31 December	945,341	957,232	1,048,771	1,063,776

25.3. Movements in provisions for unearned premiums

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	4,384	4,376	5,494	5,511
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(15)	(7)
Written premiums during the year	564,731	533,541	686,466	639,376
Earned premiums during the year	(564,769)	(533,533)	(686,576)	(639,386)
At 31 December	4,346	4,384	5,369	5,494
NON-LIFE				
At 1 January	1,055,177	817,481	1,303,066	1,144,499
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(3,133)	2,905
Written premiums during the year	2,213,513	1,929,781	2,642,219	2,501,784
Earned premiums during the year	(2,137,417)	(1,861,909)	(2,524,871)	(2,350,532)
Effect of acquisition (Note 18.3. /iii/)	-	-	-	4,410
Effect of merger	3,746	169,824	-	-
At 31 December	1,135,019	1,055,177	1,417,281	1,303,066
TOTAL LIFE AND NON-LIFE				
At 31 December	1,139,365	1,059,561	1,422,650	1,308,560

25.4. Movements in mathematical insurance provisions, gross

	Company	Company	Group	Group
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
At 1 January	2,318,423	2,350,028	2,687,801	2,634,966
Foreign exchange differences arising on translation of financial statements of foreign operations	-	-	(4,055)	(1,398)
Allocated premium	306,197	215,187	385,747	288,609
Reversal of liabilities due to benefits paid, surrenders and other terminations	(370,057)	(324,545)	(403,753)	(362,370)
Capitalised technical interest	67,277	72,726	58,288	64,688
Change in discretionary bonus	7,914	5,027	7,262	4,221
Effect of acquisition (Note 18.3. /iii/)	37,451	-	-	59,085
At 31 December	2,367,205	2,318,423	2,731,290	2,687,801

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

	Company	Company	Group	Group
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
LIFE				
At 1 January	335,664	138,351	336,901	138,599
Foreign exchange differences	-	-	(14)	7
Allocated premium	105,389	192,349	107,348	193,297
Reversal of liabilities due to benefits paid, surrenders and other terminations	(10,401)	(5,985)	(10,401)	(5,985)
Unrealised gains on assets in which the policyholders' funds are invested	4,139	10,949	4,139	10,983
At 31 December	434,791	335,664	437,973	336,901

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

Company

	in HRK'000								
	Before 2012	2012	2013	2014	2015	2016	2017	2018	Total
Assessment of cumulative claims at the end of the year of the accident	0	1,508,800	1,406,818	1,244,991	1,192,854	1,148,645	1,229,855	1,288,855	-
One year later	0	1,421,351	1,351,615	1,216,132	1,134,791	1,101,945	1,183,797	-	-
Two years later	0	1,406,404	1,338,872	1,191,619	1,123,941	1,083,401	-	-	-
Three years later	0	1,417,595	1,330,694	1,192,149	1,119,131	-	-	-	-
Four years later	0	1,409,194	1,327,336	1,182,435	-	-	-	-	-
Five years later	0	1,402,008	1,318,786	-	-	-	-	-	-
Six years later	0	1,389,208	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	0	1,389,208	1,318,786	1,182,435	1,119,131	1,083,401	1,183,797	1,288,855	8,565,613
Cumulative payments	0	1,282,188	1,218,006	1,084,245	970,946	937,094	973,761	751,844	7,218,084
Provision for previous years	1,076,359	-	-	-	-	-	-	-	1,076,359
Claims handling costs	55,503	5,702	5,710	5,794	8,085	8,541	12,864	32,496	134,695
Amount recognised in the statement of financial position	1,131,862	112,722	106,490	103,984	156,270	154,848	222,900	569,507	2,558,583

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Group

	in HRK'000								
	Before 2012	2012	2013	2014	2015	2016	2017	2018	Total
Assessment of cumulative claims at the end of the year of the accident	24,652	1,595,181	1,511,517	1,345,447	1,291,094	1,242,301	1,326,682	1,407,298	-
One year later	9,113	1,458,996	1,392,998	1,251,740	1,172,896	1,143,739	1,236,412	-	-
Two years later	7,267	1,422,838	1,357,437	1,213,477	1,145,377	1,104,908	-	-	-
Three years later	4,829	1,430,779	1,344,655	1,206,762	1,135,816	-	-	-	-
Four years later	4,511	1,417,994	1,336,053	1,194,362	-	-	-	-	-
Five years later	5,505	1,410,013	1,325,259	-	-	-	-	-	-
Six years later	21,620	1,393,307	-	-	-	-	-	-	-
Assessment of cumulative claims at the end of the accident	24,689	1,393,307	1,325,259	1,194,362	1,135,816	1,104,908	1,236,412	1,407,298	8,822,051
Cumulative payments	1,601	1,282,638	1,219,249	1,085,859	973,325	939,351	994,081	801,083	7,297,187
Provision for previous years	1,076,359	-	-	-	-	-	-	-	1,076,359
Claims handling costs	56,946	5,932	6,076	6,391	8,946	9,746	14,647	39,102	147,786
Amount recognised in the statement of financial position	1,156,393	116,601	112,086	114,894	171,437	175,303	256,978	645,317	2,749,009

25.7. Maturity of gross technical provisions

The expected maturity of technical provisions is presented below:

Company	in HRK'000				Total
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	
2018					
Unearned premiums, gross	953,159	153,782	29,290	3,134	1,139,365
Mathematical insurance provisions, gross	317,232	1,059,577	549,547	440,849	2,367,205
Claims provisions, gross	892,048	646,631	366,864	721,906	2,627,449
Other insurance-technical provisions, gross	32,985	2,148	364	40	35,537
Technical provisions for life insurance where the policyholder bears the investment risk	16	343,737	90,972	66	434,791
	2,195,440	2,205,875	1,037,037	1,165,995	6,604,347
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	40,321	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

Group	in HRK'000				Total
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	
2018					
Unearned premiums, gross	1,143,728	222,603	53,185	3,134	1,422,650
Mathematical insurance provisions, gross	343,070	1,159,363	659,592	569,265	2,731,290
Claims provisions, gross	1,042,791	677,653	372,763	726,988	2,820,195
Other insurance-technical provisions, gross	47,102	4,248	2,006	40	53,396
Technical provisions for life insurance where the policyholder bears the investment risk	16	346,775	91,037	145	437,973
	2,576,707	2,410,642	1,178,583	1,299,572	7,465,504
2017					
Unearned premiums, gross	1,075,785	176,986	52,172	3,617	1,308,560
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	2,818,263
Other insurance-technical provisions, gross	52,469	4,120	722	111	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

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
	2018	2018	2018	Restated 2017	Restated 2017	Restated 2017
Accident insurance	27.85%	38.16%	66.01%	26.82%	37.91%	64.73%
Health insurance	56.57%	40.25%	96.83%	52.68%	20.59%	73.27%
Road vehicle insurance	78.40%	32.89%	111.29%	81.71%	38.59%	120.30%
Railroad rolling stock insurance	21.22%	35.78%	57.00%	13.06%	36.37%	49.43%
Aircraft insurance	157.29%	26.87%	184.15%	64.06%	25.32%	89.38%
Vessel insurance	57.11%	36.32%	93.43%	92.74%	36.76%	129.50%
Insurance for goods in transit	51.14%	33.89%	85.03%	29.35%	39.28%	68.63%
Insurance against fire and natural disasters	38.59%	41.16%	79.75%	43.08%	41.47%	84.55%
Other types of property insurance	60.01%	32.74%	92.75%	84.94%	35.16%	120.10%
Motor liability insurance	53.14%	37.26%	90.40%	49.79%	38.68%	88.47%
Aircraft liability insurance	9.79%	31.97%	41.76%	63.13%	30.68%	93.81%
Vessel liability insurance	3.87%	27.35%	31.22%	6.02%	42.40%	36.38%
Other types of liability insurance	66.22%	28.89%	95.11%	68.91%	35.16%	104.07%
Loan insurance/credit insurance	-63.60%	76.66%	13.06%	-54.23%	47.57%	-6.66%
Surety insurance	29.60%	27.85%	57.45%	12.72%	39.32%	52.04%
Miscellaneous financial loss insurance	48.96%	28.30%	77.26%	83.73%	49.11%	132.84%
Legal expenses insurance	16.49%	0.00%	16.49%	-	-	-
Assistance insurance	37.45%	46.13%	83.58%	35.13%	45.90%	81.03%
Total non-life insurance	51.86%	37.45%	89.30%	56.24%	37.15%	93.39%

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.

The claims ratio by types of non-life insurance for which mathematical provision is recognized is calculated as follows:

- Claims ratio = (Settled claims, gross amount + Change in provisions for claims, gross amount + Change in mathematical provisions, gross amount+ Change in other technical provisions, gross amount) + (Investment income from investment of mathematical provision + Investment expense from investment of mathematical provision)/ (Gross premium written + Impairment of value and charged value of premium + Change in gross provisions of unearned premiums) * (- 100)

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 2018, 2017 and 2016:

	2016	2017	2018
	in HRK'000	in HRK'000	in HRK'000
Average balance of mathematical provisions	2,308,194	2,334,225	2,328,189
Return on investments from mathematical provisions	94,062	128,590	82,791
Rate of annual return on mathematical provisions	4.08%	5.51%	3.56%
Average return on mathematical provisions for the past 3 years	4.81%	4.75%	4.38%

26. Provisions

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Provisions for termination benefits	17,568	26,698	17,568	27,232
Provisions for jubilee awards and termination benefits (retirement) /i/	31,302	31,479	38,519	38,741
Provisions for legal disputes	49,994	43,143	51,928	48,009
	98,864	101,320	108,015	113,982

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

Company	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
At 1 January 2017	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	26,698	101,320
Additional provisions	14,774	-	2,156	16,930
Effect of merger	636	-	831	1,467
Decrease in provisions (utilisation)	(8,559)	(177)	(12,117)	(20,853)
At 31 December 2018	49,994	31,302	17,568	98,864

Group	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
At 1 January 2017	38,878	40,912	60,993	140,783
Effect of acquisition	437	-	1,371	1,808
Foreign exchange differences	19	(13)	(1)	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
Effect of acquisition				
Foreign exchange differences	(8)	(30)	-	(38)
Additional provisions	16,731	751	2,476	19,958
Decrease in provisions (utilisation)	(12,797)	(766)	(7,960)	(21,523)
Decrease in provisions (reversal)	(7)	(177)	(4,180)	(4,364)
At 31 December 2018	51,928	38,519	17,568	108,015

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

- The employment termination rate for the Company is 5.34% (2017: 5.34%), while for the Group the average is 5.5% (2017: 4.91%)
- An annual salary increase is not expected;
- The present value of the liability is calculated using the discount rate of 1.5% (2017: 1.52%) for the Company and 1.5%-3.54% for the Group (2017: 1.52%-2.75%)

27. Financial liabilities

	Company		Group	
	31 Dec. 2018	Company Restated 31 Dec. 2017	31 Dec. 2018	Group Restated 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Preference shares	12,250	12,250	12,250	12,250
Other financial liabilities	2,311	-	2,311	-
Financial lease liabilities	-	-	2,458	3,364
Derivative financial instruments (Note 19.5)	2,729	1,999	2,729	1,999
	17,290	14,249	19,748	17,613

27.1. Maturity of non-current liabilities

	Company		Group	
	31 Dec. 2018	Company 31 Dec. 2017	31 Dec. 2018	Group 31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
2019	-	-	604	461
2020	-	-	1,669	2,541
2021	-	-	185	212
2022	-	-	-	117
2023	-	-	-	33
	-	-	2,458	3,364

28. Insurance contract and other liabilities and deferred income

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Insurance contract liabilities	86,655	90,146	97,655	100,227
Reinsurance liabilities	58,478	54,067	59,302	54,846
Other liabilities	89,459	90,207	125,270	120,114
Accrued expenses	132,328	102,912	137,704	116,325
Deferred income	220,597	248,578	228,112	254,737
	587,517	585,910	648,043	646,249

/i/ Insurance contract liabilities

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Liabilities for claims and contracted insurance amounts	25,093	30,778	29,016	35,837
Liabilities for contribution to the Fire Department	471	501	1,133	968
Liabilities for the guarantee fund	33,461	30,033	33,743	30,445
Liabilities for advances received for the insurance premium	12,811	13,314	13,811	13,758
Liabilities to the Croatian Insurance Bureau	102	168	102	168
Fee payable to the Croatian Financial Services Supervisory Agency	100	100	100	309
Liabilities for health insurance under motor liability premium	713	1,290	1,345	1,964
Other liabilities	13,904	13,962	18,405	16,778
	86,655	90,146	97,655	100,227

/ii/ Liabilities from coinsurance and reinsurance

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Reinsurance premiums payable - domestic	54,142	52,259	54,705	52,724
Reinsurance premiums payable - foreign	1,413	1,274	1,413	1,274
Coinsurance premiums payable - domestic	2,923	534	2,923	534
Coinsurance premiums payable - foreign	-	-	261	314
	58,478	54,067	59,302	54,846

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Notes to the financial statements for the year 2018

/iii/ Other liabilities

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Trade payables	40,046	42,046	50,427	52,341
Advances received	1,003	1,943	3,930	3,674
Liabilities for net salaries	17,792	16,984	22,842	23,482
Liabilities for contributions from salaries	5,386	5,068	6,406	5,977
Liabilities for tax and surtax from salaries	3,397	3,197	3,678	3,590
Liabilities for contributions on salaries	4,665	4,476	5,724	5,394
Dividends payable	421	257	447	279
Liability to the state for sold flats	1,216	1,759	1,216	1,759
Due to employees	218	329	1,028	2,025
Liabilities for tax on motor liability and motor hull insurance	6,621	6,536	7,363	7,288
Other liabilities	8,694	7,612	22,209	14,305
	89,459	90,207	125,270	120,114

/iv/ Accrued expenses and deferred income

	Company		Group	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Accrued expenses for unused vacation days	14,360	14,189	15,313	16,497
Other accrued expenses	117,968	88,723	122,391	99,828
Total accrued expenses	132,328	102,912	137,704	116,325
Deferred income from recourses /i/	216,295	237,469	216,295	237,469
Other deferred income	4,302	11,108	11,817	17,268
Total deferred income	220,597	248,578	228,112	254,737
	352,925	351,490	365,816	371,062

/i/ Deferred income from recourse, due to uncertainty of collection, in the amount of HRK 216,295 thousand (31 December 2017: HRK 237,469 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. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Forward contracts	1,634,919	1,022,027	1,634,919	1,022,027
Premium receivables from companies in bankruptcy	200,850	175,813	207,660	182,623
Shares and stakes of companies in bankruptcy	23,277	23,547	33,604	31,918
Placements and interest from companies in bankruptcy	64,367	62,005	73,814	71,575
Default interest on placements	37,548	50,194	37,549	50,194
Other off-balance-sheet items	1,539	1,539	1,539	1,539
	1,962,500	1,335,126	1,989,085	1,359,876
Recourse receivables	788,730	785,969	804,871	805,165
	2,751,230	2,121,095	2,793,956	2,165,042

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 1.25% to 6.75% and with maturities of 2019-2032.

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 2018 and 2017:

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Notes to the financial statements for the year 2018

Transactions and balances with the parent company and other related entities of the Company and the Group for 2018:

	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	285,879	1,990	-	64,533
Investment in subsidiaries, associates and participation in joint ventures	6,164	-	-	-
Receivables from insurance	713	1	23	5,008
Other receivables	2,569	-	86	219
Insurance liabilities	781	-	-	365
Technical provisions	23,108	-	-	-
Other liabilities	150	-	1,610	414
Written premiums	2,454	185	506	13,979
Change in gross provisions for unearned premiums	10,007	-	-	-
Investment income	26,647	14,345	-	1,941
Other income	1,144	-	-	-
Claims incurred	15,067	-	66	3,389
Operating expenses	2,002	-	12,174	1,517

**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 2018:**

	Company	Group
	in HRK'000	in HRK'000
Debt securities	5,067,538	5,083,428
Loans and receivables	10,000	10,000
Receivables from insurance business	12,588	12,588
Other receivables	1,917	38,004
Insurance liabilities	126	126
Other liabilities	3,903	4,124
Insurance income	98,471	98,471
Interest income	180,503	180,864
Other income	7,529	982,860
Insurance expenses	24,772	24,772
Other expenses	22,297	22,844

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Notes to the financial statements for the year 2018

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 business	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

/i/ Key management compensation

	Company	Company	Group	Group
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	in HRK'000	in HRK'000	in HRK'000	in HRK'000
Key management compensation	37,368	40,085	54,087	56,160
Termination benefits	-	3,118	520	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. Based on the opinions of legal advisors, the Management Board has assessed which legal disputes require provisions, since it is probable that the court will not rule in the Group's favour. Legal disputes that were not provided for and were designated as contingent liabilities since it has been estimated that the final outcome will be in favour of the Group and that no outflow of resources will occur. 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 2018, the Company's contractual liabilities for future investments amount to HRK 60,393 thousand based on binding bids for investments in venture capital funds (31 December 2017: HRK 3,700 thousand).

33. Audit of financial statements

The auditors of the Group's financial statements have provided services in 2018 in the amount of HRK 2,014 thousand plus value added tax (2017: HRK 2,167 thousand plus value added tax). The Company was provided services in the amount of HRK 1,140 thousand plus value added tax (2017: HRK 1,065 thousand plus value added tax). Services in 2018 and 2017 relate to the costs of the statutory audit of annual financial statements and related audit services.

During 2018, the auditor provided non-audit services comprising a financial, tax and IT due diligence of a targeted company, according to the needs of the Company.

34. Events after the balance sheet date

There were no significant events after the end of the reporting period.

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, 96/18) 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, 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 in section entitled "Reconciliation of the financial statements and supplementary statements for the Croatian Financial Services Supervisory Agency".

STATEMENT OF FINANCIAL POSITION as at 31 December 2018

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		27,168,186	27,168,186		27,374,679	27,374,679
002		1	Goodwill						
003		2	Other intangible assets		27,168,186	27,168,186		27,374,679	27,374,679
004	005+006+007	II	TANGIBLE ASSETS	1,678	474,800,382	474,802,060	6,411	452,704,877	452,711,288
005		1	Land and buildings used for business activities		435,944,520	435,944,520	1,805	418,753,349	418,755,154
006		2	Equipment	1,678	29,286,742	29,288,420	4,606	25,420,546	25,425,151
007		3	Other tangible assets and inventories		9,569,121	9,569,121		8,530,983	8,530,983
008	009+010+014+033	III	INVESTMENTS	2,692,294,347	4,833,920,055	7,526,214,402	2,766,323,141	4,729,651,948	7,495,975,088
009		A	Investments in land and buildings not used for business activities		414,922,600	414,922,600		333,932,265	333,932,265
010	011+012+013	B	Investments in subsidiaries, associates and participation in joint ventures		315,311,466	315,311,466		246,928,776	246,928,776
011		1	Shares and stakes in subsidiaries		281,623,173	281,623,173		213,240,483	213,240,483
012		2	Shares and stakes in associates		5,688,293	5,688,293		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	2,692,294,347	4,103,685,989	6,795,980,336	2,766,323,141	4,148,790,907	6,915,114,048
015	016+017	1	Held-to-maturity financial assets	1,238,341,475	834,672,421	2,073,013,896	1,296,119,235	745,529,073	2,041,648,308
016		1.1	Debt financial instruments	1,238,341,475	834,672,420	2,073,013,896	1,296,119,235	745,529,073	2,041,648,308
017		1.2	Other						
018	019+020+021+022	2	Financial assets available for sale	1,196,064,206	2,119,741,543	3,315,805,750	1,318,571,913	2,378,587,559	3,697,159,472
019		2.1	Equity financial instruments	16,398,199	419,006,914	435,405,113	8,289,296	371,921,137	380,210,433
020		2.2	Debt financial instruments	1,179,666,008	1,663,300,562	2,842,966,570	1,296,462,292	1,980,290,141	3,276,752,433
021		2.3	Shares in investment funds		37,434,066,570	37,434,067	13,820,324	26,378,281	40,196,605
022		2.4	Other						
023	024+025+026+027+028	3	Financial assets at fair value through profit or loss		81,594,547	81,594,547	256,116	169,995,891	170,252,007
024		3.1	Equity financial instruments		14,385,082	14,385,082		13,867,751	13,867,751
025		3.2	Debt financial instruments						
026		3.3	Derivative financial instruments		1,692,205	1,692,205	256,116	2,125,175	2,381,291
027		3.4	Shares in investment funds		65,517,261	65,517,261		154,002,965	154,002,965
028		3.5	Other						
029	030+031+032	4	Loans and receivables	257,888,665	1,067,677,478	1,325,566,143	151,375,877	854,678,384	1,006,054,261
030		4.1	Deposits with credit institutions	230,849,826	582,558,988	813,408,815	91,628,502	368,302,667	459,931,170
031		4.2	Loans	27,038,839	485,118,490	512,157,328	59,747,374	486,375,717	546,123,091
032		4.3	Other						
033		D	Deposits with cedent						
034		IV	INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDER	335,664,098		335,664,098	434,791,407		434,791,407
035	036+037+038+039+040+041+042	V	REINSURANCE SHARE IN TECHNICAL PROVISIONS	941	211,957,399	211,958,340	12,689	215,546,457	215,559,145
036		1	Unearned premiums, reinsurance share	941	28,307,977	28,308,919	929	55,298,066	55,298,996
037		2	Mathematical provisions for insurance, reinsurance share				11,759		11,759
038		3	Claims provisions, reinsurance share		183,649,422	183,649,422		160,248,391	160,248,391
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						
043	044+045	VI	DEFERRED AND CURRENT TAX ASSETS	511,319	101,824,377	102,335,697	2,112,506	82,781,917	84,894,424
044		1	Deferred tax assets	511,319	101,283,617	101,794,937	2,112,506	82,781,917	84,894,424
045		2	Current tax assets		540,760	540,760			
046	047+050+051	VII	RECEIVABLES	4,027,187	831,092,572	835,119,759	768,668	880,030,430	880,799,098
047	048+049	1	Receivables from insurance business	466,174	490,113,094	490,579,268	233,778	474,073,871	474,307,648
048		1.1	From policyholders		487,979,188	487,979,188		472,001,053	472,001,053
049		1.2	From agents or insurance brokers	466,174	2,133,906	2,600,080	233,778	2,072,817	2,306,595
050		2	Receivables from reinsurance business		29,773,156	29,773,156	629	34,684,196	34,684,826
051	052+053+054	3	Other receivables	3,561,013	311,206,322	314,767,336	534,261	371,272,363	371,806,624
052		3.1	Receivables from other insurance business		250,034,879	250,034,879		224,615,927	224,615,927
053		3.2	Receivables for returns on investments	686,245	4,755,792	5,442,037	269,845	6,007,637	6,277,482
054		3.3	Other receivables	2,874,769	56,415,651	59,290,419	264,416	140,648,800	140,913,216
055	056+060+061	VIII	OTHER ASSETS	9,131,112	39,349,548	48,480,660	11,820,028	343,820,427	355,640,455
056	057+058+059	1	Cash at bank and on hand	9,131,112	39,243,124	48,374,236	11,820,028	343,812,262	355,632,290
057		1.1	Funds in the business account		39,173,083	39,173,083		343,812,262	343,812,262
058		1.2	Funds in the account of assets covering mathematical provisions	9,131,112		9,131,112	11,820,028		11,820,028
059		1.3	Cash on hand		70,041	70,041			
060		2	Non-current assets held for sale and discontinued operations						
061		3	Other		106,424	106,424		8,165	8,165
062	063+064+065	IX	PREPAID EXPENSES AND ACCRUED INCOME		183,388,384	183,388,384		261,064,558	261,064,558
063		1	Accrued interest and rent						
064		2	Deferred acquisition costs		173,911,935	173,911,935		251,402,447	251,402,447
065		3	Other prepaid expenses and accrued income		9,476,449	9,476,449		9,662,111	9,662,111
066	001+004+008+034+035+043+046+055+062	X	TOTAL ASSETS	3,041,630,683	6,703,500,902	9,745,131,585	3,215,834,850	6,992,975,293	10,208,810,142
067		XI	OFF BALANCE-SHEET ITEMS	90,282,227	2,030,812,803	2,121,095,030	172,028,971	2,579,201,308	2,751,230,279

STATEMENT OF FINANCIAL POSITION as at 31 December 2018

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	293,205,091	2,276,676,234	2,569,881,326	314,109,856	2,497,114,378	2,811,224,234
069	070+071	1	Share capital	44,288,720	545,037,080	589,325,800	44,288,720	545,037,080	589,325,800
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>						
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	82,286,918	251,938,612	334,225,530	66,981,804	206,447,110	273,428,913
074		3.1	<i>Land and buildings</i>		53,747,701	53,747,701		50,649,941	50,649,941
075		3.2	<i>Financial assets available for sale</i>	82,286,918	198,190,911	280,477,829	66,981,804	155,797,169	222,778,973
076		3.3	<i>Other revaluation reserves</i>						
077	078+079+080	4	Reserves	84,708,412	315,741,826	400,450,237	85,295,937	316,742,639	402,038,576
078		4.1	<i>Legal reserves</i>	1,626,910	26,863,541	28,490,451	2,214,436	27,864,354	30,078,790
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	32,497,633	380,956,656	413,454,289	81,333,516	513,197,146	594,530,662
082		5.1	<i>Retained earnings</i>	32,497,633	380,956,656	413,454,289	81,333,516	513,197,146	594,530,662
083		5.2	<i>Accumulated loss (-)</i>						
084	085+086	6	Profit or loss for the period	49,423,409	101,519,535	150,942,944	36,209,879	234,207,878	270,417,757
085		6.1	<i>Profit for the period</i>	49,423,409	101,519,535	150,942,944	36,209,879	234,207,878	270,417,757
086		6.2	<i>Loss for the period (-)</i>						
087		XIII	MINORITY LIABILITIES (SUBORDINATED LIABILITIES)						
088		XIV	MINORITY INTEREST						
089	090+091+092+093+094+095	XV	TECHNICAL PROVISIONS	2,362,150,376	3,686,201,310	6,048,351,686	2,411,166,082	3,758,389,641	6,169,555,722
090		1	<i>Unearned premiums, gross amount</i>	4,383,691	1,055,177,086	1,059,560,777	4,345,475	1,135,019,493	1,139,364,968
091		2	<i>Mathematical provisions, gross amount</i>	2,318,423,035		2,318,423,035	2,337,954,488	29,250,666	2,367,205,154
092		3	<i>Claims provisions, gross amount</i>	38,651,481	2,586,443,042	2,625,094,523	68,866,119	2,558,582,619	2,627,448,737
093		4	<i>Provisions for bonuses and discounts, gross amount</i>		5,132,300	5,132,300		6,487,900	6,487,900
094		5	<i>Provisions for claims fluctuation, gross amount</i>		7,055,533	7,055,533		7,055,533	7,055,533
095		6	<i>Other technical provisions, gross amount</i>	692,170	32,393,348	33,085,518		21,993,430	21,993,430
096		XVI	SPECIAL PROVISIONS FOR LIFE INSURANCE WHERE THE POLICYHOLDER BEARS THE INVESTMENT RISK, gross amount	335,664,098		335,664,098	434,791,407		434,791,407
097	098+099	XVII	OTHER PROVISIONS	5,357,558	100,477,314	105,834,872	3,318,529	100,316,438	103,634,967
098		1	<i>Provisions for pensions and similar obligations</i>	5,357,558	95,961,565	101,319,123	3,063,589	95,800,689	98,864,278
099		2	<i>Other provisions</i>		4,515,749	4,515,749	254,941	4,515,749	4,770,689
100	101+102	XVIII	DEFERRED AND CURRENT TAX LIABILITY	18,062,982	64,853,915	82,916,897	14,703,323	65,710,341	80,413,664
101		1	<i>Deferred tax liabilities</i>	18,062,982	55,303,598	73,366,580	14,703,323	45,631,468	60,334,791
102		2	<i>Current tax liability</i>		9,550,317	9,550,317		20,078,873	20,078,873
103		XIX	DEPOSITS RETAINED FROM BUSINESS CEDED TO REINSURANCE						
104	105+106+107	XX	FINANCIAL LIABILITIES	298,762	13,950,346	14,249,108	221,051	17,068,879	17,289,930
105		1	<i>Loan liabilities</i>						
106		2	<i>Liabilities for issued financial instruments</i>						
107		3	<i>Other financial liabilities</i>	298,762	13,950,346	14,249,108	221,051	17,068,879	17,289,930
108	109+110+111+112	XXI	OTHER LIABILITIES	18,765,408	217,978,296	236,743,704	18,193,276	220,781,206	238,974,482
109		1	<i>Liabilities from direct insurance business</i>	6,535,120	83,610,812	90,145,932	4,692,105	81,962,574	86,654,679
110		2	<i>Liabilities from coinsurance and reinsurance</i>		54,067,073	54,067,073	15,735	58,462,070	58,477,804
111		3	<i>Liabilities for disposal and discontinued operations</i>						
112		4	<i>Other liabilities</i>	12,230,288	80,300,411	92,530,699	13,485,437	80,356,563	93,841,999
113	114+115	XXII	ACCRUED EXPENSES AND DEFERRED INCOME	8,126,407	343,363,487	351,489,894	19,331,326	333,594,411	352,925,736
114		1	<i>Deferred reinsurance commission</i>						
115		2	<i>Other accrued expenses and deferred income</i>	8,126,407	343,363,487	351,489,894	19,331,326	333,594,411	352,925,736
116	068+087+088+089+096+097+100+103+104+108+113	XXIII	TOTAL EQUITY AND LIABILITIES	3,041,630,683	6,703,500,902	9,745,131,585	3,215,834,850	6,992,975,293	10,208,810,142
117		XXIV	OFF-BALANCE-SHEET ITEMS	90,282,227	2,030,812,803	2,121,095,030	172,028,971	2,579,201,308	2,751,230,279

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

STATEMENT OF COMPREHENSIVE INCOME for the period 1 January 2018 – 31 December 2018

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)	533,583,877	1,624,018,279	2,157,602,155	564,701,246	1,891,293,812	2,455,995,057
002		1	Gross written premiums	533,540,915	1,929,781,438	2,463,322,353	564,731,193	2,213,513,248	2,778,244,440
003		2	Value adjustment and charged premium value adjustment	0	1,526,875	1,526,875	0	14,535,751	14,535,751
004		3	Premiums ceded to reinsurance (-)	51,507	-249,195,772	-249,144,265	-68,151	-287,648,933	-287,717,084
005		4	Change in gross provisions for unearned premiums (+/-)	-7,534	-67,872,754	-67,880,287	38,216	-76,096,343	-76,058,127
006		5	Change in provisions for unearned premiums, reinsurance share (+/-)	-1,011	9,778,492	9,777,480	-12	26,990,089	26,990,077
007	008+009+010+011+012+013+014	II	Investment income	143,134,968	450,896,466	594,031,434	130,366,642	352,229,318	482,595,960
008		1	Income from subsidiaries, associates and participation in joint ventures	96,749	28,430,517	28,527,265	377,051	39,653,208	40,030,260
009		2	Income from investments in land and buildings	0	226,149,944	226,149,944	0	111,576,849	111,576,849
010		3	Interest income	112,437,859	116,003,676	228,441,536	110,434,664	115,645,388	226,080,072
011		4	Unrealized gains on investments	0	3,718,037	3,718,037	256,116	2,643,240	2,899,356
012		5	Realised gains on investments	30,448,162	40,338,377	70,786,540	18,119,143	55,919,353	74,038,496
013		6	Net foreign exchange gains	0	0	0	0	0	0
014		7	Other investment income	152,197	36,255,915	36,408,113	1,179,648	26,791,280	27,970,927
015		III	Income from fees and commissions	1,276,222	34,138,410	35,414,632	2,066,850	37,956,139	40,022,989
016		IV	Other insurance - technical income, net of reinsurance	191,132	27,686,150	27,877,282	198,789	19,055,843	19,254,632
017		V	Other income	59,858	12,539,524	12,599,383	58,996	16,646,334	16,705,330
018	019+022	VI	Claims incurred, net	-334,108,436	-957,122,334	-1,291,230,771	-404,261,962	-1,046,531,553	-1,450,793,514
019	020+021	1	Settled claims	-330,988,823	-1,009,449,504	-1,340,438,327	-374,047,324	-1,059,690,782	-1,433,738,105
020		1.1	Gross amount (-)	-330,988,823	-1,089,641,861	-1,420,630,684	-374,047,324	-1,169,679,020	-1,543,726,343
021		1.2	Reinsurance share(+)	0	80,192,357	80,192,357	0	109,988,238	109,988,238
022	023+024	2	Change in claims provisions (+/-)	-3,119,613	52,327,170	49,207,556	-30,214,638	13,159,229	-17,055,409
023		2.1	Gross amount (-)	-3,119,613	34,357,467	31,237,854	-30,214,638	36,560,261	6,345,623
024		2.2	Reinsurance share(+)	0	17,969,703	17,969,703	0	-23,401,031	-23,401,031
025	026+029	VII	Change in mathematical and other technical provisions, net of reinsurance	30,635,764	7,265,655	37,901,419	-19,519,694	17,412,178	-2,107,516
026	027+028	1	Change in mathematical provisions (+/-)	31,327,933	0	31,327,933	-19,519,694	8,200,635	-11,319,060
027		1.1	Gross amount (-)	31,604,468	0	31,604,468	-19,531,454	8,200,635	-11,330,819
028		1.2	Reinsurance share(+)	-276,535	0	-276,535	11,759	11,759	0
029	030+031	2	Change in other technical provisions, net of reinsurance (+/-)	-692,170	7,265,655	6,573,485	0	9,211,544	9,211,544
030		2.1	Gross amount (-)	-692,170	7,265,655	6,573,485	0	9,211,544	9,211,544
031		2.2	Reinsurance share(+)	0	0	0	0	0	0
032	033+034	VIII	Change in special provisions for life insurance where the policyholder bears the investment risk, net of reinsurance (+/-)	-186,363,995	0	-186,363,995	-94,987,987	0	-94,987,987
033		1	Gross amount (-)	-186,363,995	0	-186,363,995	-94,987,987	0	-94,987,987
034		2	Reinsurance share(+)	0	0	0	0	0	0
035	036+037	IX	Expenses for premium returns (bonuses and discounts), net of reinsurance	0	-2,986,771	-2,986,771	0	-4,738,239	-4,738,239
036		1	Depending on the result (bonuses)	0	-2,986,771	-2,986,771	0	-4,738,239	-4,738,239
037		2	Irrespective of result (discounts)	0	0	0	0	0	0
038	039+043	X	Operating expenses (business expenditures), net	-114,805,743	-694,834,652	-809,640,395	-99,014,399	-793,433,978	-892,448,377
039	040+041+042	1	Acquisition costs	-57,454,309	-350,876,219	-408,330,528	-47,035,632	-439,388,515	-496,434,147
040		1.1	Commission	-25,886,500	-244,609,311	-270,495,811	-19,666,340	-329,739,890	-349,406,239
041		1.2	Other acquisition costs	-31,567,809	-169,682,636	-201,250,444	-27,369,293	-186,232,044	-213,601,327
042		1.3	Change in deferred acquisition costs (+/-)	0	63,415,728	63,415,728	0	76,573,420	76,573,420
043	044+045+046	2	Administration costs (administrative expenses)	-57,351,434	-343,958,433	-401,309,867	-51,978,766	-354,035,464	-406,014,230
044		2.1	Depreciation	-1,940,039	-38,574,719	-40,514,758	-2,861,003	-39,699,726	-42,560,728
045		2.2	Salaries, taxes and contributions from and on salaries	-21,565,282	-109,838,215	-131,404,477	-21,502,545	-123,136,704	-144,639,249
046		2.3	Other administrative expenses	-33,846,113	-195,544,500	-229,390,632	-27,615,219	-191,199,034	-218,814,253
047	048+049+050+051+052+053+054	XI	Investment expenses	-14,350,825	-333,153,721	-347,504,546	-37,785,772	-157,769,037	-195,554,809
048		1	Depreciation of land and buildings not intended for business activities	0	0	0	0	0	0
049		2	Interest	0	-52	-52	-11,362	-1,113,246	-1,124,608
050		3	Impairment of investments	0	-21,097,028	-21,097,028	-452,538	-40,381,761	-40,834,299
051		4	Realised losses on investments	-4,814,318	-11,411,077	-16,225,395	-3,811,436	-7,599,102	-11,410,538
052		5	Unrealised losses on investments	-298,762	-1,700,344	-1,999,106	-34,429	-3,585,027	-3,619,456
053		6	Net foreign exchange losses	-8,217,600	-14,018,282	-22,235,882	-32,211,093	-13,705,198	-45,916,291
054		7	Other investment expenses	-1,020,145	-284,926,337	-285,947,081	-1,264,915	-91,384,702	-92,649,617
055	056+057	XII	Other technical expenses, net of reinsurance	-497,365	-25,182,784	-25,680,149	-54,988	-31,433,179	-31,488,167
056		1	Prevention activities expenses	0	0	0	0	0	0
057		2	Other technical expenses of insurance	-497,365	-25,182,784	-25,680,149	-54,988	-31,433,179	-31,488,167
058		XIII	Other expenses, including value adjustments	-10,696	-17,484,239	-17,494,935	0	-17,377,235	-17,377,235
059	001+007+015+016+017+018+025+032+035+038+047+055+058	XIV	Profit or loss for the period before tax (+/-)	58,744,761	125,779,983	184,524,744	41,767,720	283,310,404	325,078,124
060	061+062	XV	Income or loss tax	-9,321,352	-24,260,447	-33,581,799	-5,557,841	-49,102,526	-54,660,367
061		1	Current tax expense	-7,482,539	-12,249,308	-19,731,847	-7,159,028	-30,917,949	-38,076,977
062		2	Deferred tax expense (income)	-1,838,813	-12,011,139	-13,849,952	1,601,187	-18,184,576	-16,583,390
063	059+060	XVI	Profit or loss for the period after tax (+/-)	49,423,409	101,519,535	150,942,944	36,209,879	234,207,878	270,417,757
064		1	Attributable to equity holders of the parent company	0	0	0	0	0	0
065		2	Attributable to non-controlling interest	0	0	0	0	0	0
066	001+007+015+016+017+062	XVII	TOTAL INCOME	676,407,244	2,137,267,690	2,813,674,934	698,993,709	2,298,996,870	2,997,990,579
067	018+025+032+035+038+047+055+058+061	XVIII	TOTAL EXPENSE	-626,983,835	-2,035,748,155	-2,662,731,990	-662,783,830	-2,064,788,992	-2,727,572,822
068	069+070+071+072+073+074+075+076	XIX	Other comprehensive income	24,739,234	69,037,853	93,777,088	-15,305,114	-45,759,719	-61,064,834
069		1	Gains / losses on translation of financial statements of foreign operations	0	0	0	0	-1,277	-1,277
070		2	Gains / losses on revaluation of financial assets available for sale	30,169,798	88,451,191	118,620,989	-18,664,774	-53,199,877	-71,864,651
071		3	Gains / losses on revaluation of land and buildings intended for business activities	0	-4,258,687	-4,258,687	0	-2,603,101	-2,603,101
072		4	Gains / losses on revaluation of other tangible (except for land and buildings) and intangible assets	0	0	0	0	0	0
073		5	Effects of cash flow hedging instruments	0	0	0	0	0	0
074		6	Actuarial gains / losses on defined benefit pension plans	0	0	0	0	0	0
075		7	Share in other comprehensive income of associates	0	0	0	0	0	0
076		8	Income tax on other comprehensive income	-5,430,564	-15,154,651	-20,585,214	3,359,659	10,044,536	13,404,195
077	078+079	XX	Total comprehensive income	74,162,643	170,557,389	244,720,032	20,904,764	188,448,159	209,352,923
078		1	Attributable to equity holders of the parent company	0	0	0	0	0	0
079		2	Attributable to non-controlling interest	0	0	0	0	0	0
080		XXI	Reclassification adjustments	0	0	0	0	0	0

STATEMENT OF CASH FLOWS (INDIRECT METHOD) for the period 1 January 2018 – 31 December 2018

In HRK

Position No.	Sum elements	Position marking	Position description	Current period	Previous period
001	002+013+031	I	CASH FLOW FROM OPERATING ACTIVITIES	107,830,957	-164,525,863
002	003+004	1	Cash flow before changes in operating assets and liabilities	125,617,128	61,686,454
003		1.1	Profit/loss before tax	325,078,124	184,524,744
004	005+006+007+008+009+010+011+012	1.2	Adjustments:	-199,460,995	-122,838,289
005		1.2.1	Depreciation of property and equipment	28,251,452	30,054,038
006		1.2.2	Amortization	14,309,276	10,460,720
007		1.2.3	Impairment and gains/losses on fair valuation	32,406,997	94,561,538
008		1.2.4	Interest expense	1,124,608	52
009		1.2.5	Interest income	-226,080,072	-228,441,536
010		1.2.6	Share in profit of associates		
011		1.2.7	Gains/losses on sale of tangible assets (including land and buildings)	-13,916,185	438,889
012		1.2.8	Other adjustments	-35,557,071	-29,911,990
013	014+015+...+030	2	Increase/decrease in operating assets and liabilities	9,796,677	-208,635,389
014		2.1	Increase/decrease in investments available for sale	-274,267,880	-860,961,195
015		2.2	Increase/decrease in investments valued at fair value through profit or loss	-89,240,656	167,577,148
016		2.3	Increase/decrease in loans and receivables	346,094,877	509,352,343
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	-99,127,310	-197,312,934
019		2.6	Increase/decrease in reinsurance share in technical provisions	-3,600,805	-27,470,648
020		2.7	Increase/decrease in tax assets	317,123	-46,818
021		2.8	Increase/decrease in receivables	36,826,777	67,752,626
022		2.9	Increase/decrease in other assets	540,760	2,194,735
023		2.10	Increase/decrease in prepaid expenses and accrued income	-76,759,081	-63,922,078
024		2.11	Increase/decrease in technical provisions	71,139,610	-1,535,520
025		2.12	Increase/decrease in technical provisions for life insurance when the policyholder bears the investment risk	99,127,310	197,312,934
026		2.13	Increase/decrease in tax liabilities	-374,745	-14,822,665
027		2.14	Increase/decrease in deposits retained from business ceded to reinsurance		
028		2.15	Increase/decrease in financial liabilities	1,916,214	1,999,056
029		2.16	Increase/decrease in other liabilities	-2,767,510	-13,561,165
030		2.17	Increase/decrease in accrued expenses and deferred income	-28,007	24,808,791
031		3	Income tax paid	-27,582,848	-17,576,928
032	033+034+...+046	II	CASH FLOW FROM INVESTING ACTIVITIES	154,392,548	125,444,880
033		1	Proceeds from sale of tangible assets	2,276,088	1,010,170
034		2	Purchases of tangible assets	-20,128,840	-33,729,154
035		3	Proceeds from sale of intangible assets		
036		4	Purchases of intangible assets	-13,559,232	-14,502,788
037		5	Proceeds from the sale of land and buildings not used for business activities	30,651,520	10,531,166
038		6	Purchase of land and buildings not used for business activities	-1,017,205	-950,933
039		7	Increase/decrease in investments in subsidiaries, associates and participation in joint ventures	-230,106	-57,287,143
040		8	Proceeds from held-to-maturity investments	448,510,330	389,894,140
041		9	Payments for held-to-maturity investments	-339,343,206	-249,693,346
042		10	Proceeds from sale of securities and shares		
043		11	Payments for investments in financial instruments		
044		12	Proceeds from dividends and share in profit	39,267,885	27,776,854
045		13	Proceeds from repayment of given short-term and long-term loans	101,776,873	108,718,101
046		14	Payments for given long-term and short-term loans	-93,811,561	-56,322,186
047	048+049+050+051+052	III	CASH FLOW FROM FINANCING ACTIVITIES	-980,000	-980,000
048		1	Proceeds from share capital increase		
049		2	Proceeds from received short-term and long-term loans		
050		3	Repayment of short-term and long-term loans		
051		4	Purchase of treasury shares		
052		5	Payment of shares in profit (dividends)	-980,000	-980,000
053	001+032+047		NET CASH FLOW	261,243,504	-40,060,983
054		IV	EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	45,916,291	22,235,883
055	053+054	V	NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	307,159,795	-17,825,099
056		1	Cash and cash equivalents at beginning of period	48,480,660	66,305,759
057	055+056	2	Cash and cash equivalents at end of period	355,640,455	48,480,660

STATEMENT OF CHANGES IN EQUITY for the period 1 January 2018 – 31 December 2018

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		
I.	Balance at 1 January of 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
1.	Changes in accounting policies	-12,250,000						-12,250,000	-12,250,000
2.	Correction of prior periods errors								
II.	Balance at 1 January of previous year (restated)	589,325,800	681,482,525	228,528,456	397,873,836	92,532,388	51,528,025	2,041,271,031	2,041,271,031
III.	Comprehensive income or loss of the previous 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 previous 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								
IV.	Transactions with owners (previous period)			11,919,987	2,576,401	320,921,900	-51,528,025	283,890,263	283,890,263
1.	Increase/decrease in 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
V.	Balance at the last day of the reporting period in the previous year	589,325,800	681,482,525	334,225,530	400,450,237	413,454,289	150,942,944	2,569,881,326	2,569,881,326
VI.	Balance at 1 January of current year	589,325,800	681,482,525	334,225,530	400,450,237	413,454,289	150,942,944	2,569,881,326	2,569,881,326
1.	Changes in accounting policies								
2.	Correction of prior periods errors								
VII.	Balance at 1 January of current year (restated)	589,325,800	681,482,525	334,225,530	400,450,237	413,454,289	150,942,944	2,569,881,326	2,569,881,326
VIII.	Comprehensive income or loss of the current year			-61,064,834			270,417,757	209,352,923	209,352,923
1.	Profit or loss for the period						270,417,757	270,417,757	270,417,757
2.	Other comprehensive income or loss of the current year			-61,064,834				-61,064,834	-61,064,834
2.1.	Unrealized gains or losses from tangible assets (land and buildings)			-2,134,543				-2,134,543	-2,134,543
2.2.	Unrealized gains or losses from financial assets available for sale			-24,818,074				-24,818,074	-24,818,074
2.3.	Realized gains or losses from financial assets available for sale			-34,110,939				-34,110,939	-34,110,939
2.4.	Other non-owner changes in equity			-1,277				-1,277	-1,277
IX.	Transactions with owners (current period)			268,217	1,588,339	181,076,374	-150,942,944	31,989,985	31,989,985
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			268,217	1,588,339	181,076,374	-149,962,944	32,969,985	32,969,985
X.	Balance at the last day of the reporting period in the current year	589,325,800	681,482,525	273,428,913	402,038,576	594,530,662	270,417,757	2,811,224,234	2,811,224,234

Reconciliation of the financial statements and statements for the Croatian Financial Services Supervisory Agency

The reconciliation between the financial statements 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 below.

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Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

1. Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA the format and the format of the financial statements prepared in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	5	Basic financial statements	
Position description	HRK '000						HRK '000	HRK '000
Earned premiums (recognised in revenue)	2,455,995						2,455,995	Net earned premiums
Gross written premiums	2,778,244							
Impairment and collected premium impairment	14,536							
Premiums ceded to reinsurance (-)	(287,717)							
Change in gross provisions for unearned premiums (+/-)	(76,058)							
Change in provision for unearned premiums, reinsurance share (+/-)	26,990							
Investment income	482,596	12,695	(77,968)				417,322	Net income from investments
Income from subsidiaries, associates and joint ventures	40,030							
Income from investments in land and buildings	111,577		(77,968)					
Interest income	226,080							
Unrealised gain on investments	2,899							
Realised gain on investments	74,038							
Net foreign exchange gains	-	12,695						
Other investment income	27,971							
Income from commissions and fees	40,023						40,023	Income from commissions and fees
Other insurance-technical income, net of reinsurance	19,255			(19,255)				
Other income	16,705			19,255	(7,134)		28,826	Other operating income
Net claims incurred	(1,450,794)					(101,834)	(1,552,627)	Claims incurred
Settled claims	(1,433,738)							
Gross amount (-)	(1,543,726)							
Reinsurer's share (+)	109,988							
Change in claims provisions (+/-)	(17,055)							
Gross amount (-)	6,346							
Reinsurer's share (+)	(23,401)							
Change in mathematical provision and other technical provisions, net of reinsurance	(2,108)					2,108		
Change in mathematical provision (+/-)	(11,319)							
Gross amount (-)	(11,331)							
Reinsurer's share (+)	12							
Change in other technical provisions, net of reinsurance (+/-)	9,212							
Gross amount (-)	9,212							
Reinsurer's share (+)	-							
Special provisions for unit-linked life insurance group, net of reinsurance (+/-)	(94,988)					94,988		
Gross amount (-)	(94,988)							
Reinsurer's share (+)	-							
Expenditures for return of premium (bonuses and rebates), net of reinsurance	(4,738)					4,738		
Depending on the result (bonuses)	(4,738)							
Not depending on the result (rebates)	-							
Operating expenditures (for business operations), net	(892,448)				(1,320)			
Acquisition costs	(486,434)						(486,434)	Acquisitions costs
Commission	(349,406)							
Other acquisition costs	(213,601)							
Change in deferred acquisition costs (+/-)	76,573							
Administration costs (administrative excenses)	(406,014)				(1,320)		(407,334)	Administration costs
Depreciation charge	(42,561)							
Salaries, taxes and contributions from and on salaries	(144,639)							
Other administrative expenses	(218,814)				(1,320)			
Investment charges	(195,555)	(12,695)	77,968				(130,281)	Finance costs
Depreciation of land and buildings not intended for business operations of the company	-							
Interest expense	(1,125)							
Impairment of investments	(40,834)							
Relaised losses on investments	(11,411)							
Unrealised losses on investments	(3,619)							
Net foreign exchange losses	(45,916)	(12,695)						
Other investment costs	(92,650)		77,968					
Other technical expenses, net of reinsurance	(31,488)			31,488				
Expenses for preventive operations	-							
Other technical expenses of insurance	(31,488)			31,488				
Other expenses, including value adjustments	(17,377)			(31,488)	8,454		(40,412)	Other operating expenses
Profit or loss for the accounting period before tax (+/-)	325,078	-	-	-	-	-	325,078	Profit/loss before tax
Income tax or loss	(54,660)						(54,660)	Income tax
Current tax expense	(38,077)							
Deferred tax expense (income)	(16,583)							
Profit or loss for the accounting period after tax (+/-)	270,418						270,418	Profit/loss for the period

Reconciliation of the statement of comprehensive income prepared in accordance with the HANFA format and the format of these financial statements (continued)

1. Foreign exchange differences are recorded on a net basis,
2. Income and expenses from the sale of land and buildings are recorded on a net basis,
3. Reclassification of other insurance and technical income to other operating income and other operating expenses,
4. Reclassification of other expenses and other technical costs to other operating expenses,
5. The change in mathematical provision, special provision for life assurance policies where the policyholder bears the risk of insurance and expenditure for return of premium (bonuses and rabates) is recorded within claims incurred, net of reinsurance and coinsurance

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Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

2. Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the financial statements in accordance with the IFRS reporting framework

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	Basic financial statements	
Position description	HRK'000					HRK'000	Position description
INTANGIBLE ASSETS	27,375					27,375	Intangible assets
Goodwill							
Other intangible assets	27,375						
TANGIBLE ASSETS	452,711				(384)	452,327	Property and equipment
Land and buildings intended for company business operations	418,755						
Equipment	25,425						
Other tangible assets and inventories	8,531				(384)		
INVESTMENTS	7,495,975	434,791	(14,082)				
Investments in land and buildings not intended for company business operations	333,932					333,932	Investment property
Investments in subsidiaries, associates and joint ventures	246,929					246,929	Investments in subsidiaries associates and joint ventures
Shares and stakes in subsidiaries	213,240						
Shares and stakes in associates	5,688						
Shares and stakes in joint ventures	28,000						
Financial assets	6,915,114	434,791	(14,082)				
Held-to-maturity financial assets	2,041,648					2,041,648	Held to maturity investmets
Debt financial instruments	2,041,648,31						
Other							
Available-for-sale financial assets	3,697,159					3,697,159	Available-for-sale financial assets
Equity financial instruments	380,210						
Debt financial instruments	3,276,752						
Shares in investment funds	40,197						
Other							
Financial assets at fair value through profit or loss	170,252	434,791				605,043	Financial assets at fair value through profit or loss
Equity financial instruments	13,868						
Debt financial instruments							
Derivative financial instruments	2,381						
Shares in investment funds	154,003	434,791					
Other							
Loans and receivables	1,006,054		(14,082)			991,972	Loans and receivables
Deposits with credit institutions	459,931		(14,082)				
Loans	546,123						
Other							
Deposits with cedent							
INVESTMENTS FOR THE ACCOUNT AND RISK OF LIFE INSURANCE POLICYHOLDERS	434,791	(434,791)					
REINSURER'S SHARE IN TECHNICAL PROVISIONS	215,559					215,559	Reinsurers' share in insurance contract provisions
Provision for unearned premiums, reinsurance share	55,299						
Mathematical provisions, reinsurance share	12						
Claims provisions, reinsurer's share	160,248						
Provisions for bonuses and discounts, reinsurer's share							
Equalisation provisions, reinsurer's share							
Other technical provisions, reinsurance share							
Special provision for unit-linked life insurance group, reinsurer's share							
DEFERRED AND CURRENT TAX ASSETS	84,894			(60,335)			
Deferred tax assets	84,894			(60,335)		24,560	Current tax assets
Current tax assets							
RECEIVABLES	880,799			(9,154)	10,054	881,700	Insurance contracts and other receivables
Receivables from insurance business	474,308						
From policyholders	472,001						
From insurance agents, or insurance brokers	2,307						
Reinsurance receivables	34,685						
Other receivables	371,807			(9,154)	10,054		
Receivables from other insurance business	224,616						
Receivables for income from investments	6,277						
Other receivables	140,913			(9,154)	10,054		
Other receivables	355,640		14,082		(8)		
Cash at bank and in hand	355,632		14,082			369,714	Cash and cash equivalents
Funds in the business account	343,812		14,082				
Funds in the account of assets backing mathematical provision	11,820						
Cash on hand							
Non-current assets held for sale and discontinued operation							
Other	8				(8)		
PREPAID EXPENSES AND ACCRUED INCOME	261,065				(9,662)	251,403	
Deferred interest and rent							
Deferred acquisition costs	251,403					251,403	Deferred acquisition costs
Other prepayments and accrued income	9,662				(9,662)		
TOTAL ASSETS	10,208,810	-	-	(69,489)	-	10,139,321	Total assets
OFF-BALANCE-SHEET ITEMS	2,751,230						

Reconciliation of the statement of financial position prepared in accordance with the HANFA format and the format of the financial statements prepared in accordance with the IFRS reporting framework (continued)

1. Investments held on account and at risk of unit-linked life assurance policyholders is recorded together with financial assets at fair value through profit or loss,
2. Deposits with contractual maturity up to 3 months are recorded together with cash and cash equivalents,
3. Deferred tax assets and liabilities are recorded on a net basis in the Basic financial statements, while internal receivables are offset with corresponding liabilities,
4. Inventories, other assets and prepaid expenses and accrued income are recorded together with insurance receivables and other receivables.

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Reconciliation of the financial statements and statements for the Croatian Financial Services
Supervisory Agency

Report for the Croatian Financial Services Supervisory Agency		1	2	3	4	Temeljni financijski izvještaji	
Position description	HRK'000					HRK'000	Position description
CAPITAL AND RESERVES	2,811,223						
Subscribed share capital	589,326					589,326	Share capital
Paid-up capital - ordinary shares	589,326						
Paid-up capital - preference shares							
Issued shares premiums (capital reserves)	681,483					681,483	Issued shares premiums
Revaluation reserves	273,429					273,429	Revaluation reserves
Land and buildings	50,650						
Financial assets available-for-sale	222,779						
Other revaluation reserves							
Reserves	402,038					402,038	Reserves
Legal reserves	30,079						
Statutory reserves	147,220						
Other reserves	224,739						
Retained profit or transferred loss	594,531	270,418				864,948	Retained profit
Retained profit	594,531	270,418					
Accumulated loss (-)							
Profit or loss for the current accounting period	270,418	(270,418)					
Profit for the current accounting period	270,418	(270,418)					
Loss for the current accounting period (-)							
SUBORDINATED LIABILITIES							
NON-CONTROLLING INTEREST							
TECHNICAL PROVISIONS	6,169,556		434,791			6,604,347	Insurance contract provisions
Provisions for unearned premiums, gross amount	1,139,365						
Mathematical provisions, gross amount	2,367,205						
Claims provisions, gross amount	2,627,449						
Provisions for bonuses and discounts, gross amount	6,488						
Equalisation provisions, gross amount	7,056						
Other technical provisions, gross amount	21,993						
SPECIAL PROVISIONS FOR UNIT-LINKED LIFE INSURANCE GROUP, gross amount	434,791		(434,791)				
OTHER PROVISIONS	103,635			-	(4,771)		
Provisions for pensions and similar liabilities	98,864					98,864	Provisions
Other provisions	4,771				(4,771)		
DEFERRED AND CURRENT TAX LIABILITY	80,414			(60,335)			
Deferred tax liability	60,335			(60,335)			
Current tax liability	20,079					20,079	Current tax liability
DEPOSIT RETAINED FROM BUSINESS CEDED TO REINSURANCE							
FINANCIAL LIABILITIES	17,290					17,290	Financial liabilities
Borrowings							
Issued financial instruments payable							
Other financial liabilities	17,290						
OTHER LIABILITIES	238,974			(9,154)	357,696	587,517	Insurance contracts and other payables and deferred income
Liabilities from direct insurance business	86,655						
Liabilities from co-insurance and reinsurance business	58,478						
Liabilities for sale and discontinued operation							
Other liabilities	93,842			(9,154)	357,696		
ACCRUED EXPENSES AND DEFERRED INCOME	352,926				(352,926)		
Deferred reinsurance commission							
Other accrued expenses and deferred income	352,926				(352,926)		
TOTAL EQUITY AND LIABILITIES	10,208,810	-	-	(69,489)	-	10,139,321	Total equity and liabilities
OFF-BALANCE-SHEET ITEMS	2,751,230						

1. Profit or loss for the current accounting period is presented together with retained earnings in the financial statements prepared in accordance with the IFRS reporting framework ,
2. A special provision for unit-linked life insurance group, gross amount is recorded within Technical provision,
3. Deferred tax assets and liabilities are offset in the basic financial statements, Internal liabilities are offset with corresponding receivables in the Basic financial statements,
4. Other provisions, accrued expenses and deferred income are recorded in the financial statements prepared in accordance with the IFRS reporting framework within Insurance and other liabilities,provisions and deferred income.

Statement of cash flow

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 financial statements prepared in accordance with the IFRS reporting framework 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 basic 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 basic financial statements it is presented under Retained earnings.